



# WP2 National Reports

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## *The National Governance of Integrated Social Cohesion Policy*

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## **WP2: The National Governance of Integrated Social Cohesion Policy**

### **France National Report**

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After the Second World War, employment policies in France were aimed at securing full employment. Facing major restructuring, the government tried to implement policies enabling people to deal with these changes. It is in this context that the unemployment insurance was created in 1958. At that time, the main concern of the State was to have an adequate workforce and thus, was not linked to potential economical crisis and its consequences in terms of employment.

However, unemployment increased at the end of the 70's and introduced a new kind of poverty. This poverty did not only reach people who were legitimately out of work, such as older or disabled people, but it also reached an increasing part of the potentially active population: the unemployed and those facing exclusion. To deal with this increasing unemployment, the government set up an intervention policy on the labour market and on the population. What kind of measures was implemented and how were they governed? What was the dynamic established at the end of the XXth century?

First of all, it is important to point out that, during the 70's and the 80's, most of the implemented reforms in this field were managed by the State (even though some exceptions should be noticed, such as the implementation of *Missions Locales* in 1982 (local employment offices targeting young people)). However, in 1982-1983 the first threshold of French decentralisation was crossed. It enabled territorial authorities to administrate themselves. These laws also made regions the local authority. The transfer of competences to communes, departments and regions was planned through the creation of competences blocks. These blocks were supposed to be managed by the most relevant authority. However, their distribution was not easy, as some competences are relevant to multiple authorities. This difficulty to divide them up resulted in the establishment of some common competences. These laws were implemented at the time when social issues faced many changes, notably in terms of the rise of a so-called “social exclusion”. This required partnerships between local authorities regarding some of these competences blocks (Lafore, 2003). Finally, these laws created a *fonction publique territoriale* (local public service). Thus, it reveals that in a context of territorialisation, employment issues are mainly still under the competence of the State.

An analysis of the measures which were put into effect at that time reveals two main kinds of policies: policies aimed at promoting employment as well as policies targeting the employment of specific groups (affirmative actions). Indeed, in the beginning, the need to foster employment for those who were the furthest away from work was the priority. This took the shape of specific support for young people, occupational trainings, redeployment etc. Then, long-term unemployment increased and the government realised that not only did it matter to support the unemployed, but also was it important to foster job opportunities (Berthet, Guilleton, 2005: 52). For example, pre-retirement was largely used in order to remove some groups from the active population.

Hence, to deal with the new challenges in the field of employment and social cohesion, the

focus was put on the rise of vulnerable categories within the active population, the concept of 'insertion'<sup>1</sup>, and on job creation.

Until 1988, social benefits were targeting people with special needs or inadequate resources. The benefit they received was aimed to compensate for their situation, and for the specificity that made them unable to work (age, health, etc.). The existing social benefits included: the lone parents allowance (*allocation de parent isolé API*), the disabled adult allowance (*allocation aux adultes handicapés AAH*), the specific solidarity allowance (*allocation de solidarité spécifique ASS*), the inclusion allowance (*allocation d'insertion*), the widowhood allowance (*allocation veuvage*), the minimum income for older people (*minimum vieillesse*) and finally the additional invalidity allowance (*allocation supplémentaire d'invalidité*). In 1988, the Prime Minister Michel Rocard presented the law establishing the minimum income scheme (*revenue minimum d'insertion RMI*), which promoted a universal benefit scheme over a principle of specialty (Barbier, 2006). Indeed, it aimed to abolish the gap between people able to work and those unable to work. The RMI also introduced an '*insertion contract*' which established an inclusion plan dealing notably with health and housing issues as well as employment and training. In the context of rising unemployment in the country in the 1990's, the RMI quickly became one of the main measures of the French welfare system.

During the 90's, measures aimed at fostering job creation were launched. These measures included a decrease of social contributions, which used to finance most of the social protection system, policies promoting part time jobs etc. The focus was thus put more on promoting job creation and less on activating the unemployed. In order to widen the financing of social protection, the government created a generalised social contribution in 1990 (*CSG – contribution sociale généralisée*).

Until 2000, the French government has not really tried to set up a punitive approach for the unemployed who were not actively seeking a job (even though unemployed were expected to). France acted as a last-resort employer in order to avoid even higher unemployment. However, even if subsidised jobs established during these years managed to enable a transition towards standard jobs, most beneficiaries stayed in the subsidised jobs or precarious ones. Nevertheless, activation seemed to be slowly implemented in employment and social cohesion policies. The overall analysis

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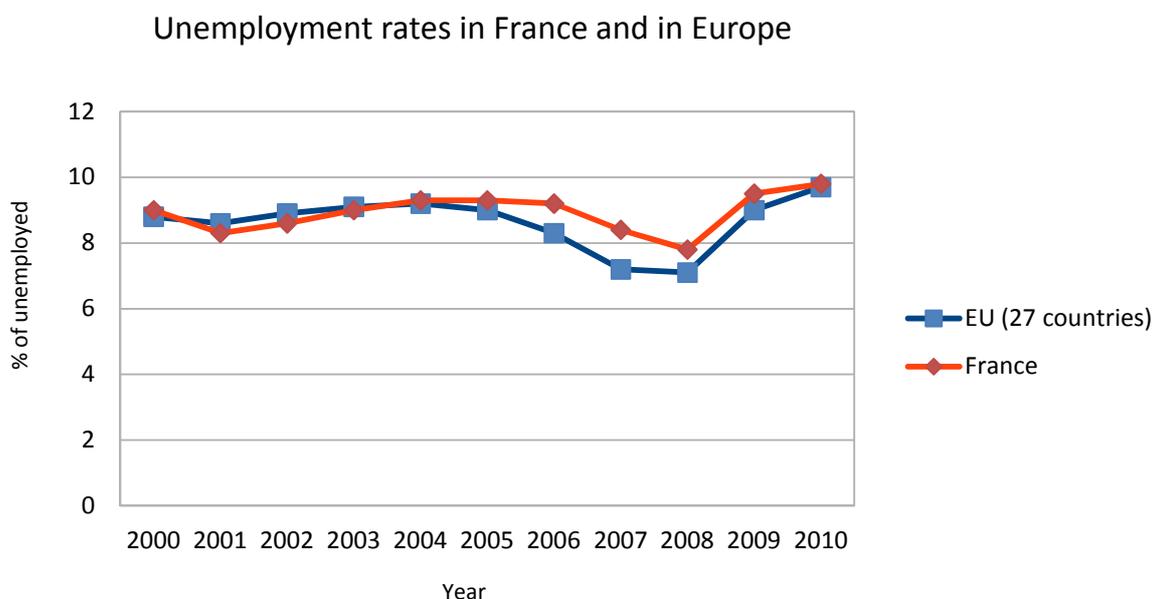
<sup>1</sup> Barbier explains that the concept of *insertion* is hard and complex to translate. He defines it as a “separate sector of public intervention, which gradually emerged as an ‘intermediate’ area between traditional social policy and traditional labour market programmes” (Barbier, 2000). According to him, programmes based on *insertion* can be seen as the beginning of a french activation (Barbier, 2006).

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brings to light a hybrid system caught between a universal and a liberal system (Barbier, 2006), also presented as a “Bimarckian / Beveridgean welfare mix” (Barbier, 2000). Even though most of the academics seem to agree that at this stage, the liberal system was more likely to take over the universal one.

The previous brief introduction on employment and social cohesion national policies before the XIXth century has already set up the context. It will help to understand the last decade and the current situation. This will be presented and analysed throughout this paper with a focus on the national multi level, multi stakeholder and multi dimensional approach.

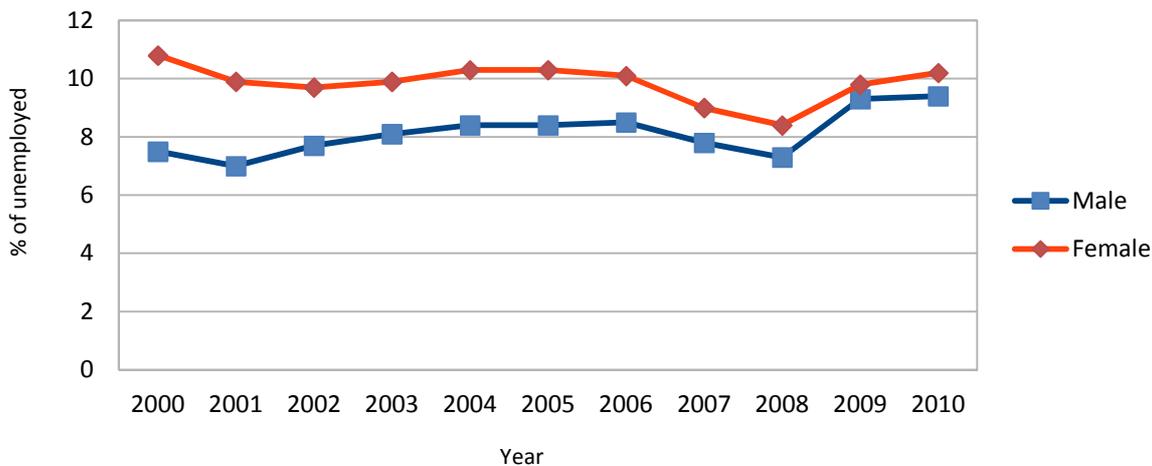
This period - from 2000 to present – was shaped by political changes, a fluctuating unemployment that has strongly increased over the last years (see below), several new employment policies and the current economic crisis.



*Source: Eurostat*

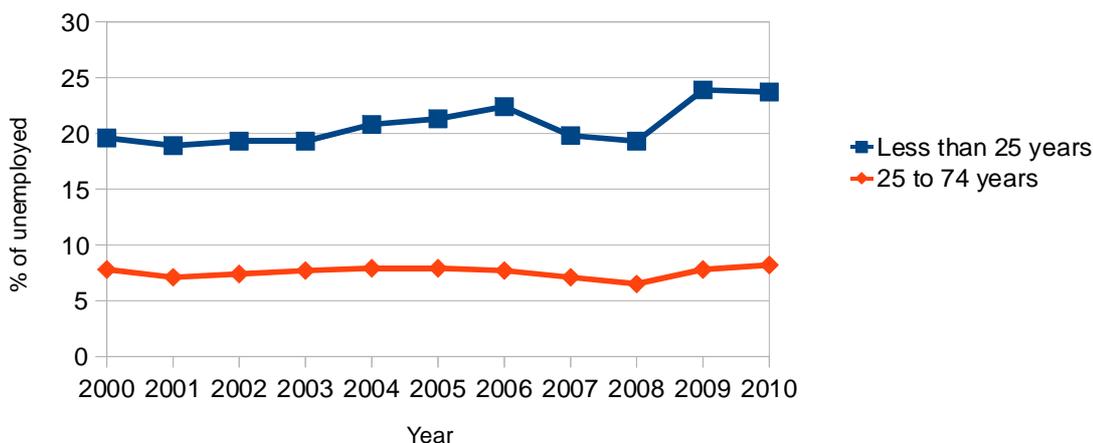
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### Unemployment Rate gender based



Source: Eurostat

### Unemployment rate young people



Source: Eurostat

We noticed that activation was introduced - although still weak - before the XXIst century. However, measures established at the end of the 90's reveal a clear will to foster it. What were the social cohesion and employment policies that were implemented during the last decade? How did France managed the new challenges and what kind of governance was and is promoted? These are the questions that will be addressed in the paper.

## **Institutional context and policy fields: Current main characteristics of employment in France**

The last decade has been notably shaped by the reinforcement of activation policies. However, even though incentives were promoted and the importance of actively seeking a job have been promoted, the way France deals with the need for a multi level, multi dimensional and multi stakeholder approach seem to be unsure. That is the main point that will be detailed in the following part. What are the levels, the policy fields and the actors at stake in terms of employment and social cohesion policies?

At first, it should be remembered that the unemployment rate in France has reached 9,9% in September 2011, but remains close to the 27 EU's countries average (9,7%). In France, youngsters clearly appear as a vulnerable category, as their unemployment rate has constantly remained above the European average during the last decade (see above figure). However, the adult unemployment situation shows no difference with France's European neighbours.

According to OECD statistics, the long-term unemployment rate remained stable (around 40%) during the last decade. The employment rate of 64% is also close to the OECD and EU's average. The average age of retirement (60) is clearly inferior to the EU's average (61,4 years). Finally, the part time workers' rate in France is under the European average rate whereas the short-term contract employee's rate is one point above the European rate.

### **A. Employment policies: main organizational characteristics**

Since WWII, the field of employment policy fall within the competence of the national state; but it relies on the contribution of a large number of organisations regarding its implementation. A recent parliamentary report<sup>2</sup> has identified no less than 85 different kinds of institutions dedicated to labour, employment and training policies. In sum, the governance of the employment policy is a complex and multi-stakeholders task.

The public authority in charge of employment policy is the labour, employment and health Ministry (actual minister Xavier Bertrand) and its public agencies. The main administrative units

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<sup>2</sup> Assemblée nationale, *Rapport d'information déposé par la Commission des affaires sociales en conclusion des travaux de la mission sur la flexicurité à la française* (rapporteur Pierre Morange), 28 avril 2010.

concerned are (NUTS1):

- The *Délégation générale à l'emploi et à la formation professionnelle* (DGEFP),
- The *Direction de l'animation, de la recherche, des études et de la statistique* (DARES)
- The *Direction de l'administration générale et de la modernisation des services* (DAGEMO).

The local administrative units in charge of implementing the employment policy are:

- At the regional level (NUTS2): the *Directions Régionales des Entreprises, de la Concurrence, de la Consommation, du Travail et de l'Emploi* (DIRRECTE)
- At the local level (NUTS3): the ministry's territorial.

Two main public agencies are contributing to the implementation of specific tasks: *Pôle emploi* and *Association pour la formation professionnelle des adultes* (AFPA public agency for professional training). *Pôle emploi* is in charge of career guidance, placement and payment of the job seekers, while the AFPA provides training courses and Prior Learning Assessment. Created by merging the former Agence nationale pour l'emploi (ANPE) and the unemployment insurance (UNEDIC), *Pôle Emploi* deals with adults (above 25). It outsources youngsters - aged between 16 and 25 - to the *mission locale* network, and the disabled to the *Cap emploi* network.

Concerning ALMP, the public expertise is provided by a series of public bodies such as:

- the *DARES*, the *Institut national des statistiques et des études économiques* (INSEE),
- the *Conseil d'Orientation pour l'Emploi* (COE), t
- the *Conseil d'analyse stratégique* (CAS),
- the *Centre d'études de l'emploi* (CEE),
- the *Centre d'études et de recherches sur les qualifications* (CEREQ)
- and the *Conseil de l'emploi, des revenus et de la cohésion sociale* (CERC).

The role of social partners regarding employment policies has increased during the last few years. The French government has fostered a stronger involvement of social partners in labour market reforms. This approach can be explained by the promotion of a new decision-making process based on the negotiation of national intersectoral agreement (ANI) prior to any legislative action. It has led to the signature of 5 ANI during the years 2008-2009, which have been immediately translated into French law. However, this negotiation process was strongly supervised by the French government who was eager to control the agenda. It regularly puts pressure on social

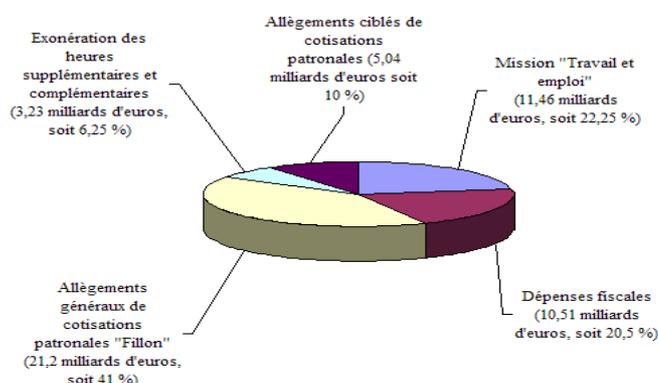
partners to come to an end. The government even threatened them to use the legislative way if the agenda was delayed.

In terms of territorialisation, a slow but constant process has been initiated during the last three decades after a period of strong centralism that characterizes the French planning era. The French employment policy relies on three major fields, each of them having its own relationship with territorialisation. The first one appeared during the 80's and has been revitalized by the 2008 crisis. Its main objective is to support industrial restructuring and intervenes on declining industrial districts. It does not support local development strategies, but aims at giving immediate answers to industrial zones facing massive firing-out plans. The second field - labour market intervention - is from far the most important in the French employment policy. It is mainly targeted on exposed individuals (youngsters, female workers, disabled workers, seniors), rather than on territories. The last branch of the national policy – employment promotion – has always been relatively weak and underfinanced, but is clearly territorialised, and operates in a bottom-up way by financing local development projects.

Giving more autonomy to local administrative officers also supports territorialisation. This policy (called '*déconcentration*' in France) is implemented by giving global funding to local officers, or by promoting project management methods (local diagnosis, local action plan, local governance).

The employment public policy's budget represents 18% of the national spending, and at least 1% of the GDP. The global employment policy reaches 51 billion Euros, including fiscal expenses and tax exoneration.

### Employment policy's budget



Source: Senate, PLF 2011, labour & employment mission

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Unemployment benefits represent about 62% of the former income while the duration of these benefits is of 382 days in 2008, which represents a decreasing average, compared to 2005. In order to get paid, job seekers are deemed to prove that they have been working at least 6 months during the last 22 months preceding their job loss.

During their period of unemployment, job seekers are offered different levels of service by *Pôle emploi* according to their situation and their estimated risk in terms of long-term unemployment. Four levels of service are proposed: free access, individualised coaching, reinforced placement and social backing. The level of service is defined by *Pôle emploi* in a two steps procedure: a statistical profiling test conducted by the job payment services and an interview with a guidance counsellor who corroborates - or not - the initial profiling.

To keep its unemployment benefits, the job seeker must show an active behaviour, which is verified every four months by *Pôle emploi* agents. He must prove the effectiveness of “positive and repeated acts” to find a job, sign on at his local job office, follow whatever training or coaching program is proposed to him, answer every *Pôle emploi*'s summoning, and finally accept every job globally compatible with his competencies and his geographical mobility. To enforce these procedures, a system of gradual disciplinary measures has been established. The number of disciplinary measures has tripled between 2005 and 2006.

A study conducted on the non-recourse to unemployment benefits shows that more than one third of the eligible beneficiaries do not get registered and paid.

## **Employment and Social Cohesion Reforms since 2000 in France**

Before presenting the current French system, it is of paramount importance to understand how we got here. Hence, the objective is now to identify the measures that were implemented during the last decade and to highlight the French governance of employment and social policies. First of all, what measures were established to foster activation? What were the reforms that affected employment and social cohesion issues since 2000? What are the policy fields that have been linked to employment policies? Who is in charge of these policies? These questions will enable us to draw a picture of the dynamic of the national governance of an integrated approach.

### **A. Towards a stronger activation?**

During the last decade, several changes have occurred regarding employment and social cohesion issues. Indeed, France has gone through several reforms aimed at establishing new dynamics towards greater activation. What kind of reforms was implemented and what kind of activation was therefore established?

#### **1. A major step towards activation: individualisation and contractualisation**

In 2000, in the context of growth and of job creation, a negotiation between social partners regarding the *UNEDIC* Agreement (in charge of the unemployment insurance) was organised. As a result, the unemployment insurance became more active and the unemployment benefit turned to a back-to-work benefit. Indeed, this benefit was paid provided that the unemployed signed the *PARE* – *plan d'aide au retour à l'emploi* (back-to-work support plan). Based on a mutual commitment, the main components of that plan were the non-digressive benefit, as well as the individualised action plan (*plan d'action personnalisé pour un nouveau départ - PAP ND*) defined and implemented by the national employment agency (*ANPE*).

Although back-to-work principles had already started to increase within the previous years, they were clearly strengthened by this reform. So far, even though the will to implement back-to-work measures was obvious, the implemented measures did not much rely on sanctions. The *PARE* reinforced these sanctions, which resulted in an increase of people losing their unemployment benefits.

This new plan brings to light an individualisation and a contractualisation of employment services. It promotes a new way of understanding unemployment through a change of its causes: if the unemployed doesn't find a job, it is not because of economical issues; the unemployed becomes

responsible for his situation as he is given all the resources he or she needs to find a job. This perspective reveals a change regarding who is responsible for employment issues: from the State to the individual.

Even though the *UNEDIC* reinforced its role through this measure, the government put the support of the unemployed under the competence of the French national employment agency. The *UNEDIC* financed the measure by financing staff for the national employment agency and financing support services and trainings. In sum, its role in terms of management – and, to some extent, regarding the definition of guidelines, increased. Regarding the *ANPE*, this reform reinforced its objectives and means (Conseil de l'emploi, des revenus et de la cohésion sociale, 2005: 9).

The *Revenu minimum d'activité RMA* (activity minimum income), created in 2003, reinforced activation policies at the beginning of the decade. Indeed, the RMA offered new minimum income to people who had been unemployed for at least two years, in the setting of the insertion contract established by the *RMI*. It enables an employer, who hires someone who fulfils these requirements for more than twenty hours at the minimum salary, to get the money the employee would have gotten with their traditional minimum income.

## **2. Attempts to implement a stronger activation**

France, at the beginning of this decade, was thereby trying to foster activation. However, this attempt also resulted in the creation of measures, which might not follow this trend.

In 2001, the *prime pour l'emploi - PPE* (Employment bonus) was established. This incentive measure aims at encouraging the unemployed to seek a job. The State gives a bonus to people with a low salary. If the amount of the tax credit is higher than the paid tax, it becomes a negative tax. Throughout the last decade, the amount of the *PPE* has increased. Even though this measure follows activation principles - as it aims to encourage the unemployed to seek a job - it is still debated whether it motivates unemployed or whether it is only seen as a bonus. A national report (Dares, 2008) reveals that the beneficiaries of the *PPE* do not take this measure as an incentive but as support measure. Therefore, the unemployed do not take it into account when seeking a job.

Before the XXIst century, the trend was to foster job creation by taking people out of work (through pre-retirement or at the end of the XXth century, thanks to working-time reduction). Thus, it was supposed to promote the integration of some vulnerable employment groups (young people, women, etc.). At the beginning of the XXIst century, this trend was reversed and people were kept

at work as long as possible. Pre-retirement was stopped and the number of years of contribution required to gain a full pension kept going up (Caune, Jacquot and Palier, 2011). Even if these measures do not reflect activation policies, they do point out a will to keep - or to get - all the working-age population at work. It also shows how the beginning of this new decade was shaped by important changes to the French employment policies.

### 3. Social Cohesion Law and Plan

A social action plan was presented in 2004. This plan was scheduled for the period from 2005 to 2009. It tackles several issues: employment, housing and chance equality. The Social Cohesion Plan and the Social Cohesion Law - voted in 2005 - aimed to fight against unemployment and social exclusion.

The latter defined the Public Employment Service and tried to bring all the actors working on employment and social cohesion issues together. The definition distinguishes three levels of stakeholders: the first one – responsible for this public service - being the State services, the national employment agency (*ANPE*), the organisation in charge of professional training (*Afpa*) and the unemployment insurance fund (*UNEDIC*); the second – taking part in the public service - being local and regional authorities ; and the third being all the organisations (public or private) which can take part to this service (non-governmental organisations, temporary work agencies, etc.).

The Social Cohesion Plan implemented the *Maisons de l'emploi* in order to reinforce the coordination between different services at the local level and to host job seekers.

It also introduced the *dossier unique du demandeur d'emploi* (the single file of the unemployed) to make the communication easier between unemployment benefits and the institution in charge of supporting the unemployed in his or her job search.

These reforms changed both the sanctions for the unemployed who do not fulfil their contract and the way these sanctions are managed. Indeed, since 2005, different levels of sanctions appeared. Moreover, the authority in charge of sanctioning the unemployed changed. It was originally the local representatives of the Ministry of Employment (*DDTEFP*). The Social Cohesion Law enabled the national agency of employment and the *ASSEDIC* to take this decision even though the *DDTEFP* had to confirm it. Thereby, both the *ANPE* and the *ASSEDIC* became more involved in controlling the unemployed. “In sum, through successive adds, the current engineering would lead to having two placement and support organisations, the *ANPE* and the *UNEDIC*, as well as two paths to control the job search” (Conseil de l’emploi, des revenus et de la cohésion sociale, 2005: 30, author's translation).

#### **4. Towards a wider Public Employment Service?**

In 2008, the government decided to merge the *ANPE* with the unemployment insurance network “in order to provide job seekers with a single correspondent for registration, placement, benefits and support services” (French National Reform Programme 2008-2010, 40). This merge was initiated in order to facilitate procedures based on a national multi-purpose network, which aimed at “broadening the range of services provided to all users of the Public Employment Service” (cf. *infra*).

Established in 2008, the *Revenu de solidarité active RSA* (the active solidarity income) replaced the *RMI* and the single parent allowance. The *RSA* was set up to fight against possible inactivity traps. It aims to complete the income of the beneficiary, to “guarantee its recipients sufficient means for living, in order to combat poverty, encourage the exercise of or return to professional activity and assist in the social integration of recipients” (Law n°2008-1249 of December 1st 2008). It supplies an income provided an active search for a job or a vocational project (training) is being carried out. It clearly shows a major step towards activation and became an exemplary measure.

Subsidies contracts are of paramount importance in terms of employment policies in France. However, they consequently decreased since the beginning of the XXIst century and then increased slightly when the economic crisis emerged in 2008 (it went from 800 000 beneficiaries in 2000 to 265 000 in 2008 and to 338 000 at the end of 2010).

In 2008, the “unique insertion contract” was implemented to simplify the large range of subsidies contracts that used to exist. This contract can work on the - “*secteur marchand*” and the - “*secteur non marchand*”. The latter sector usually uses these contracts in the context of important unemployment to compensate for the large number of unemployed. The role of the State as employer of last resort is thereby still of paramount importance nowadays.

A recent study (Cour des Comptes, 2011) shows that short subsidies contracts are not as successful as vocational training or support in terms of “back-to-work” measure. They conclude that it is more of a social cohesion policy than an employment policy. This is because they keep people active for a certain time and thus may have a major impact on social integration.

#### **B. Central state versus a dynamic of decentralisation**

France as a central State is an idea that remained for a long time. It is not until 1982 – 1983

that a decentralisation dynamic was initiated by means of the Laws Defferre, previously presented.

The secondary steps toward a more decentralised state were the laws passed in 2003 and 2004, along with the Constitutional changes in 2003. Indeed, until 2003, the Constitution declared: “France is an indivisible, secular, democratic and social Republic”. In 2003, the concept of decentralised management was added to this quotation. Along with this change, the new Constitution acknowledged regions as local authorities.

The three laws passed simultaneously were dealing with three issues: the first one dealt with local authority experiments, the second one with local responsibilities, and the last one with financial autonomy.

Regarding the transfer of competences, it distributed responsibilities in the following way: it gave regions the responsibility of management of planning and policy, it transferred the responsibility of solidarity policies and management of infrastructures to departments, and finally, it gave communes responsibility for proximity policies.

Moreover, the minimum income (*RMI*) was decentralised in 2003 to departments<sup>3</sup>. Departments, thereby reinforced, are seen as the main actor regarding social issues. However, the social welfare system dealing with employment is still under the responsibility of the State. Indeed, the central authority still controls the overall employment strategy: “unlike social policies which have been broadly decentralised in France since 1982-83, the French central state remains fully responsible for active labour market policies (except for vocational training, mainly in hands of the regions), for labour relations and working conditions (labour inspectorate), for social and vocational integration of migrants and for equal opportunities policies” (European Centre for social welfare policy and research, 2006 : 19).

A new reform on local authorities was passed in 2010. It notably aims to simplify the way the country is divided. Indeed, regions and departments are supposed to become more closely aligned and major cities will have more responsibilities. Hence, in a way, this reform tends to avoid the multiplication of stakeholders. However, has not yet been implemented and is too current to be analysed.

### **C. Towards an integrated approach?**

The social cohesion plan presented earlier, set for the period of 2005-2009 by the French government, aimed to implement an integrated approach “seeking simultaneously to combat

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<sup>3</sup> In 2010, the new minimum income - the *RSA* - was extended to people under the age of 25. This extension is financed by the central State for two years.

problems in employment, housing and society more widely” (European Industrial Relations Observatory, 2004). It addresses several issues, which used to be treated in a segmented way, it was supposed to deploy “all the political 'levers' capable of breaking the current vicious circle and establishing a 'virtuous' one of success and cohesion” (cf. *infra*). The main measures of this plan were to do the following: “fight against unemployment”, promote “youth employment”, “combat exclusion, increase “housing”, and promote “equal opportunities at school and between regions” (cf. *infra*). This plan shows that the French government intends to promote a more integrated approach.

But to what extent is such an approach implemented? And how it is put into practise? Which fields are concerned?

In regards to this question, analysing the history of the Labour Ministry highlights some of the relations established between the field of employment and other fields. Indeed, since the 80's, the name of the ministry in charge of employment issues has often changed and included several other social issues. In 1981, its name changed to the Ministry of National Solidarity. Two years later, Social Affairs was added to that name. The name was then changed several times during the following years to the Employment Ministry, Labour Ministry and Social Affairs Ministry. In sum, social issues were often brought together with employment issues.

Through the Social Cohesion Plan, the link between social and employment issues is strongly reinforced and widened as it takes into account housing issues.

In 2007, the management of employment issues was transferred to the Ministry of Finances. Thus, even though social and employment had been brought together lasting previous years, these fields were now separated. However, this organisation did not last very long, and a Ministry of Labour, Employment and Health became responsible for these fields soon after. Thus, the Ministry in charge of employment and social issues went through several reorganisations, especially within recent years (two reorganisations in 2009). This explains why it is complicated to talk about a clear integrated approach. Indeed, even though social issues have clearly been brought together with employment issues, housing and local planning are sometimes included and are some other times assigned to another ministry. Hence, it appears that the government has not implemented a stable integrated approach but has tried to divide the responsibilities among the ever-changing ministries as they see fit.

Activation was thus reinforced throughout the last decade. However, even though an integrated approach has been implemented around social and employment issues, its key lines keep changing. This brings to light a difficulty to integrate different fields with one another. In terms of governance, decentralisation was also reinforced during this period. However, although territorialisation was important regarding many social issues, employment issues are still mainly

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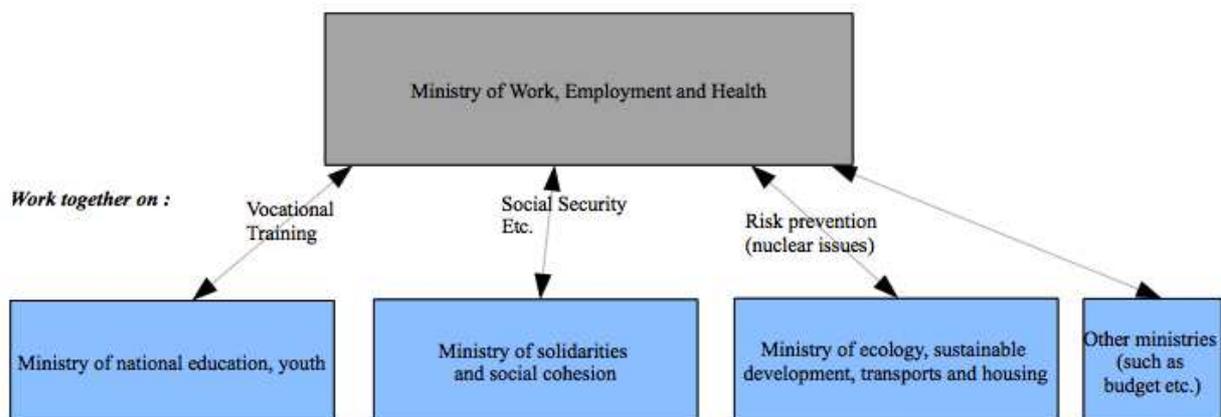
under the competence of the central state. Current reforms will probably change some of the transfer of competences; but it is doubtful that it will have a major impact on the field of employment.

After analysing employment and social cohesion policies in the last decade regarding its multi stakeholders, multi levels and multi dimensional approach, the current situation will now be detailed with a focus on its governance scheme.

## French integrated approach and other fields' contribution

In the perspective of an integrated approach to activation, several public action domains have to be intertwined into common programs or organizations. One must keep in mind that the political and administrative framework of the French central state has been characterized by a strong compartmentalization. The heritage of the French nation-building process has led to a great centralization, and a strong autonomy of political sectors. The evolution towards an integrated approach, which aimed at transgressing these political and administrative boundaries, represents two critical challenges for France. The first one is to build horizontal coordination between ministries and administration at the national level. The second one consists in developing vertical coordination between central and local state services on the one hand, and between state administration and subnational political bodies (region, department, municipalities) on the other hand.

The following scheme represents the link between separate ministries:



Source: <http://www.travail-emploi-sante.gouv.fr/le-ministere,149/presentation-et-organigrammes,294/>

We can thus notice that some policy fields are connected, as an integrated approach requires. However, the link established between the ministry in charge of housing issues and the ministry in charge of employment issues appears to bring together health and ecology. Therefore, housing and employment have been spared any linkage regarding inter ministries' work, even though the importance of this link was brought to light by the Social Cohesion Plan in 2005.

The ministry of Work, Employment and Health is responsible for:

- Work

- Employment
- Vocational Training
- Retirement
- Health

All the policy fields that have just been listed represent the components of a French integrated approach at the national institutional level (it might indeed defer at the local level where other actors are involved and work differently). However, it is important to precise that all these fields also include several other fields. For example, social security - which results from the link between the ministry in charge of social issues and the ministry in charge of employment issues – works on family issues, addiction etc.

For the last three decades, the field of social policies has been confronted to a major trend of territorialisation, which can be read at three levels:

- Transferring political competencies to subnational public authorities (decentralization)
- Strengthening the autonomy of local state administration representatives (*'déconcentration'*)
- Creating new territorial organizations offering integrated services in the field of the employment and training.

These three logics of action are at stake in social policies generating competition and redundancy between organisations and programs. To fully understand this, it must be reminded that the French decentralizing legislation has left large areas of uncertainty in the distribution of competencies between state and local bodies. Yet, it is precisely these areas that are at stake in the challenge of an integrated approach (guidance, training, social assistance, re-schooling).

This situation has to be kept in mind while shortly looking at the structuring and at the contribution of other policy fields to employment policy.

## **A. Professional training and continuing education**

Professional training is one of the few policy fields, which have been fully

decentralised to regional councils. They are in charge of defining the main orientations and of coordinating public and private actors on their regional space. This trend has been impacted by the latest reform (November 24<sup>th</sup> 2009's Act) weakening the former unstable equilibrium. Indeed, it turned the main policy tool of the regional councils – the regional plan for the development of training created by the December 20<sup>th</sup> 1993 Act – into a contract submitted to both the signature of the president of the regional council, the *Préfet* (main state officer in the region) and the *Recteur* (Regional representative of the ministry of education). This new legislation is the transcription of an intersectoral agreement negotiated among the social partners in January 2009.

The regional councils are in charge of planning and coordinating the professional training policies towards youngsters (less than 25) and job seekers. The training of workers falls under the competency of social partners and industries.

## **B. Social assistance**

It has already been shown that, from 1982, general councils<sup>4</sup> are in charge of many aspects of the social assistance policy. This competency represents, together with the regional competency over the professional training policy, one the two fields fully devolved to a local community in France. Among the flagship programs, integrating employment and social assistance policies, the RMI/RSA appears to be of paramount importance (see above).

In relation to employment policy, social assistance programs have a role of social fishnet. For example, job seekers non-eligible to benefits or at the end of the benefit period can be allowed a specific allocation under the national solidarity regime. In 2009, this population was estimated at 460 000 persons. Among them, 84% received the 'specific solidarity allocation' (460 €) and 13% received the 'pre-retirement allocation'<sup>5</sup>.

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<sup>4</sup> The general councils are together with the municipalities one of the oldest local public elected body. Created under Napoleon's regime, their territorial base is the French department (NUTS 3).

<sup>5</sup> It must be noticed that this passive measure consisting of compensating early retirements has been abolished in January.

## **C. Health**

Health care, including substance abuse, is a national state policy. It constitutes a fairly structured public action sector, and supports one of the three civil service administration (state administration, territorial administration and public hospitals administration). The territorialisation of health care policy is based on a growing autonomy which is given to local agents of the health ministry. The creation of the regional health agencies in 2009 represents a key moment in this process. These agencies are in charge of regulating the provision of care in all health policies' fields including hospitals, general medicine, and public health actions (substance abuse and health education for example). Its relation to an integrated activation policy is double-sided. On one side, the provision of care and health services is more and more individualised in relation with 'individualised social conditions', including elements such as professional status or income. Bringing these dimensions into health policy allows the association of local public authorities. On the other side, health is an important aspect of labour legislation and employment policies at three levels. Firstly, industrial medicine is connected to health, labour and social security in order to prevent and treat professional risks. Secondly, professional integration of disabled workers is an important, highly externalised and territorialised part of employment policies. Finally, the segment of health policies dedicated to substance abuse represents an important dimension of the placement activity of job seekers when talking about a vulnerable and disaffiliated public. This last dimension largely relies on NGO's activities in France.

## **D. Housing**

In France, housing policy remains centralised in terms of its macroeconomic regulation. However, social housing has been territorialised. Even if the decision-making process and incentives (national urban restructuring agency, '*politique de la ville*', opposable right to lodging, suburbs action plan) often come from the central state, most of its implementation relies on local agents' actions - such as social landlords or local elected authorities -. The latter are in charge of the urban planning and of the local programs aiming at providing social housing construction. The local actors are in charge of giving a fair access to housing for vulnerable persons, while promoting social interaction and diversity.

## **E. Childhood/family**

Childhood policies are a central issue notably dealing with the personal/professional life conciliation topic. They also directly refer to the characteristics of each national welfare state. For a long period, France has shown a tradition of a generous family policy articulated with a logic of optional familialisation (a soften model of the male breadwinner cf. Jacquot, Ledoux, Palier, 2011).

The schooling of under compulsory school kids in the French '*maternelles*' is optional, but very largely followed by nearly 100% of the families. Children are taken in charge by this French institution when they reach 3 years old, and even under if possible (2 years and a half was quite usual before the ministry of education's budget was cut down, now only 11% of the children of 2 are schooled). Kindergarden structures are offered either by municipalities or NGO's often ruled by parents.

Parental leave going further than the legal maternity leave is provided by the labour code. It lasts for an initial length of 1 year, and can be extended up to 3 years. It is unpaid, but the worker keeps his job and should be able to get it back at its return. The parental leave remains mainly used by women: only 1% of fathers take benefit of it. This also has to be understood with regards to wages inequality between men and women. They also can be used as a form of temporary part time work, for which the number of hours per week (between 16 and 32 hours) is fixed by the employee although the timetable remains fixed by the employer.

Lots of actors, several levels of decision, and several fields brought together and then separated and then brought together again: this seems to reflect the current situation. The number of actors may question the efficiency of the implemented policies. Do all of them communicate together? Regarding the levels of decision, even though several levels are involved, the central state remains the main stakeholder in terms of decision-making. The two main fields that have been linked over the years are social and employment issues. However, it appears that if the state has the authority on employment issues, social issues have been territorialized to local authorities. Hence, can both these fields really be linked? What kind of link can be established in such context? Those are some of the questions that will be deepened all through the LOCALISE project. To give a clear analysis of the multi-stakeholder, multi-level and multi-dimensional French integration approach, a dynamic analysis will be elaborated in the following part and will try to understand the nature of change regarding

these aspects over the last decade.

## **Dynamic analysis of integration policies and governance**

Changes regarding the integration and governance of employment and social cohesion policies have clearly been revealed all through this paper. These changes have been identified and analysed. However, the intensity of these changes should also be questioned. The focus will be put on three main components of public policies: actors, goals and instruments. These ones will be analysed regarding activation, territorialisation and coordination. During the last decade, what were the most important changes within employment and social cohesion policies? How did they to activation, territorialisation and coordination dynamics?

## National Dimensions of Integrated Policies (2000 – 2010)

### POLICY GOALS

COUNTRY	Activation		Vertical (territorialization)		Horizontal (coordination/ integration)	
	Of Individuals	Of Expenses	Multilevel coordination	Decentralization	Public / public Coordination	Public / private Coordination
<i>France</i>						
<b>Policy goals</b> <b>What for?</b>	Over this decade, the perceptions of employment policy's aims over individuals have followed a major shift towards activation. The main dimension of this evolution is the development of an individualized responsibility vis-à-vis the labour market. In semantic terms, it can be identified by the growing use of the concept of employability in public space, and by debates over unemployment.	Here also, social perceptions of the goal of employment policy are to consider that social benefits should be used to get people back to work (workfare). Moreover, it is now considered that unemployment benefits should no longer be a right but a reward for an active behaviour on labour market.	Regarding employment matters, the main issue seems to regionalize employment policies in order to cope with training policies. Many attempts have been made including a possible devolution to regions. However, this question remains on the administrative agenda.	The main goal in terms of decentralisation is to clarify once and for all the share of competencies between state and local authorities. This need of clarification is even more necessary as two important dimensions of integrated policies (social assistance and training policies) have been devolved over the 80's, but left undecided fields of public action. These latter have become battlefields among the state and local elected authorities.	At the beginning of the year 2000, it seems that the main issue was to ease communications between ministries in order to overwhelm the structural compartmentalization of public administrations.  During the decade, this idea has evolved towards a more neo-liberal approach, which consisted on rationalizing the number of public administrations. The idea is now to sort out public agencies in order to reduce public debt. One of the most illustrative measure is the decision to only replace one on two retiring public servant	In order to increase efficiency in public management and reduce the costs of public action, the development of public/private partnerships has become an important objective.  The spreading of governance's practices - as promoted by the European commission - is considered a progress of paramount importance in public management.  The other issue is to harmonize management methods in order to break with bureaucratic practices and foster a better service.

## POLICY INSTRUMENTS

COUNTRY	Activation		Vertical (territorialization)		Horizontal (coordination/ integration)	
	Of Individuals	Of Expenses	Multilevel coordination	Decentralization	Public / public Coordination	Public / private Coordination
France						
<p><b>Policy Instruments</b></p> <p><b>With what?</b></p> <p><i>Nota bene : only significant tools are exposed here.</i></p>	<ul style="list-style-type: none"> <li>• <b>PARE-PAP (2001)</b> : initiated in 2001, the PARE-PAP allows job seekers to have a placement service as counterpart of an ending of a tapering benefit</li> <li>• <b>VAE (2002)</b> : In order to secure transitions on the labour market and reduce segmentation, it creates an access to « diplomation » based on the assessment of professional experience</li> <li>• <b>DIF (2004)</b> : Initiates a right to training for every worker 20 hours/year for a maximum cumulated of 120 hours</li> <li>• <b>DUDE (2005)</b> : creates a single electronic file for each job seeker in order to ease information's circulation among employment services</li> <li>• <b>Personalized action plan and Disciplinary action against unemployed (2008)</b> : The PPAE has been created as an contractual relation between job seekers and the job centers' services. It is controlled by the setting of progressive disciplinary measures (around 24.000 exclusion each month)</li> <li>• RMI → RSA (2009) See above</li> </ul>	<p>The main measure in terms of activation of expenses is to postpone the retirement legal age.</p> <p>The <b>retirement's reform</b> started in <b>2003</b> by the Fillon Reform introduces a progressive transition from 37,5 years to 40 years of legal working time. In <b>2007</b>, another reform has merged a number of special regimes with the general conditions of access to retirement. In <b>2010</b>, the Woerth reform has introduced a progressive extent (over 6 years) of the legal age of retirement from 60 to 62 when the number of working years is complete (41,5 years), and of 65 to 67.</p>	<p>We find very few instruments dedicated to multilevel coordination. As a heritage of a deeply centralized state, the question of multilevel administration coordination has been conceived as a matter of hierarchical relations between center and periphery. When looking at these hierarchical relations inside employment public service, it is easy to show some gaps between stakeholders. <i>Pôle emploi</i> and the <i>AFFPA</i> have a strong and direct hierarchical relation between national and local administrations. It is quite different for labour and employment ministry that demonstrates a crossed-hierarchy between sectoral and general administration.</p>	<p>Decentralizing legislation mainly concerns training policies. They have been devolved as general competency in <b>1982</b> and more specifically for youngsters in <b>1993</b>. But in <b>2004</b>, the competency of regional councils upon the coordination of training policies has been extended to jobseekers. In <b>2009</b>, this decentralizing trend has been turned down by the decision to reintroduce state regulation within regional councils competences.</p> <p>Another major experience on territorialization has been launched in <b>2008</b> by the Youth experiment fund. This fund has been financing local experiments aimed at securing professional path for youngsters. Designed for 3 years, these innovative actions will be ending by the end of this year. The use of systematic evaluation procedures will allow to seize the structuring effects of these new and unstable instruments</p>	<p>To implement coordination inside public authorities and improve the diffusion of public management practices, the French government has introduced 2 major reforms:</p> <ul style="list-style-type: none"> <li>• Introduced in <b>2001</b>, the LOLF is an Act of parliament reorganizing the public budget aimed at producing a better control of public spending. It reorganizes national budget by functions.</li> <li>• In <b>2008</b>, the general review of public policies is an attempt to rationalize public policies, avoid redundancies and eliminate useless public organizations. The overall aim is to reduce the public spending in all services including several institutions in employment policy.</li> </ul> <p>Also to be mentioned (see above), the use of subsidized contracts (emplois jeunes for example in 1997) in public administrations.</p>	<p>To organize public/private partnership and especially the call for tenders, a new Public market code was introduced in <b>2005</b>. Answering EU pressure promoted by DG competition, the public market code rules training and employment policies' implementation. It has produced structuring effects on NGO's practices. NGOs submitted to this code in their relations to public authorities (state and local administrations), have been weakened by the strict rules of this new financial instrument.</p> <p>As for the public sector, subsidized contracts in NGOs and firms have been used to enhance private/public coordination.</p>

## ACTORS

COUNTRY	Activation		Vertical (territorialization)		Horizontal (coordination/ integration)	
	Of Individuals	Of Expenses	Multilevel coordination	Decentralization	Public / public Coordination	Public / private Coordination
France						
<b>Actors</b> <b>Who?</b>	<p><b>2009:</b> Merging of unemployment benefits and placement services (creation of <i>Pôle Emploi</i>)</p> <p>Labour ministry reorganization at the local level (employment and training merging: <b>1993</b> (NUTS3) - <b>1995</b> (NUTS 2) - <b>1997</b> (NUTS 1))</p> <p>Regional councils (training)</p> <p>General councils (social assistance)</p> <p>NGOs</p>	<p>Ministry of budget</p> <p>Ministry of social affairs</p> <p>Ministry of employment</p>	<p>2004: transformation of the National committee on professional training into the National council for life-long learning. This council is in charge of training and employment policies' evaluation.</p> <p>2007: Reform of territorial organization of state administration. This reform has transformed public offices at the departmental and regional levels. It was implemented through reducing the number of administrations and transferring more power to the regional level.</p>	<p><i>Ministère de l'intérieur</i> (in charge of the decentralization policy)</p> <p>Local authorities (NUTS 2: <i>Conseils régionaux</i>, NUTS 3: <i>Conseils régionaux</i>)</p> <p>Regional delegate of social partners</p> <p>Reform of territorial representatives: in 2010 a major reform was adopted. It changes local elections for public authorities as well as the organization of local communities. It should be implemented within the upcoming years but encounters a strong resistance from local elected and national representatives (multiple office holding)</p>	<p>CCREFP (local coordination committees on employment and training)</p> <p>Public employment service</p> <p>Interministerial committees</p>	<p>COPIRE (private and public representatives coordination committee at the regional level)</p> <p>CBE (local Committees bringing together employment administration, firms representatives and local elected)</p>

## **A. Actors: the evolution of the French public employment service (PES)**

The evolution of the employment public service went through several important changes during the last decade. It is therefore highly relevant to analyse it when questioning change's intensity. Indeed, the way it is managed, the actors at stake, along with its content, went through several changes. It questions both the main issues of this paper: the integrated approach and employment and social cohesion policies' governance.

The French public employment service was set up in 1984. At that time, it was made of the Ministry of Work's administration, the *AFPA* and the *ANPE* (former *Pôle Emploi*). In 1998, the Law against exclusion widened this service and included women's rights and social action to the PES. In 2005, the Social Cohesion Law defined and reinforced the widening of this public service (cf. above). Indeed, the government tried to integrate all the actors involved in the employment service, into the PES. These actors can be associated to three different levels, according to their role in terms of employment policies. In sum, the PES kept on being widened by the integration of several new actors.

In 2008, the government created *Pôle Emploi*, which merged the *ASSEDIC* and the employment national agency. The responsibility of orientation was transferred from the *AFPA* to this new authority. Thereby, *Pôle Emploi* reinforced its key role within a dispersed public employment service (Conseil Economique, Social et Environnemental, 2011).

The French PES has been partly territorialised during the last decade. Indeed, in 2004, regions became responsible for adults job seekers vocational training. Except from this field, employment issues are still under the responsibility of the State - even though several tasks have been territorialised -. The decentralisation process that has occurred during the last decades in France does not directly concern employment policies. It reached fields at the margins of employment policies such as social issues. Regarding the core of employment policies, the process at stake is rather the “*déconcentration*” one. A regionalisation can be noticed, along with the programmed disappearance of the infra departmental level.

The evolution of the French PES brings to light a clear reinforcement of activation policies since 2000. It increased incentives, and the number of sanctions increased.

## B. Goals

Change's intensity regarding the goals of employment and social cohesion policies can be analysed through two main prisms. This dual analysis aims at distinguishing what the government declares to the French population, as well as the way France presents its public policies to European authorities.

The analysis of intersectoral national agreements and the way they are transposed in the grounds' laws will help us identifying social perceptions of employment and social cohesion issues in France.

The role of social partners in designing employment policies increased since the amendment of the 31<sup>st</sup> January 2007's law. "Bargaining at the intersectoral level has become the norm of producing legislation on employment and vocational education. However, this evolution did not happen to the detriment of the regulating capacity of the state. Negotiations that have preceded the different intersectoral agreements have been very strongly supervised by the government (...) From January 2008 to July 2009, 5 intersectoral national agreements<sup>6</sup> were signed and developed into legislative texts." (Berthet, 2011).

The analysis of these documents highlights the main national trends. The intersectoral agreement on labour market's modernization put the emphasis on the permanent contract as being the norm. It also initiates a new way of ending a contract in order to facilitate this procedure. Several other measures appear in the law, which resulted from the agreement. However, the use of the concept of "making contracts secure" is interesting. Indeed, it is used several times regarding different kinds of contracts and is set as a clear objective. The law that followed the intersectoral national agreement on development of life-long professional training, making more professional and more secure career paths, insists on the economic context and intends to secure career paths in order for the population to be able to face future challenges. Maintaining that we will all have to change jobs during our career path, this law focuses on moving situations and the need to be adaptable.

The other intersectoral agreements also reveal an emphasis put on a changing economic context, on the need to be flexible and on the will to secure career paths through

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<sup>6</sup> Intersectoral national agreement on January 11, 2008 on labour market's modernization, intersectoral national agreement on November 14, 2008 on forward-looking management of jobs and skills, intersectoral national agreement on December 23 on unemployment benefit, intersectoral national agreement on January 7, 2009 on the development of life-long professional training, making more professional and more secure career paths, and intersectoral national agreement on July 8, 2009 on social management of economical crisis' consequences on employment

different instruments.

National Reform Program (NRP) shows the way the country presents its new reforms and, more generally, its trends to European authorities. They often use a specific vocabulary. Indeed, concepts of flexicurity, activation, etc. are broadly used. However, in the national context, these concepts are not usually used. It reinforces the idea that NRP represents a way to show how the country tries to adapt its public policies according to European recommendations.

The concept of activation was brought to light in the 2005-2008 NRP: “the main direction which has been set consists of putting activity back in social policy’s core” (French NRP 2005-2008, translated by the author, 25). Back-to work policies are emphasized and several measures were presented (merging of placement bodies and of the authority in charge of the benefit system).

The following French national reform programme (2008-2010) put the focus on three main directions: “the first deals with sustainable growth, innovation and the development of competitive businesses”; “the second (...) focuses on labour market reforms in order to offer citizens of all ages the widest range of opportunities”; and “the third line of this programme - the sustainability of public finances - will be achieved by raising potential growth, by carrying through an in-depth reform of the organisation of public administrations and by a strict control of expenditure, which will lead to a cut of the spending growth rate in half” (French NRP 2008-2010, 3). Economic growth through businesses and innovation development appear to be of the main topics of this NRP, even though the emphasis is also put on chance equality in terms of opportunity to find employment for everyone. Flexicurity is also highlighted. The French government even presented a French approach of flexicurity, which is based on the intersectoral national agreement that resulted on the modernisation of labour Act. However, the concept of flexicurity is never used in the intersectoral agreement and the Act itself. It shows how sensible is this concept in the national setting (Berthet, 2011).

## **C. Instruments**

In this section, we have a qualitative insight on three policy instruments, which may characterize the dynamics at stake in French employment policies.

## 1. “Unintegrated” subsidised contracts

The main policy instrument used in the French employment policy is, with no doubt, what is called *contrat aidé* or subsidised contract. Subsidised contracts are derogatory to common labour law. Addressed to selected public and beneficiaries, they rely on a public funding, which can take various shapes, such as direct subsidies for hiring, tax exemptions or training grants. The overall principle is to decrease hiring or training costs supported by the employers using direct or indirect funding. These subsidised contracts are usually targeted upon specific disadvantaged categories (senior, disabled, youngsters, immigrants, etc.). They concern both the competitive sector and the non-for profit sector. In the first case, they are signed with firms. In the second case, it is usually associations, local public authorities or public enterprises that conclude them. Several kinds of subsidised contracts have been created since the first generation of TUC (collective useful jobs) in 1984. The ministry of labour services manages them.

The main political advantage of the subsidised contracts is to produce immediate effects on the labour market. They are regularly used to temporarily lower down the number of job seekers (in electoral times for example). The monthly unemployment rate is a social indicator largely followed by decision-makers as well as by public opinion. This explains why subsidised contracts have become of paramount importance; and are, at the same time, very criticised. They are deemed to offer a temporary relief without allowing a stable professional situation, even when they include training actions. As an instrument traditionally used by the socialist governments, these contracts have been criticised by liberal (right wing) politicians for generating unemployment traps. But even if the liberal governments prefer using tax exemptions, they also regularly use subsidised contracts when the unemployment rate gets high.

Used as a major policy tool, they still don't offer interesting perspectives in terms of integrated policy. They could be used as a useful instrument in a conciliation friendly policy, or to promote targeted integrated actions towards vulnerable beneficiaries. However, their implementation is usually conducted in an 'industrial' way, with the unique objective of lowering the unemployment rate.

## 2. Activating the minimum income

It is partly to answer this lack of activation (in the sense of articulating employment

and social inclusion to foster a fair access to the labour market) that the RSA was implemented in June 2009. Replacing the former RMI (minimum income) and the API (single parents allowance), the RSA has been created in a deliberate ‘activation friendly’ way. The RSA is a minimum income granted to low wages workers and former RMI beneficiaries. To be eligible to the RSA, beneficiaries must be over 25 (or less than 25 parents and workers for at least two years). They also must have been working for a certain amount of time and in a setting of getting back to work. The RSA benefit is lowered as soon as their wages start to grow. The RSA benefit can be contingent upon training or coaching activities. It is then a supplementary income for working poor, aimed at keeping them on the labour market, as well as a minimum income for job seekers. It is financed by the *Conseils généraux* at the NUTS 3 level and implemented by the *Caisse d’allocations familiales* (CAF).

The implementation of the RSA is also interesting in the way this instrument has been launched. It first started in 2007 as an experimental device in twenty-five *Conseils généraux* (*départements*) before being evaluated, and then generalised. By this way, the RSA has introduced a new policy making process in the field of social policies. The experimental process, coupled with the promotion of RCT (randomised controlled trial) evaluation procedures has now become a way to promote evidence based policies with evaluation methods imported from the epidemiology science.

But the policy time goes faster than what is necessary to conduct a public policy evaluation. Therefore, this instrument was generalised prior to getting results of the evaluation procedure. Yet, results provided afterwards did not reveal any strong evidence of a positive effect on the beneficiaries regarding their professional re-integration. In June 2011, 2 million individuals were granted a benefit from the RSA, a third less than initially anticipated by the CAF services.

### **3. Local employment coordination structures (*missions locales, comités de bassin d’emploi, maisons de l’emploi*)**

In France, the idea of building an integrated strategy is often represented by the concept of *guichet unique* (one stop shop). It takes the form of an integrated service in one single localised office. Two goals are underlying this strategy: the first one is to soften the sectoral compartmentalisation by housing several different service-providers belonging to different ministries under one roof. Here, the integration of services does not mean merging

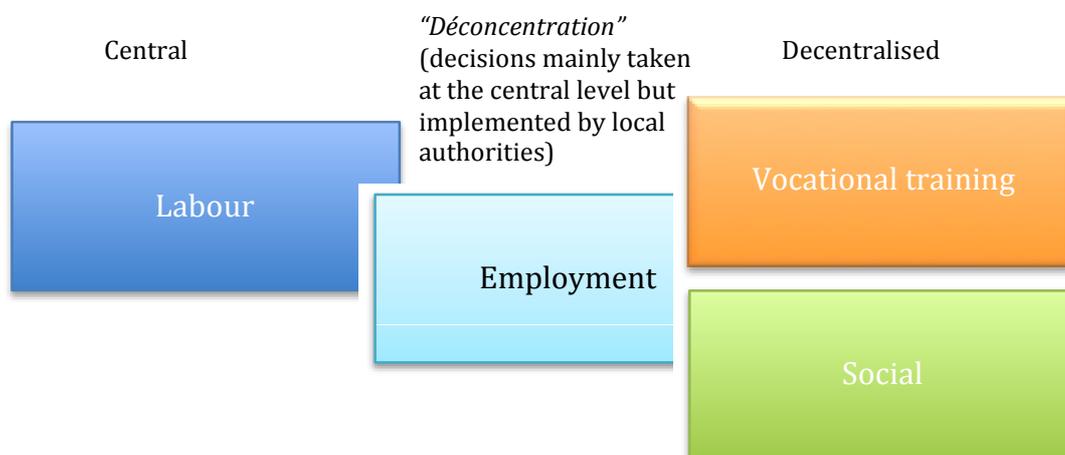
them in one single generalist service. The idea is rather to foster a common location for different specialised services. The second aim of this strategy is to promote proximity by delivering an integrated service at the community level. Once again, we find an experimental process at the beginning. Each of the three kinds of structures we are going to briefly describe starts with a local experiment generalised by the central state, and turned into a national public policy.

The *missions locales* were created in 1982 as a temporary local device aimed at providing a single location for youngsters aged between 16 and 25 for all their social problems. They were supposed to disappear as soon as what was considered as a temporary problem was over: youth massive unemployment. Firstly experimented in the northeast industrial part of France, they were then generalised. The way they were created is original: they rely on the initiative of municipalities' mayors. This political dimension of the *mission locale* has allowed them to build strong local partnership, which explains that they are still active, and became an important actor of social policies' institutional framework.

This is true for the two other structures: *comités de bassin d'emploi* and *maison de l'emploi*. The *comités de bassin d'emploi* have been initiated in 1981 as a coordination structure composed of local elected, employment civil servants and firms. They have been rapidly generalised, and in one decade, they rapidly decreased. The *maisons de l'emploi* were also initiated by local actors, and rapidly spread by the French government who gave strong incentives in the 2005<sup>th</sup> Social Cohesion Act. Five years later, those that were dynamic are still alive, but the weakest have disappeared, or have no effective action going on anymore.

The experience of these three structures promoting an integrated policies' approach reveals one important point in terms of territorialization. Although they started by the same experimental mechanism, although they are trying to bring together and coordinate local employment actors, and although they are strongly localised, one important rule emerges: local partnership cannot be prescribed from the national level at the same rhythm, with the same partners, and with the same success everywhere. What probably explains the persistence of the *missions locales* and their growing importance, is their political backing by local elected, and the intensive political work conducted by their collective representatives.

As the following scheme shows, the borders of public action's fields in France are not clearly defined and thus are floating. Indeed, even though each field are very different from the other in terms of its governance, its actors, etc., they all interact with one another.



The French State territorialises policy fields that are flexible. What are the flexible policy fields? France makes changes in terms of governance when the situation is secure, when unemployment is low.

Labour Rights fall under the responsibility of the central state. It has always been hard to make changes in that field. Employment still mainly falls under the competence of the state. However, this field has largely been "*déconcentré*" to the large number of actors dealing with this field. Finally, social issues have strongly been decentralised during the past decades.

Regarding the intensity of change of employment policy, it seems possible to argue a double-sided change. On the one hand and with regards to the systemic action towards the labour market, changes introduced during the 2000's are incremental. Traditional instruments (subsidised contracts, tax exemptions, early retirements, etc.) remain unchanged and their relative importance varies only in terms of intensity. On the other hand and dealing with the action towards individuals, we can argue a change of paradigm. The overall goals have been progressively changed towards a new equilibrium between rights and obligations of beneficiaries. More individualisation and proactive behaviour is asked. The organisational framework has been transformed. For example, the merging of placement and payment services is clearly designed to allow the use of unemployment benefits to put pressure on job seekers. Finally, instruments are redefined to fit in the activation's philosophy. Individualised following, disciplinary instruments, and a targeted use of the minimum income scheme are clear examples of this redefinition. With regards to Peter Hall's framework (Hall, 1991) we

can then argue as a preliminary conclusion that systemic action encounters a change of first order. Action toward job seekers tends to be central in French employment policy and faces a change of third order (change of paradigm). At the national level, we can observe a Janus-faced change, which gives to activation principles a growing importance. In terms of integration, the evolution is less convincing. Compartmentalization of public action domains seems to remain the rule although the territorialisation process has been eroding its traditional strength in the French administrative system.

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# localise



*Local Worlds of Social Cohesion Policies*  
**The Local Dimension of Integrated Social and Employment Policies**

Work Package 2

The National Governance of Integrated Social Cohesion Policy

## National Report Germany

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December 2011

Katharina Zimmermann

In collaboration with Sebastian Künzel and Martin Heidenreich

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## Abbreviations

ÄD	Ärztlicher Dienst	Medical Service
ALG I	Arbeitslosengeld I	Unemployment insurance benefits
ALG II	Arbeitslosengeld II	Unemployment benefits
ARGE	Arbeitsgemeinschaft	Consortium
ASD	Allgemeiner Sozialer Dienst,	General Social Service
AWO	Arbeiterwohlfahrt	Worker's Welfare Association
BA	Bundesagentur für Arbeit	Federal Employment Agency
BAGFW	Bundesarbeitsgemeinschaft der Freien Wohlfahrtspflege	Free Welfare Consortium
BMAS	Bundesministerium für Arbeit und Soziales	Federal Ministry for Labour and Social Affairs
BMBF	Bundesministerium für Bildung und Wissenschaft	Federal Ministry for Education and Science
BMFSFJ	Bundesministerium für Familie, Senioren, Frauen und Jugend	Federal Ministry for Family, Elderly, Women and Youth
BMG	Bundesministerium für Gesundheit	Federal Ministry for Health
BVA	Bundesversicherungsanstalt	German Federal Insurance Office
DGB	Deutscher Gewerkschaftsbund	German Federation of Trade Unions
DRK	Deutsches Rotes Kreuz	German Red Cross
ESF		European Social Fund
FbW	Förderung der beruflichen Weiterbildung	Promotion of further vocational training
FWA	Verbände der freien Wohlfahrtspflege	Free Welfare Associations
GKV	Gesetzliche Krankenversicherung	Statutory Health Insurance
IHK	Industrie- und Handelskammer	Chamber of Industry and Commerce
KdU	Kosten der Unterkunft	Housing and Heating Costs
MIS		Minimum Income Scheme
PES		Public Employment Services
REZ	Regionales Einkaufszentrum	Regional Purchasing Centre
SGB	Sozialgesetzbücher	Social Code

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## 1 Introduction

Whilst Anglo-Saxon and Scandinavian countries are characterized by inclusive labour markets, the German labour market traditionally has been characterised by more exclusive employment patterns. This is the result of different institutional frameworks: the German employment regime was defined by an industrial model of “normal” employment relations, a male-breadwinner-women-in-the-household model and a system of industrial mass production. Different from other countries, this model prevailed for a very long period and it has strongly influenced the German welfare state.

At the core of this regime was the so called model of “normal” employment relations (*Normalarbeitsverhältnis*). “Normal” employment relations refer to permanent and continuous jobs in (rather large-) enterprises on a full-time basis and requiring specific qualifications (Mückenberger 1985: 429). This model conferred to an economy based on an important industrial sector which required a disciplined, robust blue colour workforce.

Also the German social security system was organised in relation to the industry-based employment model. It rested on the assumption of employees’ life-long employment subject to social contributions obligations. Furthermore, it was also founded on the ground of uninterrupted employment spells from the age of 15 until the age of 65 and a life expectancy which was not much higher. According to these premises, relatively moderate contributions sufficed to establish a social security system against risks of old age, poverty, unemployment or health. This coupling between the “normal” employment relations model and social security enabled a protected living standard for ‘workers’ and their families as high income replacement rates of the insurance-based social protection system maintained the claimants status.

Apart from important passive benefit transfers, services for unemployed played a minor role in the German labour market policies. The existing services (mainly in the field of training and job placement) were strongly related to the requirements of the core workers. In order to respond to the need of qualified industrial labour, an important industrial training system was a characteristic of the German employment model. This industrial training system was based on the premises of stable professions and life-long employment in one professional branch. Therefore, the initial vocational training was much more important than the further training system which is characterised by heterogeneous providers, a weak financial basis and a lack of formally recognised certificates. Apart from the training system, generously subsidised employment evolved which was geared towards upholding the status of unemployed ‘workers’.

The model was further sustained by a system of collective agreements and wage bargaining system which reflected mostly the interests of male skilled German workers.

Based on the focus on industrial activities, production-related services and skilled prime age male employees, the German employment model was focussed on high productivity. It was one of the central pillars of the boom years of the post-war period: on the one side,

collective agreements, the training system and the social security systems were an important premise for the extraordinary gains in productivity of the post-war years, on the other side, wage increases were closely coupled to productivity gains. As a result of this model, the productivity increases of the German economy were at much higher rates than, for example, the US American levels. This focus on productivity gains also mirrored in low employment growth rates: in Germany, employment was only created when the increase of the gross domestic product was higher than 2%. Furthermore, the service sector was very small; services were mostly delivered as unpaid work in the family context (cf. Eichhorst & Marx, 2011: 76).

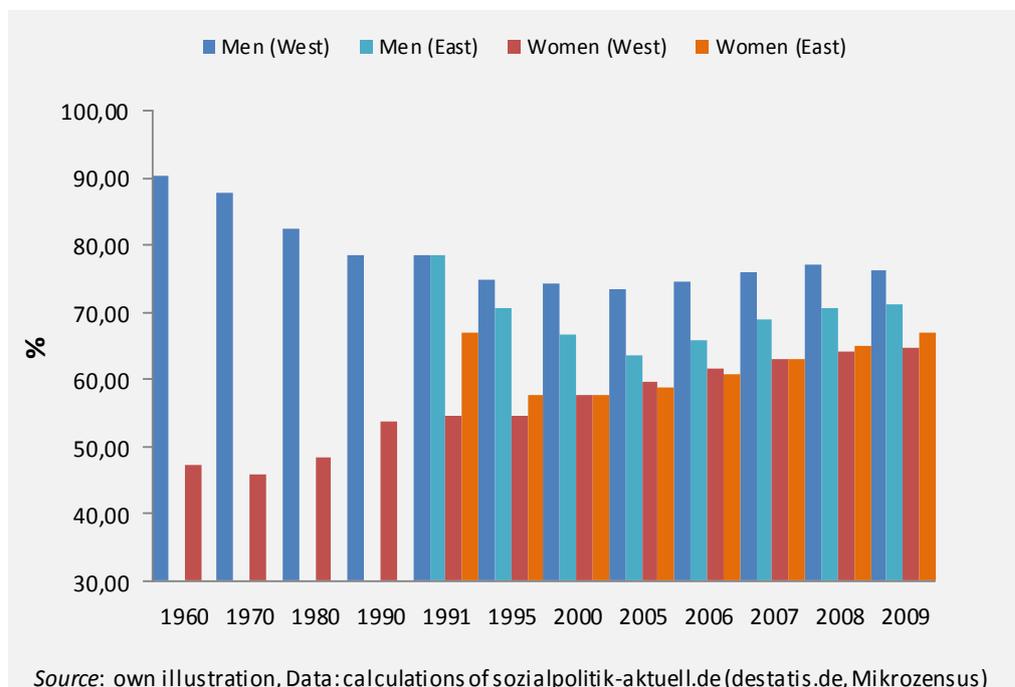
This industry-based German employment regime was founded on the segmentation between the working male breadwinner population and an inactive or peripherally employed labour force sustained by their families or by social policy. This model was built on gender relations in which mostly segmented between male breadwinner activities and female part-time work. Germany was the classical example of an insider-outsider-market characterized by the exclusion of women, older people, foreigners and handicapped. As a result, large differences evolved between core workers and groups, which remained outside or at the 'periphery' of the labour market. (cf. Eichhorst and Marx 2011: 82)

While this employment model thus manifested in employment relationships between employers and employees as well in the societal divisions between men and women, it also shaped societal perceptions of work and justice. Even if higher rates of employment are always socially desirable, for decades, other goals seemed to be more important than high levels of employment – especially "fairly" remunerated jobs, i.e. an egalitarian income structure, stable employment relations, socially secured jobs, qualified jobs, and the avoidance of in-work poverty, even if this could mean less jobs for the unskilled, for precarious employees, for younger employees and for women. Fundamental labour market reforms as the Hartz-reforms, which will be at the core of the following text, therefore require also new aims and values in different areas of the welfare state. An indicator is the discussion on the increasing share of working poor which challenges the assumption that only well-paid jobs are socially acceptable (Andreß and Lohmann 2008): Was the former situation when these mostly unskilled employees had been long-term unemployed (and thus often non-working poor) really better?

Since the 1970s, this male industrial breadwinner dominated employment regime has reached its limits. The family roles, the production model and the labour market and social policy regimes attached to this industrial employment regime have increasingly lost their basis. At the same time, a new, coherent order of private life forms, economic structures and institutions of labour market and social policy did not emerge for a long time. Introduced by labour market reforms at the beginning of the years 2000 (2002-2005), the premises of a new model are developing which especially takes into account the changes in economic structures as well as the higher qualifications and employment rates of women. Signifying a break with former practices, a priority of the "new" German employment regime is the raising of employment rates (see below). This new model is based on the idea of activation

into employment – particularly of those groups previously excluded from the labour market (women, long-term unemployed, etc.).

Figure 1: Male and Female employment rates in East and West Germany



In the realm of the new activating employment policy paradigm, important changes in so far rigid labour market regulation were introduced. Possibilities for flexible employment contracts were improved, options for temporary employment were promoted and part-time work models are gaining greater significance (cf. Eichhorst and Marx 2011: 81). A particular focus was put on the creation of low-paid employment opportunities. For example, new labour contracts for low-paid work were introduced which exempted employees to a great part from their social insurance contributions (Mini- or Midijobs) (cf. Wagner 2010). The shift towards activating employment policies has thus led to fundamental changes of previously exclusive labour markets and increased the ‘inclusive’ character of the German labour market – however at the expense of a growing income inequality (Gini 2000: 0.25; Gini 2010: 0.29).

Activating employment policies, however, not only raise issues of labour market policy reforms but are also challenging other policy fields of the German welfare state which determine the take-up of employment. At the background of a strongly institutionalised role of family welfare and a widespread ‘industrial’ bias of a predominantly passive German welfare state, the introduction of activating employment policies and the explicit goal of increasing employment for women, persistently unemployed, older persons, migrants, sick persons and handicapped people challenges the boundaries of established fields of social security, training, active labour market policy, health care, housing and childcare. Activating employment policies for example raise the question how work incentives are introduced in a social security system which was primarily based on status-protecting contribution-financed

programmes (unemployment, health, old age). Activating employment policies also raise issues how for example life-long learning approaches can be developed in a German training policy field which has been so far dominated by the system of initial vocational training. More specifically, activating employment policies also raise questions on how German active labour market policies are modified which in the past focussed on upholding the status of 'workers' and not on the activation of long-term unemployed and other disadvantaged groups. However, activating employment policies also relate to housing policies which were equally influenced by the 'industrial' bias of the German employment model: for a long time, a major driver of German housing policies was to provide housing for 'workers' (and thus in a remarkable contrast to concepts targeted on long-term unemployed, needy persons, etc.). Finally, the introduction of activating employment policies also poses questions of how German family policy is able to promote new services of family and child care facilitating the reconciliation of family and (mostly female) work instead of principles such as generous standard marital status reliefs which support the male breadwinner model. Taking into account these different issues raised, this report analyses the 'integrated' dimension of activating employment policy reforms in Germany.

**To conclude: investigating into the possibilities of enhancing employment of groups previously excluded by the classical German employment model, we discuss policy fields' reforms in the area of benefits, monetary work incentives (in-work benefits, tax credits), training, health, social assistance, housing and childcare (see section 4). In addition, we will describe also the shift from a passive to an active employment policy which tries especially since 2005 to increase the employment rate by providing new, sometimes atypical and precarious jobs instead of limiting labour market demand by shorter working hours and by the exclusion of women, migrants and older employees (which was the dominant reaction to the increasing unemployment rates from 1973-2005).**

## 2 Main reforms

German labour market reforms of the last 15 years are often categorized in three phases (cf. Dingeldey, 2011; Eichhorst & Marx, 2011) since the change of government in 1998. After 16 years of Christian Democratic/Liberal governments, a Social Democratic/Green coalition took office. The first phase of labour market reforms is the early red-green coalition (1998-2002). A reformulation of labour market policies from a social treatment of benefit recipients towards the goal of labour market activation can be observed during this period (cf. Dingeldey, 2011: 285) as well as re-regulation of employment protection, and atypical jobs (Eichhorst & Marx, 2011: 78). The reform of the Employment Promotion Act (AFG; see above) in 1998 integrated labour market policies into the Social Code (*Sozialgesetzbuch*, SGB; see below). The Job-AQTIV Act in 2001 emphasised the (preventative) promotion of placement of unemployed persons. AQTIV stands for Activation, Qualification, Training, Investing and Placement. Job-rotation and temporary work were introduced, labour market adjustment measures enhanced, social insurance coverage was expanded and placement instruments were intensified (eg. introduction of integration contract).

The second phase from 2003 to 2005 was the period with the most extensive changes: the Hartz-reforms. In 2002 the so called “placement affair” (*Vermittlungsskandal*) was revealed: the Federal Employment Office had manipulated placement statistics to a great extent. This intensified criticisms and opened a ‘window of opportunity’ (Schmid 2006) for far-reaching labour market reforms. Subsequently, the Hartz-Commission (former human resources director of Volkswagen, Peter Hartz as head of the commission, see abox) was installed and developed several reform proposals. The Hartz-reforms I-IV implemented the proposals by and large between 2003 and 2005. In 2003, the first Act on Modern Services in the Labour

#### Hartz-Commission

The Hartz-Commission (Commission for Modern Services in the Labour Market) was set up in 2002 to deal with a „placement scandal“ (manipulated placement statistics) of the Federal Employment Agency. It was assigned to develop proposals for a reform of the Federal Employment Agency and policy recommendations for the unemployment and social assistance schemes. The commission was chaired by Peter Hartz, the former human resources director of Volkswagen. Members of the commission were several representatives of industry and consulting as well as regional labour ministers and social partners. The Hartz-reforms I-IV implemented the proposals by and large between 2003 and 2005.

Market (*Gesetz für moderne Dienstleistungen am Arbeitsmarkt*, also called Hartz I) introduced – among others – training vouchers, intensified temporary work opportunities, sharpened the regulations on reasonable jobs and increased possible sanctions in the case of non-compliance. The second Act on Modern Services in the Labour Market (Hartz II) in 2003 focused on labour market flexibilisation. Low-

paid employment in part-time jobs was partly exempted from social contributions (Mini and Midi-Jobs, see below) and also self-employment for low-skilled persons was promoted (*Ich-AGs*). Hartz III reorganised in 2005 the Federal Employment Office (renamed as: Federal Employment Agency) and changed its governance mode from hierarchical instructions to management by objectives (cf. Dingeldey, 2011: 286). In 2005, Hartz IV merged – as mentioned above – social assistance and unemployment assistance (ALG II) into a means-tested minimum income scheme at the level of former social assistance (including health insurance and additional payments for housing). Through this reform, former beneficiaries of status-based long-term unemployment assistance and the former social assistance seekers become subject to a new regime based on strict work requirements, placement and social welfare services (housing, counselling, etc.) (Knuth 2009). Delivery of benefits and services was organised in local “Jobcenters” (see below) which were supposed to be jointly run by the municipalities and the local agencies of the Federal Employment Agency. To experiment a more decentralised variant of delivery in parallel to the joint Jobcenter, the Hartz IV act also provided a restricted number of local agencies run exclusively by the municipalities (“Optionskommunen”) (see section 3.2). Furthermore, Hartz IV also implemented the above mentioned child support as a work incentive for parents with low income.

*“In sum, reforms introduced by the second Red-Green government from 2002 onwards brought about a great deal of deregulation at the margin of the labour market (particularly for the long-term unemployed as well as agency and marginal*

*workers). By contrast core workers were hardly affected by new legislation, apart from benefit cuts for older workers.” (Eichhorst & Marx, 2011: 79)*

In 2005, the Child Day-Care Development Act promoted the extension of day-care, especially for children with working or job-seeking parents. But no legal entitlement for childcare for children under the age of three was promoted and still a significant lack of childcare in several West German regions existed (cf. BMFSFJ, 2004: 4). The resources for training measures were reduced.

The grand coalition (Social Democrats/Christian Democrats) under chancellor Merkel is described as the third phase (2005-2009). During this period of governance, the path of labour market activation was mostly continued. The extension of childcare was promoted and brought partial improvements (depending on regions, see below). The parental leave allowance - established in 2007 – should serve as an incentive to return to work faster or to take up part-time work.

In 2006, the reform of federalism (*Föderalismusreform*) was implemented and rearranged the division of legislative power between the federal and the regional level. It was a profound step in the direction of further decentralisation. Between 2006 and 2008 some smaller reforms led to recalculation of the ALG II benefits, sharpened sanctions in the case of non-cooperation of ALG II beneficiaries and extended the unemployment benefits for older workers. The “Initiative 50+” tries to improve the employability and job chances for older workers by eg. wage subsidies and training measures.

By this time, minimum wages became a prominent issue for the first time. In 2009, a reform of the Posted Workers Act (*Arbeitnehmerentendegesetz*) implemented minimum wages in specific branches. The attempt to include temporary agency work failed (Eichhorst & Marx, 2011: 80).(BMFSFJ, 2004)

In 2007, the Federal Constitutional Court declared the joint responsibility of Federal Employment Agency and municipalities in the case of the Jobcenters as unconstitutional. A constitutional amendment was decided in 2010 and enabled the existence of the joint facilities and enlarged the numbers of *Optionskommunen* (see above).

Since 2009, Germany is governed by a Christian-Democratic/Liberal coalition. It follows a consolidation strategy. The Labour Market Instruments Re-orientation Act (*Gesetz zur Neuausrichtung der arbeitsmarktpolitischen Instrumente*) of 2009 specifies and re-regulates several labour market instruments such as starter subventions, individual placement budgets and some §16a-measures (see below). Some instruments were cut or restricted (mostly training). Minimum wages were implemented in further branches. The introduction of generally binding minimum wages is discussed intensively, also due to the high amount of beneficiaries who work and receive supplementary benefits because of low wages (see above).

Currently, another Labour Market Instruments Re-orientation Act is on its legislative way and will be passed most probably. It implies the introduction of vouchers for some measures

(additional to training) and the reduction of job-opportunities. Furthermore, it entails elements of decentralisation (more competencies for job advisers and case managers) and simplifications of some instruments. Also due to budgetary constraints, this planned act and other recent regulations might reduce possibilities and guarantees of labour market participation and intensify sanctions and the obligation to work (cf. Dingeldey, 2011: 330).

**Table 1: Legislation Germany 1998-2011**

	<b>Reform</b>	<b>Main Objective</b>	<b>Policy Field</b>
<b>1998</b>	Arbeitsförderungs-Reformgesetz (SGB III)	Supply-side focus into labour promotion, individual responsibility; increasing the conditionality of benefits	<i>LM flexibilisation</i>
<b>1999</b>	Regulation of marginal employment	Minijobs became subject to social insurance contributions	<i>LM flexibilisation</i>
<b>1999</b>	Legal entitlement to childcare	Legal entitlement to childcare for children reaching the age of three	<i>Childcare</i>
<b>2000</b>	Second Act on Advancement of Part-Time Retirement	Extension of part-time retirement	<i>Pension LM instrument</i>
<b>2001</b>	Job-Aktiv Act:	Extend labour market flexibilisation (agency work, job-rotation); extended public-private cooperation in placement (commissioning); profiling in placement; extended work requirements, reimbursement of childcare costs during LM measures (discretionary)	<i>LM flexibilisation services</i>
<b>2002</b>	Placement Vouchers	Extend public-private cooperation in placement	<i>Placement</i>
<b>2003</b>	First Act on Modern Services in the Labour Market (Hartz I)	Flexibilisation (agency work); Training vouchers (public-private cooperation);	<i>LM Flexibilisation; Training</i>
<b>2003</b>	Second Act on Modern Services in the Labour Market (Hartz II)	Re-regulation of marginal employment (not subject to social insurance contributions); Extension of part-time work, start-up subsidies, Jobcenters	<i>LM Flexibilisation</i>
<b>2004</b>	Act on Labour Market Reform	Relaxing dismissal protection; shortening of duration of ALG for older workers; part-time retirement	<i>Unemployment insurance system</i>
<b>2004</b>	Third Act on Modern Services in the Labour Market (Hartz III)	Reform of Governance of Federal Employment Agency (BA),	<i>Governance of BA;</i>
<b>2005</b>	Fourth Act on Modern Services in the Labour Market (Hartz IV)	Merging unemployment assistance and social assistance, including housing and heating costs, health promotion, childcare (limited), training and further measures as discretionary services; re-regulation of job creation schemes	<i>Unemployment benefit system; Services</i>
<b>2006</b>	Reform of Federalism	Extended legislative power for the regional level	<i>Decentralisation</i>
<b>2006-2008</b>	Several Amendments to Social Code II and III	Extended work requirements, extended duration of entitlement to ALG I for older workers	<i>Unemployment insurance and benefit system; Work requirements</i>
<b>2007</b>	Initiative 50+	Employment promotion for older workers (wage subsidies, combination	<i>LM instrument</i>

		wage, promotion of vocational training, temporary contracts)	
2007	Parental Leave	Entitlement to parental leave with earnings replacement and work incentive aspects	<i>Family Policy</i>
2008	Children Support Act	Extension of childcare: legal entitlement to childcare for children <3 until 2013	<i>Childcare</i>
2009	Reform of Labour Market Instruments	Extension of work requirements, limitation of several measures, reimbursement of childcare costs during training measures (entitlement)	<i>Work requirements</i>
2009	Minimum wages	Implementation of minimum wages in certain branches.	<i>LM instruments</i>
2008-2010	Several reforms on short-time work	Extension of short-term work	<i>LM Flexibilisation</i>
2011	Childcare Supplement	Supplement for parents staying at home with children <3; (exact content not yet defined; negative work incentive?)	<i>Childcare</i>
2012 (soon to be passed)	Reform of Labour Market Instruments	Decentralisation by increasing competencies at the local level, simplification of instruments, encourage faster placement	<i>LM Instruments</i>

**To conclude: Before 2002, a few first steps towards employment promotion were introduced, but the main reforms were implemented between 2003 and 2005 (Hartz-reforms). They signified a break with the former status protecting social security system and implied changes in the organisational setting of labour market policies as well as employment promoting elements. Further labour market flexibilisation can be observed before 2005 while since 2005 there was only extension of short-time work in the context of the financial crisis. After 2005 (minor) integration of other policy fields into labour market policies took place. Since 2009 employment promotion measures are reduced.**

### 3 Institutional and socio-economic context

This section aims to present an overview on the German institutional and socio-economic context in order to provide the essential background for the detailed description of the above mentioned reforms and the current system in section 4.

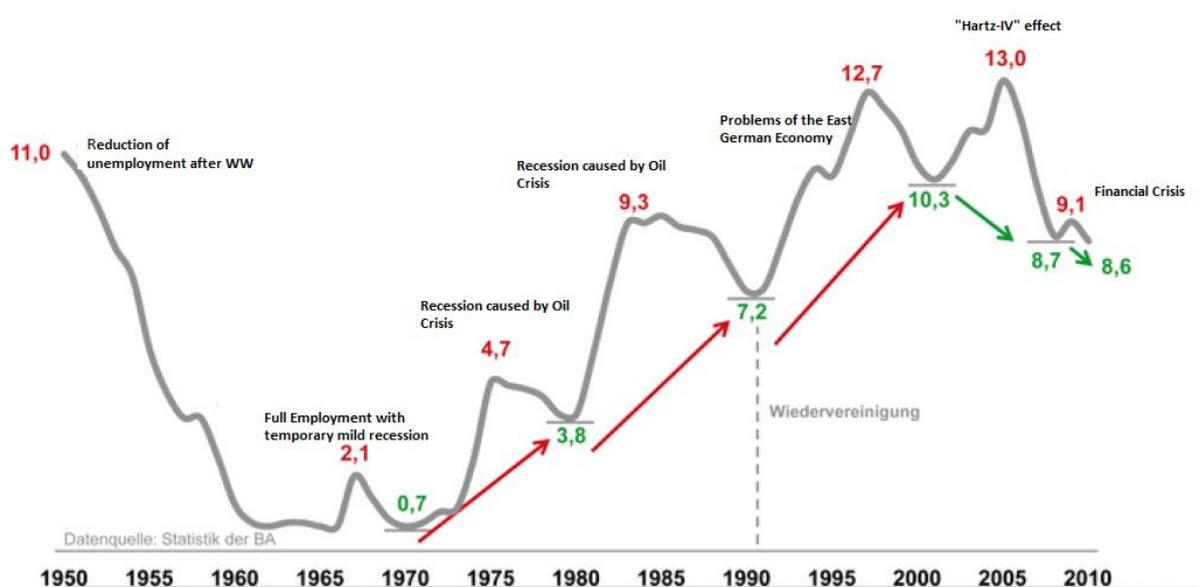
#### 3.1 Socio-economic context; employment and unemployment rates

After WW II, Germany experienced in the 1950s and 1960s a fast reconstruction and a strong economic growth – the so called “Wirtschaftswunder”. The GDP increased by 80% between 1950 and 1960, at the beginning of the 1960s full employment prevailed and the federal budget was nearly balanced

The 1970s were characterised by the oil crisis and the collapse of the Bretton Woods institutions. Economic growth rates decreased sharply, inflation and public debt increased. From 1975 onwards the unemployment rate did not fall again below 2%. After a negative

GDP growth (-0,9%) in 1982, economic recovery set in. Nonetheless, the unemployment rate remained high in the following years illustrating a persistent problem of structural unemployment.

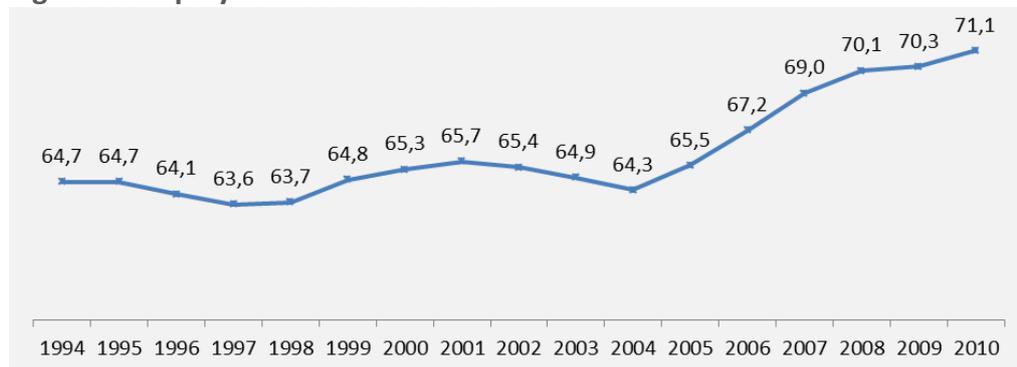
**Figure 2: Unemployed in % of the dependent civil labour force in Germany 1950-2010**



Source: Bundesagentur für Arbeit 2011c: 8

After reunification in 1990, the German economy experienced a short boom (GDP growth 5.3% in 1990), which was quickly followed by a strong recession. Unemployment rates skyrocketed due to adjustment problems of the East Germany economy. As a result, claims on the social security system rose strongly. In the last decade, Germany had to struggle with 'old' challenges of reunification as well as with 'new' ones caused by the Great Recession. In the course of the postsocialist transition processes of the East German economy, the unemployment rate of the population of the former GDR nearly duplicated between 1991 and 1997 and is still twice as high as in West Germany. In the Great Recession, the global economic crisis in 2008/2009 impacted very negatively on the German export-oriented industry and triggered the worst recession since WW II (2009: GDP -5.1 %).

Figure 3: Employment rate 1994-2010



Source: Eurostat [lfsa\_ergan]

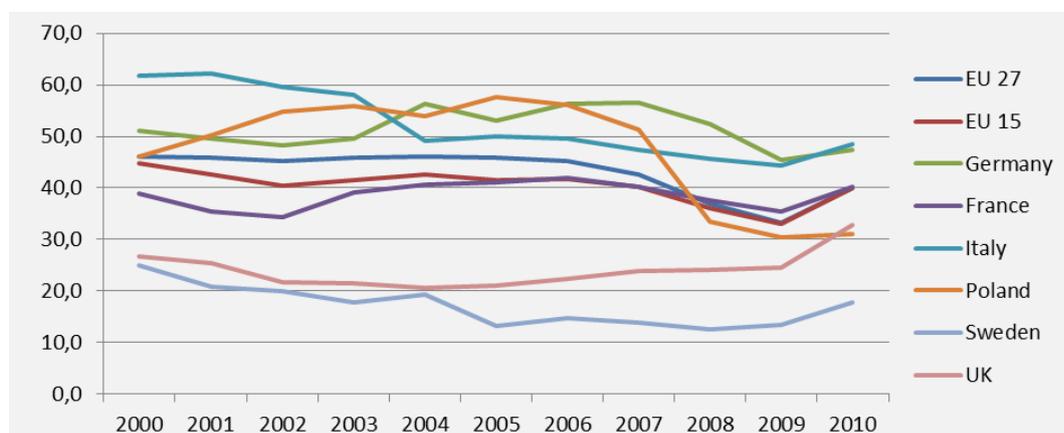
In contrast to many other European countries, the German economy though recovered very quickly (which has perhaps prematurely been termed the German job miracle). GDP growth in 2010 was at 3.7% and a moderate unemployment rate is even decreasing albeit slowly. The employment rate increased at about 5 percentage points between 2000 and 2010 and has not decreased during the financial crisis; mostly due to instruments like short-time work and “working time accounts” (see below).

Tables 1-4 show employment and unemployment rates for females, youths, older workers as well as high skilled and low skilled workers and illustrate also the issue of long-term unemployment in Germany.

**Long-term unemployment**

Long-term unemployment is still the most urging challenge for German labour market policies. Although the share of long-term unemployed of the total active population is decreasing since 2006, Germany has with almost 50% still a very high share of long-term unemployed among all unemployed persons compared to other European countries (see tables 1-4 and figure 4)

Figure 4: Long-term unemployment in % of total unemployment



Source: Eurostat [une\_ltu\_a]

According to calculations of the German Federal Employment Agency, 49% of all long-term unemployed had not completed vocational training in 2011 and 40% were older than 50 years (cf. Bundesagentur für Arbeit 2011c: 12). These factors (low qualification; older than 50 years) are seen as potential risks for long-term unemployment. The amount of long-term unemployed is high in urban areas and structurally weak regions (mostly North Rhine-Westphalia and East Germany) (cf. figure 4). The statistics of the Federal Employment Agency also show that the chances of integration into the labour market are significantly decreasing corresponding with the duration of unemployment. The frequency of moving into the labour market is much higher for short-term unemployed (12,1% between July 2010 and June 2011) as for long-term unemployed (3,2%) (Bundesagentur für Arbeit, 2011a: 16).

### Women

The gap between the employment rates of females and males decreased significantly between 2000 and 2010 (see figure 1). The female employment rate is higher than the EU15-average (see table 2) and still increasing. The female unemployment rate decreased during the last decade. Nevertheless, women do not participate equally in the German labour market, especially in regard to employment fields and working hours (see table 2).

**Table 2: Female Employment and Unemployment Rates**

	Germany				EU 15			
	1995	2000	2005	2010	1995	2000	2005	2010
<b>Employment rate</b>								
<b>Female</b>	55,3	57,8	59,6	66,1	49,6	53,9	57,6	59,5
<b>Total</b>	73,9	72,7	71,3	-	70,3	72,5	73,0	-
<b>Unemployment rate</b>								
<b>Female</b>	9,7	8,3	11,0	6,6	12,5	10,0	9,0	9,6
<b>Total</b>	8,2	8,0	11,3	7,2	10,8	8,5	8,2	9,6
<b>Long-term unemployment (in % of total unemployment)</b>								
<b>Female</b>	51,3	53,1	53,0	46,4	48,5	46,4	42,3	39,1
<b>Total</b>	48,7	51,5	53,0	47,4	47,8	45,4	41,9	39,9
<b>Part-time Employment in % of total employment</b>								
<b>Female</b>	33,5	37,7	43,4	45,0	31,1	33,3	35,8	36,9
<b>Total</b>	16,0	19,1	23,4	25,5	15,6	17,5	19,7	21,4

Source: Eurostat ([lfsa\_urgan], [une\_ltu\_a], [lfsa\_ergan], [lfsa\_eppga])

### Youths

Germany faces very low youth unemployment rates and high youth employment rates compared to other European countries (Eurostat) due to (in a great extent) the dual system of apprenticeship which offers vocational training (see below).

Table 3: Employment and Unemployment Rates for Youths

	Germany				EU 15			
	1995	2000	2005	2010	1995	2000	2005	2010
<b>Employment rate</b>								
Age 15-24	48,0	48,6	45,3	47,9	39,5	43,9	43,3	38,7
Age 15-64	73,9	72,7	71,3		70,3	72,5	73,0	
<b>Unemployment rate</b>								
Age 15-24	8,5	8,5	15,5	9,9	21,2	16,1	16,6	20,2
Age 15-64	8,2	8,0	11,3	7,2	10,8	8,5	8,2	9,6
<b>Long-term unemployment (in % of total unemployment)</b>								
Age 15-24	26,8	23,5	31,8	26,9	37,3	31,7	25,2	27,8
Age 15-64	48,7	51,5	53,0	47,4	47,8	45,4	41,9	39,9

Source: Eurostat ([lfsa\_urgan], [une\_ltu\_a], [lfsa\_ergan])

### Older Workers

The employment rate of the elderly increased from 46.2% in 2000 to 65,0% in 2010 (see table 3). One of the reasons for this strong growth is a decreasing use of measures like early retirement (see below), which also led to an increasing unemployment rate. Nevertheless, the risk of long-term unemployment is much higher for older workers, as mentioned above and the amount of long-term unemployed older than 55 years is relatively high in Germany.

Table 4: Employment and Unemployment Rates for Older Workers

	Germany				EU 15			
	1995	2000	2005	2010	1995	2000	2005	2010
<b>Employment rate</b>								
Age 55-64	48,8	46,2	53,6	65,0	47,0	47,6	53,3	56,2
Age 15-64	73,9	72,7	71,3		70,3	72,5	73,0	
<b>Unemployment rate</b>								
Age 55-64	11,6	12,7	12,7	7,7	8,2	7,6	6,3	6,8
Age 15-64	8,2	8,0	11,3	7,2	10,8	8,5	8,2	9,6
<b>Long-term unemployment (in % of total unemployment)</b>								
Age 55-64	64,0	69,1	69,8	62,4	61,3	63,0	62,1	55,7
Age 15-64	48,7	51,5	53,0	47,4	47,8	45,4	41,9	39,9

Source: Eurostat ([lfsa\_urgan], [une\_ltu\_a], [lfsa\_ergan])

### High skilled and low skilled workers

As shown in table 5, the employment rate of low skilled workers (ISCED 0-2) in Germany is below the EU-15 average. It has decreased since 2000, while the employment rate of high-skilled workers (ISCED 5-6) remained at a de facto full employment. The unemployment rate for low skilled is significantly higher than for high skilled and the total population.

Table 5: Employment and Unemployment Rates for ISCED levels

	Germany				EU 15			
	1995	2000	2005	2010	1995	2000	2005	2010
<b>Employment rate</b>								
<b>0-2</b>	56,8	67,8	47,8	50,9	61,1	64,4	61,9	56,6
<b>3-4</b>	77,0	76,1	74,4	78,8	74,5	76,7	76,7	75,5
<b>5-6</b>	86,8	86,3	86,2	89,9	85,3	86,4	85,9	85,8
<b>All levels</b>	73,9	72,7	71,3		70,3	72,5	73,0	
<b>Unemployment rate</b>								
<b>0-2</b>	12,9	12,7	19,4	15,1	14,2	11,6	11,4	
<b>3-4</b>	8,0	7,9	11,2	7,0	10,0	7,9	8,0	
<b>5-6</b>	5,0	4,3	5,6	3,2	6,8	4,9	5,1	
<b>All levels</b>	8,2	8,0	11,3	7,2	10,8	8,5	8,2	9,6

Source: Eurostat ([lfsa\_urgan], [lfsa\_urgaed], [lfsa\_ergaed])

### 3.2 Jurisdictions

Germany is a federal state. The two constitutionally defined governmental levels are the federal level and the regional level (the *Länder*, NUTS 1). The NUTS 2 level is a subdivision of the *Länder* (*Regierungsbezirke*) with minor administrative relevance, while the NUTS 3 level, the German districts (*Kreise*), is an intermediary level between the municipalities (*Gemeinden*) and the *Länder*. The municipalities are the smallest administrative level.

The federal level has no own administration to implement the political decisions. This is task of the *Länder*, supported by the local level (districts and municipalities). Decision-making power is distributed between the federal and the regional level: according to the German Basic Law, the *Länder* have the decision-making power, but designated subjects are part of the exclusive legislation (only one level has decision-making power) or the competing legislation (if the federal level uses its right to establish laws, it is binding for the regional level; even if regional laws exist).

Social insurance, welfare, labour legislation and placement are subject to the competing legislation. The federal level made use of its right and establishes jurisdictions on wage agreements, labour relation, occupational safety etc. It is responsible for the social insurance system (pension, unemployment, care, health) as well as for the legal supervision of the Federal Employment Agency (BA) and the local Employment Agencies.

The regional level has to implement the political decisions by order of the federal level. It acts as an interface between the central and the municipal social welfare state without much own competencies (cf. Boeckh, Huster, and Benz 2011: 169). Labour Market Policy is a voluntary task for the *Länder*, but (mainly due to the ESF) all of them have established own labour market policies with a focus on special regional necessities.

The municipalities and districts (depending on the respective local situation) as the local level are important actors in the field of welfare policies. They are responsible for the implementation of federal and regional law, but also have their own scope, especially in the fields of housing, local health system, youth welfare and care. Since the Hartz-reforms (see

below), they have significantly enhanced their competencies regarding employment services.

### *Territorialisation and cooperation*

The reform of federalism in 2006 aimed to clarify the competencies between the federal and the regional level and rearranged the division of legislative power. More policy fields than before are now subject to the exclusive legislative power of the regional level.

Due to the German federal structure, a large amount of overall or everyday tasks is not only implemented but also decided at the regional and local level. In several of the below

#### Jobcenter-Cooperation

Nevertheless, especially the implementation of the Jobcenters (see below) signifies further development of multilevel cooperation beside the existing structures. Local cooperation of the Jobcenters and local Employment Agencies with municipalities, Free Welfare Associations, Social Partners and chambers, is foreseen in the German Social Code. Cooperation with existing actors in social services in order to implement the tasks of § 16 (see below) is explicitly mentioned in the regulation. The specific implementation of this cooperation depends on local features.

The Reform of Labour Market Instruments, which will probably be implemented in 2012 brings an increase of competencies for job advisors and case managers at the local level.

**For more information on Jobcenters, see section 4.2**

presented policy fields, the federal level frames the overall policies while the regional and local level has to specify and implement them. A highly developed multilevel cooperation between federal, regional and local level is necessary and institutionalized.

In Germany, coordination between ministries and cooperative relationships on 'integrated' issues of employment policy are shaped by the institutionalised structures of a distinct 'labour market policy field': this field is

defined by horizontal coordination between the labour ministry and other ministries, ministerial coordination between the levels of the Federal state, and cooperative relationships with the social partners (Zirra 2010a: 288).

While in the past, coordination was weakly developed between the labour ministry and ministries responsible for related fields (e.g. family- or education policy), new coordination demands particularly in the framework of the European Employment Strategy have produced patterns of 'consultative' coordination approaches. Confronted with requirements of coordination in the framework of the European Employment Strategy (EES) and the drafting of the National Action Plans (NAPs), two distinct characteristics of inter-ministerial coordination developed in Germany (Zirra 2010a, 2010b). First, responding to the demands of greater coordination, intensive and mostly informal administrative coordination processes are taking place on a technical level. These technical coordination processes evolve between the relevant national ministries, regional ministries and the labour market experts of the social partners. Second, the organisation of an 'integrated' approach in the area of the EES, has been a matter of horizontal coordination. Usually initiated by one directorate of the

labour ministry, coordination proceeds in a 'discursive' and 'consultative' manner thereby respecting the technical expertise and boundaries between ministries.

As a result of the efforts undertaken in the framework of the EES, awareness and exchange on 'cross-cutting' issues of activating employment policy increased between different national ministries and the social partners. At the same time, the wider inclusion of other actors proved fragile. Municipal representative bodies as well as non-governmental actors different from the social partners are kept out on consultations on integrated strategies. As the following discussions illustrate, sub-national and third sector actors often remain confined to local or regional attempts of coordination. Furthermore, technical coordination is not necessarily able to prepare and assure political consensus between the government and social partners on integrated issues of activating employment policy (Zirra 2010a: 288-304).

To put it in a nutshell: a highly technical, national mode of horizontal, corporatist coordination evolves on integrated employment policy issues between the labour ministry, related ministries and the social partners that, however often misses to prepare political consensus and widely excludes the municipalities and the third sector whose coordination attempts remain confined to sub-national bodies.

### 3.3 Actors and Stakeholders

#### *Federal Ministries*

The Federal Ministries are the clearing house between the political and administrative level. In fact, they design together with the Federal Government the policy contents and supervise implementation (although administrative implementation is taking place at the regional and local level, see above). Composition and personnel of the Federal Ministries are often subject of intense bargaining in coalition building.

The Federal Ministry for Labour and Social Affairs (BMAS) exists since 2005. The social democratic/green coalition decided in 2002 to split the competencies of the former Ministry of Labour and Social Order: The Federal Ministry of Economy and Labour and the Federal Ministry for Health and Social Security were defined. In 2005, the grand coalition revised this division and reinstalled the Federal Ministry for Labour and Social Affairs. Its responsibilities are primarily Social Security and Pension, Labour Market, Vocational Training and the integration of disabled persons. In collaboration with the German Federal Insurance Office (*Bundesversicherungsanstalt*, BVA) it accomplishes the legal supervision of social insurance institutions. This includes the Federal Employment Agency (see below), with which an intense cooperation is institutionalised (objective agreements, reconciliation in eg. personnel concepts etc. ( cf. Bundesagentur für Arbeit 2007; Bundesagentur für Arbeit 2008; Bundesagentur für Arbeit 2008; Bundesagentur für Arbeit 2009; Bundesagentur für Arbeit 2010c)).

Other Federal ministries with capacities in social policy are the Federal Ministry for Family, Elderly, Women and Youth (BMFSFJ) and the Federal Ministry for Health (BMG). They also

cooperate with the Federal Employment Agency, eg. in the field of labour issues of lone parents.

Federal Ministries have a very important role in legislation. They are responsible for policy framing and programming and even legislative decisions are often de facto finalised in the ministries (cf. Derlien 2003: 15).

### *Social Partners*

The social partners have a central role in German labour market policies. The *Tarifautonomie* (the right of employers and employees to negotiate wages and employment conditions autonomously) is an important element in German labour market policies (and firmly anchored in the German constitution). The state is not allowed to intervene directly into the negotiations, but is able to act as a mediator (cf. Oschmiansky 2011). Trade unions play an important role not only in negotiations on wages and employment conditions, but also as members in committees, social insurance self-government (especially in the Federal Employment Agency), operational bodies etc. In 2009, German trade unions had about 6,3 Mio members, the number is increasing. 17,5% of all dependent employed persons were organised in trade unions in 2006. The largest umbrella organisation is the German Federation of Trade Unions (*Deutscher Gewerkschaftsbund, DGB*); several unions for different branches exist. Almost all of the unions are organised in a democratic bottom-up structure.

The Employers Federations are organised in a similar way: they are regionally structured and have different federations for different industries. The umbrella organisation is the Federal Employers Association (*Bundesvereinigung Deutscher Arbeitgeberverbände*). The self-regulatory professional organisations (chambers) have important statutory and semi-statutory tasks, eg. in the field of vocational training and act as stakeholders towards public, administration and the public. The largest chambers are the Chamber of Industry and Commerce (*Industrie- und Handelskammer, IHK*) with its central organisation, the DIHT and the Chamber of Crafts (*Handwerkskammer, HWK*). These interest associations play an important role in the design of labour market policies and its reforms.

### *Free Welfare Associations*

The Free Welfare Associations (FWAs) have an important and historically evolved role in the German social welfare system.

“[...]he term [*Freie Wohlfahrtspflege* first] refers to the spectrum of organizations, service units, advocacy groups, local, national and subnational organizations and initiatives that are members of one of the FWAs. Second, *Freie Wohlfahrtspflege* relates to the country's tradition of public-private partnership in social service provision and delivery. [...] Accordingly, *Freie Wohlfahrtspflege* serves as a synonym for Germany's third sector-specific policy actors – the *Wohlfahrtsverbände* or FWAs – that are deeply bound up with the country's welfare state. At the same time, the noun is used to relate to the daily routines of social service delivery put into practice

and thus provided by the member organizations of the FWAs [...]” (Zimmer et al., 2009: 28).

The three confessional and three non-confessional associations are the largest service providers in social welfare: The *Deutscher Caritasverband*, closely affiliated with the Catholic Church, is the largest FWA. The second largest one is the *Diakonisches Werk*, a protestant association. The Central Welfare agency for Jewish People (*Zentralwohlfahrtsstelle für Juden*) is considerably smaller than the other FWAs. The three non-confessional associations are the Worker’s Welfare Association (*Arbeiterwohlfahrt, AWO*), which is linked historically to Germany’s Social Democratic Party, the German Red Cross (*Deutsches Rotes Kreuz, DRK*) and the Association of Non-Affiliated Charities (*Paritätischer Wohlfahrtsverband*), which does not belong to any ideological or political milieu (Zimmer et al. 2009: 22).

All FWAs are organised at the local level and maintain own services and institutions in all field of social work: hospitals, old-age care, childcare, counselling (substance abuse, marriage, pregnancy etc.) and other services. They cooperate at the regional and federal level. The Free Welfare

Consortium

(*Bundesarbeitsgemeinschaft der Freien Wohlfahrtspflege, BAGFW*) „[...] provides the platform for consensus-building functioning as the ‚voice‘ of the FWAs at the national and EU-level.” (Zimmer et al. 2009 30). The BAGFW is financed by contributions of the FWAs and the government.

Since the mid-1990s, the dual system of public and third sector welfare is changing due to competitive structures (cf. Bauer 2005).

Deutscher Verein

The German Association for Public and Welfare (*Deutscher Verein für öffentliche und private Fürsorge*) is the „[...] institutional expression of public-private partnerships in social service provision and policy planning [...]“ (Zimmer et al. 2009: 30). Its members are the Free Welfare Associations (FWAs), subnational representatives, federal government, trade unions, and employers’ associations. It is funded in a large part by the federal government and serves as a clearing house for common interests and further development of professional standards (Boeckh et al. 2011: 172). It has an important role as a national stakeholder in the field of social services.

### Public Welfare Providers

Usually the municipalities (resp. the districts) are providers of public welfare. Public institutions like hospitals, kinder gardens, old-ages homes etc. are the public implementation of social welfare services, while social administrations at the local level are the planning institutions. Due to the federal structures, a wide range of different shapes of public welfare services exist in Germany. However, public welfare is usually in charge of youth welfare offices, public health departments and social assistance offices (*Jugendamt, Gesundheitsamt and Sozialamt*). The youth welfare office is the most important part of the public welfare service and consists of a youth welfare committee (with stakeholders of public and private welfare services) and the administration. They establish special services eg. for guardianship, education, childcare and the so called (General Social Service (*Allgemeiner Sozialer Dienst*,

ASD). The ASD is a service without special profile, is not based on a specific legal basis and serves as a focal point for all social problems. This is partly seen as an administrative and functional problem.

The social assistance offices are in charge of the services of SGB XII (social assistance, see below). Due to the regulations which define the subordination of the social assistance to other social services, the social assistance offices is in the most cases only responsible for the payment of the social assistance and related issues (SGB XII, see below). The public health office is losing importance since the 1950s in the field of social services. They are responsible for hygiene controls, health reporting, have public health officers, youth health services etc. They also offer pregnancy-, substance abuse-, HIV- or psychosocial counselling. The FWAs often also offer those counselling services (cf. Bettmer 2005)

### *Private Sector*

Traditionally, the private (profit-oriented) sector plays a minor part in the German social service system, although private-public cooperation in Germany is increasing and legally supported (*ÖPP-Beschleunigungsgesetz*, PPP-Acceleration Act 2005). There is no overarching organizational (and representing) institution in social services. Due to increasing competitive structures, in some fields of social services, private profit-oriented actors become more important (cf. Hoffer & Piontkowski 2007: 5). Nowadays, in-patient and ambulatory (also home) care is to a great extent implemented by those private actors. A growing amount of private hospitals can also be observed, while there is a very low representation of (profit-oriented) private actors in youth welfare or disability services.

### *Social Insurance Institutions*

The Social Insurance Institutions (health insurance, pension, disability insurance, care insurance, unemployment insurance and accident insurance) are not statutory but self-governed public bodies. Elected (by employees and employers) representatives of the insured employees and the employers organize (usually in parity) the self-government. The Social Insurance Institutions implement the assigned tasks in their own responsibility. The German Federal Insurance Office accomplishes in collaboration with the Federal Ministry of Health and the Federal Ministry of Labour and Social Affairs the legal supervision. Social insurance in Germany is in general compulsory for employers; special structures for freelancers, officials and other groups exist. The Social Insurance Institutions are funded by the employers' and employees' contributions. The amount of the contributions is wage-dependent, the insurance benefits are equal and independent of the contributions (exceptional pension: principle of equivalence).

### *Federal Employment Agency*

The Federal Employment Agency (*Bundesagentur für Arbeit*, BA) is a Social Insurance Institution as well. Its governing bodies are not elected but appointed by the Federal President and consist of representatives of the trade unions, the employers' federations and public corporations (tri-partite). The BMAS has the legal supervision and controls the

compliance with the legislation. The BA has its headquarters in Nuremberg, 10 regional directorates (shall lead the Employment Agencies of their regions, but also act as initiators of regional labour market policy), 178 Employment Agencies at the local level (implementation of the tasks of the BA, with own management and administrative committees) and about 610 branch offices. Besides placement (see below), the main tasks of the BA are (cf. Oschmiansky 2011).

- Payment of ALG I (unemployment benefit I)
- Career counselling
- Promotion of vocational (further) training
- Allocation of SGB III (and special federal, regional or EU programmes) labour market measures
- Regulatory tasks like granting labour permits for non-EU citizens
- promote equality of opportunity at the labour market and implementing special programmes for youths, elder workers and low-qualified
- assembling of labour market- and vocational training statistics as well as research in the field of labour market and employment

## **4 Labour market policy, unemployment benefits system and service related policy fields**

This section aims to provide a detailed description of the already mentioned labour market reforms, the current unemployment benefit system after the Hartz-reforms and its integration with service related policy fields such as placement, training, housing, health and childcare.

### **4.1 Labour Market Policy**

As mentioned in the introduction, the German employment rate has increased during the last decade (see figure 3). A significantly higher female employment rate but also labour market flexibilisation led to this effect. As table 7 shows, the German labour market has become more heterogeneous during the last years: Flexible employment contracts have continued to expand, agency work and part-time work are increasing (cf. Eichhorst and Marx 2011: 81). “Atypical” employment is taking a significant share: only two-thirds of all workers are in regular employment subject to social insurance contributions, while the rest is working in marginal jobs (Mini- or Midijobs), job creation schemes, qualification measures or other atypical employment (cf. Wagner 2010);

Table 6: Labour Market instruments since 2000

Instrument	Main reforms	Implementation and impact
<b>Part-time employment, temporary contracts and employment protection</b>	<ul style="list-style-type: none"> <li>• Act on Part-time- and Fixed-term Employment (2001)                             <ul style="list-style-type: none"> <li>- Objectives:</li> <li>- Relaxing of employment protection by simplification of temporary contracts</li> <li>- Non-discrimination of part-time employees; entitlement to part-time work</li> </ul> </li> <li>• Hartz II (2003): Changes in the Act on Part-time- and Fixed-term Employment                             <ul style="list-style-type: none"> <li>- Further relaxing of employment protection for older workers</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>• Increasing amount of part-time employed persons (also due to increasing female employment)</li> <li>• Women are significantly overrepresented among part-time working persons</li> <li>• Increasing amount of persons with temporary contracts (especially young people and employees in service and public administration)</li> <li>• In the last years, more people with temporary contracts are shifting to permanent contracts (Wagner 2010: 81)</li> </ul>
<b>Marginal employment</b>	<ul style="list-style-type: none"> <li>• Hartz II (2003): Re-regulation of marginal employment                             <ul style="list-style-type: none"> <li>- “Minijob”: Income up to 400 € is not subject to taxes and social insurance contributions (before: 325 €)</li> <li>- Midijob: income up to 800 € is subject to reduced social insurance contributions</li> <li>- Objective: marginal employment as a “bridge” to regular employment</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>• Increase of marginal employment: significant increase of Minijob, slight increase of Midijobs (Wagner 2010: 47)</li> <li>• “bridge-effect” is not well-performing (Dingeldey 2011: 312)</li> </ul>
<b>Self-employment</b>	<ul style="list-style-type: none"> <li>• Hartz II (2003)                             <ul style="list-style-type: none"> <li>- “start-up-subsidies” (se so called “IchAG”) for unemployed</li> </ul> </li> <li>• Revision in 2006                             <ul style="list-style-type: none"> <li>- Start-up financing (<i>Gründungszuschuss</i>) for ALG I beneficiaries</li> <li>- Starter financing (<i>Einstiegsgeld</i>) for ALG II beneficiaries taking up a job with low wages (lower or only little higher than the benefits) or beneficiaries going freelancing</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>• Ca 11% of all employed persons are self-employed (Wagner 2010: 59)</li> <li>• increase of self-employment since 2003; sharp increase of “solo-self-employed” (no associates or staff): ca. 8% of all employed persons in 2001 and more than 12% in 2008)(Wagner 2010: 60)</li> <li>• also sharp increase of self-employment subsidised by Federal Employment Agency</li> </ul>
<b>Short-time work</b>	<ul style="list-style-type: none"> <li>• exists since 1909, extensive use after reunification</li> <li>• 2008: extended duration (max. 18 months)</li> <li>• “Fiscal stimulus package” (2009):                             <ul style="list-style-type: none"> <li>- Facilitation of access to short-time work</li> </ul> </li> <li>• 2009: extended duration (24 months)</li> <li>• actual regulations (SGB III):                             <ul style="list-style-type: none"> <li>- three types of short-time work benefits: <i>cyclical</i> (loss of labour due to economic situation), <i>seasonal</i> (loss of labour due to weather) and <i>transfer</i> (in cases of company restructuring)</li> <li>- benefits as high as ALG I: 60% of gross income (parents 67%)</li> <li>- social security contributions are paid to a great extent by Employment Agencies</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>• Its extensive use since 2007 is seen as an important reason for the German well-performing during the financial crisis</li> <li>• Actually, amount of short-time workers is decreasing, but the duration of short-time work is increasing (workers remain longer in short-time work) (cf. Brautzsch and Will 2010: 282)</li> </ul>
<b>Retirement</b>	<ul style="list-style-type: none"> <li>• Hartz III (2004)                             <ul style="list-style-type: none"> <li>- extend subsidised part-time retirement in order to reduce unemployment</li> </ul> </li> <li>• 2010: limitation of subsidised part-time retirement</li> </ul>	<ul style="list-style-type: none"> <li>• Part-time retirement was often used as a way of reducing jobs without dismissals (Wanger, 2009: 1)</li> <li>• High costs due to part-time retirement subsidies (Wanger, 2009: 5)</li> </ul>

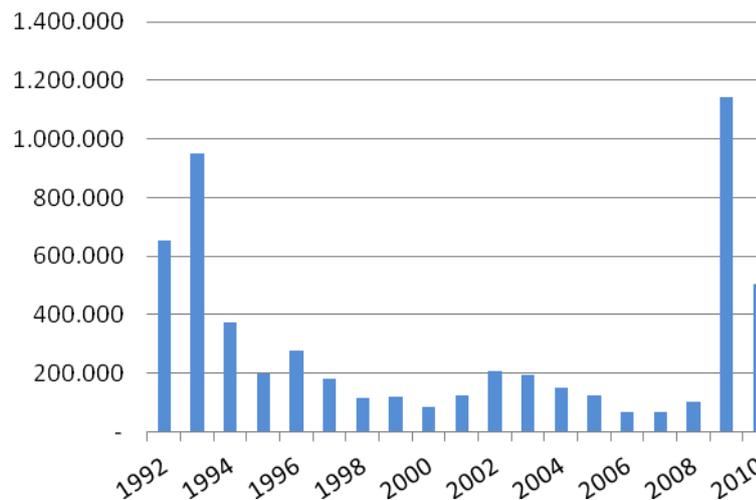
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	<ul style="list-style-type: none"> <li>• Increase of retirement age (2006)             <ul style="list-style-type: none"> <li>- Age: 65→67</li> <li>- Main argument: demographic challenges</li> </ul> </li> </ul>	
<b>Subcontracted employment/ agency work</b>	<ul style="list-style-type: none"> <li>• Hartz I (2003)             <ul style="list-style-type: none"> <li>- Reversion of restrictive regulations</li> <li>- Expectation: placement of unemployed in regular employment via subcontracted/ agency work (“temp-to-perm”)</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>• ca 2% of all employees work in subcontracted employment (cf. Wagner 2010: 24)</li> <li>• subcontracted employment is increasing</li> <li>• Important for placement</li> <li>• temp-to-perm effect is low</li> <li>• mainly wage agreement-covered</li> <li>• often low wages</li> </ul>
<b>Job-creation schemes</b>	<ul style="list-style-type: none"> <li>• Hartz IV (2005)             <ul style="list-style-type: none"> <li>- Made available three job creation schemes for ALG II recipients:                 <ul style="list-style-type: none"> <li>○ Traditional job creation schemes (meanwhile disestablished)</li> <li>○ the so called „ One-Euro-Jobs“:                     <ul style="list-style-type: none"> <li>- additional to regular jobs and in public interest; no regular employment; participants get an tax-funded allowance (mostly: 1,00€ - 2,50€) in addition to ALG II benefits</li> <li>○ work opportunities as contributory jobs</li> <li>- subject to social insurance contributions but financed by the Federal Employment Agencies</li> <li>- target groups are persons with a greater chance of integration into the labour market</li> </ul> </li> </ul> </li> <li>• 2009             <ul style="list-style-type: none"> <li>- disestablishing job creation measures for ALG I beneficiaries</li> </ul> </li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>• “One-Euro-Jobs” are the most frequently used measure, their use is more or less constant since 2006</li> <li>• Studies show, that the job creation schemes are effective for some person groups, but no remarkable effects (in the sense of placing persons into regular jobs) can be expected (cf. Hohmeyer and Wolff 2010)</li> </ul>
<b>Integration subsidies</b>	<ul style="list-style-type: none"> <li>• Employers who hire workers with placement obstacles can file for special integration subsidies under certain circumstances (already implemented before 2000)</li> <li>• Subsidies for different groups (eg older workers, disabled persons etc.)</li> </ul>	<ul style="list-style-type: none"> <li>• Study shows relative good chance to stay in regular employment, also for ALG II beneficiaries (cf. Koch et al. 2011: 5)</li> <li>• Large variety of different regulations for different groups is criticised (revision act is planned for 2012)</li> </ul>
<b>Qualification</b>	<ul style="list-style-type: none"> <li>• Hartz I (2003): Implementation of training vouchers (see below)</li> </ul>	<ul style="list-style-type: none"> <li>• No crucial role as labour market instrument (see below)</li> </ul>
<b>In-work benefits</b>	<ul style="list-style-type: none"> <li>• Hartz IV (2005): “Additional ALG II”: Needy workers with low income (not enough to cover subsistence cost) can file for ALG II</li> </ul>	<ul style="list-style-type: none"> <li>• Sharp increase of 2010 13,8% of “Aufstockern” (workers receiving supplementary beneficiaries between 2005 and 2007, now slight decrease; 2010: 13,8% of all ALG II beneficiaries worked in marginal part-time jobs and 7,4% in full-time positions.(cf. Bundesagentur für Arbeit 2010b)</li> </ul>

Source: own compilation

Some labour market instruments were explicitly extended during the financial crisis since 2007, most of all short-time work and “working time accounts”. As figure 5 shows, the amount of short-term workers increased significantly since 2009. Short-time work and “working time accounts” are seen as the two most important reason for the German well-performing during the financial crisis in the sense of economic growth, unemployment and employment rates.

**Figure 5: Short-time workers (total amount) 1992-2010**



Source: Statistik der Bundesagentur für Arbeit

As a result, large differences evolve between core workers and a growing group at the ‘periphery’ of the labour market. (cf. Eichhorst and Marx 2011: 82; Clegg 2007: 606). These differences are not only a problem in the labour market but also in social security (cf. Dingeldey 2011: 329): In the case of unemployment, status-maintaining social services are available only for “insiders”, while “outsiders” in marginal employment situations are often obliged to rely the means-tested, flat-rate minimum income scheme.

Table 7: LMP expenditure in % of GDP

	Labour market services <sup>1</sup>			Training <sup>2</sup>			Employment incentives <sup>3</sup>		
	2000	2005	2009	2000	2005	2009	2000	2005	2009
<b>Germany</b>	0,201	0,293	0,37	0,522	0,266	0,351	0,084	0,049	0,108
<b>France</b>	0,174	0,234	0,256	0,37	0,289	0,359	0,175	0,122	0,096
<b>Italy</b>		0,039	0,031	0,247	0,244	0,159	0,226	0,210	0,147
<b>Poland</b>		0,069	0,098		0,1	0,670		0,031	0,162
<b>Sweden</b>	0,196	0,177	0,412	0,656	0,329	0,063	0,459	0,445	0,371
<b>UK</b>		0,384	0,289		0,025	0,016	0,024	0,014	0,014
<b>EU 15</b>	0,217 (2001)	0,228	0,241		0,203	0,233	0,145	0,129	0,135

	Supported employment and rehabilitation <sup>4</sup>			Direct job creation <sup>5</sup>		
	2000	2005	2009	2000	2005	2009
<b>Germany</b>	0,126	0,124	0,036	0,259	0,078	0,063
<b>France</b>	0,060	0,065	0,075	0,401	0,179	0,153
<b>Italy</b>	-	-	-	0,051	0,009	0,006
<b>Poland</b>	-	0,173	0,213	-	0,025	0,027
<b>Sweden</b>	0,275	0,204	0,224	0,036	-	-
<b>UK</b>	0,009 (2001)	0,009	0,010	0,012	0,004	0,004
<b>EU 15</b>	0,096 (2001)	0,089	0,079	-	0,070	0,068

Source: Eurostat (tps00077)

<sup>1</sup> Labour market services are all services and activities undertaken by the Public Employment Services together with services provided by other public agencies or any other bodies contracted under public finance, which facilitate the integration of unemployed and other jobseekers in the labour market or which assist employers in recruiting and selecting staff

<sup>2</sup> Training covers measures that aim to improve the employability of LMP target groups through training, and which are financed by public bodies

<sup>3</sup> Employment incentives covers measures that facilitate the recruitment of unemployed persons and other target groups, or help to ensure the continued employment of persons at risk of involuntary job loss.

<sup>4</sup> Direct job creation covers measures that create additional jobs, usually of community benefit or socially useful, in order to find employment for the long-term unemployed or persons otherwise difficult to place.

<sup>5</sup> Supported employment and rehabilitation covers measures that aim to promote the labour market integration of persons with reduced working capacity through supported employment and rehabilitation

## 4.2 Unemployment Benefit System and Social Assistance System

The German social law is consolidated in – actually – 12 Books of the Social Code (Sozialgesetzbücher, SGB), each of them is independent law. The Books entail regulations on statutory health -, pension -, accident - and nursing care insurance (SGB V, VI, VII and XI), child and youth services (SGB VIII), basic regulations as well as administrative procedures and social data protection (SGB I and XIII), the constitution of the social insurance institutions (SGB IV) and the rehabilitation and integration of disabled persons (SGB IX). They also regulate the unemployment insurance, unemployment assistance and social assistance (see also table 8):

- a. In SGB II is laid down the basic income scheme for jobseekers (*Grundsicherung für Arbeitslose*, ALG II) and their integration to the labour market
- b. The Unemployment insurance (ALG I) is regulated in SGB III, which entails also regulations on job placement and active labour market policies.
- c. SGB XII: Social assistance: (*Hilfe zum Lebensunterhalt*)

According to Gough et al. (1998), social assistance is defined as tax-financed and means-tested benefit allocation. Before 2005, the German unemployment assistance (*Arbeitslosenhilfe*) and “social assistance” (*Sozialhilfe*) constituted programmes which fit into this classification of social assistance. The Hartz-reforms (see “main reforms”) in 2005 merged unemployment assistance and social assistance. The actual ALG II (SGB II) and social assistance (*Sozialhilfe* according to SGB XII; a minimum income for working-age people not capable of working and for needy persons above 65 years) are both means-tested and tax-financed and can therefore be classified as social assistance schemes. Table 8 illustrates the old and the new benefit system in Germany:

Old System (until 2004)	New System (since 2005)
<p><i>Arbeitslosengeld</i> (unemployment insurance benefit): funded through contributions, earnings-related, limited duration, relative status maintenance</p>	<p><i>Arbeitslosengeld I</i> (ALG I): funded through contributions, earnings-related, limited duration, not means-tested, relatively status maintenance                      → SGB III                      → responsibility: Federal Employment Agency;                      Implementation: local Employment Agencies</p>
<p><i>Arbeitslosenhilfe</i> (Earnings-related unemployment assistance): tax funded, earnings-related, means-tested, infinite duration, relative status maintenance</p>	<p><i>Grundsicherung</i> (Basic income scheme)</p> <p><u>Consisting of</u></p>
	<p><i>Arbeitslosengeld II</i> (ALG II): tax-funded, means-tested, flat rate, after expiry of ALG I (and temporary supplement), infinite duration (integration of “<i>Arbeitslosenhilfe</i>” and “<i>Sozialhilfe</i>” for people capable of working) but stronger principle of activation                      → SGB II                      → Joint responsibility: municipalities and Federal Employment Agency (or only municipalities in the case of “<i>Optionskommunen</i>”); Implementation: <i>Jobcenter</i></p>
<p><i>Sozialhilfe</i> (social assistance): tax-funded, means-tested, flat rate, infinite duration</p>	<p><i>Sozialgeld</i> (social allowance) for children below the working age of 15 living in a household of an UB II recipient</p> <p><i>Sozialhilfe</i> (social assistance): <i>Hilfen zum Lebensunterhalt</i> (subsistence grants), <i>Grundsicherung für Erwerbsgeminderte und im Alter</i> (minimum income for working-age people not capable of working and for needy persons above 65 years) and other assistances (eg. for integration for disabled persons): means-tested, tax-funded, weaker principle of activation</p>

**Table 8: Old and New Benefit System in Germany**

Source: Eichhorst & Konle-Seidl, 2008: 22; with own amendments

In the following subsection are discussed benefits, work requirements, work incentives and service organisation for three systems: ALG I as the unemployment insurance system, ALG II as a merging of social assistance and unemployment benefits and the so called “social assistance” as a minimum income scheme for specific groups.

The following section (service related policy fields) has a focus on selected policy fields and their link to unemployment policies.

### *Entitlements and Benefits*

As mentioned above, ALG I (unemployment benefit I) and ALG II (unemployment benefit II) are the basic elements of insurance and benefits services in Germany. Unemployment benefits and social assistance are merged in the current system and constitute a general minimum income support scheme with strong activation requirements (cf. Eichhorst & Marx, 2011: 78).

#### **ALG I**

ALG I is a contributions-funded, earnings related, not means-tested, relatively status maintaining and limited unemployment insurance benefit. Only persons who have paid unemployment insurance contributions for at least twelve months (parental leave and military service are seen as payment time) are entitled to receive unemployment insurance benefits. The regular maximum duration of payment is 12 months (for workers older than 55: 18 months). Unemployed persons with children get 67%, others 60% of their gross income before unemployment. After the expiry of ALG I, needy jobseekers can file for ALG II. The Federal Employment Agency (BA) has the overall responsibility for ALG I; the implementation is accomplished by the local Employment Agencies.

#### **ALG II**

ALG II is a basic income scheme for needy jobseekers. It is a tax-funded, means-tested, flat-rate and not limited benefit system. It is also accessible for workers with a low income (supplementary benefits, see “work incentives”). It consists of:

- Benefits to cover subsistence costs (including food, clothes, electricity etc.)
  - o 364 € for a single adult, special amounts for children and multi-person households
- Housing and heating costs (*Kosten der Unterkunft*, KdU, see “housing”)
  - o Regulations, what “appropriate living space” is, depending on regional features
  - o If living space is not appropriate, beneficiary could be forced to move
- Additional demands in the case of pregnancy, disability, health detriment or for lone parents
- Nonrecurring benefits like for initial fitting out for living, babies, pregnancy and birth or for school trips
- Social insurance contributions (health, pension, care)

Existing capital has to be used to cover the subsistence costs before filing for ALG II. Amounts of exemptions are guaranteed for eg. old-age provision. The household-related approach (*Bedarfsgemeinschaft*) requires a means-testing of all household-members. Only one member of the household has to file for ALG II, but working household members have to aliment other members. Not only married partners are seen as a household, but also registered partners (homosexual partnership) or life partner as well as own children under 25 without own income living in the household

## Social Assistance

As mentioned above, the Hartz-reforms merged unemployment assistance and social assistance for people capable of working. A benefits system called *Sozialhilfe* (social assistance) still exists (SGB XII) apart from ALG II as a tax-funded and means-tested minimum income scheme for persons not entitled to receive UB II (due to the incapacity to work) or other benefits and not able to finance their own maintenance. The social assistance of SGB XII entails subsistence grants (*Hilfe zum Lebensunterhalt*), minimum income for incapacitated people and old-age >65 (*Grundsicherung für Erwerbsgeminderte und im Alter*) and other assistances (eg. integration assistance for disabled persons or health and care assistance). The implementation of the Hart-reforms led to a sharp decrease of social assistance beneficiaries.

The regular social assistance benefits are as high as the ALG II benefits (social assistance is the reference for other tax-financed benefits). This is the same for housing and heating costs, additional demands and nonrecurring costs. Needy persons do not have to file for social assistance.

Needy foreigners living in Germany can receive subsistence grants but not the minimum income for working-age people not capable of working and needy persons above 65 years, except they have a residence permit. Asylum seekers and persons entitled to asylum are not eligible for social assistance but for benefits within the scope of the Act on Benefits for Asylum Seekers.

## Service Delivery

Service delivery takes place at the local level and is therefore not in the focus of this National Report. Nevertheless, to understand the linkages between the unemployment benefit system and the different services (housing, health, childcare and training) discussed below, it is crucial to provide an overview on its jurisdictions and implementation structure.

### ALG I

In the case of ALG I, the Federal Employment agency is responsible for placement, job counselling, and benefits payment. These tasks are implemented in the local Employment Agencies. Job advisers are the contact persons for ALG I-beneficiaries. For more detailed information on the implementation of placement, see section “placement” below.

Since 2004, “regional purchase centres “ (*Regionale Einkaufszentren, REZ*) are responsible for purchasing training measures, integration measures etc. in the field of SGB II and III. Before the Hartz-reforms, these measures were developed and implemented in direct cooperation between service providers and employment agencies. In the course of the reform of the governance of the Federal Employment Agency (see below), this way of contracting-out was introduced to reduce costs and prevent corruption.

### ALG II

The implementation of ALG brought along the merging of different jurisdictions of the Federal Employment Agency and the municipalities. In federal responsibility (Federal

Employment Agency) are payment of ALG II (unemployment benefit II), payment of contributions to statutory health, nursing care and pension schemes and placement services (counselling, mediation, promoting measures for integration into work, see also “placement”). The municipalities are responsible for housing and heating and social services (see below). Nevertheless, joint facilities of municipalities and Federal Employment Agency were created in the majority of the municipalities (see box).

#### Jobcenter

To provide a one-stop service for the beneficiaries, the so-called ARGEN (*Arbeitsgemeinschaften*; consortium) were created in most cases; a consortium in which the municipalities and the Federal Employment Agency (federal level's competences) work together and share their tasks. Legal difficulties had to be solved until the option of this joint responsibility was considered as constitutionally. When the ARGEN were created, an amount of municipalities were allowed to manage the basic income for needy jobseekers alone, without sharing the responsibility with the federal Employment Agency. It was initiated as an experiment in concurrence to the ARGEN. During 2005 and 2010, 69 municipalities had the full responsibility for the services of the SGB II. After a necessary change of the German Basic Law, these *Optionskommunen* are (since January 2011) not an experiment anymore but have unlimited permit. The organization of the SGB II services differs widely among the municipalities. In a few municipalities, there is no one-stop service. Municipalities and the Federal Employment Agency have their own facilities; each of them implements their own tasks alone. This model is only allowed until the end of 2011, afterwards they have to become either an *Optionskommune* or create an ARGE and a common facility.

In ARGEN as well as in *Optionskommunen*, the facilities which are responsible for service delivery are called *Jobcenter*. In a few municipalities still exist other labels which will be changed into *Jobcenter* soon.

In the *Jobcenters*, personal contact persons (*persönlicher Ansprechpartner*) are in charge for counselling and placement and have regular appointments with the beneficiaries. Case managers (*Fallmanager*) try to develop an individual profile together with the beneficiary and shall decide further steps like eg. debt-counselling if the beneficiary shows individual problems which limit employability.

The effectiveness of the Jobcenters is benchmarked in terms of preventing long-term unemployment, reducing neediness and improving employment integration. This output-oriented approach is part of the reform of the governance of the PES.

## § 16 Social Code II

§ 16 a-g of the Second Book of the Social Code regulates the services within ALG II. As mentioned below, the local Employment Agencies provide placement services for ALG II beneficiaries. Municipal integration services (§ 16a) focuses on a holistic and comprehensive support and mentions as discretionary services: childcare or family care, debt-counseling, psychosocial counseling and drug-counseling. Job creation schemes and starter subventions are services according to §§16 d,f. Furthermore, § 16 f provides the possibility for the Jobcenters, to use further measures (within a financial limit).

### Social Assistance

The municipalities are responsible for organisation, payment, provision, and financing of social assistance. The social assistance offices are in charge of these tasks, the specific implementation depends on local features. In the case of neediness of a person, the social assistance offices are obliged to provide social assistance.

### Work requirements

#### ALG I

Beneficiaries of ALG I have to take up reasonable jobs (not very strict, relatively status-maintaining definition of 'reasonable jobs'), participate in offered measures and attempt to find a job themselves. If they do not cooperate (do not take up reasonable jobs or participate in measures) or file for ALG I because of voluntary resignation, a retention period of up to 12 weeks can be imposed. Beneficiaries can file for (at 30% reduced and means-tested) ALG II during this period.

#### ALG II

The duties of the beneficiaries of ALG II are defined in individual integration contracts (*Eingliederungsvereinbarung*). They have to take up every reasonable job: in principle every legal job is considered reasonable (much stricter regulations as for ALG I). Offered training measures have to be accepted. Mobility is required but the family situation is taken into account.

ALG II sanctions can be very strict. Beneficiaries have to comply with their integration agreement, take up reasonable jobs and participate in offered measures. If they do not comply with their duties, the subsistence- and living costs can be reduced up to 30%, in the case of repetitive delinquency up to 100%. For young beneficiaries the sanctions are even stricter: they don't get a reduction of the payment but no cash-benefit anymore, only living costs directly paid to the landlord. The living costs can be cut in the case of repetitive delinquency but homelessness has to be prevented (Boeckh et al., 2011: 240-241).

## Social Assistance

Work requirements are less important for social assistant recipients than for ALG II beneficiaries, as the recipient groups are defined not capable of work.

### *In-work benefits and job creation schemes*

#### ALG I

ALG I is only paid for unemployed persons, no in-work benefit exists.

#### ALG II

Beneficiaries have to take up part-time jobs – if possible – in order to earn at least partly their subsistence costs. A high amount of ALG II beneficiaries are working, but do not earn enough to cover their subsistence costs. ALG II serves here as an in-work benefit. The wages are counted against the ALG II benefits:

- up to 100 Euro is a basic exemption and not counted against the benefits
- wages between 100 and 1000 €: 20% of the amount higher than 100 € are not counted against the benefits (max. 180 €)

The amount of working ALG II beneficiaries who receive supplementary benefits because of low income is increasing. In 2010 13,8% of all ALG II beneficiaries worked in marginal part-time jobs and 7,4% in full-time positions. The amount of these “*Aufstockern*” (workers receiving supplementary beneficiaries) increased sharply between 2005 and 2007 and is now slightly rising (Bundesagentur für Arbeit, 2010b).

Two types of job-opportunities for ALG II-beneficiaries which shall improve the employability of long-term unemployed now exist:

- (1) So called „One-Euro-Jobs“ (official term: *Arbeitsgelegenheit mit Mehraufwandsentschädigung*)” are job opportunities additional to regular jobs and in public interest. They are no regular employment; the participants get an tax-funded allowance (mostly: 1.00€ - 2.50€) in addition to the benefits. The target groups are beneficiaries with special placement obstacles. Sharp criticism (that the jobs were not additional but creating a statutory subsidized low-cost sector) led to stricter regulations of these jobs.
- (2) *Arbeitsgelegenheiten in der Entgeltvariante* are regular employments subject to social insurance contributions but financed by the Federal Employment Agencies. The wages are not fixed but depend on branch and regional features. The target groups are persons with a greater chance of integration into the labour market. “One-Euro-Jobs” are much more frequently used measures.

Both job-opportunities are not primarily incentives but aim to improve the employability of the jobseekers. However, they shall enable the integration into the labour market and therefore provide some financial incentives (additional allowance resp. wages). The former job creation scheme system (*Arbeitsbeschaffungsmaßnahme, ABM*) has been almost disestablished.

### Social Assistance

No in-work benefits exist; needy workers have to file for ALG II and are not entitled to social assistance.

### Work incentives

#### ALG I

ALG I is a relatively status maintaining benefit and therefore the financial incentives are not very high. Nevertheless, the limitation of the ALG I insurance benefits to 12 months (older workers 18 months) serves as a work incentive, as well as the possibility of sanctions in the case of refusing a reasonable job. ALG I-beneficiaries who want to become a freelancer can get a start-up financing (*Gründungszuschuss*).

#### ALG II

Generally, a *Lohnabstandsgebot* regulates the maximum amount of subsistence benefits: The standard rate of ALG II and social assistance has to be lower than the average income of the lower wage classes plus child allowance and housing allowance in a corresponding household (SGB XII 28 (4)). These non-status-preserving benefits and the above mentioned relatively strict work requirements shall serve as work incentives.

Due to low wages in certain branches, difficulties with childcare or other family duties, undeclared work and other aspects, the incentives to take up a full-time job can be – especially for low-skilled workers and families with children – quite low (Koulovatianos, Schmidt, & Schröder, 2007).

The above mentioned in-work benefit aspect of ALG II can also be seen as an incentive for beneficiaries to take up a job and earn some additional money. But the basic income scheme (ALG II) plus the exemptions (100€ plus 20%) the workers can keep when they work in marginal part-time jobs are often higher as the income in regular low paid full-time jobs. Therefore, these incentives are often interpreted as misdirected (Schneider, 2010: 121-122). ALG II-beneficiaries taking up a job with low wages (lower or only little higher than the benefits) or beneficiaries going freelancing, can get a “starter subvention” (*Einstiegsgeld*). The *Kinderzuschlag* (child support) was created in 2005 as an incentive for parents not to rely on ALG II. Parents can file for these tax-funded and means-tested benefits if they earn enough for their own subsistence, but not for their children’s. The maximum amount of child support is 140€ for one child. The Family Offices – in general located at the local Employment Agencies – are responsible for calculation and payment of the child support (and child allowance, see below).

## Social Assistance

As the recipient groups are defined not capable of work, social assistance has a stronger focus on individual chances to improve the situation of the beneficiaries (cf. Reis, Schu, Schlanstedt, Brülle, et al. 2009: 25) than to place them into a job.

## 4.3 Service related Policy Fields

### Placement

#### Jurisdictions and Entitlements

Placement has a long tradition in Germany and is understood as one of the pillars of “labour market policy” (beside unemployment insurance and active intervention in the labour market, see Oschmiansky, 2011). As mentioned above, placement policies are subject to the competing legislation and the federal level had established particular jurisdictions.

Therefore, the Federal Government and Federal Ministry for Labour and Social Affairs are responsible for framing and programming placement policies.

Between 1922 and 1994, the public institutions had the monopoly on placement services. In 1994, first steps towards an open market of placement were taken. The Job-Aktiv Act in 2001, the Hartz-regulations between 2003 and 2005 as well as other regulations strengthened the role of private placement agencies. Actually, two possibilities of public-private cooperation in placement exist:

- 1) Private services can be commissioned with placement services by the Federal Employment Agency, the public procurement law (see box) has to be taken into account (public submission). The unemployed persons are assigned to the private services by the Employment Agencies
- 2) Since 2002, placement vouchers exist. ALG I-beneficiaries have the legal entitlement to placement vouchers (upon request); for ALG II-beneficiaries it is a discretionary service (case managers decide).

In the field of SGB III (ALG I, unemployment insurance benefits), placement is in the responsibility of the local Employment Agencies (SGB III §§ 35-37. In the field of SGB II (ALG II, unemployment benefits), the Jobcenters are responsible for placement and other services (see prior section), but placement services are to a great extent the same as for ALG I-beneficiaries.

#### Public Procurement Law

The Public Procurement Law regulates the procurement of public contracts; existing EU-law is implemented. In general, all public contracts have to be announced publicly, this takes effect also for service contracts in the social sector (within certain particularities).

#### Financing Structure

Placement for ALG I-beneficiaries is financed by the Federal Employment Agency (unemployment insurance contributions and tax subsidies). In municipalities with joint responsibilities for ALG II (ARGEN), the Federal Employment Agency finances placement for

needy jobseekers (ALG II-beneficiaries). In *Optionskommunen* (see above), the federal level finances placement via the municipalities and gets reimbursement by the Federal Employment Agencies (Kaltenborn, Knerr, & Schiwarov, 2006: 5)

In the case of commissioning of private placement agencies, the agencies are paid directly by the Federal Employment Agency. In the case of placement vouchers, the private service providers get a provision (about 2000€) by the Employment Agencies if they submit the voucher of the placed person. They can only claim the provision when the person is placed into a job with more than 15h/week for longer than three months.

#### Organisation of Providers and Service Delivery

As partly mentioned above, the delivery of placement services is different for ALG-I-beneficiaries and ALG II-beneficiaries.

For ALG I-beneficiaries, public placement is delivered by job advisers of the local Employment Agencies. The Hartz-reforms rebuilt the placement process and established new structures like reception desks, call centers etc. Public job placement is based on profiling (since 1998 but often reviewed). The job advisers analyse the potentials of the jobseekers and match them to one out of four categories. The categories are based on the specific demands in the fields of motivation, qualification, obstacles and specific labour market conditions (Oschmiansky, 2011). For each category, different instruments and measures exist.

For ALG II-beneficiaries, job placement usually is delivered together with other services in the Jobcenter by personal contact persons or case managers as well as by special job advisers. But there is also the possibility for the Jobcenters to delegate the job placement tasks to the Employment Agencies (Reis, 2006: 19). The implementation depends on local features. Job-search requirements are formulated in integration contracts (*Eingliederungsvereinbarungen*, see above), which are important instruments of the new “demanding and promoting” approach.

Placement vouchers can be redeemed at any private agency. A large amount of private placement services exists. Actually, no certification for private placement services is necessary but it is planned for 2013.

#### Participation/Implementation

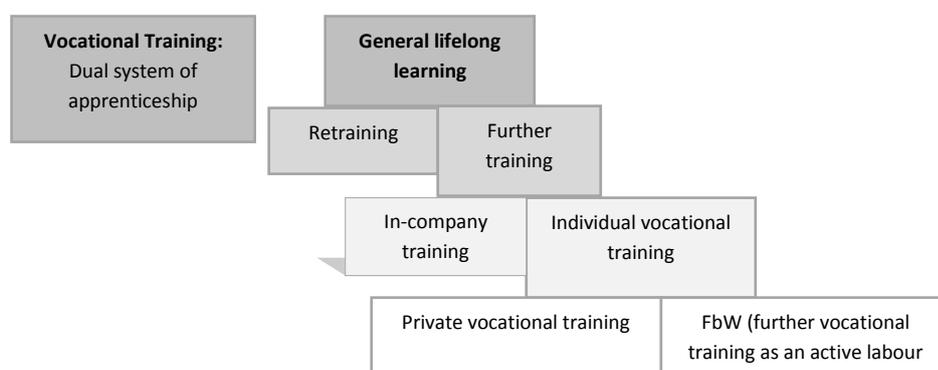
Evaluation of private and public placement services show (Koch, Spies, Stephan, and Wolff 2011; Kaps and Schütz 2007) that private placement is not necessarily more successful, but there are also studies which certify specific advantages(cf.: Hegele, 2009) ). Especially persons with only short unemployment duration seem to benefit from the voucher system. The service delivery within the voucher system is not always transparent, certification measures are planned. Public-private cooperation is therefore useful not because of very good placement effects but it increases placement capacities (cf. Koch et al., 2011: 3).

**In sum: Placement is organised in different ways for beneficiaries of unemployment insurance benefits (ALG I) and unemployment benefits (ALG II); placement for ALG I-beneficiaries is based on profiling, placement for ALG-II-beneficiaries is (together with other services) based on case-management. Integration contracts as an important instrument of an “demanding and promoting” approach were implemented. Public-private cooperation in placement exists since 1994 and this market-based approach has been strengthened by various regulations. Its impact in the sense of better placement effects seems to be limited.**

### *Training*

The term “vocational training” in Germany usually refers to the dual system of apprenticeship while further (vocational) training refers to general lifelong learning:

**Figure 6: Lifelong Learning and Vocational Training in Germany**



Source: own illustration

### **Vocational training**

The dual system of apprenticeship is a training ‘on the job’ with a fixed curriculum accompanied by general and vocational education in schools, which is strongly regulated by laws and financed by the apprenticing firms and the *Länder*. Training conditions and curricula are formulated by various actors at the federal level, the *Länder* and the social partners. The labour market situation (labour demand) shall be taken into account when adjusting vocational training. The BA is responsible for apprenticeship counselling and placement.

### **‘General’ Lifelong learning**

Retraining and further (vocational) training programmes are much less regulated than vocational training and only partly publically financed.

### *Jurisdictions and Entitlements*

A consistent further vocational training system does not exist in Germany. The *Länder* have the main legislative powers in this field (cultural sovereignty) and are responsible for programming. In 12 (out of 16) *Länder*, employees have the right to leave their workplace

for further training (*Bildungsurlaubsgesetze*), but there is no coherent jurisdiction. A few federal laws affect vocational training, but life-long learning and adult training are significantly underrepresented as compared to apprenticeship legislation. Certain tax regulations and a few laws try to encourage further vocational training.

#### Training and unemployment

The development of further vocational training (*Förderung der beruflichen Weiterbildung*, FbW: official term for the training services for jobseekers) is seen as a crucial measure of active employment promotion since 1998 (cf. Hummelsheim & S. Weiß, 2010: 240). The Hartz-reforms brought significant changes in this field because of the implementation of training vouchers and new alignments (see below). FbW-measures are only available for beneficiaries of ALG I (SGB III §§ 77ff) or ALG II (SGB II § 16, see above). The promotion of training measures is a discretionary benefit, except secondary school qualification, which is a legal entitlement. To prevent unemployment because of lacking skills, persons older than 45 years can get training vouchers (see below) under certain circumstances. The promotion of FbW-measures shall be oriented towards (regional) labour demands (SGB III § 85), but there is no strong embedding of further vocational training issues in national labour market policies.

#### Financing Structure

Although in the mid-70s, further vocational training became a statutory issue, privatisation went on in the following years and further training became more and more a private good which had to be bought by the 'consumer' (cf.

Weinert 2010: 7-8) . After reunification, further training in the former GDR was promoted by the government, but in the following years, fewer funds for training were provided. Only in 2006 public financing of further training increased again (cf. Bundesinstitut für Berufsbildung 2011). Due to the inconsistent jurisdictional and organisational structure, data on financing of further training is rarely available (cf. Weiß 2010: 372); the presented information is estimated by Hummelsheim and Weiß 2010:

#### Training and unemployment

The Federal Employment Agency is responsible for financing vocational training for ALG I and ALG II beneficiaries. Depending on the particular case, the training is financed out of taxes (SGB II) or insurance contributions (SGB III). ESF-money is used as well.

**Table 9: Financing of vocational training in Germany**

Year	1999		2007	
	Mrd.€	%	Mrd. €	%
<b>Individuals</b>	13,1 (c)	33,8	18,8	38,4
<b>Firms</b>	17,3 (b)	44,8	27,0	55,0
<b>Public (a)</b>	1,5	4,0	1,9	3,8
<b>BA (d)</b>	6,7	17,5	1,4	2,8
<b>Total</b>	<b>38,6</b>	<b>100,0</b>	<b>49,1</b>	<b>100,0</b>
<b>% of GDP</b>	1,92%		2,02%	
<b>Per capita</b>	470,33 €		596,65 €	

(a): including spending for teacher's training  
(b): estimated value (see Hummelsheim/Weiß 2010: 242)  
(c): estimated value (see Hummelsheim/Weiß 2010: 242)  
(d): FbW: costs of training and subsistence costs

Source: Hummelsheim and Weiß 2010: 242

As table 10 shows, a large part of further training in Germany is privately financed by participants or employers. Firms spend a huge quantity of money for the training of their employees, the amount is still increasing. Participants are also willing to spend relatively high sums for their own training, but the participation differs significantly across groups (see below). Public subsidisation of private further vocational training by *Länder*, districts and municipalities is decreasing. The federal level (the Federal Ministry for Education and Science, BMBF) is obliged to promote private vocational training and offers some grants for persons who are not eligible to benefit from the Federal Employment Agency. Tax reliefs are of much greater importance (private costs for further training are tax-deductible) (cf. Weiß 2010: 374) than direct subsidies.

#### *Organisation of Providers and Service Delivery*

Provision and delivery of private and in-company vocational training varies to a great extent according to branches and regions. It is provided by a large amount of private organisations, several non-profit institutions eg. of the Churches, public or semi-public institutions (mostly *Volkshochschulen*; adult education centre; financed by *Länder* and participants' fees as well as FbW-funds) and only to a small extent by vocational schools or universities. Overall exist more than 17.000 further training institutions (cf. Bundesinstitut für Berufsbildung 2011).

## Training and unemployment

The Hartz-reforms brought significant changes in the delivery of training services for unemployed persons. Since 2003, beneficiaries are not assigned to a training organisation, but get training vouchers and are (within formal regulations) free to choose a certified provider of vocational training. Training vouchers are usually limited in time and only valuable for special educational objectives. Beneficiaries (ALG I and ALG II) only get training vouchers if the particular demand for training is approved by the unemployment agency in a counselling interview. A training measure is only reasonable when its objective is aligned with the local labour demand. Three types of training measures exist: less than six months, 6-12 months and longer than 12 months. Benefit payment continues during the training measures; costs for childcare can be paid up to 130€ per months and travel, accommodation and fees are assumed by the Federal Employment Agency.

The certification of providers is accomplished by private certification bodies (FKS; *Fachkundige Stellen*). The certification process does not focus on specific training measures but on the concept and processes of the providers to ensure quality management and is based on a special regulation. The FKS are institutions with specific knowledge and sufficient organisational capacity to implement the task of certifying training providers. They have to be accredited by the Federal Employment Agencies according to specific regulations.

*Participation/Implementation*

Participations in general life-long learning is the highest in in-company training, here men are significantly overrepresented. Women participate more in non-vocational further training or individual vocational training. Older workers, people living in the former GDR and low-skilled workers are underrepresented as well. Labour status is highly influencing participation in further vocational training (cf. Autorengruppe Bildungsberichterstattung 2010).

## Training and unemployment

Also in terms of participation in FbW-measures, a significant change associated with the Hartz-reforms can be noticed: before 2005, a radical reduction (75%) of training funds for these measures could be observed. After 2005 (Hartz-reforms) it increased again and reached in 2009 almost the level of 2000 (Autorengruppe Bildungsberichterstattung, 2010: G4). Indeed, short-term measures are used much more frequently since 2005 (less than six months; 2005: ca. 40%, 2009: ca. 80%), while long-term measures are deployed only rarely (more than 12 months; 2005: ca. 8% 2009: ca. 16%)(cf. Autorengruppe Bildungsberichterstattung, 2010: 147).

**In sum: A relatively weak statutory involvement and a strong private financing structure lead to an incoherent further training system. The dual system of apprenticeship is regulated relatively strongly and embedded into labour market policies, while labour market policy and further vocational training are - at least at the national level – not very integrated. Promotion of further vocational training (FbW) as a measure of active labour market integration has significantly changed since the Hartz-reforms. Short-term adaption to the labour market (labour demand as the basis for training) is now the usual process, while vocational reorientation and retraining was more common in the 1990s (individual and socio-political considerations),(cf. Bonin and Schneider 2006: 2). The significance of market structures is increasing in the field of further training organisations.**

## Health

### Jurisdictions and Entitlements

Although the German Health Policy is not a statutory health system, the federal legislation is extremely important for framing the policy field. The Federal Government and the Federal Ministry for Health (BMG) are responsible for policy design and programming. Cooperation with other ministries is necessary and usual (see “Federal Ministries”). The regional level has own competencies, eg. in the field of health care supply and disease control.

#### Health and unemployment

Two clear links between health issues and labour market policy can be identified: health promoting services and expertise on physical and mental working capacity.

No health promoting measures are defined in the field of ALG I, but general measures for activation and labour market integration which shall detect, reduce or remove placement obstacles exist (SGB III, § 46 (1)). In the case of ALG II, SGB II § 16 defines the possibility to provide “municipal social welfare services”. Explicitly mentioned are psychosocial counselling and drug counselling. These measures are discretionary, tax-financed (SGB II) and subordinated to rehabilitation measures (which are health insurance financed). The usage of health promotion measures is supported and emphasised by a joint declaration of the BMAS and the competent ministries of the *Länder* in the context of the The Labour Market Instruments Re-orientation Act (cf. BMAS, 2010).

Expertise on physical and mental working capacity is regulated explicitly in SGB III § 32. The socio-medical examination of the Medical Service (*Ärztlicher Dienst, ÄD*) of the Federal Employment Agency shall assess the aptitude and working capacity of the beneficiaries with their consent. The ÄD can – on request – also provide medical expertise for Jobcenters on the basis of SGB II. The Psychological Service of the Federal Employment Agency is in charge of psychological examination as well as case discussions and capacity expertise (consent of the beneficiary is necessary).

The Federal Employment Agency pays health insurance contributions for ALG I and ALG II beneficiaries if they are not co-insured as dependent. The former social assistance and unemployment assistance did not include health insurance contributions.

### Financing Structure

The German health system is based on a contribution-financed compulsory insurance for employees (other features for civil servants, freelancers and employees with very high wages). About 90% of the population are members in the GKV (*Gesetzliche Krankenversicherung*, statutory health insurance). A reform in 2007 made the first step towards a partly tax-financed system (health care fund).

#### Health and unemployment

Cooperation of health insurances and the Federal Employment agency as well as the Jobcenters is institutionalized to a very small degree only and measures are seldom paid by the insurance. Health promotion measures according to SGB III and SGB II (see below) are financed out of the particular budget.

### Organisation of Providers and Service Delivery

Health service providers are hospitals, nursing homes, FWAs and private institutions. Regulating actors are the Federal Ministry for health (*Bundesministerium für Gesundheit*, BMG) and public health departments at the regional and local level. Drug-, psychosocial-, pregnancy- and other counselling services are offered by public actors and FWAs (Free Welfare Associations, see above). In some municipalities an institutionalised cooperation between such health services and Jobcenters exists, but there is no nationwide structure.

#### Health and unemployment

The Medical Service (ÄD) is organised at the federal and regional level (regional directorates). The psychological service of the BA works in local agencies, regional directorates and the headquarters. It can be used on request (Jobcenters and Employment Agencies). The existing public and private counselling services cooperate with Jobcenters and provide particular services.

### Participation/Implementation

#### Health and unemployment

There is little evaluation of the application of health promoting measures for unemployed, but they seem to be used only frequently (%% of ALG II beneficiaries according to Tisch, 2010: 4) or very much dependent on local features and individual behaviour (Drogenbeauftragte der Bundesregierung, 2011: 111-112). Case managers draw attention to problems in dealing with health problems, especially with substance abuse and psychosocial problems because of insufficient skills (Bundesagentur für Arbeit, 2008b). On the regional level, pilot projects try to enforce network building and interdisciplinary cooperation by implementing model projects in the field of substance abuse, psychosocial counselling and general health promotion (z.B. JobFit, AmigA, AktivA, vgl. Büttner/Schweer 2001: 6) (Drogenbeauftragte der Bundesregierung, 2011: 122).

**In sum: Health promoting measures (to improve employability) are stipulated within regulation for unemployment insurance benefits (ALG I) and unemployment benefits (ALG II). However, the national legal framework does not specify their delivery. On the regional level, pilot projects try to enforce network building and interdisciplinary cooperation by implementing model projects in the field of substance abuse, psychosocial counselling and general health promotion, but their application shows huge regional variation. Health insurance contributions and access to health insurance was integrated into the benefit system (unemployment benefits and social assistance).**

### *Housing*

The housing system in Germany is market-based; renting is quite common (a large amount of private investor properties); especially for lower income groups (see table 9).

**Table 10: Distribution of population by tenure status and income group**

	Owner	Tenant
<b>Total</b>	53,2 %	46,8%
<b>Below 60% of median equivalised income</b>	26,3%	73,7%
<b>Above 60% of median equivalised income</b>	58,2%	41,8%

Source: Eurostat (SILC) [ilc\_lvho02]

Private rents are partly regulated; a free rent increase is not possible. “Within the federal system, the federal government provides the general legal and institutional foundations and sets targets for the social provision of housing. It also provides financial assistance to the states [*Länder*, author’s comment], which have the constitutional responsibility for housing and administer their own particular housing policies” (Droste & Knorr-Siedow, 2007: 94).

### *Social housing*

Supply-side social housing has a long tradition in Germany and was characterised by high quality and quantity until the 1980s. Affordable living space especially for the working class was considered as necessary and an important aspect of social welfare. After WW II, a tax-based, supply-side social housing policy was implemented by the state to provide affordable housing. Subsidisation of private investors and municipal housing associations was quite common on condition of renting out the resulting housing space at a level below average during an agreed period (at that time: 30-40 years). Entitlement to tax-funded social housing was subject to means-testing (certificate of eligibility is necessary). However, this type of supply-side subsidisation is decreasing. The amount of social housing apartments is shrinking. Instead, privatisation is increasing. In 2006 (reform of federalism), the competencies and the financial responsibility in supply-side social housing were transferred to the regional level (currently, *Länder* get compensatory grants until 2013).

### Jurisdiction and Entitlements

In 1965, housing allowance (*Wohngeld*) as an element of demand-side subsidies was established. It still exists and is administered and distributed by the municipalities. Needy households can file for the tax-funded and means tested housing allowance. Housing allowance does not entail spatial or regional elements (cf. Droste and Knorr-Siedow 2007: 94) Since the reform of federalism in 2006, municipalities are responsible for all sort of social housing policies while.

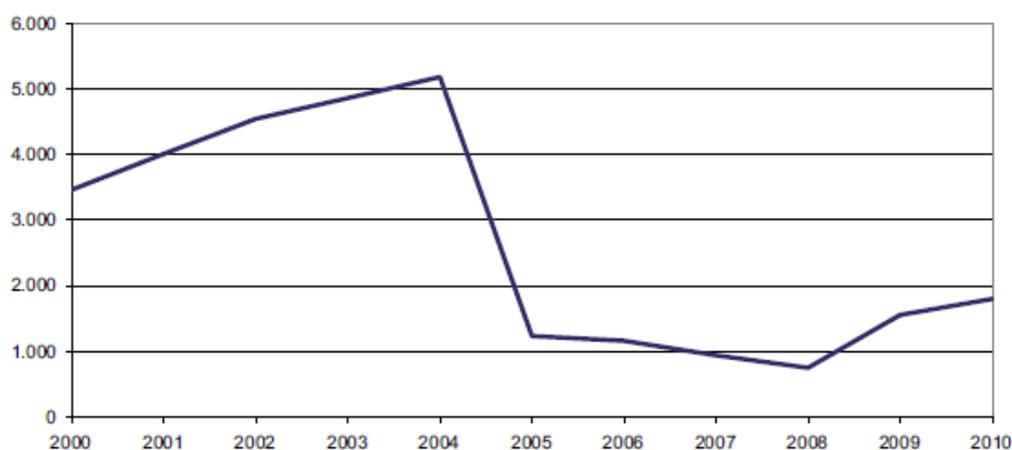
#### Housing and unemployment

Since the Hartz-reforms, only non-ALG II beneficiaries are entitled to file for housing allowance. Long-term unemployment benefit (ALG II) entails housing and heating costs (*Kosten der Unterkunft, KdU*). This led to an increasing amount of persons receiving demand-side housing subsidies. KdU-benefits are not flat-rate but depend on actual costs. According to national regulation, the housing and heating costs shall be only paid for “appropriate living space”. The definition of “appropriate living space” depends on municipal decisions (spatial element). Short-term unemployment benefit (ALG III) does not entail housing and heating costs. In the field of SGB XII (see XXX), beneficiaries get flat-rate housing contributions.

### Financing Structure

Housing allowance is jointly financed by the federal and the regional level. In 2009, an increase of housing allowance was implemented. As shown in table XX, the spending for housing allowance decreased sharply in 2005, when a large amount of housing allowance beneficiaries became entitled to receive unemployment benefits (ALG II) which include housing and heating costs.

Figure 7: Spending for housing allowance in Mio €



Source: Deutscher Bundestag 2011: 28

## Housing and unemployment

**Table 11: Spending of housing and heating costs (SGB II) in Mio €**

Year	Sum	Share federal level
2005	12140	3533
2006	13805	4017
2007	13632	4333
2008	13342	4889
2009	13573	3515
2010	13699	3235

Source: Deutscher Bundestag 2011: 29

The municipalities are primarily responsible for financing the housing and heating costs within ALG II. The federal level actually defrays one third of these costs, this sum is annually reviewed.

**Organisation of Providers and Service Delivery**

Housing allowance is administered and provided by the municipalities. Needy households can file for housing allowance at the responsible public offices. They have to provide relevant information on their housing situation.

## Housing and unemployment

Housing and heating costs are administered jointly with the subsistence costs in ALG II. The Jobcenters are responsible for administration and delivery. No special application is necessary but beneficiaries have to provide information on their housing situation when filing for ALG II.

**Participation/Implementation**

## Housing and unemployment

The beneficiaries of long-term unemployment benefit (ALG II) and therefore KdU beneficiaries usually live in dwellings with rents 10% below the average (Deutscher Bundestag, 2011: 41) As mentioned above, housing and heating costs shall be only paid for "appropriate living space". The local definitions of "appropriate living space" differ widely and are partly intransparent (cf. Krummacher, 2011: 201).

A large part of housing allowance beneficiaries are pensioners (46% in 2008), workers with low income constitute also a high share (38% in 2008) (Deutscher Bundestag, 2011: 32). While in South Germany only very few households receive housing allowance, East German households are significantly overrepresented (Deutscher Bundestag, 2011: 54). Although the rents of housing allowance recipients are below the average, they are higher than those of KdU-beneficiaries (Deutscher Bundestag, 2011: 41).

**In sum: The traditionally strong supply-side subsidisation of social housing in Germany is decreasing while individual housing subsidisation is gaining more importance particularly in the framework of an integrated benefit assistance to long-term unemployed. Housing and heating costs are attached to long-term unemployment benefit. Demand-side social housing has been therefore very close linked with the basic income scheme for needy jobseekers. As a result of this integration, the amount of beneficiaries receiving demand-side subsidies has increased sharply. The municipal Jobcenters are responsible for the administration of housing and heating costs of long-term unemployment beneficiaries.**

### *Childcare*

Reconciliation of work and family life is an important issue of political and public discussions in Germany, also due to demographical problems. The provision of childcare is seen as an important factor for increasing birthrates and raising the female employment rate.

#### **Jurisdictions and Entitlements**

While the federal level is responsible for the overall legislation, implementation is in the responsibility of the municipalities. Since 1999, according to SGB VIII, all children are legally entitled to childcare after reaching the age of three. This entitlement is going to be enlarged for children reaching the age of one in 2013.

Recently, a law has been adopted which entitles parents who do not want to use childcare for their children under three years to get a childcare-in-the-family supplement (*Betreuungsgeld*). The aim of the law is to enable parents to choose between staying at home with their children the first years or work and make use of childcare. This law provoked very controversial discussions. It has been criticised that the childcare supplement might keep (mostly) woman away from working and maybe withhold childcare from children who might benefit from it because of family problems.

**Childcare and unemployment**

For beneficiaries of ALG I and ALG II different regulations regarding childcare exist: ALG II beneficiaries with children younger than three years do not have to work, search for jobs or participate in measures. This right to stay at home with kids under the age of three is only valid for one parental unit and for single parents. If both parents (or one single parent) with children younger than three years want to work, the Jobcenter shall try to help finding a childcare facility, but there is no entitlement to childcare for jobseekers (general entitlement for children >3). Parents with children older than three years have to register as jobseekers; this implies searching for a job and participating in measures when offered. They are obliged to organise childcare (general entitlement for children >3). ALG II beneficiaries have to prove their work readiness when filing for ALG I, this implies the availability of childcare. If parents do not have childcare they cannot file for ALG I but have to file for ALG II because they are not ready to work. Part-time childcare only entitles to prorated ALG I.

**Financing Structure**

Childcare is financed by the local level (granted by *Länder*). Usually, wage-dependent fees cover a part of the operating costs. The childcare fees parents have to pay vary considerably among the regions and/or the municipalities. In some *Länder*, childcare (mostly the last year before school) is free (eg. Lower Saxony).

**Childcare and unemployment**

Recipients of unemployment benefits are not entitled to free childcare, but due to usual wage-dependent fees in regular childcare facilities they have to pay very low rates in most of the municipalities. When beneficiaries participate in training- education- etc. measures, childcare fees can be granted up to 130 €. This grant is subordinated to other benefits or grants (eg. wage-dependent fees) and might not cover actual childcare costs (depending on local features).

**Organisation of Providers and Service Delivery**

Childcare is delivered by public providers, but also to a great extent by Free Welfare Associations and public subsidised private (non-profit) childcare facilities. Profit-oriented private childcare rarely exists. Nurseries for children under three years, kinder gardens for children three to six years old and after-school care centers are the usual structure of childcare facilities. The amount of all-days schools is increasing. No special service provision for unemployed exists.

**Participation/Implementation**

Strong regional differences exist in financing structures, coverage rates and organisation of childcare. While in the former GDR, regionwide all-day childcare facilities were standard and the coverage rate in these regions is still high, there are regions in West Germany with very low coverage rates. The German average formal childcare rates for children under three

years is increasing, but still relatively low. Especially West German urban areas struggle hard in implementing the entitlement to childcare for children after reaching the age of one.

**Table 12: Childcare in % over the population of each age group**

	Children cared by parents		Formal childcare			
	< 3 years	3 years to minimum compulsory school age	< 30 hours/week		> 30 hours by week	
			< 3 years	3 years to minimum compulsory school age	< 3 years	3 years to minimum compulsory school age
Germany	68	9	7	48	12	16
EU 15	49	7	17	45	16	46

Source: Eurostat [ilc\_caindinformal], [ilc\_parents]

#### Childcare and unemployment

Due to the lack of childcare for young children but also lacking flexibility of childcare (e.g. possibilities of evening offers) cf. (Allensbach, 2010: 36; Boeckh et al., 2011: 301) in some regions, the assignment for ALG II beneficiaries to organise childcare is often not feasible. This can be especially for lone mothers a serious obstacle to participate in measures or take up work (Zabel, 2011: 6). Although they were entitled to, according to (Tisch, 2010: 4), only 10% of ALG II beneficiaries with children under the age of 15 were supported by the Jobcenters in finding childcare.

The SGB III emphasizes explicitly reconciliation of work and family life. Not every job is considered as reasonable for parents (working hours etc.).

**In sum: Since 1999, a legal entitlement to childcare (for children three years and older) exists which is going to be enlarged for children reaching the age one in 2013. Breaking with the male-breadwinner-women-in-the-household model it aims to facilitate reconciliation of work and family life. Nevertheless, serious problems in implementation and large variety in childcare coverage rates among the municipalities can be observed. A “childcare-in-the-family”-supplement which is recently adopted shows a backlash the former model.**

**There is no special entitlement to childcare for jobseekers. The Jobcenters shall help to find suitable childcare for long-term unemployed, but the practice of cooperation between Jobcenters and childcare providers varies regionwide.**

#### *Further policy fields*

##### *Family policy*

Family policy in Germany is to a great extent characterised by transfer payments (child allowance) and tax benefits (child tax allowance, childcare is tax-deductible). Several issues of family policy are linked with labour market policies:

The above mentioned child support (*Kinderzuschlag*) was installed as a work incentive for parents with low income.

In 2007 a parental leave allowance (*Elterngeld*) replaced the former child raising allowance (*Erziehungsgeld*), which was a de facto increase of the child allowance (max. 300 €) for two years. The parental leave allowance is a tax-funded earnings replacement scheme. 67% of the former net income (max. 1800€) is paid for 12 months; part-time work is possible. If the other parent takes parental leave as well, the maximum parental leave duration is 14 months (“father’s months”). Non-working, unemployed and low-earning parents get a minimum of 300€ of parental leave, nevertheless it is counted against ALG I and ALG II (work incentive). The aim of the reform was to set incentives for a faster return to work or to take up part-time employment, to offer incentives for fathers to take parental leave and for high skilled women to decide in favour of motherhood (BMFSFJ, 2006: 11). Parental leave is counted as in-payment-time for social insurance (pension, care, unemployment etc.) nevertheless, only persons who were entitled to receive unemployment insurance before starting parental leave can file for it after the parental leave.

Furthermore, joint taxation regulations for married couples (tax advantages for the higher income and high tax rates for the lower income) set incentives for (mostly) women to work in marginal employment (or not to work) and encourages a traditional breadwinner model (cf. RÜling & Kassner 2007).

### *Immigration and Integration of Migrants*

Since the end of the 1960s, immigration was used as a labour market instrument in Germany. Due to a lack of workers, Germany implemented guest worker agreements with mostly southern European countries. At the climax of the guest worker recruitment at the beginning of the 1970s, about 2,9 Mio guest workers lived in the Federal Republic of Germany; a large percentage of them did not stay temporarily but settled down and their families followed them. Due to demographic changes, immigration is still discussed as an important issue also for labour market policies. But while the guest workers recruitment focused on unskilled labour, in 2000 a so called “Green Card initiative” was started in order to attract especially IT-specialists and other high skilled foreigners.

At the other hand, migration to Germany is restricted and the integration of persons with a migration background is problematized in public discussions. Labour market integration of migrants is a main topic on the political agendas. For a long time treated as a minor issue; it is now subject to several initiatives at the federal, regional and local level. It focuses especially on training (language skills, vocational training) and – recently – on facilitating the acceptance of foreign graduations.

## **5 Dynamic analysis**

### **5.1 Dynamic analysis of change**

The following table provides an overview on the main changes, their intensity and diffusion at the national level. The change intensity is expressed in terms of “first order change”, “second order change” and “third order change”(cf. Hall, 1993). The particular sections in

this report also focus on the impact of the policies; therefore a detailed description in the context of the dynamic analysis is not necessary.

**Table 13: Dynamic analysis of change**

<b>Reform/Object of change</b>	<b>Content of change</b>	<b>Change intensity</b> (reference: classical industrial employment order)	<b>Diffusion of change (implementation)</b>
<b>Family policy</b>			
Childcare Services	Legal entitlement to childcare (children of the age of three, 2013: children of the age of one)	3 <sup>rd</sup> order	Radical policy change but problems in implementation ➔ Local issue
Parental Leave Allowance ( <i>Elterngeld</i> )	Earnings replacement , care incentive for men; work incentive for all (shorter benefit period than previous regime), work incentive for unemployed MIS-recipients (not entitled)	2 <sup>nd</sup> order	
Childcare-in-the-family Supplement ( <i>Betreuungsgeld</i> )	Incentive not to use childcare for children <3; negative work incentive	Male breadwinner backlash	Very recently adopted
<b>Housing</b>			
Housing and Heating Allowance for long-term unemployed ( <i>KdU</i> )	Existing instrument of demand-side subsidies becomes highly relevant in a new means-tested regime for long-term unemployed	2 <sup>nd</sup> order	Sharp increase of beneficiaries of demand-side subsidies (previously covered by more generous unemployment assistance); impact on other policy fields (eg. urban development) ➔ Local issue
<b>Health</b>			
Health promoting measures for employability of long-term unemployed in the MIS-regime	New regulation in the MIS-regime for long-term unemployed: targeted health measures to increase employability instead of general services	3 <sup>rd</sup> order	➔ Local issue
Health insurance in the MIS-regime	New regulation in the MIS-regime for long-term unemployed: Insurance contributions and access to health insurance integrated into benefit system;	3 <sup>rd</sup> order	Benefits no longer conditional on work based contribution
<b>Training</b>			
Promotion of further vocational training	Existing instruments were adjusted and partly reduced	1 <sup>st</sup> order	Short-term adaption to labour market instead of long-term qualification ,

				decreasing importance of training
	Training vouchers for unemployed	New instrument: unemployed individually choose private provider	2 <sup>nd</sup> order	New instrument but marginal
<b>Placement</b>				
	Placement vouchers for unemployed	New instrument: unemployed individually choose private provider	2 <sup>nd</sup> order	New instrument but marginal
	Case management for long-term unemployed	Individual employment oriented case management	3 <sup>rd</sup> order	Important instrument of a radically new approach (“demanding and promoting”)
	Integration contracts for long-term unemployed ( <i>Eingliederungsvereinbarung</i> )	Individual contract-based placement (benefits conditional on job search requirements)	3 <sup>rd</sup> order	Important instrument of a radically new approach (“demanding and promoting”)
<b>Unemployment and social assistance benefits</b>				
	Benefit system	Reduction of period of entitlement of unemployment insurance benefits (from 24 down to 12 months), merging of status-related unemployment assistance with social assistance into a new means-tested general MIS	2 <sup>nd</sup> -3 <sup>rd</sup> order	From insurance principle to hybrid system (insurance for short-term and means-test for long-term unemployed)
	Sanction regime for long-term unemployed	Extension of sanction regime on all long-term unemployed (and not only social assistance recipients)	2 <sup>nd</sup> -3 <sup>rd</sup> order	Partial change from status protection to work requirements
<b>Labour market instruments</b>				
	Part-time work, agency work, short-time work etc.	Flexibilisation, already existing instruments were extended	2 <sup>nd</sup> order	Crucial impact of certain instruments, but model of “normal” employment relations still the majority
<b>Service delivery</b>				
	One-stop shops for long-term unemployed	Merging of municipal welfare services and national placement services	2 <sup>nd</sup> order	Crucial impact on local level
	Governance of PES	National benchmarking system of PES, contracting out, “management by objectives” of the PES	3 <sup>rd</sup> order	From hierarchy to outcome-orientation

## 5.2 Dynamic analysis of the implementation of integrated policies

Germany	Activation		Vertical (territorialization)		Horizontal (coordination/integration)	
	Individuals	Expenses (Benefits)	Multilevel Coordination	Decentralization	Public / public Coordination	Public / private Coordination
<b>Policy goals</b> <b>What for?</b>	<ul style="list-style-type: none"> <li>• Activating Employment Policies</li> <li>• Raising Employment Rates,</li> <li>• “Demanding and Promoting” work take-up</li> </ul>	<ul style="list-style-type: none"> <li>• Unemployment, social assistance (and partly family) benefits should be oriented towards getting back to work</li> </ul>	<ul style="list-style-type: none"> <li>• Clarify the competencies between state and local authorities (“clearer division of competences”)</li> <li>• From hierarchy to outcome-oriented PES</li> </ul>	<ul style="list-style-type: none"> <li>• Clarify the competencies between state and local authorities (“clearer division of competences”)</li> </ul>	<ul style="list-style-type: none"> <li>• One-stop shops for long-term unemployed</li> </ul>	<ul style="list-style-type: none"> <li>• From third sector corporatism towards market-based steering</li> </ul>
<b>Policy tools</b> <b>With what?</b>	<ul style="list-style-type: none"> <li>• Childcare Services</li> <li>• Health promoting measures for employability of long-term unemployed in the MIS-regime</li> <li>• Case management for long-term (2005)</li> <li>• Integration contracts for long-term unemployed (2005)</li> <li>• Sanction regime for long-term unemployed (2005)</li> </ul>	<ul style="list-style-type: none"> <li>• MIS conditional on job search requirements (2005)</li> <li>• Parental Leave Allowance (MIS recipients not entitled) (2007)</li> </ul>	<ul style="list-style-type: none"> <li>• Reform of federalism (2006)</li> <li>• Management by objectives (National benchmarking system of PES) (2005)</li> <li>• Problems of municipal financing of housing for long-term unemployed (national subsidies)</li> <li>• Problems of regional financing of childcare services (national subsidies)</li> </ul>	<ul style="list-style-type: none"> <li>• Reform of federalism (2006) (Clearer and exclusive areas of regional competences, e.g. education)</li> </ul>	<ul style="list-style-type: none"> <li>• Local childcare, health services, housing benefits: Jobcenter vs. municipalities</li> </ul>	<ul style="list-style-type: none"> <li>• Local childcare, health services: Jobcenter vs. third sector</li> <li>• Placement vouchers; Contracting-out of placement</li> <li>• Training vouchers, Contracting-out of training and further education for unemployed</li> <li>• Management by objectives of private placement and training</li> </ul>
<b>Actors</b> <b>Who?</b>	<ul style="list-style-type: none"> <li>• Merging of municipal welfare and national placement services into one-stop shops (Jobcenter) for long-term unemployed (2005)</li> </ul>	<ul style="list-style-type: none"> <li>• Ministry of budget</li> <li>• Ministry of labour and social affairs</li> <li>• Ministry of family, seniors, women, youths</li> </ul>	<ul style="list-style-type: none"> <li>• Federal and regional level</li> <li>• Ministry of Labour and Social Affairs, PES, municipalities</li> </ul>	<ul style="list-style-type: none"> <li>• Federal and regional level</li> </ul>	<ul style="list-style-type: none"> <li>• Ministry of labour and social affairs, PES, regions, municipalities</li> </ul>	<ul style="list-style-type: none"> <li>• PES (regional centers for contracting-out, <i>Regionales Einkaufszentrum</i>, REZ), third sector, profit-oriented organisations, Jobcenter, municipalities</li> </ul>

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*Local Worlds of Social Cohesion Policies*

**The Local Dimension of Integrated Social and Employment Policies**

**Work Package 2**

**The National Governance of Social Cohesion Policies**

**NATIONAL REPORT ITALY**

**December 2011**

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**Abstract**

The paper analyzes the evolution of employment and social policies in Italy with particular focus on the dimension of integration, regarded as essential for the creation and implementation of comprehensive social cohesion policies. More specifically, the paper makes a snapshot of the traditional structures and patterns of interventions of the Italian welfare state and describes past policies in the fields of employment, training, health, social assistance, family care and housing. It then focuses on the reforms implemented in these fields in the period 1997-2011, with special attention to multi-level, multi-dimensional and multi-stakeholders policy governance. The conclusive chapter highlights which role integration has played in the modernization of the Italian employment and social policies.

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## 1. INTRODUCTION

At the end of the 1990s, following decades of deficit spending, Italy entered the Euro Zone with a weak welfare state (particularly with regard to the provision of social services, a minimum safety net for the poor and family policies) and a huge public debt (Naldini and Saraceno 2008). Limited resources and path dependency from a marginal role for the State in social policies have largely contributed in explaining the reforms occurred in the last decade and the state of the art of integration between employment and social policies. Italy has been characterized by a preference for income transfers (particularly in the form of pensions) over transfers in kind and by a “dualistic” protection system that makes a sharp distinction between insiders and outsiders (Naldini and Saraceno 2008). This dualistic protection system, characteristic of Continental Welfare States, together with a strong rely on the family as the main provider of social security, that is typical of Southern European Welfare States, makes Italy a special case as regards both employment and social policies.

## 2. INSTITUTIONAL AND SOCIO-ECONOMIC CONTEXT

### 2.1 Socio-economic context

Italy presents peculiar characteristics as regards employment, especially if the country is compared to the other Members of the European Union. The overall employment rate is lower than the EU average both for male and female, but there is a huge gap among the two. If we look at Table 1, we can see that in the last decade the male employment rate has remained more or less stable at around 68% ( with a decline in 2010 due to the economic crisis), not much lower than the EU average of about 70%. However, when we look at the female employment rate the gap becomes striking: 46% against a EU average of 58% in 2010. This means that there is a gap of about 18 percentage points between women and men. However we can clearly see an increasing trend in the female employment rate that was 39.6% in 2000 to become 46.1% in 2010, and it is supposed to grow, if favored by an overall economic growth, also in the next years.

**Table 1. Female and male employment rates in Europe**

	Male			Female		
	2000	2005	2010	2000	2005	2010
EU27	70.8	70.8	70.1	53.7	56.3	58.2
Italy	68	69.9	67.7	39.6	45.3	46.1
France	69.2	69.2	68.3	55.2	58.4	59.9
Germany	72.9	71.3	76	58.1	60.6	66.1
Poland	61.2	58.9	65.6	48.9	46.8	53
Sweden	75.1	74.4	75.1	70.9	70.4	70.3
UK	77.8	77.7	74.5	64.7	65.8	64.6

Source: EUROSTAT

The labour market structure has moved from a very rigid one at the beginning of the 1990s to a quite flexible one, as we can see from Table 2.

**Table 2. Overall Employment Protection Legislation Strictness**

	EPL Strictness			
	1990	2000	2005	2008
Italy	3.57	2.51	1.82	1.89
France	2.98	2.98	3.05	3.05
Germany	3.17	2.34	2.12	2.12
Poland	1.4	1.4	1.9	1.9
Sweden	3.49	2.24	2.24	1.87
UK	0.6	0.68	0.75	0.75

Source OECD

The number of persons with part-time or a second job is quite low, especially when compared to Nordic or Central European countries, although there has been a relevant increase in part-time jobs (which are much more frequent among women than men). Notwithstanding, the number of part-time workers remains below the EU average (see Table 3).

**Table 3. Percentage of workers with a part-time or a second job**

	Persons working part-time			Persons with a second job		
	2000	2005	2010	2000	2005	2010
EU27	16.2	17.8	19.2	3.9	3.7	3.7
Italy	8.4	12.8	15	1.4	1.6	1.5
France	16.7	17.2	17.8	3.5	2.9	3.4
Germany	19.4	24	26.2	2.4	3.3	3.6
Poland	10.5	10.8	8.3	8.5	7.8	7.3
Sweden	19.5	24.7	26.4	8.8	7.3	8.4
UK	25.1	25.2	26.9	4.4	3.7	3.8

Source: EUROSTAT

When considering youth unemployment rate (Table 4), Italy has a much higher percentage than the EU average (27.8% and 21.1% respectively in 2010), with an increasing trend, due to the economic crisis, that is in line with the EU average.

**Table 4. Youth unemployment rate in Europe**

	Youth unemployment rate		
	2008	2009	2010
EU27	15.8	20.1	21.1
<b>Italy</b>	<b>21.3</b>	<b>25.4</b>	<b>27.8</b>
France	19.3	23.9	23.7
Germany	10.6	11.2	13.8
Poland	17.3	20.6	23.7
Sweden	20.2	25	25.2
UK	15	19.1	19.6

Source: EUROSTAT

Furthermore, if we consider the situation within the country, a sharp territorial differentiation emerges (see Table 5). In the North, the male employment rate is well above the EU average, whilst the female employment rate is more or less in line with the EU average in time span considered (2004-2010). On the contrary, less than half of the population in the South is employed, with the female employment rate that is around 30%, far below the EU average. Moreover the employment gap is lower in the North (around 18% in 2010) and in the Centre (around 20%) than in the South (27%).

**Table 5. Employment rates by sex and geographical area**

		2004	2007	2010
Italy	male	69.7	70.7	67.7
	female	45.2	46.6	46.1
	total	57.4	58.7	56.9
North	male	75	76.3	73.8
	female	54.9	56.8	56.1
	total	65	66.7	65
Centre	male	71.9	73	71.4
	female	50.2	51.8	51.8
	total	60.9	62.3	61.5
South	male	61.8	62.2	57.6
	female	30.7	31.1	30.5
	total	46.1	46.5	43.9

Source: ISTAT



Even the unemployment rates differ greatly among the South and the rest of the country (see Table 6). The unemployment rate is very low in the North (5.9%), even in a EU comparative perspective, whereas in the South is more than double (13.4%). Similar differences emerge when we look at the youth unemployment rate, with an unemployment rate in the North (20.6%) that is lower the EU average (21.1%) according to 2010 data. Whilst in the South, 38.8% of the young population can't find a job, a situation that is amongst the most severe in Europe. As is common in most European countries women have an unemployment rate which is higher than that of men, but, for instance, we can clearly see that women in the North have lower unemployment rates than men in the South in all the time span considered.

**Table 6. Unemployment rates by sex, age and geographical area**

		2004	2007	2010
Italy	male	6.4	4.9	7.6
	female	10.5	7.9	9.7
	youth	23.5	20.3	27.8
	total	8	6.1	8.4
North	male	3	2.6	5.1
	female	5.9	4.7	7
	youth	12.6	12.1	20.6
	total	4.3	3.5	5.9
Centre	male	4.9	3.9	6.6
	female	8.7	7.2	9
	youth	21.4	17.9	25.9
	total	6.5	5.3	7.6
South	male	11.9	8.9	10.9
	female	20.5	14.9	15.8
	youth	37.6	32.3	38.8
	total	15	11	13.4

NB: youth is considered 15-24 years-old

Source: ISTAT

Furthermore, when we look at the long-term unemployment rate, which is one of the most relevant indicators for the risk of social exclusion, a huge gap within the country is present. Whilst only 1.8% of total unemployed in the North are long-term, this percentage rises to 3.1% in the Centre and to a striking 6.6% in the South (ISTAT 2009). The Italian data, taken as national average, thus hide profound territorial differences, especially between the South and the rest of the country.



## 2.2 Historical Evolution of Employment and Social Cohesion Policies

### Employment Policies

Before the launch of the European Employment Strategy in 1997, the Italian employment governance system was based on a centralized system managed at the national level. Unemployment benefits were provided by the central level, with the main actors being the Ministry of Labour and the Italian National Social Security Institute (INPS). However, the unemployment benefits have traditionally been very limited. There are three types of benefits: the ordinary unemployment benefit (that is a compulsory social insurance scheme financed through employers' contributions), the *Cassa Integrazione Guadagni Ordinaria e Straordinaria* (ordinary and special short term unemployment benefits) and the *indennità di mobilità* (mobility benefit). The state and its agencies were controlling the overall functioning of the system (Gualmini 1998) although some societal interests (especially trade unions) were taken into account.

The Ministry of Labour coordinated the *uffici di collocamento* (employment agencies), operating throughout the territory. They interact with companies and fulfill a registration function of particular activities such as hiring, terminations, renewals or changes of employment contracts. In the event of a job loss, the unemployed would register in the *liste di collocamento* (employment lists) in order to receive income support benefits for a limited period of time (Spreafico 2010). The Italian situation until 1997 was characterized by a lack of experience in active labour market policies, unlike other Member States such as UK or Sweden (Treu 1999).

The Italian model of job market regulation presented special characteristics: selective passive policies prevailed, creating a deep dualization or polarization of protection between workers already entered the labour market (insiders), and the unemployed (outsiders) which continue to be excluded from the market, giving the family a primary role in the social protection. This characteristics constitute the Italian original model of labour market policies (designed between the 1940s and 1950s) which strongly influenced the policy evolution, that it is thus path dependent (Gualmini 1998).

Therefore, despite the second half of the 1990s was characterized by several laws and three important reforms, as it will be clarified in this paper, little has changed. As a matter of fact, a peculiarity of the Italian model, unlike for example the German or the Swedish one, still remains the fragmentation of employment policies, built layer by layer through the years by overlapping previous and later interventions in an inconsistent way (Gualmini 1998).

The development of passive policies was consolidated under a context which promoted the protection of the insiders, i.e. those employed which had a standard – permanent and full-time – working contract. As for the outsiders or the midsiders (Jessoula and others, 2010), the employment benefits have always been very limited in both coverage and duration. This peculiarity of the Italian legislation in the employment policies sector shows its close dependence on the dynamics of the economic cycle, on the events that characterized the political scene in different historical phases, and on the fluctuation of the power relationships (Gualmini 1998).



## Vocational Training Policies

The first reference to vocational training is provided by the Constitution in articles 35: the State is required to provide "employee professional training and elevation".

Regardless of the different forms of training, the first to appear in Italy (after a law passed in 1955) was the apprenticeship. The number of apprentices, after a rapid increase in the 1960s, later started to decrease because of the birth of new training contracts and because of the increasing level of education. Nevertheless, the law of 1955 has not been changed until very recent years. In 1978 the competences regarding vocational training was transferred from the state to the regions (Law 845/1978). The regions planned the training with considerable autonomy, while the provinces and local government usually managed it. The regional competence of vocational training contributed to mark the differences between Northern, Central and Southern Italy, highlighting the need to reform the whole training system, ranging from the national certifications to the coordination and integration between the institutions involved (Jobert et al. 1997). Therefore, in the South, vocational training systems showed failings such as fragmentation and inefficiency in allocating resources, whilst in the North and Centre the well functioning of the labour market generally led to a more efficient system (Jobert et al. 1997). According to law 845/1978, vocational training should have no longer been limited to the period pre-accession to the labour market, but "[...] retraining, specialization, updating and improvement of workers, within a framework of lifelong learning" (Law 845/1978).

The law clearly stated that the activities promoted by the regions should be implemented on a logic of integration with enterprises, with the national school system and with any other public institution at national, regional and local levels. Crucial is also the liaison with representatives of social partners. The law is not yet fully implemented and the regions are slow to produce legislation that is consistent with the wording of the law 845/78 (ERFEA 2004). Thus, training policies have developed without considering national integration (ERFEA 2004). The continuous vocational training (CVT) system is very recent as its design starts in 1993 with the law 236/1993 which was the first pillar of the CVT Italian system. It establishes that the Ministry of Labour, with the support of social partners and regions, finances in-company training, teachers' training, system actions, sectoral and territorial plans promoted by social partners, training on individual choice (Giaccone 2009). However, law 236/1993 was implemented only in 2003.

## Social Assistance Policies

Social assistance always played a marginal role in the overall architecture of the Italian welfare system. During the expansive phase of the welfare state (1945-1975) Italy, as other countries in Southern Europe, did not implement any organic reform of social assistance policies, aimed at rationalizing interventions and services, as many countries in Continental and Northern Europe did (Madama 2010). The welfare system was strongly privileging pension expenditure and to a smaller extent healthcare, leaving little financial resources for other welfare policies. More specifically, the provision of social assistance was implicitly delegated to family and Catholic institutions (Graziano 2011) leaving for the State a subsidiary role, as is typical in the Southern European model of welfare. Social assistance in Italy was thus characterized by limited monetary transfers and even more limited services, with a system of



contributory benefits complemented with a variety of means-tested benefits not organized in a coherent framework. Considering the institutional organization, although social assistance was partially delegated to regional and municipal administrations, Italy lacked a unified framework to transfer responsibilities from the centre, to define guidelines and to set national standards for services and monetary benefits (Madama 2010). Moreover, a minimum income scheme was not guaranteed, therefore there was not a last-resort safety net for people below a certain income threshold. The result was a very confused picture, with a low degree of protection both from the point of view of coverage and amount of transfers. Multiple lines of financing, not coordinated by a national framework, local differentiations in terms of resources and capacities and the non-existence of national standards added fragmentation to an already poor situation.

### **Reconciliation Policies**

Policies targeted to allow the conciliation of work and private life had traditionally been very marginal and characterized by limited coherence in the overall employment setting of Italy, which was primarily designed to meet the needs and demands of the standard “male breadwinner” model (Graziano and Madama 2011). Moreover, as is typical of Southern European welfare systems, Italy was heavily reliant on extended family and kin ties for the provision of childcare (Naldini 2003) as well as for the care of frail elderly people. Through its gendered division of labour and its intergenerational solidarity, the family was regarded as the primary locus of caring functions and the state traditionally put great emphasis on subsidiarity (Graziano and Madama 2011). In that respect public policies supported the male breadwinner model, leaving to women the burden of both child and elderly care. For instance, although statutory maternity leave was rather generous both in terms of duration and replacement rate (five months compulsory leave with benefit paid at 80%), optional supplementary leave had a very low replacement rate (benefit paid at 30%) and leave rights were primarily for the mother (Graziano and Madama 2011). No attention was paid to the conciliation between paid and unpaid work at either the individual level (through the enhancement of flexible working arrangements and parental leave schemes) or at the state level (through improving the provision of public childcare) (Graziano and Madama 2011). Considering the latter, some attempts to provide public childcare services were made at the local and regional level, but these were always subjected to the volatility of financial resources as well as to administrative capacities, creating deep territorial differentiation, especially between Northern and Central regions on one side and Southern regions on the other. The “familistic model” (Naldini 2003) and the underdevelopment of family policies were therefore associated with a very low women employment rate that still persists nowadays.

### **Housing Policies**

After World War II there was an increasing demand of residential housing, partly due to the rapid industrialization of the country and its consequent urbanization process, and partly due to demographic changes, with an increase in population coupled with a reduction in the family size. This was



accompanied with a stronger preference towards ownership compared to rental: at the end of the 1980s, the percentages of owned household and rented ones were 69% and 27% respectively, while in the 1950s these were 40% and 49% respectively (CENSIS 2000). State involvement was traditionally scarce and until late 1980s the emphasis of Italian housing policies was to expand production to cope with a growing demand for households (Tosi and Cremaschi 2001). As in most European countries, in the 1990s there was a general decline in public investment, a shift away from government regulation towards market mechanism (in particular in the control of the rented sector), a decentralization of government control with direct involvement of local authorities (Tosi and Cremaschi 2001). From a welfare point of view, housing policies were weak. On the one hand, the supply of social housing has been scarce and, on the other hand, social housing policies have not been sufficiently targeted to the needs of marginalized groups and groups in extreme poverty as well as being poorly integrated with general social welfare programmes (Tosi and Cremaschi 2001). However, as for the other social policies, there was great territorial differentiation both in terms of housing needs and local administration responses. Northern and Central Italy local administrations had, on average, more resources and capacities to deal with housing issues but, this was always subjected to contingent transfers from the State and it was never configured as a social right. As for other social policies, there was thus great territorial differentiation, both in terms of resources and capacities, and in terms of housing problems. Probably even more than other policies, housing policies show this large variation, particularly between the South and the rest of the country.

### 3. MAIN EMPLOYMENT AND SOCIAL COHESION POLICIES REFORMS

#### 3.1 Employment Policies Reforms

The most relevant reform in the labour market to adapt to the new labour market conditions of a post-industrial society has been the so called Treu law (196/1997). The Treu law was formulated and approved under a centre-left government. It was aimed at deregulating employment policies by increasing flexibility options thanks to the reduction of overall strictness of regulation on temporary employment and to the introduction of temporary work agencies, which were outlawed before the approval of the reform (Graziano 2010). In the same year, the legislative decree 469/1997 (implementing the Law 59/97, known as the Bassanini Law) introduced significant innovations. It has provided the transfer of authority from the State to the Regions, in relation to placement, *Servizi per l'Impiego* – SIP (employment services) and active labour policies. The *Centri per l'Impiego* - CIP (employment centers) have been established for the first time, to be regulated by specific regional laws. At the same time, it has opened to private actors the intermediary functions between labour supply and demand, as well as the informatization of employment services. Referring to informatization, we remember the introduction of SIL (Labour Information System) which consists of a set of organizational structures, hardware, software and network resources available at State, Regions, provinces and local authorities for acquisition, elaboration, dissemination of data in relation to employment and active labour policies in the interest of monitoring and decision support system. The main goal was to facilitate the actions of central and local government in the labour market.



The Bassanini law has promoted the decentralization of administrative action leading to a new approach to development. This is based on the enhancement of specificity and vocations of local actors, and coincides with what is now commonly defined "local development". The experiences of local development that have characterized the recent planning are diverse and are characterized by different elements through the Territorial Pacts for Employment and the Integrated Territorial Projects (PIT). Territorial Pact for Employment is an agreement made between different local actors, aimed at identifying shared development goals to be achieved by implementing integrated programs of action between them (CIPE resolution 26/2003). PIT are the first concrete attempt to move from consultation between the parties to the integration of policies, considered as a selection of common objectives, priorities and organization of choice of complementary actions aimed at achieving these priorities. Besides, the law has assigned functions and responsibilities to the provinces for the integration between the employment services (SIP).

To be sure, there has not been a consequent assignment of structures, suitable staff and adequate national resources, so that the difficult task to carry out duties related to employment services has fallen on the regions and provinces. In addition, the integration between development policies and active labour policies remains the area in which there was evidence of the weakest elements of synergy and complementarity. In fact, the original objective of integration in the PIT has been reflected almost exclusively in the introduction of procedures, and not in the definition of a comprehensive and integrated system. At the same time, active labour policies have taken a very marginal relevance in the integrated project planning (ISFOL 2008). With the legislative decree 469/1997, the provinces have become the privileged institutional entity to implement active policies. They have assumed a central role in public intervention in the labour market. Through the Employment Centers (CIP), the provinces have therefore begun to exercise the functions and tasks assigned to them in relation to employment, pre-selection and matching of labour supply and demand, together with those delegated by regions in the field of active labour policies. By doing so, the provinces aim to promote integration with policies more specifically dedicated to vocational training.

By making initial assessment of this process at the national level, in the second half of the 1990s, three important institutional innovations have been introduced:

- the decentralization of functions in the areas of labour and vocational training;
- the transition from labour policies centered on controlling and recording purely administrative functions to active policies of promotion and support, in line with the approach that was developing at EU level with the EES;
- the opening of the matching functions between labour demand and supply to the private market in a perspective of liberalization (ISFOL 2008).

Later, the decree 181/2000 has transferred the decentralization of the functions of placement and active labour policies to the regions and provinces. It therefore outlines the standards of services operation and minimum levels of protection, linked to the unemployment status, which active labour policies at the regional level should observe. The regional legislation that followed these important measures, in most cases, only transposed and applied the guidelines dictated by national legislation.



The so called Biagi law (30/2003) has completed the process started with the Treu and Bassanini laws, marking a turning point in the reorganization of the labour market incentives and introducing even more flexibility by multiplying the employment contract options. The Biagi law, formulated and approved by a centre-right government, consistent with the EU guidelines, has aimed, with greater determination than ever before, at (Cantalupi et Demurtas 2009):

- modernizing the system of services;
- better targeting of labour policies;
- introducing new measures of flexibility in the regulation of employment;
- raising the level of protection in areas where there is too much flexibility.

The main assumption behind the reform was that flexibility in the labour market would have facilitated the creation of new jobs and, thus, that the rigidity of the system is the main cause of high rates of unemployment. Table 2 (pg. 6) confirms the decrease in the overall employment protection legislation – and this was done primarily maintaining security for the insiders and increasing flexibility for the outsiders and some midsiders (Jessoula and others, 2010).

The Biagi law revises and amends certain contractual instruments used by companies in the management of labour relations. The reform also introduces some entirely new types of contracts including new forms of apprenticeship, job sharing contract, the contract for intermittent employment, or accessory job and casual job, and the project contract. Furthermore, it has disciplined the agencies of work administration repealing the institution of temporary employment and it has introduced some procedures for certification and the *Borsa continua nazionale del lavoro* (continuing national labour exchange), that is a meeting point between labour supply and demand. Besides, the articles 54-59 manage the employment of disadvantaged persons, among which are women. It states in particular that "as regards the employment of women, all women employed under 'inclusion contracts', regardless of geographical origin, have the possibility to benefit of subsidy tax of 25%. [...] the incentives consist of an equal or greater reduction of 25% of social security contributions paid by the employer" (Biagi law).

Companies that have decided to introduce new types of contracts for recruitment have benefited from contributions and tax rebates and a greater staff turnover. In addition, the contractual forms provided (the so-called atypical work contracts) have considerably increased in number in order to better meet the diverse needs of a more heterogeneous labour force. During the first year of implementation of the Biagi law there has been a general reduction in the unemployment rate which is returned to the levels of 1992 (ALMALAUREA 2007). It also seems that over time, the job situation of those who have entered the labour market with a so-called flexible contract tends to stabilize and develop in a permanent contract. For example, five years after graduation, in 2007 71% of graduates were permanent employees (ALMALAUREA 2007). The overall effect of these reforms has been an increase in the incidence of precarious workers, limiting the social protection of the outsiders (Jessoula et al. 2010) and creating stronger disparity between some areas of the country. This situation is due to the fact that, in an effort to modernize the labour market by making Italy much more similar to other European countries, on the basis of the European Employment Strategy, the concept of modernization has been confused with that of flexibilization (Graziano, 2010) and no significant generalized 'security' provision were introduced in combination with the flexibility measures.

With respect to active policies, it has been argued that the transposition of the State legislation (Legislative decree 112/1998 and Legislative decree 469/1997) occurred in all regions and has gradually



affirmed the consolidation of a quite homogeneous culture, with respect to certain themes (provision of forms of programming activities, discipline of public-private relationship, the growing importance of the role of social partners, etc.; ISFOL, 2008).

In 2001 the right-wing coalition won the elections, replacing the centre-left government. Under the pressure of *Lega Nord* (North League) party, a former separatist party that strongly supported a federalist system, one of the first reforms to be implemented was the Reform of Title V of the Constitution. The Constitutional Reform has completely revised the policy competencies between the state and the regions, reserving some exclusive competencies to the central level (e.g. foreign policy), some concurrent competencies between the state and the regions (e.g. employment policies), and some exclusive competencies to the regions (e.g. social assistance). However, there has been some inconsistency regarding the implementation of the reform in terms of power decentralization. In fact, if on the one hand the Constitutional Reform of 2001 has initiated a period of major changes for a balanced political, economic and social development of Italy, on the other hand, it has raised problematic issues and difficulties of interpretation because of its unsuccessful implementation. The interpretative activity was concentrated in an attempt to define the content of the concurrent legislative powers in terms of protection and job security. The Constitutional Court, after numerous appeals by the regions against the national laws and vice versa, has urged the institutional actors to make use of the principle of institutional collaboration, especially for policies characterized by concurrent competences, such as employment policies and training policies (ISFOL 2008). Notwithstanding, there are still many frictions and non-cooperative behavior between the regions and the central level, a situation that has hampered further reforms and a rationalization of interventions.

With respect to the so called passive policies, unemployment benefits remain limited, both in terms of level and coverage, and non-standard workers (largely augmented after the Treu and Biagi law) are not entitled to them, exacerbating the dualization of the Italian labour market between the insiders and the outsiders (and mid-siders, such as precarious workers). Indeed, the Italian welfare state, as is typical of Southern European welfare systems, strongly relies on the family as the main social safety net. However, it is evident that the family cannot be the main instrument of social security, for reasons of fairness and effectiveness. In fact, public social safety nets should become instruments of income support in time of loss of employment or of shift from a job to another, and should include all working categories, but a comprehensive reform of unemployment benefits has yet to come. Nonetheless, the burden of the sense of precariousness, also due to the economic crisis of recent years, has driven governments to adopt anti-crisis legislation. Thus, action on social safety nets implemented recently (law 9/2009 and law 28/2009) aim to expand the range of existing treatments regarding income integration and substitution, for some categories of workers normally excluded from such protection.

In conclusion, the adoption and implementation of activation reforms has introduced more flexibility but limited security,, in particular with respect to the young and female segments of the labour market. Thus the modernization of the employment legislation with the introduction of the activation paradigm has decreased workers' individual autonomy, forcing them to follow a specific interpretation of activation – flexibilization. This flexibilization has reduced, at the same time, the quality of the standard of paid work and social security provisions, limited workers' participation and made access to employment opportunities more difficult since the overall welfare state was not well tailored to the needs of the weaker components of the labour market (Graziano 2009).

In sum, between 1993 and 2011, Italy made several steps toward activation and promotion of employment in terms of resources directed at supporting active labour market policies, the governance structure has changed in favor of the subnational governments, but the cost paid was an overall increase of precariousness – rather than mere flexibility.

**Table 7. Employment Policies Reforms**

	Activation		Vertical (territorialization)		Horizontal (coordination/ integration)	
	Of Individuals	Of Expenses	Multilevel coordination	Decentralization	Public / public Coordination	Public / private Coordination
<b>Policy goals</b>	Flexibilization of the labour market  Employment increase	Rationalization of benefits	Integration among different levels of government	Decentralization of administrative action	Coordination among different policies	Integrated territorial development
<b>Policy Instruments</b>	Temporary work agencies  New 'flexible' employment contracts	European Social Fund	Labour Information System  Constitutional Reform (2001)	Employment services  Employment Centers  Regional laws	Territorial Pacts for Employment	Integrated Territorial Projects
<b>Actors</b>	State/ Ministry of Labour  Regions  Provinces	EU  Regions  Provinces	State  Regions  Provinces  Municipalities	State  Regions	Regions  Provinces  Municipalities	Regions  Provinces  Municipalities  Private agencies for employment  Firms  Cooperatives



### 3.2 Vocational training policies reforms

The professional training was promoted and defined according to its basic principles from the Law 845/1978. Later in 1997, government and social partners set out a new institutional framework (provided by the Treu Law) focused on integrated training system, the *Patto per il Lavoro* (Labour Agreement). In the text of the agreement, the government refers to the importance of training as a key lever for competitiveness. The overall aim has been, firstly, to raise the general level of schooling in terms of quantity and quality, and secondly, to create conditions to ensure continuity of access to lifelong learning, even in relation to changes in the competitive environment, mobility of the labour market, for jobs that require continuous adaptability and ability to learn. To this end, it has been recognized the importance to interconnect educational interventions and research, through a strong institutional renewal also of education and training. Training needs autonomy and flexibility in relation to the requirement of learning and professionalization in the territory concerned. Autonomy allows educational institutions to communicate effectively with all social and institutional stakeholders, and to customize the educational path to individual or territorial needs. The Government, through the Labour Agreement, has undertaken to carry out the extension of compulsory education and to ensure the vocational training rights. The Agreement has established training paths after compulsory education, developed according to a plurality of options, linked together in a consistent system and connected through the possibility of moving from one option to the other. According to national guidelines, the regions are responsible for the planning and coordination of the different situations in the area, also by using planning agreements, as required by Law 236/1993.

The Italian model of continuous vocational training, therefore, is born in the 1990s (Law 236/1993) introducing special tools such as training vouchers, training plans, support for micro-enterprises, support for recipients of short term unemployment benefits and for low-qualified workers. The model has a large public offering, a widespread private offering and it is characterized by the presence of social partners in both planning and management.

The connection of the issues related to education and training requires to locate in the Presidency of the Council of Ministers the coordination of training policies, through the establishment of an inter-institutional body with equal participation of representatives of the Ministry of Education, the Ministry of Labour and Social Security, the Ministry of University and Scientific Research, Ministry of Industry, the Conference of Presidents of the Regions. In December 1998, thus, the Social Pact for Development and Employment signed between the government and social partners has introduced:

- compulsory training until the age of 18 years, perform at school, in vocational training centers or apprenticeships,
- the strengthening of apprenticeships and traineeships,
- the development of the new channel of education, and integrated technical and vocational training,
- the strengthening of continuing education.

After an arduous process of planning and coordination between institutions and social partners, law 144/1999 was issued. It is an attempt to integrate the two aspects of training, school and labour market through the launch of a new offer of technical and professional education: IFTS (*Istruzione e formazione tecnica superiore*). The National Law 144/1999 provides funding which come from the State to the



Regions in order to finance the paths to the completion of compulsory education and more specifically to integrate pathways between education and training. IFTS is the training channel, parallel to university courses, aimed at technical specialization. The system of education and higher technical training is divided into pathways that are intended to train professionals in post-secondary level, in response to demand from the labour market. The establishment of this educational chain has three main objectives:

- to facilitate the entry of young people by offering a strong vocational training and enhancement of training alternately,
- to provide opportunities for lifelong learning to employees,
- to create a channel of liaison with the university courses and to provide an opportunity for technical specialization, both to who have attended high school and who have followed the paths of education and vocational training.

Subsequently, with the approval of Law 53/2003 (the so-called Moratti reform) new relevant changes to the education system are introduced. It is **unified** with the education system:

- the right and duty to education and training until the age of 18 years, with the attainment of a secondary school diploma, or a professional qualification obtained in vocational training or apprenticeship,
- the training system is part of the second cycle of education, with the system of high schools being the first channel, whilst apprenticeship is the third channel,
- the citizen can play the entire training ranging from 15 to 18 years through alternating periods of study and work through integrated courses,
- through special educational initiatives called "bridges" (*passerelle*) and a system of certification of credits you can switch from the first and the second channel,
- practical experience and internships are recognized with a specific skill certification.

Besides, the law 53/2000 introduces *congedi formativi* (training leaves) and provides for the allocation of resources for the individual demand of continuous vocational training. In fact, the employer can ask for a suspension of the employment relationship to anticipate training activities autonomously chosen. Another innovation brought by the reform is the *Testo unico sull'apprendistato* (Single Act on Apprenticeship) promoted by the 2008-2011 government to pursue a bureaucratic simplification. The measure is to implement the authority granted to the Government by Law 247/2007. The Single Act amends already existent legislation on apprenticeship and internship, by reformulating the apprenticeship aimed to employment, and eliminating regional heterogeneity. The new institute has four cases of apprenticeship:

- Professional training apprenticeship
- Professionalising apprenticeship or job insertion apprenticeship
- Higher education and research apprenticeship

Vocational training is governed and managed by the Regions. The regions, in turn, have the power to delegate to the provinces, the management of certain sectors.

Funding for vocational training are managed by the Region through the Regional Fund and come from different sources, such as European Social Fund (ESF), regional funding (from regional taxes), state funding (ESF co-financing programs), limited contributions paid by companies. The share of regional funding represents only a co-financing, and therefore, must meet specific requirements, objectives and



measures that comprise the ESF. In fact, the regions, which hold the power in terms of vocational training, have been forced to introduce profound changes in the processes of planning activities and decision-making procedures, adjusting timing and terms of financial provision to those established by the European Union. The ESF has therefore a significant impact on the whole Italian system of vocational training, both in terms of planning and management of financial resources and overall articulation of the purposes of intervention, types of actions and categories of recipients.

**Table 8. Vocational Training Policies Reforms**

	Activation		Vertical (territorialization)		Horizontal (coordination/ integration)	
	Of Individuals	Of Expenses	Multilevel coordination	Decentralization	Public / public Coordination	Public / private Coordination
<b>Policy goals</b>	Integration between school and labour market  Rise of the general level of schooling  Continuity of access to lifelong learning	Integrated pathways between education and training	Promotion of regional homogeneity	Improving the efficiency of management and planning by more targeted and locally fitted actions	Networking to raise the quality level of the whole system	Overcoming the fragmentation and the concept of training in several chains (creating pathways to lifelong learning and skills)
<b>Policy Instruments</b>	Labour Agreement  IFTS  Bridges  Certifications	Regional funds: - ESF - Regional funding - State funding - Company funds for vocational training	Programmin agreements	Bassanini Law	Law 236/1993  Social Pact for Development and Employment (1998)	Law 236/1993  Social Pact for Development and Employment (1998)
<b>Actors</b>	State  Social partners	Regions	Regions	State  Regions  Provinces	Ministry of Education  Ministry of Labour and Social Security  Ministry of University and Scientific Research  Ministry of Industry  Conference of Presidents of the Regions	State  Regions  Provinces  Municipalities  Social partners



### 3.3 Social Assistance Policies Reforms

After a period of immobility that lasted for decades, in the 1990s the necessity of reforms in the social assistance system became more stringent. Newly relevant social risks related to poverty and social exclusion on the one hand, and the recognition of the equity problems of the Italian welfare model on the other -particularly, the relevant gap between the over-protected (insiders) and the under-protected (outsiders)- revived attention to social assistance within the overall process of welfare state recalibration (Graziano and Jessoula 2011). In 1997, under a central-left wing government, a parliamentary commission, known as Onofri Commission, made a first attempt to analyze the existing social assistance policies in order to address the main weaknesses and to suggest possible reforms. What emerged from this cognitive exercise was:

- Total expenses in social assistance were inadequate,
- there was an imbalance between monetary and in-kind benefits,
- there was lack of a last-resort safety net,
- institutional as well as functional fragmentation and overlapping were omnipresent.

The main suggestions thus include the increase in social spending especially for in-kind benefits, the introduction of a minimum-income scheme, the creation of a national framework in order to reorganize interventions both within different levels of government and within different policies (e.g. employment, health). Considering the last point, the Commission provided an indicative framework to restructure the sector, with the central level only responsible for the guidelines and the respect of minimum standards of assistance in all the territory, the regions responsible for the planning of interventions, whilst the management would have been left to municipalities. The aim was to rationalize social assistance provision, by clearly defining responsibilities at different levels of government and avoiding overlapping and fragmentation. In the same year a National Fund for Social Policies was established, in order to give coherence to the expenses in social assistance, and to overcome the ineffective multiple lines of financing that characterized those policies for the decades. The following year the *Indicatore della Situazione Economica* (Economic Situation Indicator) was introduced. The ISE was meant to become the standard indicator for the eligibility to any kind of social benefit that was means-tested (Madama 2010) and was regarded as first move towards selective universalism, in an area that has hitherto been a mix of categorical and means-tested system of benefits. Another innovation was the experimentation of the *Reddito Minimo d'Inserimento* (minimum income scheme) in a limited number of municipalities, to be modified and extended to the all country after a first period of testing. The RMI was not conceived as a mere passive assistential measure but was bound to activation policies, aimed at reintegrating the individual into the job market. Besides these innovations, it was only 3 years after the report made by the Onofri Commission that a law for a thorough reorganization in social assistance policies came to life. The Law 328/2000 (*Legge quadro per la realizzazione del sistema integrato di interventi e servizi sociali*) was the first law after the Crispi Law of 1890 to organize the social assistance sector in a comprehensive manner. The law took into account the weaknesses stressed by the Onofri Commission and followed its suggestions. It promoted selective universalism, trying to overcome the categorical setting that still characterized most social assistance policies and strengthened the emphasis towards in-kind benefit vis



à vis monetary transfers. From the institutional perspective, it recognized to the central government the authority in the formulation of objectives and guidelines, leaving policy implementation to the sub-national levels. More precisely, attention was paid to integrated planning, both vertical (through the *Piano Sociale Nazionale* at central level, the *Piani Regionali* at regional level, and the *Piani di zona* at local level) and horizontal, by involving different actors, particularly from the third sector (Madama 2010). Besides, the Law 328/2000 proposed the extension of the minimum income scheme to all the country.

This reform aimed at transferring -through the principle of subsidiarity- to the regions competencies in many fields previously held at the central level. Following this reform, the state was no longer in a position to set standards or targets, unless these were inserted into the package of “essential levels” to be agreed upon by the state and the Council of Regions and for which the state shoulders the financial responsibility (Naldini and Saraceno 2008). This reform introduced a series of innovation in social assistance policies given that, from that moment, regions had exclusive competencies in social assistance matters. This vanished the institutional arrangement provided by Law 328/2000 in that, under the reform, the regions were responsible alone for the selection of objectives, priorities and planning, and only the respect of national minimum standards was left to the central government, following the subsidiarity principle. However, given that a Constitutional Reform only provided very general principles, the actual modalities for the transfer of competence to regions was delegated to further legislation. However, a new regulatory framework has hitherto been delayed. Ten years after the introduction of the constitutional reform, the division of responsibilities between the state and the regions as regards social policies still remains unclear and is the object of much friction between the two levels, while the definition of “essential levels” and of minimum national standards in social services is still lacking (Naldini and Saraceno 2008). Given this vacuum in the legislation, which is far from being filled, the result of the constitutional reform was to add even more fragmentation and confusion in the subject, leaving lots of “grey areas” for which it is still not clear which level of government is responsible. Moreover, although regions has become the sole responsible for the provision of social assistance, their financial resources still depend to a large extent from central funding. The most relevant consequences are an inefficient and ineffective overlapping of interventions and an under-provision of benefits, especially concerning in-kind ones.

Besides, the minimum income scheme was cancelled, justified on the one hand by the distortions created especially in Southern regions, where the provision of a last resort income was subjected to clientelary practices and on its ineffectiveness in overcoming a passive assistential policy to promote activation among recipients (Madama 2010) . However, the autonomy has given to some regions the possibility to provide an independent minimum income scheme. However it still remains subjected to the available financial resources. By the way, the Budget laws of 2002 and 2003 introduced new monetary benefits to poor families but without changing the traditional pattern of intervention, already severely imbalanced towards monetary transfers and inclined towards categorical benefits. During the short left-wing legislature of 2006-2008 more attention was paid for social assistance matters. Given that none of the suggestions of the Onofri Commission had already been implemented and given the fragmentation that the constitutional reform of 2001 exacerbated, the new government proposed



approximately the same objectives that had already been highlighted in 1997, that is, the increase in resources in social assistance with emphasis on in-kind benefits, the introduction of a minimum income scheme supported by activation policies, a rationalization of interventions under the principle of selective universalism. However, the legislature was too short to implement any relevant reform in the field, leaving social assistance in an incomplete, incoherent and nonetheless inefficient and ineffective state of affairs that still persists nowadays. The centre-right government that came into power in 2008 did not introduce any relevant reform in any social policy. The economic crisis that severely affected the country from 2008 onwards has had two main consequences for social assistance policies. On the one hand, it increased the number of people living in poverty and subjected to the risk of social exclusion, on the other hand it reduced the amount of resources available to cope with a deteriorating situation (CITTALIA 2010). Indeed, the already large amount of the Italian public debt constrained any relevant augment in resources devoted to social policies and it did not allow for the allocation of more resources in social assistance to deal with a rapidly worsening socio-economic situation. The only innovative tool introduced was the so called Social Card, specifically targeted to citizens above 65 years-old or below 3 who are below a certain poverty threshold. The card, which reminds the Food Stamp Programme implemented in the United States in the 1960s (Madama 2010), is a sort of debit card earmarked for the purchase of primary goods and it is financed by a special Fund (*Fondo di solidarietà per i cittadini meno abbienti*). Among the limits of the Social Card were the limited amount of transfers and the limited coverage (only elderly and families with children). Although financed at central level, the card has been meant to be integrated by resources from local administrations and private actors. Once again, two traditional issues of the Italian system of social assistance arise. First, not all local administrations have the same capacities and financial resources to be channeled to poverty reduction. This has exacerbated territorial differentiation, given the negative correlation between poverty incidence and financial resources devoted to poverty alleviation (CITTALIA 2010). Second, the chance not to fall into poverty is subjected to the actual presence of financial resources and it has not been configured as a social right.

**Table 9. Social Assistance Policies Reforms**

	Activation		Vertical (territorialization)		Horizontal (coordination/integration)	
	Of Individuals	Of Expenses	Multilevel coordination	Decentralization	Public / public Coordination	Public / private Coordination
<b>Policy goals</b>	Selective Universalism  Activation policies	Rationalization of lines of financing  Balance between in-kind and cash benefits	Separation of responsibilities among the different levels of government	Regionalization of responsibilities	Harmonization of access to social benefits	Involvement of private actors
<b>Policy Instruments</b>	RMI (abandoned)  Means-tested benefits  Social Card	National Fund for Social Policies	Constitutional Reform (2001)  Law 328/2000  Integrated planning (national, regional and local plans)	Constitutional Reform (2001)  Law 328/2000  Integrated planning (national, regional and local plans)  Regional laws	ISE	Integrated planning  Public-private partnerships
<b>Actors</b>	State  Regions  Provinces  Municipalities  Private partners	Ministry of Labour and Social Policies	State  Regions  Provinces  Municipalities	State  Regions  Provinces  Municipalities	Ministry of Labour and Social Policies	State  Regions  Provinces  Municipalities  NGOs  Cooperatives



### 3.4 Reconciliation Policies Reforms

During the last fifteen years, the conciliation policy *status quo* has started to be perceived as problematic by decision makers and policy experts (Graziano and Madama 2011). As already mentioned, the Italian welfare was based on the standard male breadwinner model, that offers full protection to insiders (predominantly men) and little or no protection to outsiders. The family was, on the contrary, expected to provide all the protection and support that was not given by a welfare state heavily biased towards pensioners and core workers (Naldini and Saraceno 2008). In that respect, policies directly aimed at supporting the family played a marginal role. The demographic as well as the socio-economic changes of the Italian society, that started to become evident in the 1990s, urged deep policy changes. On the demographic side, smaller households and greater family instability questioned the capacity of the family to deal with the care of elderly and children. Moreover, a very low fertility rate combined with population ageing has been seen as a severe issue for the sustainability of the welfare state in the long run. On the socio-economic side, the increase in the female labour force participation meant that the domestic and childcare work that used to be performed on an unpaid basis by housewives now needs to be externalized (Bonoli 2005). Accordingly, the centre-left coalition in power from 1996-2001, pressed by those issues, started to upgrade the Italian welfare state. Although the Onofri Commission did not explicitly address conciliation and family policies, it recognized the structural underfunding of care policies, referring in particular to the “caring trap” that excluded many women from labour participation (Graziano and Madama 2011). The Law 196/1997, by introducing flexible labour patterns, was partly meant to allow women to enter the labour market and at the same time to accommodate caring needs. This law, through the introduction of new non-standard contracts, effectively gave the opportunity to many women to join the labour market, from which they were once excluded. However the most relevant reform that came into life during the 1996-2001 legislature was the Law 53/2000 on parental leave. The law extended the duration of the optional supplementary parental leave from six to ten months, but what is more relevant is that working fathers have been individually entitled to a portion of parental leave (and not only, as previously, only a substitutes for the mother), and a bonus for fathers who take the leave was introduced (Graziano and Madama 2011). However the law had two main shortcomings. First, the compensation rate remained low (30%). Second, employees working with non standard contracts were not entitled to the new parental leave (Naldini and Saraceno 2008). Thus, the new incentives provided by the law had limited impact, in that fathers felt little encouraged to take the leave. With the 2001 constitutional reform of the right-wing government, family policies fell in the Regions’ domain. Given that the definition of national standards and a defined division of responsibilities between the levels of government was left to further legislation that has yet to come, the overall picture of family policies has become less clear. However, the lack of institutional clarity did not hinder, and to some degree encouraged, autonomous legislative initiatives by the regions (Naldini and Saraceno 2008).

The Biagi law of 2003 has created a series of new flexible contracts that, although not specifically targeted to women, has supported a flexibilization of the labour market, moving away from the male bread-winner model and opening- up new opportunities for female labour participation. Notwithstanding, both the Treu law and the Biagi law has supported the flexibilization of the labour



market without providing the services necessary for housewives and mothers to escape the “caring trap”, thus practically privatizing social risks related to elderly and childcare. In this perspective, an innovation has been made with the launch of the National Childcare Plan in 2007. The main objective of the Plan was to increase the coverage of childcare services from 11,4% to 15% by 2010 (Madama 2010). Moreover, a lower threshold was established for Southern regions (6%), which were lagging behind. Although the result has been achieved, the demand for childcare is still much larger than public supply. The result is a steep increase in private childcare services that is likely to continue in the next years, given that the public sector does not seem to be able to address the childcare issue appropriately. A very similar argument can be made for the care of frail elderly. There is a growing demand for elderly care, given the rapid ageing of the Italian population, for which the public sector offers even more limited services. Local governments sometimes provide some home care for low-income frail elderly people with no family network resources (Naldini and Saraceno 2008) but little or no help is given to other categories. Market-based elderly care is mainly provided by female immigrants as is common in other Southern European countries. Female immigration provides cheap labour that substitutes the family in caring services. Given the change in the family structure due to demographic as well as socio-economic changes, the “familistic model” of the Italian welfare is thus getting closer to a “family+immigrant” model (Naldini and Saraceno 2008), where immigrants take care of elderly and, to a lesser extent to children. This model has been encouraged by the state and public policies that thus sustained an informal and home based family care. Considering that most immigrants work in the underground economy as irregular workers, rounds of ex-post regularization have been promoted by governments, conscious of the relevant role that especially female workers play in the provision of caring services. Although this means that public authorities are aware of the issue, they have found easier to regularize an ex-post situation than planning ex-ante interventions. Notwithstanding a few cash-benefits have been introduced: the *indennità di accompagnamento* (attendance allowance) at the national level, and the *assegno di cura* (care allowance) at the municipal level. The latter is subjected to local resources, and thus it has contributed in enhancing an already exacerbated territorial differentiation, given the differences in local capacities and financial resources. Thus, at the moment, there is no comprehensive and effective national framework that tackles caring needs, and the family itself and the market are the main providers of both elderly and childcare.

**Table 10. Reconciliation Policies Reforms**

	Activation		Vertical (territorialization)		Horizontal (coordination/integration)	
	Of Individuals	Of Expenses	Multilevel coordination	Decentralization	Public / public Coordination	Public / private Coordination
<b>Policy goals</b>	Rise the female participation in the labour market	Supply more public care services  Increase of resources devoted to in-kind benefits	Separation of responsibilities among the different levels of government	Regionalization of responsibilities	Coordination of interventions with other policies	Support of growing demand for caring services
<b>Policy Instruments</b>	Non-standard labour contracts  Law on parental leave  National Childcare Plan	National Childcare Plan	Constitutional Reform (2001)  Integrated planning (national, regional and local plans)	Constitutional Reform (2001)  Integrated planning (national, regional and local plans)  Regional laws	Regional laws  Local partnerships and committees	Public-private partnerships
<b>Actors</b>	State  Regions  Municipalities  Private actors	State  Regions  Municipalities	State  Regions  Municipalities	State  Regions  Municipalities	Regions  Municipalities	State  Regions  Municipalities  Cooperatives  Private care providers



### 3.5 Housing Policies Reforms

Social housing construction continuously declined from the already limited 8% at the beginning of the 1980s to 2% in the 1990s (Tosi and Cremaschi 2001) not to rise anymore, at levels much lower than the European average and especially of Nordic countries. Moreover, the continued preference for home-ownership compared to rental has produced a rigid market structure that is difficult to change at least in the medium term. These two tendencies (a decline in social spending and a rigid market structure) have worsened the housing problem in Italy, already exacerbated by the demographic as well as the socio-economic dynamics of a post-industrial society. For instance, having a house can alleviate a period of reduced income that may be caused by temporary unemployment, divorce or separation, and help in the recovery. However, this has not produced an appropriate public intervention. There has been a limited public commitment in social housing, leaving to the market the search for an equilibrium solution, and maintaining a subsidiary role in terms of incentives and regulations in a *laissez-faire* logic (Minelli 2004). In particular two main tools, already present in the past, have been used. The first one is the *edilizia sovvenzionata*, where the state (at its various levels) directly provides housing, with costs covered totally by the state and the state owns the house built. The second one is *edilizia agevolata* where the state support (mainly financially, traditionally in the form of interest subsidies on loans) for the construction of housing for rental and for owner-occupied housing, or grants subsidized loans to private individuals (Tosi and Cremaschi 2001).

As regards the institutional framework, although many competences were already delegated to the regions before the end of the 1990s (Minelli 2004), it is only through the law 59/1997 and law 112/1998, that a clear separation of competences between the central level and the regions was made. However, the constitutional reform of 2001 reconfigured again this division, leaving to the regions the competencies for housing policies. Given the already mentioned confusion that the reform created also in other social policies, and the lack of a national framework law to regulate the sector, the responsibilities are still not defined at the various government levels. Particularly, large autonomy has been given to local administrations, but once again, the resources and capacities were not homogeneously distributed in the country. Not only, the transfer of responsibilities from the regional to the local level greatly differ among regions, creating different institutional architectures in the various areas of the country.

Some attention has been paid to the integration of housing policies with other social policies. The participation to the EU *Urban* programmes have deeply influenced an integrated approach to social housing, giving relevant space to multidimensionality, partnerships and participation (Tosi and Cremaschi 2001; Minelli 2004). The EU *Urban* programmes have indeed played great emphasis among multilevel and multi-policy coordination, serving as an important cognitive reference for national innovation. However it is only in 2009, through the National Plan for Residential Housing, that the integrated dimension gained national relevance. The objectives of the Plan are the creation of an integrated multilevel system for the acquisition and realization housing structures, the promotion of private-public partnerships (especially through cooperatives) and an integration of housing policies with other social policies.

**Table 11. Housing Policies Reforms**

	Activation		Vertical (territorialization)		Horizontal (coordination/integration)	
	Of Individuals	Of Expenses	Multilevel coordination	Decentralization	Public / public Coordination	Public / private Coordination
<b>Policy goals</b>	Support for people in buying or renting a house	Rationalization of social housing expenses	Clear separation of competences between different levels of government	Regionalization of responsibilities	Multidimensionality and integration with other social policies	Involvement of private actors
<b>Policy Instruments</b>	Subsidized housing ( <i>edilizia sovvenzionata</i> and <i>edilizia agevolata</i> )	Subsidized housing ( <i>edilizia sovvenzionata</i> and <i>edilizia agevolata</i> )	law 59/1997 law 112/1998 Constitutional Reform (2001)  National Plan for Residential Housing	Constitutional Reform (2001)  National Plan for Residential Housing  Regional laws	EU Urban Programmes  National Plan for Residential Housing	Public-private partnerships
<b>Actors</b>	State  Regions  Municipalities  Private partners	State  Regions  Municipalities	State  Regions  Municipalities	State  Regions  Municipalities	State  Regions  Municipalities  EU	Regions  Municipalities  For-profit private actors  NGOs  Cooperatives

#### 4. DYNAMIC ANALYSIS



If we use the framework defined by Hall (Hall 1993) and apply it to employment policies, the Treu law, the Bassanini law and the Biagi law mark a third-order change in that they change not just the instruments but the policy goals in the employment system. The main purpose has been to move from a very rigid labour market, based on the Fordist model of an industrial economy, to a more flexible one, to better suits the needs of a changing economic environment, characterized by flexibility and dynamism. Another purpose was to reduce the gap between the overprotected insiders and the outsiders, such as female and the unemployed in general, in order to increase the very low employment rate (especially the female one) that Italy has in comparative perspective. However the potential of change has been reduced, or at least distorted, by the fact that the change has not been fully accompanied by social policies that support the new labour market conditions. As already mentioned, the modernization of employment policies has mainly been conceived in terms of flexibilization rather than flexicurity. The minimum income scheme, after a period of experimentation has been abandoned and the provision of services, such as childcare, have only recently been addressed but are still not sufficient to cover the demand for those services. Thus, instead of reducing, flexibilization has increased the gap between the insiders, who are still over-protected and the outsiders (or mid-siders). Indeed, although the outsiders have been granted the possibility to participate in the labour market, they have little or no access to unemployment or social benefits. This has exacerbated the dualism of the Italian labour market. However, as concerns training policies, there have been several steps in the direction of better matching the demands of the labour market with vocational training and education (i.e. Labour Agreement, Social Pact for Development and Employment, Law 53/2003).

If we look at vertical integration, the Constitutional Reform of 2001, although not directly addressing employment and social policies, has completely revised the responsibilities among different levels of government, giving concurrent competencies (e.g. employment policies) or exclusive competencies (e.g. social policies) to the regions. However, a decade after the introduction of the constitutional reform, the division of responsibilities between the state and the regions as regards policies still remains unclear and is the object of much friction between the two levels causing inefficient and ineffective intervention in various sectors. Indeed, the process of decentralization, has not been so far accompanied by the formulation of a national framework and guidelines. This has hindered the achievement of national strategic objectives, in a logic of “convergence” among the different local realities that constitutes the Italian system and it has instead fostered territorial differentiation. Not only, the reform has (partially) cancelled the reorganization of entire sectors such as social assistance (with law 328/2000) or housing (with law 59/1997 and law 112/1998), that thus still need a new reorganizational framework. However, the large, although not clearly defined, autonomy given to the regions and to the local levels of government has spurred local initiatives to cope with the issues of poverty and integration (or reintegration) of the outsiders in the labour market. Some regions, provinces and municipalities, especially the ones of Northern and Central Italy have tried to integrate social interventions for a more efficient outcome, in terms of poverty reduction and social inclusion. This is due to the fact that on the one hand, local public administrations in the Centre-North, for cultural and historical reasons, have always been more effective and efficient in public interventions and on the other hand because they have more financial resources. However, given that most resources still come from the central level, these interventions are always subjected to national funding, which is not regular nor predictable,



causing the planning of interventions to remain quite inefficient. In fact, local administrations have to take into account the unpredictability and volatility of the resources available, and this hampers long term interventions that could address those issues more appropriately. Moreover, for what regards resources raised at the local level, the economic prosperity of the different parts of the country leads to a very differentiated capacity of fundraising, that exacerbates the already substantial inequalities at the territorial level. The result is a Matthew effect, by which richer areas have also more resources to deal with poverty and social exclusion. In this respect, stating that social policies in Italy are rudimentary and poorly organized is extremely reductive (Tosi and Cremaschi 2001). In fact, no label can be applied to the country as a whole: at least the definition of “dualistic system” should be added with reference to the difference between the South and the rest of the country (Tosi and Cremaschi 2001).

Concerning horizontal integration, although various forms of integrated planning have reinforced the system of relations - in terms of cooperation and dialogue- among the actors, and has enhanced the capacity of participation of all the territorial economic and social actors, it has however failed in the objective of creating integrated policies (ISFOL 2008). For instance, the original objective of the Territorial Pacts for Employment, the Integrated Territorial Projects but also the National Plan for Residential Housing or the Integrated Planning in Social Assistance, although all marking a third-order change in Hall’s perspective, they have been translated almost exclusively in the introduction of procedures, and not in the definition of an organic planning of concrete actions. Moreover, the creation of partnership networks, through the arrangement of strategic development plans characterized by organic and coherent objectives are still at the beginning and differ greatly throughout the territory. In this respect, there is a need to intervene on the institutional and governance system that has hitherto been incompatible with the rational management and implementation of policies and interventions. Therefore, rather than the formulation of new norms (Legala and Liso 2006), there is a need to intervene to reinforce the governance of the system, also as a logic consequence of the process of vertical and horizontal coordination. Indeed, the process of decentralization has so far been “pulverized” between the competence of multiple actors, with little attention to the overall design of public action. Moreover, as regards the access to benefits, the introduction of the ISE, whose aim was to become the main indicator of the economic situation for the access to social benefits, is still used only for some types of benefits (e.g. Social Card) but not for others (family allowance, social pensions), creating *de facto* different treatment for similar economic situation, that is not only economically ineffective, but morally not correct.

In the end, social cohesion policies have played a marginal role in the overall architecture of the Italian welfare system, both in terms of resources devoted and overall policy effectiveness. Moreover, they are characterized by multiple lines of interventions from different levels of government, that have caused frictions and overlapping, with the result of an ineffective and inefficient use of already limited resources. The reforms have been fragmented, partly incoherent and without producing any substantial change neither in the delivery of social benefits nor in their organization. Most of the benefits that were lavished before 2000 are still present nowadays, and although some of them have become more generous, the overall extension of coverage has not changed, conserving the mixed categorical and means-tested nature of traditional social assistance. New instruments have been introduced, such as the



Social Card, but all of them have overlapped with previous ones, without any consideration for the overall consistency of interventions, and with little attention for the recalibration of monetary vis à vis in-kind benefits. Given what has been said so far, it is clear that the degree of integration with employment policies general is low if not existent at all, at least at the national level, although with great local differentiation. The result is that the family remains the main locus for social security needs. This, together with the narrow interpretation of modernization of the labour market, that has been translated into a flexibilization without appropriate social security provision, has induced a privatization of social risks. Indeed, more and more people are subjected to the risk of social exclusion, a situation that has been exacerbated by the ongoing economic crisis but has its roots in the lack of political commitment towards a recalibration of the welfare state, to more rights to the outsiders.

To conclude, it is possible to say that from mid-Nineties to 2011 employment and social cohesion policies have been subjected to both major and marginal reforms, and thus this period can be regarded as dynamic especially if compared to the stagnation of the previous decades. However the lack of a long-term and comprehensive strategy and the contradictory logic with which these policies have been approached, have created a sort of “fragmented incrementalism” (Naldini and Saraceno 2008) that has added new inefficiencies and overlapping without solving the previous ones. Some attempts have been made to integrate those policies but through procedural rather than concrete interventions, and anyway without target “integration” as the main focus for the modernization of the welfare system. Moreover, with the exception of pension policies (not covered in this study), social policies continue to play a marginal role in the overall welfare system and there has been little adaptation to the new employment policies and to the changes in the labour market in general.



Table 12. Dynamic Analysis of Change

Reform	Content of Change	Change Intensity	Diffusion of change (implementation)
<b>Employment</b>			
Treu Law	Increase of flexibility options, the reduction of overall strictness of regulation on temporary employment, introduction of temporary work agencies	3 <sup>rd</sup> order	implemented
Bassanini Law	transfer of authority from the State to the Regions in placement and active labour policies, creation of employment centers, intermediary function for private actors	3 <sup>rd</sup> order	implemented
Biagi Law	amendment of contractual instruments, creation of new types of contract	3 <sup>rd</sup> order	Implemented
<b>Training</b>			
Labour Agreement	Identification of rules for the construction of a national system for continuing education and the criteria for the certification of skills	3 <sup>rd</sup> order	Implemented
Law 144/1999 (and Social Pact for Development and Employment)	Create an integrated training system to enhance the overall quality level of education and work, pursuing a boost in competitiveness	2 <sup>nd</sup> order	Implemented
Law 53/2003	The training system is unified with the education one	3 <sup>rd</sup> order	Implemented



<b>Social Assistance</b>			
National Fund for Social Policies	unification of expenses in social assistance, overcoming of multiple lines of financing	2 <sup>nd</sup> order	implemented
Economic Situation Indicator	indicator for the eligibility to any kind of social benefit that was means-tested	2 <sup>nd</sup> order	limited implementation
Minimum Income Scheme	minimum income for poor people	3 <sup>rd</sup> order	experimentation but later abandoned
Law 328/2000	reorganization of the social assistance sector	3 <sup>rd</sup> order	limited, the Constitutional Reform has reconfigured responsibilities
Social Card	money transfer to poor elderly and children	2 <sup>nd</sup> order	implemented
<b>Reconciliation Policies</b>			
53/2000 on parental leave	extended duration of the supplementary parental leave, individual entitlement for fathers	1 <sup>st</sup> -2 <sup>nd</sup> order	implemented but limited use
National Childcare Plan	increased coverage of childcare services	2 <sup>nd</sup> -3 <sup>rd</sup> order	implemented
<b>Housing Policies</b>			
law 59/1997 and law 112/1998	separation of competences between the central level and the regions	2 <sup>nd</sup> order	limited, the Constitutional Reform has reconfigured responsibilities
EU <i>Urban</i> programmes	integration between housing policies and other policies	3 <sup>rd</sup> order	some programmes implemented

National Plan for Residential Housing	integration between housing policies and other policies and among different levels of government	3 <sup>rd</sup> order	recently adopted
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**Table 13. Dynamic Analysis of Implementation of Integrated Policies**

	Activation		Vertical (territorialization)		Horizontal (coordination/ integration)	
	Of Individuals	Of Expenses	Multilevel coordination	Decentralization	Public / public Coordination	Public / private Coordination
<b>Policy goals</b>	Enhance participation to the labour market  Selective universalism  Integration between school and labour market	Rationalization of benefits	Separation of responsibilities among the different levels of government  Coordination of action among different levels of government	Regionalization of responsibilities	Coordination among different policies	Involvement of private actors  Integrated territorial development  Support of growing demand for services
<b>Policy Instruments</b>	Treu Law  Biagi Law  Law 144/1999  Means-Tested Benefits  National Childcare Plan	European Social Fund  National Fund for Social Policies  Regional funds	Constitutional Reform (2001)  Integrated planning	Constitutional Reform (2001)  Integrated planning  Regional laws	Territorial Pacts for Employment  Social Pact for Development and Employment  ISE  Regional laws  National Plan for Residential Housing	Integrated planning  Public-private partnerships  Social Pact for Development and Employment
<b>Actors</b>	State  Regions  Provinces  Municipalities  Private partners	EU  State  Regions	State  Regions  Provinces  Municipalities	State  Regions  Provinces  Municipalities	Ministry of Labour and Social Policies	Regions  Provinces  Municipalities  Private for-profits service providers  Firms  Cooperatives, NGOs



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## **Local Worlds of Social Cohesion Policies**

The Local Dimension of Integrated Social and Employment Policies

### **WP 2**

**The National Governance of Integrated Social Cohesion Policy**

**National Report Poland**

Very first draft – not to be quoted, not to be distributed without permission of authors.

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## 1. INTRODUCTORY PART

### 1.1 Basic labour market indicators<sup>1</sup>

In the beginning of 90s Polish economy has undergone a structural transformation from centrally planned into market economy which lead to abrupt changes in the employment status. People used to one job for life were forced to face new reality: economy restructuring, massive unemployment, increase of short-term contracts. Creation of new workplaces in a developing private sector was not fast enough to absorb people massively dismissed from state companies.

Unemployment – almost nonexistent during communism – became a serious social and political problem. Almost half of the working population declared in 2007 had experienced job loss (Gardawski et al.: 318). Economic unemployment rate<sup>2</sup> has increased abruptly (for details see table 1, Eurostat 2011). In 1997 it was at the level of 10.9%, it reached its peak of 20% in 2002. Between 2002 and 2006 Poland had the highest unemployment rate among European countries. It decreased to 7.1% in 2008. In the context of current economic crisis, it has went up again in 2009 and 2010, but nevertheless its level has remained lower than in 1997.

Table 1: Economic unemployment rate

geo\ time	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
EU 27	:	:	:	8,8	8,6	8,9	9,1	9,2	9	8,3	7,2	7,1	9	9,7
EU 15	9,9	9,4	8,7	7,8	7,4	7,7	8,1	8,3	8,3	7,8	7,1	7,2	9,2	9,6
<b>Poland</b>	<b>10,9</b>	<b>10,2</b>	<b>13,4</b>	<b>16,1</b>	<b>18,3</b>	<b>20</b>	<b>19,7</b>	<b>19</b>	<b>17,8</b>	<b>13,9</b>	<b>9,6</b>	<b>7,1</b>	<b>8,2</b>	<b>9,6</b>

Source: Eurostat, LFS.

Also both employment and activity rates dropped in 1990s and at the beginning of 2000s with mass dismissals, economic crisis and easy access to disability and early retirement schemes. Employment rate of population aged between 15 and 64 years old was at the level of almost 60% in 1997 and 1998 (for details see table 2, Eurostat 2011). It dropped under 52% between 2002 and 2004 and it has been growing ever since, slightly exceeding 59%. Relatively low employment rate seems to be long-lasting characteristics of Polish labour market. Whereas unemployment rate in Poland has no longer been over EU average (both EU15 and EU27),

<sup>1</sup> This part of the text uses elements of a report written by one of the authors (Sztandar-Sztanderska forthcoming).

<sup>2</sup> We will use a distinction between registered and economic unemployment rate. The first indicator refers to unemployment rate measured in reference to the number of people holding the administrative status of unemployed. The second one is based on international definition used in Labour Force Survey (LFS).

employment rate in this country still remains significantly lower than on average in EU (both EU15 and EU27).

Table 2: Employment rate (age group 15-64)

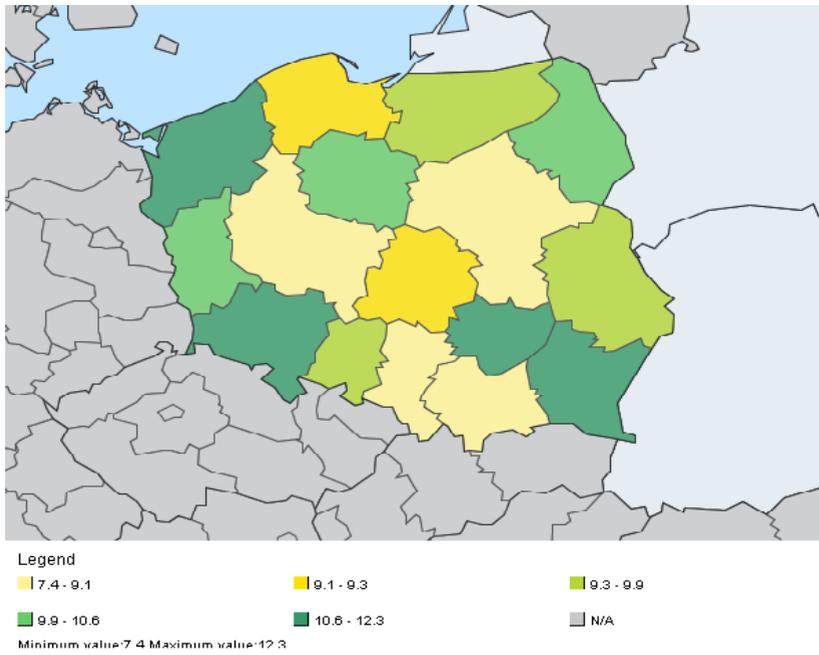
geo/time	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
EU 27	60,7	61,2	61,8	62,2	62,6	62,4	62,6	63	63,5	64,5	65,4	65,8	64,5	64,1
EU 15	60,7	61,4	62,5	63,4	64,1	64,2	64,5	64,9	65,4	66,2	66,9	67,1	65,8	65,4
<b>Poland</b>	<b>58,9</b>	<b>59</b>	<b>57,6</b>	<b>55</b>	<b>53,4</b>	<b>51,5</b>	<b>51,2</b>	<b>51,7</b>	<b>52,8</b>	<b>54,5</b>	<b>57</b>	<b>59,2</b>	<b>59,3</b>	<b>59,3</b>

Source: Eurostat, LFS.

### **Employment and unemployment rates for different socio-economic groups and territories**

Risk of unemployment and inactivity has been unequally distributed territorially and among socio-economic groups. Unemployment rate varies between 7.4% and 12.3%. Regions in the centre and south of the country have lower economic unemployment rates. Whereas the most vulnerable are western regions, eastern-south regions and north-eastern regions (see, map1). Intra-regional disparities are even wider. Yet the only indicator that is measured at the level of *powiat* (pronounced as “poviat”, middle local territorial unit created in 1998) is the registered unemployment rate. For example, in the end of 2010, the minimum registered unemployment rate was at the level of 3.4% in the capital city of Warsaw, whereas the highest one was 35.1% in the local unit called *powiat Szydłowiecki*, situated in the same region (MPiPS, 2010). Generally speaking, also other big cities have better than average results.

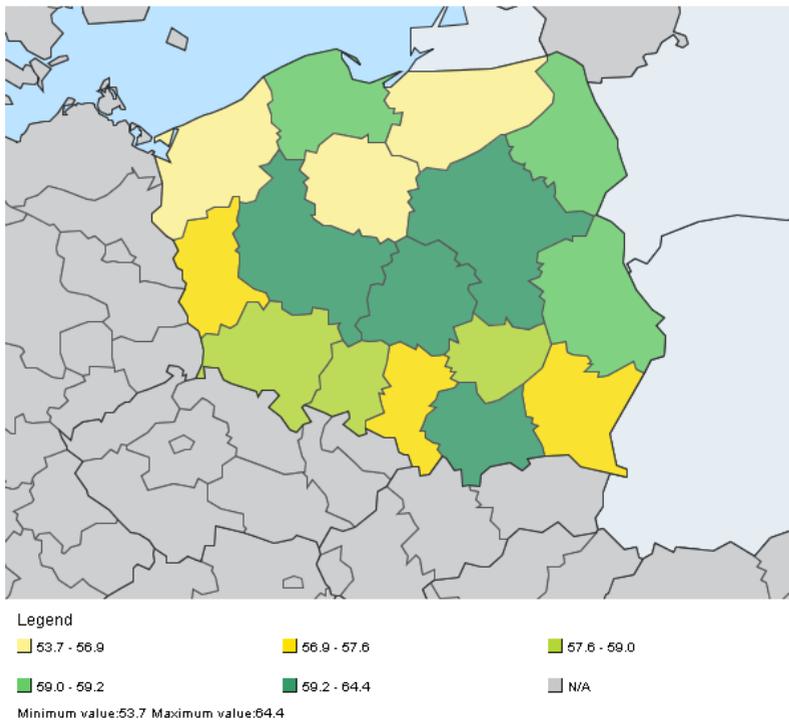
Graph 1. Unemployment rate, by NUTS 2 region, % - 2010



Source: Eurostat

The best performing regions when it comes to employment rate is Mazowieckie region situated in the centre of the country (64.4%), whereas the worst performing is Zachodniopomorskie region (53.7%), situated in the north-west (for more, see graph).

Graph 2. Employment rate of the age group 15-64, by NUTS 2 region, % - 2010



Source: Eurostat

Socio-economic groups facing higher risks in the labour market are, among others, young and elderly people, women, low skilled, and also people having more specific difficulties, like for instance disabled people (Towalski 2009).

### Age

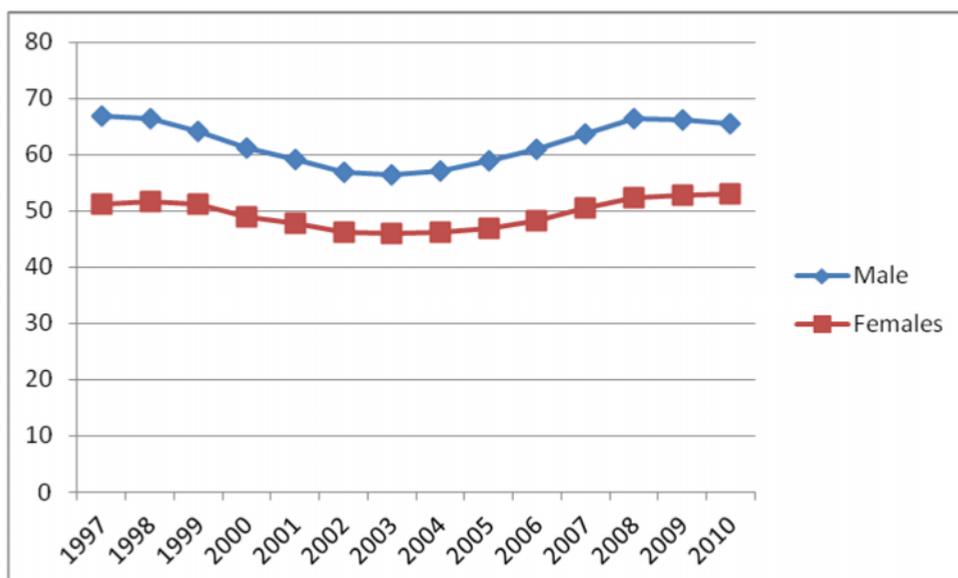
The unemployment rate for youth under 25 years old remains much higher (23.7%) than for labour force aged 15 to 64 (9.6%) (2010). It has also been higher than this indicator for youth in EU27. The difference was over 20% between 2001 and 2004, yet it dropped considerably and it was under 3% in 2010.

In case of older people (55 to 64) the problem is low employment rate, rather than unemployment rate which has been below the unemployment rate counted for the labour force (15 to 64) (LFS data for Q3 in 2008,2009,2010, 2011) (GUS 2011). Despite the steady growth of the employment rate of older people since 2003, this indicator for Poland remains 12.3% under EU average (2010, 34% in Poland, 46.3% in EU27) (Eurostat).

### Gender inequalities

Low female employment rate is long-lasting characteristics of Polish labour market. Despite positive trend during last years, it has never exceeded 53%. Gender gap remains significant. In 2010 the difference between genders was at the level of 12.6%. The average age at which professionally active persons definitely withdraw from the labour market was 57.5 years old in case of women, while it was 61.4 in case of men (last available data for 2007, Eurostat).

Graph 3. Employment rate (%) in Poland by gender, age group 15-64



Source: Eurostat, LFS

Unemployment rate has been higher among women compared to men, but the inequality in this respect has almost disappeared. The difference was over 3.5% between 1997-2001, but is now under 1% (0.9% in 2009, 0.7% in 2010). Women have been also more vulnerable in terms of duration of unemployment spell, yet this discrepancy between genders has also dropped significantly. Between 1997 and 2005 the long-term unemployment rate among females was approximately 3% higher than among males, but this difference has been under 1% since 2007 and in 2010 it was only at the level of 0.3%.

## Education level

In Poland there are also higher than average in EU disparities when it comes to employment rate and unemployment rate of people with low level of education. The vulnerable are in particular people with less than upper secondary level of education. The employment rate for this group was 23.6% in Poland, compared to 45.1% in EU27 (2010)<sup>3</sup> (Eurostat), whereas the unemployment rate for this group was 16.3% in Poland, compared to 14.2% in EU27 (2010) (Eurostat).

## Summary

Generally speaking, when employment and unemployment rates examined the Polish labour market shows signs of duality. In other words, there are visible disparities between insiders (i.e. usually male workers, with better qualifications and in the middle of their professional careers) and outsiders (women, youth, people with low qualifications). These disparities become even more visible if the analysis takes into account other aspects, such as, types of contracts (permanent *versus* fixed-term contracts) or wages (Portet and Sztandar-Sztanderska 2007).

Table 3: Summary table

Item	Late trends (till 2010)	Risks/exposed groups
Employment rate	Slow, but successive increase between 2003-2009, since 2009 stable at the level of 59%.	Territorial disparities Groups at risk: people with low level of education, 55-64 years old, women, disabled.
Unemployment rate	Decline by 12.6% between 2004-2008, slight increase since 2008.	Territorial disparities Groups at risk: people with low level of education, 15-24 years old.

<sup>3</sup> This indicator is counted for the age group of 25to 64.

## 1.2 Historical evolution and formative moments of employment and social cohesion policies until 1998

During communism the important provider of social welfare were state companies. They provided a broad range of services (mostly poor quality) among others, childcare, housing, health services, vocational education. The range of benefits and services was differentiated among sectors. Workers of some industrial branches – like, for instance, miners – benefited from special privileges. Extra-company social policy was very limited. Since 60s organisationally social policy was in a competence of health ministry, since the idea behind was that of “care” (*pl. opieka*), especially addressing elderly and “invalid” people (*pl. inwalidzi*) (Piotrowski 2010).

The so-called “shock therapy” consisting, among others, in a release of prices and currency controls and flexibilisation of labour market lead to rapid economic restructuring. In order to survive enterprises were forced to reduce costs by firing the workers, giving up social and the educational services typical for the communist system. Some of these services were taken over by central administration and communities – the lowest level of self-governments created in 1991 (*pl. gmina*), yet not of all were treated as right and especially access to childcare and to public housing became more and more difficult.

On the eve of economic reforms there had been neither social, nor labour market policy (LMP) programme prepared, since the priority was given to the issue of macro-economic stability (Bafol 2006). Social policy programmes were often seen as communist legacy and an obstacle to the reforms. Ultimate social policy goals were unclear (Szytko-Skoczny 2004; Ksiezopolski 1993, after Spieser 2008). Both social and labour market policies were used as emergency and ad-hoc measures, which was not a novelty, but rather a constant way of governing welfare in Poland<sup>4</sup>. What has profoundly changed was the context – they were used to address suddenly growing and – as it turned out – persistent, mass unemployment, which was not at all predicted by policy-makers.

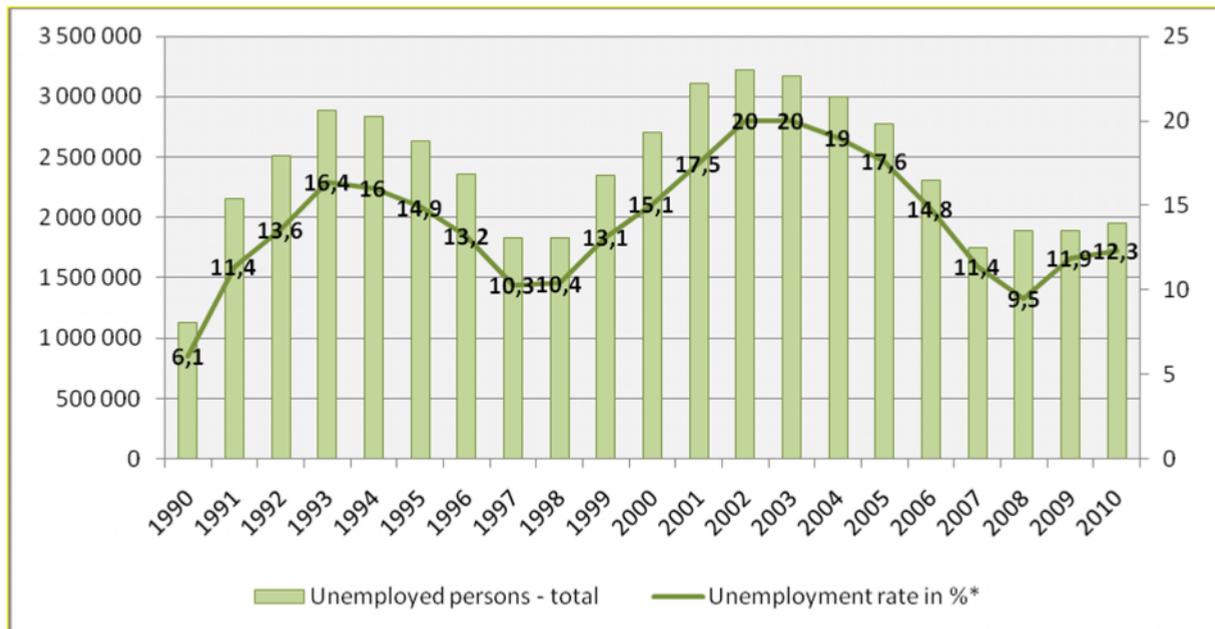
The urgent need for the unemployment policy appeared in 1990, when “the labour market switched in a matter of months from excess demand to excess supply” (Fretwell 2005: 84). Unemployment was believed to be short-term side-effect of economic restructuring, yet it revealed to be long-term, structural and massive problem. In the end of December 1990 – i.e.

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<sup>4</sup> In his comparative and historical account of development of welfare states in CEE, Inglot coins a term of „emergency state” to describe this permanent feature of CEEs’ welfare states and to differentiate them from conventional welfare regimes. As he points out: “Seen in a larger historical context, the examples of Czechoslovakia (Czech Republic and Slovakia), Poland, and Hungary demonstrate that in specific circumstances of delayed and obstructed political and socioeconomic development, modern welfare states may never emerge as firmly consolidated “regime types” in a conventional sense. Rather, among the so-called late-developers we can detect the phenomenon of “permanent construction sites” or “layered” structuring of social policy institutions, which often incorporate highly inventive combinations of old and new benefit programs”. (Inglot 2008: 307).

only one year after the creation of the administrative status of the unemployed – more than one million of people were holding this status, whereas between 2001 and 2003 this number exceeded 3 millions.

Graph 4. Registered unemployment rate and number of unemployed 1990-2010 (at the end of the year except 2010).



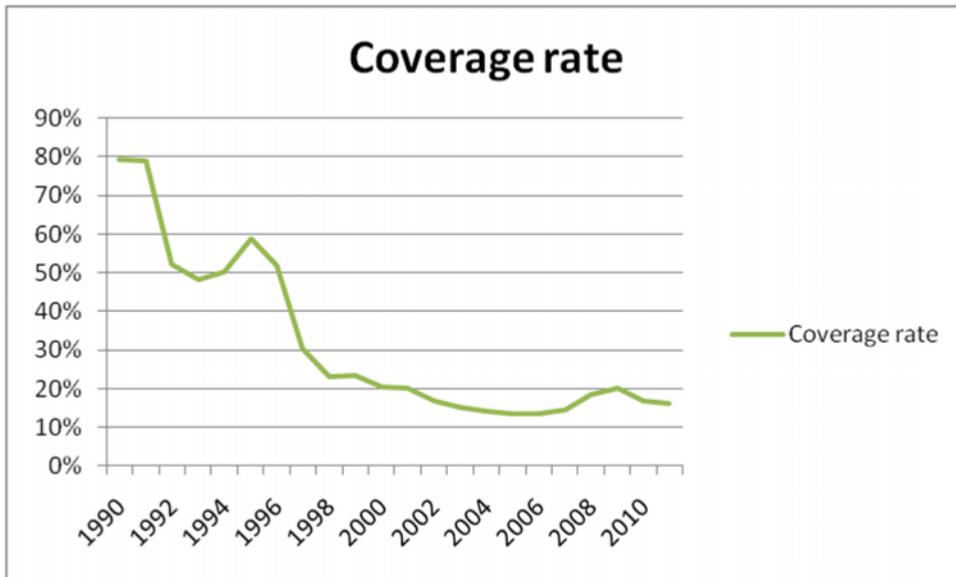
Source: Central Statistical Office (GUS)

Initially, the aim of the reforms of social and LMPs was to soften the negative effects of unemployment through generous passive policies and to prevent eruption of social protest that would halt the course of economic and political reforms (Gardawski 2002). A combination of new and old policy schemes was used to treat job losses: newly created generous unemployment benefit granted on the basis of citizenship without requirement of previous employment record, as well as – previously institutionalised but differently used in a context of growing unemployment – early retirement policies and disability benefits. Moreover, workers of some unionised sectors, especially in traditional industrial regions, benefited from privileged treatment outside unemployment scheme by getting high redundancy payments or by negotiating more favourable conditions of retirement (lower retirement age, higher pensions), whereas farmers, which were another group with organised representation, have been covered by more advantageous so-called ‘agricultural insurance system’ (KRUS), which has nothing to do with insurance principle, but rather operates as assistance for all farmers, no matter their income (Inglot 2008; Spieser 2008; Spieser and Sztandar-Sztanderska forthcoming). One of the negative economic effects of adopted policies was the permanent exit of significant part of population outside the labour force. The evidence for which was given in the previous part of the text.

Given a lack of political representation of unemployed and strategies of existing interest groups to struggle for their rights outside unemployment scheme, unemployment policy was

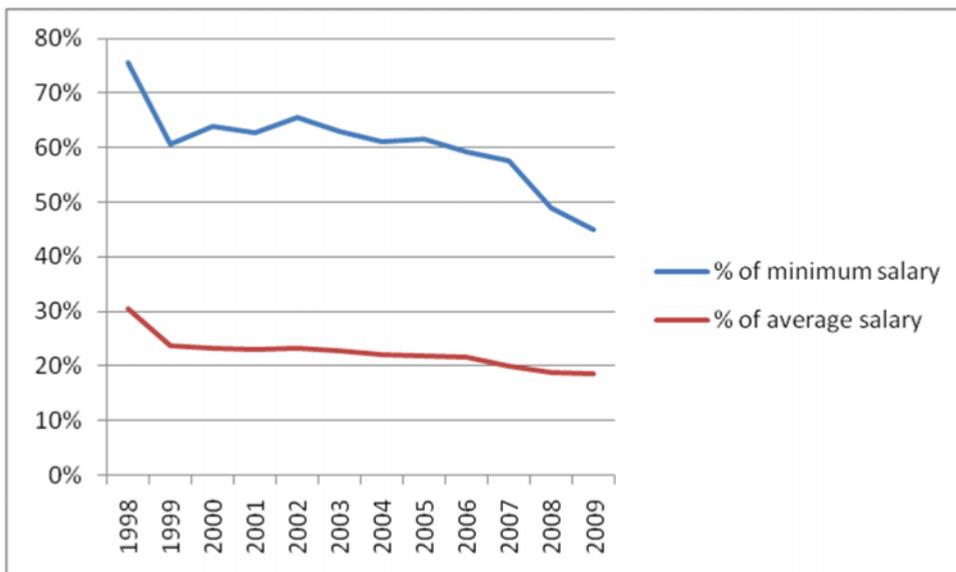
the first to be subjected to successive restrictions of entitlement criteria, duration of payment, level of benefits as well as the duration of unemployment spell (Spieser and Sztandar-Sztanderska forthcoming). In consequence, there was a significant decline of both coverage and replacement rate of unemployment benefit (for details see graphs 5, 6).

Graph 5. Percentage of the registered unemployed entitled to unemployment benefit (end of the year)



Source: MPiPS, Statystyki rynku pracy, Portal Publicznych Służb Zatrudnienia

Graph 6. Replacement rate of the minimum and average salary by the standard unemployment benefit at the end of year



Source: Authors' own calculations based on available data on Internet sites of the Social Insurance Office (ZUS) and the Ministry of Labour and Social Policy

Many of the unemployed, not entitled to benefits, suffered from triple insecurity: financial insecurity and dependence on family and low support in terms of active labour market policies (ALMPs), which were underfunded, because till 2005 the vast majority of the Labour Fund that financed LMPs was spent on benefits (mostly preretirement and early retirement benefits, but also unemployment benefits).

## **2. INSTITUTIONAL CONTEXT AND POLICY FIELDS (CURRENT SITUATION, MAIN FEATURES OF CURRENT EMPLOYMENT SYSTEMS)**

### **2.1 Outline of the welfare system in Poland**

The Constitution creates institutional framework of welfare system in Poland. It defines economic regime, basic social rights and enumerates target groups of public policy. Economic regime is characterised as: “a social market economy, based on the freedom of economic activity, private ownership, and solidarity, dialogue and cooperation between social partners” (article 20). Social rights are enumerated explicitly. The Constitution guarantees workers their freedom to choose occupation, a minimum level of remuneration for work, the right to safe and hygienic conditions of work, the right to statutorily specified days free from work. Citizens, who are incapacitated for work or who are involuntarily unemployed and have no other means of support, have the right to social security. Moreover, the Constitution guarantees the rights to social insurance, health care, education and housing. Article 65 makes an important declaration concerning the ALMPs, namely that “Public authorities shall pursue policies aiming at full, productive employment by implementing programmes to combat unemployment, including the organisation of and support for job counselling and training, as well as public works and economic intervention”. This means that ALMPs is regarded as the constitutional right, which places an obligation on the government to monitor the labour market situation as well as to devise special policies which are subsequently implemented. To sum up, the Constitution puts emphasis on the rights related to the labour relation, social protection and access to social security, which for people outside employment might mean being subjected to means testing.

Several target groups are mentioned in the context of social rights: children and families, mothers, pregnant women, single parents and elderly people, disabled and homeless persons. This selection reflects importance of a family as a basic unit for a social policy in a catholic state and a traditional idea of “care” (pl. *opieka*) for people with “dysfunctions” (Zalewski 2005).

The main governmental organisation responsible for welfare system in Poland is the Ministry of Labour and Social Policy (MPiPS). The MPiPS is organised in three main pillars: 1) labour market, which includes: employment and unemployment policy, working conditions, wages and labour benefits, collective labour relations and collective bargaining; 2) family policy, which includes: demographic conditions, child care, support for families, especially those living in poverty, coordination and organisation of cooperation of public administration, non-governmental organisations (NGOs) and other actors in the respect of implementation of children and family rights, international cooperation for the protection of children and families; 3) social assistance, including: pension system, social assistance for poor families and people, governmental programmes in areas of social policy, social assistance for the disabled, activities of NGOs which have statue of public benefit organisations, coordination

and organisation of activities of public administration, as well as other institutions active in the area of social policy, including NGOs.

The organisational structure of MPiPS shows very clearly the separation between policies focusing on labour relation and unemployment from social assistance. Social assistance is concentrated on helping disadvantaged people: the poor, disabled, large families. In this model the unemployment is considered a disadvantage, that should be compensated by mostly in-kind or financial support. Employment was not traditionally seen as an objective of social policy, which together with a lack of resources impeded development of activation.

The MPiPS has mostly regulatory and supervising responsibilities. In most cases the MPiPS has no direct control over organisations which carry out everyday tasks of social policy. The reforms which bring decentralisation and territorialisation effect have transferred most of the responsibility to organisations under the supervision of self-governments: gminas (NUTS-5 level), powiat (NUTS 4) (pl. powiat) and vovoidship (NUTS 2) (pl. województwo).

Table 4: Overview of the local level responsibilities in Poland

	<b>Major own tasks</b>	<b>Legal basis</b>
Gminas	land use planning and environment protection road infrastructure provision of media, keeping cleanliness and order. sewage system local public transport social assistance (including social welfare centres and institutions) communal dwelling construction public education culture (incl libraries, protection and conservation of historic monuments) physical culture and tourism	Act of 5 March 1990 on the <i>gmina</i> local government
Poviats	public education promotion and protection of health social assistance family promotion policy assistance to the disabled public transport and public roads architecture and construction administration water management environment and nature protection public order and public safety flood control counteracting unemployment and stimulation of local labour market consumer rights protection defense issues	Act of 05 June 1998 on the powiat local government

Voivodeship	<p>regional development strategy (incl. upgrading national awareness and local identity) ,</p> <p>promotion of economic activity,</p> <p>improvement of competitiveness and innovation in the regional development policy (incl. labour market development)</p> <p>maintenance and development of social and technical infrastructure of regional significance,</p> <p>support to development of science, technological progress and innovation and their use in the economy,</p> <p>support to development of culture,</p> <p>measures for upgrading education level of citizens public education, (incl. university education)</p> <p>promotion and protection of health,</p> <p>social welfare, family protection, culture</p> <p>water management, (incl. flood control), management of provincial flood control</p> <p>warehouses defense issues, public security</p> <p>counteracting unemployment,</p> <p>development of regional labour market</p> <p>public transport and public roads</p> <p>consumer rights protection.</p>	<p>Act of 5 June 1998 on voivodeships local government</p>
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Source: (Starega-Piasek, Matela et al. 2006)

Although it would seem that voivodeships have the most responsibilities, in practice the gminas are the most important level of local government. They are responsible for all of the tasks which are important for local community, unless they are reserved for upper levels or state. Institutionally and financially gminas are the most independent and developed units of local governments. Poviats and voivodeships are much weaker. They have less responsibility and proportionally smaller budget. Therefore, they are criticised for being too dependent on central funding and not autonomous enough in their local policies.

## LMPs

In terms of implementation of labour market policy the most important organisation is Poviats Labour Office (PUP). Formally PUPs are a part of poviat administration. The head of PUP is nominated by the head of poviat (*starosta*), who delegates some of his or her responsibilities. However, policy instruments, target groups as well as standards of job counselling and job placement are centrally defined. Moreover, the funding received from the Labour Fund cannot be spent on other purposes<sup>5</sup>. Therefore, PUPs have to manoeuvre in this context of double control and dual-power of poviat authorities and central actors.

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<sup>5</sup> Self-governments of poviats can only influence a division of the financial resources between different ALMPs that is left after payment of flat-rate obligatory benefits. They can also encourage their Poviats Labour Office to apply for additional resources when, for instance the Ministry of Labour and Social Policy or Voivodeship, opens a competition for additional funding (so called Ministry or Voivodeship reserve).

## Social protection

Based on the Constitution and appropriate laws we can name seven elements of social protection system:

1. Social insurance schemes (old-age, disability, employment injuries, sickness and maternity, care and funeral allowances),
2. Health care,
3. Family benefits,
4. Social assistance (cash and in-kind benefits and services) and housing allowances,
5. Vocational and social rehabilitation for disabled,
6. Employment services and unemployment benefits.

In most cases parliament is responsible for issuing regulations, while responsibility for implementation of social policy is diffused among various actors, mostly various levels of local self-governments. Below we present the selected elements of social protection system regarded as having impact on employment: pension system, health care and social assistance. The more detailed description of employment system (including questions of benefits and monetary incentives as well as social services) will be presented in the next part of the report.

Table 5. Overview of the social welfare organisation in Poland

Sectors of social welfare	Regulations	Administration	Financing
Old-age pensions	Parliament, central government	Central government and private institutions	Public social insurance (contributions + state budget subsidy) Private funds
Disability, employment injury and survivors pensions	Parliament, central government	Central government	Public social insurance (contributions + state budget subsidy)
Sickness, maternity, funeral and care allowances	Parliament, central government	Central government	Public insurance (contributions + state government subsidy) Private (employers)
Health care	Parliament, central government	Central government Local governments of all levels Private (profit and non-profit)	Public health insurance (contributions + state governments earmarked grants) Local governments of all levels Private (households, employers and NGO)
Family benefits	Parliament, central government	Local governments (gminas)	Public (state budget)
Protection of unemployed	Parliament, central government	Local governments (poviats)	Public Fund (special tax paid by enterprises)
Active labour market	Parliament, central	Local governments	Public Fund (special tax

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programs (ALMP)	government	(poviats), Private (profit organizations and non-profit organizations)	paid by enterprises) Private (non-profit organizations)
Social assistance cash benefits and housing allowances	Parliament, central government	Local governments (gminas)	Public: local governments (gminas) + state budget earmarked grants
Social assistance services (long-term care and home services for elderly and disabled, support for homeless persons)	Parliament, central government Gminas concerning period and amount of periodical allowances above minimum level	Local governments of all levels Private (profit and non-profit organizations)	Public: local governments (gminas) Private (households and NGO)
Vocational and social rehabilitation of disabled persons	Parliament, central government gimnas and poviats (regulations on financing)	Local governments (gminas and poviats)	Public central fund (taxes paid by enterprises + state budget subsidy)
Care for children (nurseries and kindergartens)	Parliament, central government	Local governments (gminas)	Local governments (gminas)

Source: (Staręga-Piasek, Matela et al. 2006)

The old-age pension system covers citizens of Poland, with the exception of persons employed in agriculture. The farmers have a separate pension system (KRUS) organised in a different manner. The pension system is divided into three pillars. Two pillars are mandatory: the pay-as-you-go pillar and the accumulation pillar. The third pillar is voluntary. The future pension will consist of two elements: 1) money paid by ZUS (state controlled Social Insurance Institution); 2) money paid by private fund. The first and second tiers are financed through individual contributions (19.52% of gross wages) which are equally split between the employer and employee. The state guarantees minimal pension. The future pensioner can also receive money from the third pillar, which is managed by a private financial institution. Despite several legal and financial incentives, participation in the third pillar is marginal.

The new pension system has two crucial features in terms of employment policy. First, it connects very closely pension structure to wage distribution. Second, because the state guaranteed pension is very low and future pensions will be much lower when compared to the last wage, this urges people to work longer and save money.

Healthcare is a very complex system. Generally healthcare is state financed. The institution responsible for administration of the system is the National Health Fund (NFZ). All social groups are covered by obligatory health insurance. The Fund collects money from the taxpayers (in 2011 a premium rate was 9% of a person's income). Money is used to finance the variety of health services contracted by hospitals and other medical institutions. The process of contracting has quasi market features. The intention was to introduce the competition

between different medical services providers. In practice the system is very ambiguous. Most of the medical service providers (hospitals and clinics) are owned by local government. With this said, there is a growing number of private institutions, which provide simple services or services which are not financed by NFZ. The growing demand for health services fuels the development of the private health sector, but the access to it is limited to the upper class.

Social assistance has been delegated to local government. Social assistance is divided into two kinds: obligatory and delegated. The delegated social assistances are financed by the state and include: payment of various kinds of monetary allowances as well as constructing houses for the disabled and emigrants among others. The obligatory social assistances include for example: care for elderly, homeless, handicap people, home services for the elderly and disabled. Social assistance is only one of many obligations which local government must fulfil. Unless money is state provided the local government attempts to decry the cost of social assistance. Three levels of local government are self-governing, which means that they cannot be forced to cooperate. We observe many competence conflicts (Mandes, Trutkowski 2005).

The example of healthcare or social assistance shows the institutional structure of Poland's welfare system. Generally we have two actors: state and local government. The state creates the legal frameworks and provides finances. The everyday responsibility of administering the different elements of the system rests with the different levels of local government. The private institution and NGO play minor roles. This holds for all except the pension system, of which the private institutions are an integral part. Indeed, they help to fill the gaps. For example, gminas are obliged to organise homes for elderly persons, but in most cases their standards are poor and unsatisfactory for the upper-middle classes. In response to this demand private investors offer these kinds of services. This creates a paradoxical situation, on the one hand there is no public consent regarding the privatisation of many social services, whilst on the other hand backdoor privatisation is taking place in response to growing demand from wealthy people. Consequently, class inequality is connected with the quality of provided social services.

## **2.2 Main features of current employment systems:**

### **2.2.1 Benefits and monetary incentives (in work benefits, tax credits, etc) to take up work**

Benefits and monetary incentives that might be considered as promoting employment are elements of various policy fields. We will mention some of them very briefly and focus only on the most important from the point of view of the project, i.e. local dimension of integrated social and employment policies.

There are several benefits and monetary incentives that have employment-effects, but are not relevant from the point of project, because they are neither planned nor implemented by sub-national territorial units. They constitute elements of the following policy fields or subfields:

- tax system (eg. tax concession for parents),
- retirement system (eg. link between the level of contributions accumulated on the individual accounts and the level of old-age pensions introduced to delay decision to retire and to reduce grey area of economy),
- social insurance system (eg. lower social contributions for entrepreneurs than for employees, lower social contributions for youth starting their own business, no obligatory social contributions for young people aged under 26 years old and in education working on the basis of civil contracts)
- labour market code (eg. salary paid from social insurance system during maternity leave and other instruments for parents that aim to reconcile working life with family obligations)

More attention should be paid to the benefits and monetary incentives included in LMPs and social assistance. Even if their level is nationally defined, they are part of sub-national policy making, because they are implemented together with other social services by organisations formally belonging to middle and lower local units (*powiat* and *gmina*). People with the administrative status of the unemployed are still main target group, which means that there are almost no in-work benefits for other groups (for instance, working-poor), nor tax credits.

### **Benefits and monetary incentives in the frame of LMPs implemented by poviats labour offices (PUP) at middle local territorial unit (NUTS IV)**

Administrative status of unemployed and related responsibilities

In order to benefit from rights related to unemployed status a person has to register in poviat labour office (PUP) and fulfil several criteria, defined in the act on employment promotion and labour market institution (see box below).

Box 1: Main criteria of registration as unemployed in poviat labour office

In order to be granted unemployed status he or she must fulfil the following criteria:

- having Polish or EU citizenship
- aged between eighteen and sixty (women) or sixty-five (men) years old
- not employed,
- not involved in training nor in any kind of paid work,

- willing and available to start full-time work immediately (in case of disabled half-time),
- not entitled to an old-age or invalidity pension.
- not owning or managing more than two hectares of agricultural land.

Employees of poviats labour office can test “willingness” and “availability to take up job”. The legislation defines sanctions in case of refusals of suitable employment or participation in ALMPs programmes and not showing up in the labour office for the appointed meeting. Such a person will lose a status of unemployed and all related rights. The last amendment of the Act on employment promotion and labour market institutions in December 2010 made sanctions for refusing a suitable employment or participation in activation stricter by extending a period for which a person loses this status to 120 days in case of the first refusal, 180 days in case of the second one 270 days in case of following ones. The unemployment benefit recipient is obliged to come to labour office at least once a month, while all other unemployed at least once for three months.

A very broad definition of suitable employment legitimises implementation of sanctions no matter if job preferences of an unemployed person had been actually diagnosed by job placement agent (a differentiated use of sanctions is described in: Sztandar-Sztanderska 2009). Between 2005 and 2010 the total share of unemployed deregistered in effect of sanctions in the total outflow from unemployment was about 30%.

Box 2: Definition of “suitable employment”

**Suitable employment is defined according to the following criteria:**

- Employment or remunerated work, subject to payment of social contributions;
- Unemployed person possesses sufficient qualifications and professional experience to perform the job, or will be able to perform it after training;
- Her health condition makes it possible to perform the job;
- Journey to work and back home does not exceed 3 hours and can be made by means of public transport.
- The gross income should equal at least the national minimum wage, if it is a full-time job (or should be calculated proportionally to the time of work).

Source: “Act on employment promotion and labour market institutions” from 2004 with further amendments.

### **Health care insurance as conditional right**

Main right resulting from a status of unemployed is the access to free health care<sup>6</sup>. Generally speaking, adults, who are neither employed or self-employed, nor insured by a working family member, nor in full-time education have to register in order to be granted public health insurance. This conditionality of access to health insurance upon the status of unemployed is criticised by Polish researchers and employees of Public Employment Services (PES), because it creates incentives for registration as unemployed other than seeking employment (eg. Góra 2006).

### **Unemployment benefit**

Successive restrictions of entitlement criteria, duration and level of benefits made Polish out-of-work income maintenance system extremely residual, which was justified by a need to perform budgetary cuts, but also as a policy creating monetary incentives to take-up employment. In 2009, the expenditure on out-of-work income maintenance in Poland was the lowest in EU. The spending on this purpose was 658.781 million of euro in Poland (i.e. 0.212% of GDP), compared to 151,650.982 million of euro in EU15 (1.389% of GDP) and 155,045.635 million of euro in EU27 ( i.e. 1.315% of GDP) (Eurostat).

The box below presents legally binding entitlement criteria to unemployment benefit.

#### Box 3: Unemployment benefit (eligibility criteria)

- |   |
|---|
| <p>a) unemployed person has worked on the basis of work contract or any other contract for at least 365 days during the last 18 months, earning at least a minimum salary;</p> <p>b) during this work period unemployed person and his/her employer have covered all foreseen contributions from at least minimum salary.</p> |
|---|

Source: “Act on employment promotion and labour market institutions” from 2004 with further amendments

The key characteristics of the Polish out-of-income maintenance system are not only low coverage (entitled to unemployment benefit in), but also low replacement rate. Currently, despite the fact that the entitlement to the unemployment benefit depends on obligatory contributions (2.45% of gross salary paid by employers), the allowance is flat-rate and its amount varies slightly with a period of work during which all foreseen contributions have been covered from at least a minimum salary. People, who have worked less than 5 years

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<sup>6</sup> Health insurance means mainly a right to see a doctor without paying for visit or a right of being hospitalised or having medical treatment (in all cases waiting time might be long) and not necessarily refunds of medications (a list of refundable medications is precisely defined).

fulfilling this criterion, receive 80% of the standard allowance, while those with more than 20 years of service get 120% of it. Since January 2010 an incentive mechanism has been introduced and the benefit is higher during the first 3 months (standard benefit is PLN 717, i.e. approximately EUR 157)<sup>7</sup> and lower during the following months (PLN 563, i.e. approximately EUR 123).

### **Social assistance**

Unemployed person not entitled to the unemployment benefit can apply to gmina for a last resort temporary allowance from Social Assistance Centre (*zasilek okresowy*), which payment has been mandatory since 2004. Beforehand gminas were able to refuse payment due to lack of resources and this practice was frequent. The income criterion is very low (in 2009: approx. EUR 116.11 for a single household and EUR 85.44 for one person in a household with more than one person) and it includes legal and illegal income of all other inhabitants of the household (social workers often count also assistance as other relatives not living in the same household as a part of the total income). The minimum mandatory level of benefit is 50% of the difference between the income criterion and the actual income.

### **In-work benefits**

In this residual out-of-work income support system, there was no attempt to replace out-of-work benefits by in-work benefits for working poor, which shows that policy-makers were more concerned by budgetary cuts than by “making work pay” strategy. The only legal tool that aims to create positive financial incentives to take up employment is activation allowance (*dodatek aktywizacyjny*), but its use is limited to narrowly defined group of the recipients of unemployment benefit. The share of people, who were granted activation allowance in 2009 among the number of registered unemployed at the end of that year was only 6%. It is paid to an unemployed person entitled to unemployment benefit who takes up a part-time job with a salary below a minimum wage proposed through job placement in the Poviats Labour Office or to an unemployed person entitled to unemployment benefit who finds a job independently from the Poviats Labour Office. It can amount up to 50% of unemployment benefit and can be paid either half of or the total duration of unemployment benefit.

### **Participation in ALMP as additional income support**

In the context of low level and restricted out-of-income support, policy-makers increased financial incentives to participate in ALMPs. Participation in all types of ALMP, except for job agency and vocational counselling, usually gives the unemployed person additional financial support. In case of majority of measures that aim to increase human capital of the

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<sup>7</sup> According to average currency exchange rate of National Bank of Poland for 14th December 2011.

unemployed (eg. training, on-the-job training, co-financing post-graduate studies), scholarships vary from 20% of unemployment benefit to 120% of unemployment benefit. In case of subsidised employment (intervention works, public works), an unemployed person receives a regular salary and labour code rules concerning a minimum wage apply. In case of socially useful works, which have a working time limit up to 10 hours per week, there is a fixed minimum amount per hour (PLN 6, approx. EUR 1.32).

To sum up, the Polish employment system in the respect of benefits and monetary incentives, implemented by sub-national units is highly residual, with low level of benefits and low coverage and access to health insurance as main reason for registration as unemployed. Conditionality concerns not only unemployment benefit recipients, but all people registered as unemployed who risk losing access to healthcare. In this context ALMPs play also income support role.

### **2.2.2 Social Services (training, health, social assistance, housing, childcare)**

In Poland the trends to integrate services with the aim of increasing employment and improving social cohesion are still very weak. To an important extent policy fields have remained separated and cooperation between various types of actors (public, private, non-governmental) underdeveloped.

However, lately there were some modest attempts to increase role of ALMPs by introducing and recalibrating instruments that aim – what Bonoli – calls human capital investment and employment assistance (Bonoli 2010). The first type refers to instruments that seek to improve the chances of finding employment by upskilling. The second one refers to measures that aim to remove obstacles to employment and facilitate (re-)entry into the labour market and, including job placement, job counselling and subsidised employment for the most vulnerable groups, might consist of various social services.

#### **Training**

Standardised indicators used by the European Commission to measure participation of adults (25 to 64 years old) and older workers (50 to 74 years old) in lifelong learning during the four weeks preceding the survey are much below the EU27 average ([Commission of the European Communities, 2009](#)). Only 4.7% of adults compared to 9.5% in the EU27 participated in lifelong learning (2008). The same was the case of only 1.1% of older workers (2007), while the EU27 average was 4.3%<sup>8</sup>.

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<sup>8</sup> Different research results show that situation is slightly better when it comes to lifelong learning opportunities created by employers (EWCS 2000, 2005; Czarzasty 2008; Kryńska 2009). For instance, 26% of workers participated in training paid for or provided by the employer during last 12 months, which is 2% over the EU27

Instead of creating the system of life-long learning of adults, the political priority was given to develop ALMPs (including programmes such as trainings and on-the-job trainings) in response to massive unemployment that appeared in 90s. However, due to serious underfunding<sup>9</sup>, weak institutional capacities of Public Employment Services (PES) and a large number of unemployed, their impact has been so far very limited (Sztandar-Sztanderska 2009) and territorially differentiated – although there has been some improvement since 2005.

Some human capital investment instruments are theoretically available for all registered unemployed, while others are restricted to groups nationally defined as vulnerable in the labour market, i.e.: unemployed aged under 25 and over 50 years old, long term unemployed; unemployed; women, who have not returned to work after a birth of their child; unemployed people without professional qualifications; single-parents; ex-prisoners; the disabled. Lately target groups of human capital investment types of ALMPs were broaden and included, except people registered as unemployed, also some other vulnerable or politically organised groups (for details, see table below).

The planning and implementation of human capital investment instruments engages various actors. The head of upper local territorial unit (*starosta*) can authorise (and usually does) the director of powiat labour office (PUP) to perform his or her duties in this respect. His or her tasks consist of, among many: organising public tenders and selecting training institutions<sup>10</sup>, taking formal decisions of to which employers give trainees (apprenticeships or people in vocational preparation in the workplace) and which individuals among target groups will be selected to participate in ALMPs.

Generally speaking, programmes that aim human capital investment in Poland are cheap and short-term. In case of training planned by head of middle local territorial unit (*starosta*) or PUP: low price is one of the main criterion in public tendering. In case of other, more individualised instruments: the maximum refund of costs that beneficiary can get is 300% of average salary a year. The most commonly used instruments: training and apprenticeship may last up to 6 months (in special cases up to 12 months). Moreover, research results indicate that on-the-job-training (mainly apprenticeship) has been used as a veiled form of subsidised employment to lower employment costs of enterprises (Wóycicka, Sztandar-Sztanderska et al. 2008).

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average (EWCS 2005). However, trainings are primarily addressed to already very well qualified, middle-aged, mostly male workers and they are provided more often in large, older companies or in public sector (EWCS 2005; Kryńska 2009).

<sup>9</sup> Both ALMPs and unemployment benefits are paid from Labour Fund (FP), which is now financed mainly from employers contributions. In consequence, total spending on ALMPs goes down, wherever unemployment goes up, together with spending on mandatory benefits. Before 2005, Labour Fund financed also preretirement benefits and allowances. Due to high spending on passive policies and massive unemployment, between 1990-2004 the expenses on ALMPs have not exceeded 20% of the Labour Fund (with exception of 1998)<sup>9</sup>.

<sup>10</sup> Training providers have to be formally registered as training institutions in the register kept by Voivoid Labour Office (WUP).

Table 5: Main human capital investment ALMPs

Type of measure	Name of a measure	Target groups	Actors involved
On-the-job training	Apprenticeship	Before 2009: young people (under 25 or aged between 25 and 27 and having finished their tertiary education less than a year before)	<b>Public, sub-national:</b> → <i>Starosta</i> , head of poviats (upper local territorial unit) → PUP (PES representing head of upper local territorial unit) <b>Others:</b> → Employer (public, private or other)
		After 2009: all the vulnerable groups	<b>Public, sub-national:</b> → <i>Starosta</i> , head of poviats (upper local territorial unit) → PUP (PES representing head of upper local territorial unit) <b>Others:</b> → Employer (public, private or other)
	Vocational preparation in the workplace (changed into vocational education of adults in 2009)	Before 2009: all vulnerable groups of unemployed except the young people	<b>Public, sub-national:</b> → <i>Starosta</i> , head of poviats (upper local territorial unit) → PUP (PES representing head of upper local territorial unit) <b>Others:</b> → Employer (public, private or other)
		After 2009: all unemployed and some additional groups (miners receiving special benefits; participants of Social Integration Centres or individual integration programmes; reserve soldiers; people receiving special training benefits)	<b>Public, sub-national:</b> → <i>Starosta</i> , head of poviats (upper local territorial unit) → PUP (PES representing head of upper local territorial unit) <b>Others:</b> → Employer (public, private or other) → also possibly Training Institution (public, private or other) that cooperates with employer
Training	Training	Before 2009: all unemployed	<b>Public, sub-national:</b> → <i>Starosta</i> , head of poviats (upper local territorial unit) → PUP (PES representing head of upper local territorial unit)
		After 2009: all unemployed and other groups (workers during notice period dismissed for reasons relating to place of work; people	

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		employed in a bankrupt company; miners receiving special benefits; participants of Social Integration Centres or individual integration programmes; people receiving special training benefits; farmers or reserve soldiers seeking for employment outside the agriculture)	<p><b>Others:</b></p> <p>→ Training Institution (public, private or other) selected in an open public tender organised by <i>starosta</i> or PUP; in case of individual training institution is chosen by the unemployed.</p>
<b>Others</b>	Co-financing postgraduate studies (up to 300% of average salary)	After 2009: all unemployed and other groups (workers during notice period dismissed for reasons relating to place of work; people employed in a bankrupt company; miners receiving special benefits; participants of Social Integration Centres or individual integration programmes; people receiving special training benefits; farmers or reserve soldiers seeking for employment outside the agriculture)	<p><b>Public, sub-national:</b></p> <p>→ <i>Starosta</i>, head of powiat (upper local territorial unit)</p> <p>→ Powiat Labour Office (PES representing head of upper local territorial unit)</p> <p><b>Others</b></p> <p>→ Education provider</p>
	Loan for covering training costs without interests rate (up to 400% of average salary, 18 months for pay back)	All unemployed	<p><b>Public, sub-national:</b></p> <p>→ <i>Starosta</i>, head of powiat (upper local territorial unit)</p> <p>→ Powiat Labour Office (PES representing head of upper local territorial unit)</p>
	Scholarship for continuing education in an upper-secondary school for adults	The unemployed without qualifications.	<p><b>Public, sub-national:</b></p> <p>→ <i>Starosta</i>, head of powiat (upper local territorial unit)</p> <p>→ Powiat Labour Office (PES representing head of upper local territorial unit)</p>
Refunds of partial costs of training of employees, provided that an employer has established a training fund in a company.	<p>Employees.</p> <p>All unemployed: an unemployed hired in a replacement of employee participating in training.</p>	<p><b>Public, sub-national:</b></p> <p>→ <i>Starosta</i>, head of powiat (upper local territorial unit)</p> <p>→ Powiat Labour Office (PES representing head of upper local territorial unit)</p> <p><b>Others:</b></p> <p>→ Employer (public, private or other)</p>	

Source: The Act on Employment Promotion and Labour Market Institutions from 20 April 2004 (Kryńska p. 24).

### Social assistance

Apart from low means-tested benefits for unemployed people, gminas represented by social assistance centres (GOPS or MOPS) cooperate with powiat labour offices (PUP) in implementation of a few instruments in the frame of ALMPs, mainly different types of subsidised employment: public works and socially useful works (for details see table below). These instruments might also be implemented in cooperation with NGOs. Lately social assistance centres have started to implement training and job search workshops for their clients financed from European Funds.

Table 6: ALMPs instruments implemented in cooperation between PUPs and Social Assistance Centres

Type of measure	Name of a measure	Target groups	Actors involved
<b>Subsidised employment</b>	Public works – subsidised employment in communities, municipalities or non-governmental organisations.	All vulnerable groups of unemployed and alimony debtors	<p><b>Public, sub-national:</b></p> <ul style="list-style-type: none"> <li>→ head of powiat</li> <li>→ Powiat Labour Office (PES representing head of middle local territorial unit)</li> <li>→ also possibly gmina (lower local territorial unit)</li> </ul> <p><b>Others</b></p> <ul style="list-style-type: none"> <li>→ also possibly NGO's having as statutory activities one of the following: environmental protection, culture, education, sport, tourism, healthcare, unemployment, social assistance</li> <li>→ water companies</li> </ul>
	Socially useful works organised by communities, working time up to 10 hours/week	The unemployed receiving assistance from social assistance and not entitled to unemployment benefit	<p><b>Public, sub-national:</b></p> <ul style="list-style-type: none"> <li>→ head of powiat</li> <li>→ Powiat Labour Office (PES representing head of upper local territorial unit)</li> <li>→ gmina also possibly Social Assistance Centre or other gmina's social assistance organisation</li> </ul> <p><b>Others</b></p>

			→ also possibly NGO's having charity or activities for local community as statutory activities
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### Childcare and elderly care

The accessibility of crèches and kindergartens has deteriorated considerably during first years of economic and political transition in consequence of cost-reducing strategies of both enterprises and lower local territorial units (*gminas*). These economic and political decisions revealed to have far-reaching consequences. Poland – in comparison to other European countries – has very low level of participation in early childhood education. In 2007 only 66.8% of children between 4 years of age and the age for starting compulsory primary education were enrolled in education in Poland, compared to 90.7% in EU27 (Hingel, Bjerkestrand et al. 2009: 74). This share is even much lower in age-groups of 3 and 4 years olds: 36.1% (compared to 76.7% for EU27) and 48.1% (compared to 90.1% in EU27) (Eurostat 2008: 3). There are significant disparities between municipal and agricultural territories.

In the frame of ALMPs single parents of at least on child aged under 7 years might receive refunds of childcare up to PLN 358,5 per child (approx. EUR 79) if a person takes up a job or participates in some of ALMPs (subsidised employment, training, on-the-job training) and has income lower than a minimum salary. The same low level of refunds of care is possible in case of having dependent family member. There are no standard ways of cooperation between *gminas* (lower local territorial unit) that provide some care services (both for children and elderly people) and Poviats Labour Office (PUP) that is responsible for the activation of unemployed in the name of upper local territorial unit (*powiat*).

### Summary

Polish employment system is characterised by: 1) a significant separation of policy fields, starting with the division of departments at the Ministry level and reproduced in the sub-national levels; 2) ambiguous relationships between administrative levels: central and 3 local levels of local governments (voivoidship, *poviat*, *gmina*), which might be described as clash of decentralising (in terms of responsibilities) and centralising tendencies (in terms of financial system) 3) discrepancy between constitutional social rights and, detailed legal regulations, which make them conditional and residual in terms of mandatory social protection and social services. Many of them are impossible or difficult to implement by local units due to budgetary constraints; 4) domination of public administration and low importance of private and non-governmental organisations for policy-making, but playing an important role of supplementing low quality public policies with paid services; 5) relatively low importance of employment objectives for a whole system, but important employment-oriented reforms in some of the policy fields, in particular labour relation and retirement system.

### **3. MAIN REFORMS - FOUR WAVES OF REFORMS SINCE 1989**

According to Golinowska (2009) reforms that took place after the fall of communism can be divided into four periods:

- 1) 1989-1993 – a period of crisis and falling incomes, involving the protection of those hardest hit by the effects of the changes,
- 2) 1994-1997 – a period of dynamic economic development, involving social policy in the preparation and implementation of reforms to social security institutions in order to adapt them to a market economy,
- 3) 1998-2003 – a period of introducing market-oriented changes (reforms) and decentralising social policy under conditions of economic growth and reduced public spending
- 4) 2003 to the present – a period of the impact of EU accession and EU social strategies on Polish social policy under conditions of economic revival and the influx of EU structural funds.

#### **Period 1-2.**

When faced with the economic downturn the first democratic government attempted to limit the growth of unemployment by flexibilisation of labour relationship and restricting out-of-income provisions. The institutional system was completely unprepared for the new situation. Officials were forced to learn how to deal with the mass unemployment. After a few years it became obvious that market reform was not enough. Deep structural reorganisation of the state was needed. Provisional repair of old institutions meant that negative consequences of many problems could be softened but preventive measures were not incorporated in the welfare system.

#### **Period 3**

Growing unemployment, dysfunctional institution and law were not the only reasons behind the idea of reform. Poland had to prepare for its integration with the European Union and absorption of European Funds. In 1998-9 these challenges led to the introduction of four major reforms: 1) local government; 2) pension system; 3) education system; 4) healthcare.

The general idea behind all of these reforms was territorialisation and marketisation. The structure of the state was reorganised and decentralised. Responsibilities for many social services were delegated to local government. In a field of pension system elements of market competition were introduced and private firms were allowed to play important role.

With regards to labour market policy, the first important reform was local government one (Danecka 2005). The reform of local government had to create the new administrative regime and to build the civic society. In the new system the state administration had to be

responsible for the governance and strategy. After the reform the state administration had two levels: state (Prime Minister, Ministries and various agencies responsible for specific tasks) and voivodeships level (with controlling tasks mostly).

In addition to gminas created in 1990, too small local units to implement labour market policy on their own, two additional levels of local government were created: voivodeships and powiat. The idea was to create strong regions and a middle level of local government. But because of the strong opposition from gminas and local elites, the newly established levels of local governments were weak. Gminas retain many tasks, which they are not able to fulfil competently, simply because they are too small. On the other hand, powiats are too weak to coordinate the cooperation between gminas. For example, many tasks of social policy require cooperation between gminas and powiats to economise the cost of the services. However, because of the formal independence of gminas this cooperation is unsatisfactory.

The local government reform had substantial influence on the institutional framework of labour market policy. Despite the protest, Local Labour Offices became a part of local government administration as Powiat Labour Offices. In the new system the Ministry of Labour and Social Policy transfers money to local government for legally defined tasks. Money transfer for unemployment benefits and preretirement benefit is obligatory. Money for active policy is optional. This created a situation in which the amount of money for active labour policy was changing each year and depended on political or economical circumstances. The reform imposed a number of new obligations on powiat government in the area of employment policy: creation of new working places, promotion of entrepreneurship, subsidised employment, training, and so on. This however, often took place without defining the financial sources and thus was a constant reason for tension between powiat and central government.

The second reform was the reform of the education system. One element of this reform has particularly important consequences for labour market. After the communist period, Poland's educational system was focused on basic vocational education. The quality of vocational schools was very poor and curricula were out-dated. The main aim of the reform was to promote general education, by increasing number of years pupils stay in obligatory general schooling system (from 8 to 9 years) and to limit the number of basic vocational schools. In the new system the majority of teenagers finish secondary education, which allows them to continue their education at university level. However, those that do not pursue tertiary education have poor opportunities to supplement their education and update their skills due to underdevelopment of life-long learning system. Very soon it became obvious that the new system was not very compatible with the labour market. Despite high unemployment there was a substantial demand for high skilled manual workers whilst unemployment among professionals was rising.

The results of two other reforms, pension reform and health system, were described in chapter II.

## Period 4

The next wave of reform was in 2004-5. In May 2004 Poland entered the EU, which has substantially changed the situation on the labour market. After the painful process of reform in 1998-9, there was no political will towards new institutional rebuilding. Preparation for entering the EU was mostly related to a rescaling of the existing system. Two main elements of this process were the new “Act on employment promotion and labour market institutions” (“Act on employment”) (2004) and the new “Act on social assistance and family benefits”.

Historically – as it was mentioned in the first part of the text – social and LMP in Poland were focused rather on decreasing registered unemployment and softening negative effects of job loss than on improvement of economic indicators. This rhetoric changed with time, especially with the accession process. New or reformulated policy-goals were included in this official discourse: a decline of economic rather than registered unemployment rate, increase of employment rate and improvement of employment quality and finally improvement of – what is labelled “human resources” or “human capital” (eg. Ministerstwo Pracy i Polityki Społecznej 2010). However, changes of instruments (benefits, monetary incentives, social services) that followed were not always so radical in content and in some cases their employment effects are debatable and cannot be properly verified, since – especially when it comes to social assistance and LMP there is no reliable monitoring system. Also, despite some attempts to perceive many policies as a part of employment system and integrate them, a separation of policy fields remains significant and detailed description of all of them is not possible due to their complexity and inner logics of development of policy fields that goes beyond the content of this report.

As crucial from the point of view of employment-incentives were restrictions put on preretirement benefits (*zasilek przedemerytalny*) and allowances (*świadczenie przedemerytalne*). In 2002, the access for new applicants was completely closed in case of pre-retirement allowances designed for unemployed with long job tenure but before reaching retirement age (Góra 2006). In 2004, new more stringent criteria of entitlement and longer waiting period were implemented in case of preretirement benefits designed for unemployed who have less than 5 years to be eligible for old-age pension. These legal changes resulted in a downward trend of the expenditure on early retirement: it dropped from 1349.463 million of euro in 2005 (0.552% of GDP) to 745.357 million of euro in 2008 (0.206% of GDP) (Eurostat). Yet, the spending is still much higher than on average in EU27. In 2008, it constituted 0.206% of GDP in Poland compared to 0.08% in EU27 (Eurostat). Moreover, payment of these benefits were transferred from the Labour Fund to Social Insurance Fund (ZUS), which made possible increase of expenditure on ALMPs. Another changes were introduction of regressive unemployment benefit, which amount decreases after 3 months of reciprocity and creation of activation allowance for unemployment benefit recipients, who find low paid job or who find job on their own.

Various changes of rules since 2004 aimed at creating legal framework for more regular and individualised control of the unemployed. Currently, individual action plan must be signed with all unemployed belonging to one of the following categories, provided that they are registered in labour office continuously for more than 180 days: the unemployed below 25 or over 50 years old or without professional qualifications or work experience, ex-prisoners, who had not taken up job after being released from a prison. Moreover, the last amendment of the “Act on employment” in December 2010 made sanctions for refusing a suitable employment or participation in ALMPs stricter by extending a period for which a person loses a status of unemployed and all related rights (mainly access to health care) to 120 days in case of the first refusal, 180 days in case of the second one 270 days in case of following ones.

The “Act on employment” and its further amendments combined with various national programmes were elements of overall strategy to develop human capital investment and employment assistance and to limit the use of ineffective direct job creation schemes (occupation type of ALMPs according to Bonoli) (Bonoli 2010). The table below, inspired by Bonoli’s four ideal-types of ALMPs, summarises results of legal analysis of ALMPs development since 1989. It enumerates various new tools which were introduced into legal framework after 2004 or which were modified for this purpose.

First of all, the Act of 2004 broaden a catalogue of human capital investment tools by adding to already existing tools of vocational trainings for the unemployed and apprenticeships for young people, on-the-job training programmes, scholarships for continuing education and opportunities for co-financing of post-graduate studies. Moreover, the policy-makers emphasised a necessity of broader use of already existing vocational training courses. The total spending on human capital investment reached much higher level after 2005 than ever before. Between 2005-2009 it constituted approximately 50% of expenditure on all ALMPs (not including PES) (Kryńska 2009: 28). A number of participants of training, apprenticeships and on-the-job training increased during this period by 48,297 people.

Secondly, employment assistance was promoted through intensive information campaign and trainings programmes for front-line staff and centrally funded wage subsidises for key workers. Many of these initiatives benefited from available European Social Fund resources.

Also new standards for placement services and vocational counselling were introduced, which aimed at making more uniform implementation of these key services and guarantee a minimum staffing levels. Vocational Activation Centres as an organisationally distinct unit of PUPs were created. More emphasis was put on teaching the unemployed job search skills.

Third of all, the law provided for more precise and strict conditions of subsidising private sector: by defining a mandatory period of non-subsidised employment after the programme or of self-employment in case of business start-up grants and by targeting some of the instruments to vulnerable groups of the unemployed. One of the reason for these legal changes was a necessity to implement EU regulations concerning restrictions of state aid. The idea was to make these instruments employment-oriented and to guarantee that state subsidises for private sector will, either result in creation of new workplaces (business start-up

grants) or support employment of people in vulnerable position in terms of age, skills, disability or difficult personal circumstances (single-parents, ex-prisoners).

Finally, in order to limit implementation of non employment-oriented subsidised employment, temporary job creation schemes in the public sector and non-profit sector after 2004 were restricted to vulnerable groups of unemployed, with particular attention to people in risk of social exclusion. The share of expenditure on public works has decreased by more than 50% in a total spending on all ALMPs (not including PES). The law introduced also cheaper instruments (socially useful works, i.e. job performed for maximum 10 hours a week) that aim at gradually (re)accustoming social assistance recipients with work habits and giving them a way to gain additional resources. This category has a highest growth of participants between 2004 and 2009.

Table 7. Four Ideal-types of Active Labour Market Policies applied to the analysis of reforms of LMPs in Poland

TYPE	OBJECTIVE	TIME FRAME	NEW OR MODIFIED TOOLS OF ALMPs
Incentive reinforcement	Strengthen positive and negative work incentives for people with the status of the unemployed, which does not necessarily have right to unemployment benefit	Strengthening incentives has been ongoing trend since 1990. It has less concerned people with long job tenure and specific occupations, who had benefited from early retirement programmes. Negative incentives dominate over the positive ones.	<p>Negative incentives:</p> <p>Unemployment benefit (UB)</p> <ul style="list-style-type: none"> <li>→ Making the entitlement criteria for the UB stricter</li> <li>→ UB reductions over all period (except the act of 2009, which increases level of UB but only for the first 3 months of reciprocity)</li> <li>→ Introducing time limits on reciprocity</li> <li>→ Tightening sanctions and control (Individual action plans)</li> </ul> <p>Preretirement benefits and allowances:</p> <ul style="list-style-type: none"> <li>→ Closing the access to preretirement allowance for new applicants (2002)</li> <li>→ Making the entitlement criteria for the preretirement benefit stricter and waiting time longer (2004)</li> </ul> <p>Positive incentives:</p> <ul style="list-style-type: none"> <li>→ Activation allowance for UB recipients (accepting low paid job or finding employment on their own).</li> </ul>
Employment assistance	Remove obstacle to employment and facilitate (re-	This type of ALMP has been gradually gaining importance after 2004.	<p>PES:</p> <ul style="list-style-type: none"> <li>→ Institutionalisation of Job Clubs and Social Integration Clubs that train in job-search</li> </ul>

	entry into the labour market		<p>and social skills</p> <ul style="list-style-type: none"> <li>→ Introducing standards of placement services, vocational counselling (2007)</li> <li>→ Intensive training programmes for front-line workers of labour offices (after 2004)</li> <li>→ Wage subsidies for front-line workers of labour offices (after 2004)</li> <li>→ Creation of Vocational Activation Centres in labour offices (2010)</li> <li>→ Introduction of Individual Action Plans (2010)</li> </ul> <p>Job subsidies:</p> <ul style="list-style-type: none"> <li>→ Changing loans for starting self-employment into business start-up grants</li> <li>→ Effort to precise criteria for subsidising employers, by defining vulnerable target groups and mandatory employment period afterwards, in order to prevent from perverse effects of public aid (tools: intervention works and refunds of costs of equipment and additional equipment of the workplace for the placed unemployed person).</li> </ul> <p>Social services:</p> <ul style="list-style-type: none"> <li>→ Financing care services (childcare or elderly care) (2004).</li> </ul>
Occupation	Keep jobless people occupied; limit human capital depletion during unemployment.	Despite general low spending on ALMPs occupation was one of the dominant types of ALMPs used before 2004. After 2004, the conditions of use of “occupation” were more strict and targeted the most vulnerable groups of the unemployed.	<ul style="list-style-type: none"> <li>→ Temporary job creation schemes in the public sector and non-profit sector after 2004 were restricted to vulnerable target groups</li> <li>→ Socially useful works (since 2006), (i.e. job performed max. 10 hours a week) targeted the unemployed receiving support from social assistance and not entitled to unemployment benefit.</li> <li>→ Creation of Social Integration Centres providing temporary employment and teaching work discipline for people in risk of social exclusion (eg. homeless, drug addicts, disabled, ex-prisoners, long-term unemployed).</li> </ul>
Human capital investment	Improve the chances of finding	This type of ALMP has been gradually gaining importance	<ul style="list-style-type: none"> <li>→ Development of on-the-job training programmes (apprenticeships and vocational preparation in the workplace)</li> </ul>

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	employment by upskilling.	after 2004 and different tools have been introduced.	<ul style="list-style-type: none"><li>→ Scholarships for continuing education</li><li>→ Co-financing of post-graduate studies</li></ul>
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IV) Dynamic analysis/ Analysis of integration policies and governance

**National Dimensions of Integrated Policies**

COUNTRY	Activation		Vertical (territorialization)		Horizontal (coordination/ integration)	
	Of Individuals	Of Expenses	Multilevel coordination	Decentralization	Public / public Coordination	Public / private Coordination
<i>France</i>						
<b>Policy goals</b> <b>What for?</b>	<p>Shift from passive to active policies</p> <p>Restricting access to passive policies</p> <p>Individualisation</p> <p>Control of the unemployed</p> <p>Targeting (criteria of vulnerability defined at national level)</p> <p>Increasing human capital.</p>	<p>Reducing expenses on passive policies (especially early and preretirement, unemployment benefits) to find more resources for ALMP.</p> <p>Increase of use of ALMPs due to absorption of European Funds.</p> <p>Increase of employment and improvement of human capital as additional target to decrease of unemployment.</p>	<p>Central level gains regulation and control functions.</p> <p>Local levels are responsible for planning and implementation of social and LMPs. The division of competences is legally defined. However, they are usually constrained by a lack of adequate resources and have no incentives for cooperation between various levels.</p>	<p>Reform of structure of the state.</p> <p>Deepening decentralisation: creation of two additional levels of self-government and delegation of responsibilities: poviats and voivodship, (i.e. upper and middle local self-government).</p> <p>Creation of territorial</p>	<p>Introducing coordination mechanisms by making obligatory creation of various strategies (eg. social policy, regional development).</p> <p>However, formal demands created usually by central level to regulate and control local governments discourage them from cooperation.</p>	<p>Creating closer cooperation between public administration and private and non-governmental organisations.</p> <p>Private organisations and NGOs are not treated as an equal partner for administration and fill in the gaps in fields where administration is not providing satisfactory services (eg. health care).</p>

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				structure able to absorb European Funds.		
<b>Policy Instruments</b>  <b>With what?</b>	<p>Regressive unemployment benefit</p> <p>Individual Action Plans</p> <p>Making more strict disciplinary actions against the unemployed</p> <p>Adapting rules of use of subsidised employment to EU regulations</p>	<p>The level of expenditure on ALMPs varies every year, depending on economic situation and political decision of central government.</p> <p>Constant redefining entitlement criteria, duration and level of unemployment benefit.</p> <p>Redefining entitlement criteria of early and preretirement benefits.</p> <p>Transfer of early and preretirement benefits from the Labour Fund to Social Insurance Fund (ZUS), which made possible increase of expenditure on ALMPs.</p>	<p>Councils with advisory functions that include representatives of various organisations (public organisations from different levels, private, social partners, non-governmental): eg. Powiat Employment Council.</p>	<p>Local government reform (1998).</p>	<p>Obligation of creating local strategies (eg. social policy, regional development).</p>	<p>Act on public good activity and volunteering (pl. <i>Ustawa o działalności pożytku publicznego i o wolontariacie</i>)</p> <p>Act on public-private partnership</p> <p>Act on employment promotion and labour market institutions</p> <p>Councils with advisory functions that include representatives of various organisations (public organisations from different levels, private, social partners, non-governmental): eg. Powiat Employment Council.</p>

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<p><b>Actors</b></p> <p><b>Who?</b></p>	<p>LMPs: mainly PUP, marginally WUP</p> <p>Social policy: GOPS/MOPS, for specific groups PCPR</p>	<p>MPiPS</p> <p>Voivodships government</p> <p>ZUS</p>	<p>Poviat Employment Council</p> <p>Voivodship Employment Council</p> <p>Regional Social Assistance Centers (ROPS)</p> <p>Programs of cooperation of gminas with NGOs</p> <p>Public Benefit Organizations Council</p> <p>Social Assistance Council</p>	<p>Gmina</p> <p>Poviat</p> <p>Voivodship</p>	<p>Poviat Employment Council</p> <p>Voivodship Employment Council</p> <p>Regional Social Assistance Centers (ROPS)</p> <p>Social Assistance Council</p>	<p>Poviat Employment Council</p> <p>Voivodship Employment Council</p> <p>Public Benefit Organizations Council</p>
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Table 8. Dynamic analysis

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**Local Worlds of Social Cohesion –**  
The Local Dimension of Integrated Social and  
Employment Policies

## **WP 2: The National Governance of Integrated Social Cohesion Policy**

**National report Sweden**

**1 March 2012**

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## 1. Introduction<sup>1</sup>

This report on national policies dealing with Swedish employment and social cohesion policies consists of four parts. *First*, the national socio-economic context is described regarding employment and unemployment levels for different socio-economic groups as well as some formative moments of employment and social cohesion policies until the new century. *Second*, the main features of the current employment system is presented, also taking account of benefits and monetary incentives to take up work and social services. *Third*, the main national reforms within the last decade are presented. More specifically reforms of employment policy, benefits and monetary incentives, services related to employment policies and territorialization reforms. *Fourth*, the intensity of policy change and its diffusion is presented.

### 1.1 Employment and unemployment rates

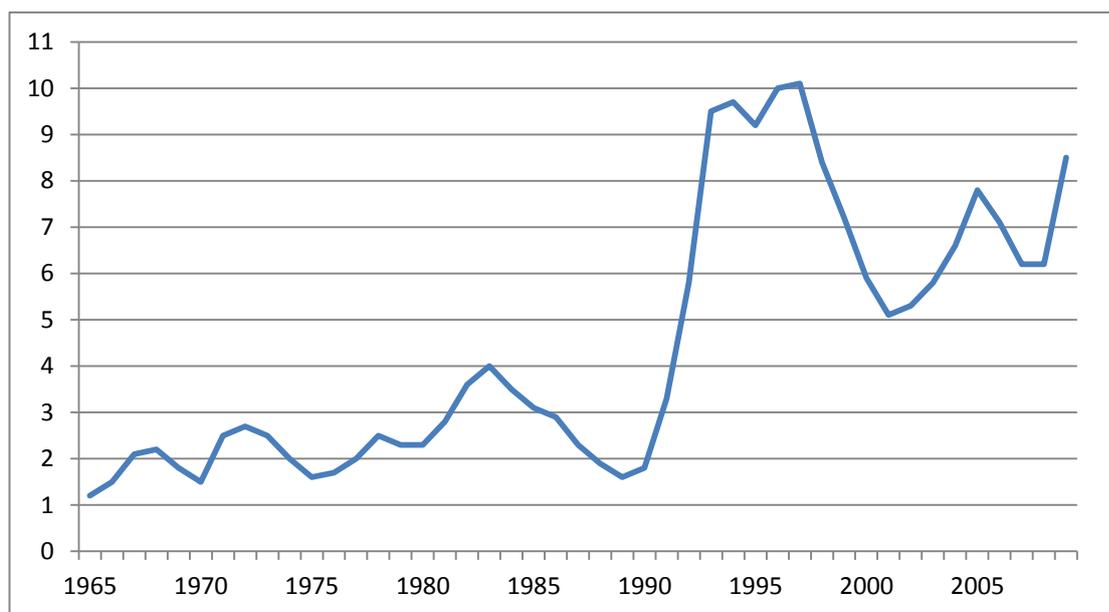
Sweden has gone from *de facto* full employment to a post-full-employment situation (see Figure 1). From the 1960s to the early 1990s there was mainly a situation of full employment. However, in the 1990s unemployment exploded to levels not seen in Sweden since the 1930s. The heaviest burden of the recession was borne by immigrants, as their unemployment level rose to levels way beyond that of Swedish born employees. From 1989 to 1993 the proportion in unemployment among foreign-born workers rose from 2.9 to 15.4 percent and among foreign citizens from 3.5 to 24 percent, which could be compared to an increase from 1.3 to 7.6 percent among Swedish born employees (Schierup 2010: 13-4). After the dramatic unemployment crisis, unemployment have fluctuated around five to eight percent.

In 2010 the overall unemployment rate was 8.4 percent or approximately 416,000 persons (including 127,000 full-time students). There are very small gender differences, 8.5 percent among men and 8.2 percent among women, while age and national origin has strong effects; the unemployment rate of persons aged 15-24 was as high as 25.2 percent and 16 percent among foreign born persons. The long-term unemployment rate (27 weeks or more) was 2.7 percent (Statistics Sweden 2011a). The Swedish long-term unemployment rate for 2010 was 1.5 percent compared to 3.8 for EU-27 (the number of persons unemployed for minimum 12 months as a percentage of the labour force) (Eurostat 2011: 40-2). Of all unemployed, 34 percent were long-term unemployed and levels were

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<sup>1</sup> I am thankful for valuable comments from Christina Garsten, Kerstin Jacobsson and Katarina Hollertz. Thanks also to the colleagues of the LOCALISE research project for questions and comments at the Edinburgh meeting, January 2012.

somewhat higher among men, foreign born and significantly higher among persons aged 45-74 than among persons aged 15-24, though, the long-term unemployment rate among young people nearly tripled from 2001 to 2010 (Statistics Sweden 2011b). Another vulnerable group with a higher proportion of long-term unemployment is persons with disabilities that imply a reduced work capacity (Prop. 2011/12:1a, p. 35).



**Figure 1** Unemployment rate 15-64 years. Percent.

Source: OECD (2010b) and Bengtsson and Berglund (2012)

In an international perspective Sweden has a high employment rate. In 2010, the total employment rate for persons aged 15-74 was 64.7 percent. Studying gender, it was 67.6 percent among men and 61.8 percent among women. However, if only 13 percent among men worked part-time in 2010 the proportion among women was as high as 35 percent. Also, women are to a higher degree temporary employed than men (16 respectively 13 percent). Among persons aged 25-54 the employment rate was 85 percent, but only 38.5 percent among youths (15-24 years). In the age group of 16-24 as many as 53 percent are temporary employed and a majority are workers (Larsson 2011; Nordfeldt and Larsson 2011: 16; Statistics Sweden 2011). Persons with psychological disabilities (beside intellectually incapacitated) have the lowest employment rate among all disability groups; scarcely a third are in employment (SOU 2006:100, p. 97). Also, the employment rate was significantly lower among foreign born persons, 55.2 percent (Statistics Sweden 2011a). In summary, there are clear structural differences in both unemployment and employment levels within the Swedish labour



force, with young people, foreign born persons and persons with psychological disabilities as specifically vulnerable groups.

### **1.2 Historical evolution until 2000**

Modern Swedish welfare policies could be said to have its origin in a specific social contract between the state and the individual, e.g. expressed in the 1930s in the creation of a 'People's home' ('Folkhemmet'). An observation often made is that Swedish people see the state as a rational authority that acts for the common good and not as an external coercive power as it is often seen in other countries (cf. Jacobsson 2010).

The state has been the most important actor for the citizen's social security and made him/her less dependent upon the family or the market in the universal and individualised Swedish welfare model. With the Social Democratic Labour Party's position in government from the early 1930s until the middle of the 1970s generous social security systems was developed as well as a large public sector that absorbed a major proportion of employees, mostly women (Esping-Andersen 1990; Schierup 2010). The state and the public sector '*became the obvious arena as soon as it came to the common needs*' (Schmid 2010: 53, my translation). The development of the large public sector service economy was dependent on a large tax base and, thus, full employment policies to increase the number of taxpayers (Björnberg 2002: 35).

Decommodification of labour has been balanced against institutions that have commodified labour. A basic pillar and a main political principle in the Swedish welfare state is *the work strategy* (*arbetslinjen*), i.e. that the compensations from the social insurances should be based on reciprocity. There is a long tradition of defining the citizen in terms of a worker and various citizen rights and economic compensations are income-related (Junestav 2004; Johansson and Hornemann Møller 2009; Johnson 2010). Sweden has a long tradition of active labour market policies (ALMPs) and social policy arrangements emphasizing paid labor as a basic condition for economic compensations. ALMPs are one of the defining features of the social democratic welfare regime and Sweden was a pioneer of ALMPs (Bonoli 2010).

Post-war financial and employment policies were to a significant degree governed by the 'Rehn-Meidner model', aiming to solve as diverse problems as economic growth and price stability as well as full employment, wage leveling and union solidarity. The model combined a strict fiscal policy and a 'solidaristic' wage policy. Structural labor market rationalizations aimed to strengthen the



competitiveness of the small, export-dependent economy, while the state should deliver income protection and extensive investments in ALMPs to enhance occupational and geographical mobility. Retraining, relocation, and mobility allowances were policy instruments aimed at helping people to find jobs in the expanding industries. Also, a 'high-tax policy' was used to replace industrial jobs with public employment (see e.g. Esping-Andersen 1990; Ryner 2002). The specific mix of labour market policies with generous unemployment insurance and an extensive use of ALMPs was a Swedish trade mark; a 20<sup>th</sup> century middle road between capitalism and socialism.

At the mid-20<sup>th</sup> century the Swedish welfare system had acquired its current bisectional structure where the insured, through an obligatory income-related health insurance and voluntary unemployment insurance, had a right to compensation from state social insurances, while the uninsured were directed towards municipal poor relief. The public health insurance was introduced in 1955 and until the 1980s there was a continuous development with increased compensation levels, inclusion of the self-employed (in 1963) and an extended coverage of various types of ill-health. The insurance was obligatory and income-related as well as based in the work strategy and financed through an income tax and a pay roll tax (Johnson 2010: 186).

At the end of the 1960s, wild-cat strikes among industry workers were a reaction towards the far-reaching structural transformation of the economy and in the 1970s, a strong trade union offensive resulted in a more comprehensive state regulation of labour market issues, such as the 1974 *Swedish Employment Protection Act (Lag om Anställningsskydd)* and the 1976 *Act on Employee Consultation and Participation in Working Life (Lag om Medbestämmande i Arbetslivet)*. This development diverged from the Rehn-Meidner model with highly self-regulated labour market partners and corporative arrangements within labour market policies was somewhat weakened. It continued to weaken during the 1980s, e.g. by the abolishment of centralised wage agreements.

In the 1970s and early 1980s the politically explosive issue of collective capital formation was on the agenda in Sweden. Following this, and other challenges of labour to the sanctity of private ownership in a struggle for economic democracy, business mounted a sustained attack and the discourse of neoclassical economics had marked effects on the Social Democratic elite (Ryner 2002). A mode of policymaking based on monetarist economic theory followed in the 1980s. Also, the corporative arrangements were formally ended in 1991 when *the Swedish Employers Association (Svenska Arbetsgivareföreningen)* withdrew their representatives from government boards and committees (Lindvert 2011: 39). However, major state interventions were still put into fighting unemployment

with ALMPs. In 1990, 2.56 percent of the GDP was invested in labour market programs (LMPs) with an unemployment rate of 1.8 percent, i.e. for each percentage point unemployed 1.4 percent of the GDP was used for measures (OECD 2010a; cf. Bengtsson and Berglund 2012). The highest spending per percentage point unemployed was on income maintenance. From 1974 onwards the insurance compensated for 91.7 percent of the wage (with a minor decrease in 1987 to 90 percent).

During the last 25 years, the highest relative levels spent on active measures were in 1985-91, and it was on training. An important reform was the introduction of labour market training as a qualification for a new unemployment benefit period in 1986 (Forslund and Vikström 2010: 17). In 1991, 66 percent of participants in various LMPs participated in vocational training (Arbetsförmedlingen 2010). There were also major investments in demand-oriented measures such as employment incentives, supported employment, rehabilitation and direct job creation (e.g. public relief work). The state actively used ALMPs to push the labour demand to combat the low open unemployment.

The conditions for Keynesian demand-oriented policies changed dramatically with the severe effects of the deep economic recession in Sweden in the early 1990s. Mass unemployment (see Figure 1) and strict austerity measures followed. Also, Sweden joined the European Union and was subordinated to supra-national regulations of budget discipline. The government focused on cutting the budget deficit and national debt and it became in principle impossible to fight unemployment with general demand-side measures, e.g. by investing in public sector jobs. Instead, the measures available were the ones included in the arsenal of ALMPs; the number of participants four-doubled 1990-93 (Salonen 2009). In 1992, the expenses peaked at 5.76 percent of the GDP, but for each percentage point unemployed it dropped considerably compared to 1985-91 (OECD 2010a; cf. Bengtsson and Berglund 2012). After the recession the proportion of persons in measures of total unemployment has been on significantly lower level compared to the 1980s (Salonen 2009).

Within educational policies, economic growth surpassed equality as an overall value-system and municipalities framed adult education as part of their industrial and labour market policies (Larsson 2010: 561). Furthermore, the unemployment insurance became less generous and the work requirement stricter: five waiting days were introduced and the compensation level was lowered to 80 percent (SO 2008).



ALMPs had been developed to handle unemployment on the margin and now faced mass unemployment, and the effectiveness of the measures were dramatically weakened. The legitimacy of state ALMPs and of employment services was challenged (Ulmestig 2009: 113-7). One example of the reorganisation of the Swedish labour market was that the state monopoly on employment services was terminated in 1993; since then private temporary employment agencies have grown quite strong (Garsten, Lindvert and Thedvall 2011: 11). Also, in the 1990s, the regulation of fixed-term contracts was liberalised. The percentage of employees with this employment contract increased from 10 percent in 1991 to 16 percent in 1999 (Storrie 2004: 161).

The increase in social assistant recipients due to the recession did divert economic resources from local authorities' key activities. Also, a major reception of refugees meant increased expenses on social assistance. These changes contributed to a greater responsibility to locally pursue labor market policies (Salonen 2009: 68-70, cf. Ulmestig 2009). There already existed praxis in the municipalities that social assistance was conditioned with willingness to work, but it became formalised (Junestav 2004: 195). Activation was strengthened and some local authorities demanded that applicants should participate in activation measures or in some kind of work to receive economic support. Social policies were 'institutionally reoriented' with greater demands on individual responsibility (Junestav 2004: 181, 2007: 40-56; Dahlberg et al. 2009: 8).

Activation measures increased as well in importance concerning the sickness insurance. Prior to the 1990s, the model of decision-making for the Swedish Social Insurance Agency (hereafter the SSIA) was to rely on the doctor's medical judgment concerning an individual's work capacity. However, the increased demands on long-term ill individuals were seen in measures and activities to (re)discover a capacity for work through working-life rehabilitation programmes (Hetzler 2009).

The final years of the 1990s saw decreasing unemployment levels and the Social democratic government launched a policy on lifelong learning. The work strategy was said to be complemented with a *competence strategy*. For example, one by international standards very huge investment in adult education was the 1997-2002 *Adult Education Initiative (Kunskapslyftet)*, which consisted of 110,000 places aiming to increase the competence among low-educated unemployed through secondary education within municipal adult education (SOU 2011:11, p. 209).



### 1.3 Social cohesion policies

In Sweden there are three levels of government: national, regional and local with a division into 290 local authorities (municipalities), 18 counties and two regions. A significant degree of decision- and policymaking regarding welfare activities are carried out locally (Nordfeldt and Segnestam Larsson 2011: 5). ALMPs have traditionally been highly centralized and the state has been able to keep it closely connected to fiscal policies, as in the Rehn-Meidner model. However, there has been a continuous decentralisation of Swedish ALMPs. The state has aimed to increase coordination between municipalities and employment offices for a more efficient use of economic resources and to use the municipalities' specific knowledge on vulnerable groups in the labour force, e.g. unemployed youths. In 1995 the *Municipal youth programme (det kommunala ungdomsprogrammet)* was introduced as local authorities took charge of ALMPs for youths under 20 years. Local authorities were also involved in other measures, either independently or in close cooperation with the employment office or the county labour boards. Since the 1990s the municipalities have secured greater resources and more well-adapted organizational structures to manage active measures. They have arranged and financed ALMPs as training, created labour market units and political boards responsible for local labour market policies (Johansson 2006: 24-5). This has been made possible through the 1991 local Government Act that meant greater freedom for local authorities in organising various activities (Hollertz 2010: 90).

Following the crisis in the 1990s social assistance risked becoming a permanent economic support for specific groups. For example, the youth majority was not qualified for state-funded ALMPs. It was suggested that measures at the local level could work as a complement to state-financed ALMPs through the Swedish Public Employment Service (*Arbetsförmedlingen*, hereafter the PES). Increased activation of unemployed youths on social assistance forced a change in the Social Services Act in 1998 whereby the local authorities from now on were legally authorized to refuse or lower economic support if the individual, without acceptable reasons, did not participate in training or other skill-enhancing measures (Prop. 1996/97:124; Johansson 2006: 25-7).

One of the new policy instruments introduced during this era was *the development guarantee (utvecklingsgarantin)*. The local authorities became responsible for its implementation after signing an agreement with the county labour board. The guarantee was directed to youths aged 20-24 and with the goal that none should be unemployed for more than 100 days and, thus, to hinder that the young became social welfare dependents. Participants eligible for the unemployment benefit received *activity compensation (aktivitetsstöd)* but others only received a very low monthly sum so



that some needed to apply for social assistance. Also, the guarantee carried an individualised approach; *individual action plans (individuella handlingsplaner)* were established in trilateral talks between the employment office, the local authority and the unemployed person (Johansson 2006: 29; Hollertz 2010: 99).

There was an increased coordination of the systems of social benefits and transfer payments, mainly a harmonization of the basic principles for rights and obligations. In law and praxis it is clearly stated that the insurances shall be for those with a clear linkage to the labour market. However, organizationally the state and local levels are separated. Unemployed persons could participate in various types of locally arranged employment programmes, where benefits/allowances are related to the decision made by case workers at the Social Services (*Socialtjänsten*). On the other hand, in cases whereby the employment office arranges the measure, the contribution is state determined. The SSIA administers the sickness insurance, the municipalities administer economic benefits through the Social Services and the unemployment funds administer the unemployment insurance.

Cooperation and coordination between social authorities have existed as long as the Swedish welfare state. However, the work strategy of the 1990s was more comprehensive and covered more welfare activities. One example was the reform programme *the work strategy in social policy (arbetslinjen i socialpolitiken)* that consisted of an increased coordination of various authorities such as the PES and the SSIA. The common goal was to activate vulnerable groups with no regular anchoring at the labour market.

*Work-related rehabilitation (arbetslivsinriktad rehabilitering)* was implemented within the social insurance. One type of voluntary collaboration was *Frisam*, where local actors should pursue cooperation in accordance with local conditions and needs. Changes were made in the *Swedish Act on General Insurance (Lag om allmän försäkring)* so that the SSIA could make an agreement with the municipality, the county and the county labour board to cooperate with the aim of using the available resources more efficiently (SOU 2007:2, p. 258).

In 1993-97 local experimental activities on financial coordination between social insurance and health and medical service (*Finsam*) was tried in five areas. Besides this, since 1994, local experimental work with financial coordination between social insurances, health and medical service and social services (*Socsam*) has been tried in eight experimental areas (Inspektionen för socialförsäkringen 2010).



## 2. Institutional context and policy fields

In this part some main features of current employment systems will be presented with regard to benefits and monetary incentives to take up work as well as changes within a number of policy fields during the last decade.

### 2.1 Benefits and monetary incentives

Since the centre-right wing government took office in 2006 the main tax reform has been the *job tax deduction (jobbskatteavdraget)*, aiming to employ more people and to increase the number of hours worked through strengthened work incentives (Ds 2010:37). This tax credit is independent of the jobholder's earlier labour market status and it is the income of the individual which is the criterion of qualification. The job tax deduction is dissimilar to those in many other countries as it is paid out to all wage earners. The main aim is to increase employment among low- and middle-income earners (although the tax credit also aims to counteract social exclusion) (Prop. 2006/07:1a, p. 136-7; 2011/12:1a, p. 50-1). The extended Swedish public child care means that all households that use it receives a big subvention and that the job tax deduction is not equally important as support for low-income families with children as in many other countries. However, public child care could be said to function as an in-work benefit as the hours in day nursery for children to parents working or studying are significantly higher than for children to unemployed parents. Local authorities are obliged to offer children whose parents are unemployed or on parental leave day nursery for 15 hours per week, although many municipalities in reality offer more hours (Finanspolitiska rådet 2010: 161-2).

The job tax deduction has brought about a state financial income loss of SEK 70 billion per year.<sup>2</sup> It has lowered the average tax on all incomes and the marginal tax rates for low incomes. The direct budget cost of this deduction amounts to 2.3 percent of GDP, which is much higher than in average Western countries.

The taxation on work has also been lowered following a reduction of the payroll tax for selected groups such as persons under 26, 65 years or older, long-term unemployed, long-term sick and newly arrived immigrants (Finanspolitiska rådet 2010: 163; 2011: 261, 273-5). So-called *new start jobs (nystartsjobb)* contain a deducted payroll tax, i.e. if an employer hires a person in a peripheral

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<sup>2</sup> The prognosis for 2012 is SEK 82 billion as a result of increased wages and an increased employment rate. During 2011, EUR 1 has been equivalent to around SEK 9.

position in relation to the labour market during more than a year, or six months for youths, the employer receives economic support that equals twice the payroll tax (Arbetsförmedlingen 2011b).

## **2.2 Labour market policy and services**

The PES is a state authority and the largest intermediary of jobs in Sweden, with 320 local employment offices that are divided into 55 labour market areas. These are, in turn, included in 10 market areas and a national market area responsible for customer service. There also exist a number of departments with different areas of responsibility that support operative intermediary services of the PES. The main task is to match job applicants with available jobs (Arbetsförmedlingen 2012a).

The PES has a number of important objectives. Some of the main are the following ones. The activities of the employment offices shall result in geographical and vocational mobility among job applicants and be adapted to individual needs. Activities shall not distort conditions for labour market competition, be organized to increase diversity, to counteract working life discrimination and secure that the unemployment insurance functions as adjustment insurance. The PES shall conclude agreements with supplementary actors, analyze its own activities and how labour market political measures affect the workings of the labour market, as well as support authorities that conduct evaluations and follow-ups within this policy area. Besides this, the PES has an overall responsibility for disability questions within LMPs and a special responsibility that newly arrived immigrants are being offered activities that ease their labour market integration (Sibbmark 2010: 5).

To be able to use all of the services of the PES, as well as applying for unemployment insurance, enrollment at the local office is obligatory. In accordance with the regulation of labour market policy activities, the case worker and the unemployed person should have created an individual action plan within 30 days of enrollment. As well, for persons below 25, it should be established earlier (SFS 2007:905). The action plan shall contain necessary activities to ease the transfer into employment and describe the division of responsibilities between the person and the employment office. The person has to accept an assignment to a program or an 'appropriate job' or risk having the unemployment benefit reduced. If he/she rejects, does not collaborate in creating an action plan or does not actively seek employment the local office shall notify the unemployment insurance fund (Sibbmark 2010: 7-9).<sup>3</sup>

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<sup>3</sup> If a job seeker once refuses an offer of an appropriate job without acceptable reasons or that his/hers behaviour evidently has caused that an employment has not come about, the daily allowance shall be reduced



The unemployment insurance, which covers both employees and employers, consists of a basic insurance and an income-related insurance. The basic insurance is valid for the person that satisfies the work condition but is not a member in an unemployment fund or has not been a member long enough. The income-related insurance demands that the person both satisfies the work condition and the membership condition; that is, having been a member in an unemployment fund for at least 12 months.<sup>4</sup>

To fulfil the work condition the person needs to have worked, during the last 12 months before unemployment, at least 80 hours a month in at least six months or, alternatively, having worked 480 hours during six consecutive months and then at least 50 hours per month.<sup>5</sup> The limit for the unemployment insurance is 300 days. An exception is parents with children in the household under 18, who can receive 450 days. The compensation level for the first 200 days is 80 percent, thereafter 70 percent until day 300. The waiting period before the benefit is paid is seven days (Prop. 2007/08:136, p. 46; Sibbmark 2010: 12-3).<sup>6</sup>

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with 25 percent in 40 benefit days. If this happens twice, the daily allowance shall be reduced with 50 percent in 40 benefit days. Finally, if this will happen a third time, the recipient has no longer any right to an economic benefit until he/she once again meets a new work condition (SFS 1997:238, 45 a §). The PES shall immediately inform the unemployment insurance that a job seeker that receives or demand an economic benefit when the person has not visited or contacted the PES after a calling or according to an agreement; the person is then unregistered from the unemployment insurance and has to re-register at the PES (SFS 2007:905, 16 §).

<sup>4</sup> The admission condition for membership in the unemployment insurance is having worked, and still work, on average 17 hours per week at least for four weeks during a coherent period of five weeks (Prop. 2007/08:136, p. 46).

<sup>5</sup> Work also implies the time the person has been on vacation, on a severance pay or been unoccupied with full or partly maintained wage for other reasons than sickness, military service or child birth. In certain cases military service and parental leave can be equalized with employment to fulfill the work condition (but not longer than for two months).

<sup>6</sup> If the applicant during the benefit period again meets the work condition, he/she can receive a new benefit period of 300 days. The compensation will then be calculated on the applicant's income during the last 12 months. If it is preferable, the applicant can instead be granted a day-wage at 65 percent of the daily earnings that the benefit was based on in the earlier benefit period (Sibbmark 2010: 13).

LMPs aim at strengthening the possibilities of the individual to get or keep a job. The participants receive *activity compensation (aktivitetsstöd)* paid out by the SSIA and the PES as responsible for the costs of the programmes. Those not entitled to an unemployment benefit, and which receive activity compensation at guarantee level, receive a significantly lower compensation than those entitled. The most extensive programmes are the *Youth Job Programme (Jobbgaranti för ungdomar)* and the *Job and Development Programme (Jobb- och utvecklingsgarantin, JOB)*. The target group of the first programme is youths (16-24 years) and first and foremost directed to those that have been unemployed during a coherent period of three months but also for people on parole and for those that have worked less than their whole labour supply (Sibbmark 2010: 16-23). Persons aged 18-24 participating in the programme and unqualified for an unemployment benefit may receive a *development allowance (utvecklingsstöd)* instead of activity compensation. Educational attainment matters for the level of allowance; persons under 20 and lacking a final grade from upper secondary school receives a significantly lower daily allowance compared to the other recipients (Swedish Social Insurance Agency 2011: 66).

Persons that have exhausted the benefit period in the unemployment insurance are normally offered to participate in JOB, with significantly lower economic compensations and the job seeker must often apply for income support from the Social Services. In JOB, job seeking activities becomes more regulated and the case worker's control function is increasingly emphasized the longer the person stays in the programme. Individual preferences and competencies are downplayed while the job search area is widened (Walter 2011: 57ff).

JOB is divided into three phases. First, in-depth assessment, job seeking activities with coaching and preparatory measures (for 150 days). Second, work placement, practical training or different forms of work training (for an additional 300 days). Third, supported employment for maximum two years is supplied in 'artificial jobs' ('artificiella jobb'); that is, the participants shall perform tasks otherwise not performed at the workplace (Martinson and Sibbmark 2010; SOU 2011:11, p. 214).

### **2.3 Health care**

In 2008 new rules was introduced in the sickness insurance. Earlier there was no ulterior limit for how long one could receive *sickness benefit (sjukpenning)* but a clear time limit was now introduced. Also, in the assessment of the reduction of the work capacity, *specific reasons (särskilda skäl)*, such as the insured person's age, living conditions, education, earlier activities and other similar circumstances, was abolished. The SSIA assesses whether the insured person's work capacity are



reduced of medical reasons. To be eligible for the sickness benefit the work capacity shall be *permanently reduced (stadigvarande nedsatt)* following chronic diseases and other irreversible injuries; that is, rehabilitation will not result in a recovered work capacity (Prop. 2007/08:136, p. 66-7, 88).

The work capacity is evaluated by the SSIA at fixed dates in the *rehabilitation chain (rehabiliteringskedjan)*. Beside one waiting day, the employer pays for the first 14 days of a sickness period; on the 8th day, a doctor's certificate is demanded. If the employee still has a reduced work capacity due to sickness, he/she may receive a sickness benefit in accordance with the regulations of the rehabilitation chain. The work capacity is controlled at three time intervals. In the first 90 days the person has the right to sickness benefit if he/she is not able to perform the ordinary job at the workplace. After 90 days the person's work capacity is tested against any tasks at the workplace. After 180 days, the right to the benefit remains if the person cannot perform any work whatsoever in the whole labour market. For those assessed to have any kind of work capacity, the government shifted its emphasis from demands to take up so-called 'ordinary occurring work' to test the work capacity at 'the regular labour market in general' (Prop. 2007/08:136, p. 13). Those who are assessed unfit to return to their former employer, but assessed to have some work capacity despite their sickness, have no longer any right to sickness benefit but are transferred to the PES. Compensation shall be granted in the same way as for unemployed persons, whose work capacity is assessed in relation to the whole labour market from day two of sick leave (Prop. 2007/08:136; Hägglund and Skogman Thoursie 2010; Swedish Social Insurance Agency 2011: 43).

After 364 days in the rehabilitation chain the compensation from the health insurance is terminated and the person is obliged to return to work or being transferred to the PES and participation in *the work introduction (arbetslivsintroduktionen)*. In 2010 approximately 54,000 persons reached the maximum time limit of the health insurance. Just over 38,000 of these were enrolled in the PES and started the work introduction (Prop. 2011/12:1b, p. 46, 51).

The test of the work capacity against the regular labour market or another appropriate job can be delayed until day 364 if there are *specific reasons (särskilda skäl)*; that is, if it is probable that the insured person can return to fulltime work at the workplace after maximum 365 days of sick leave. If it is considered *inappropriate (olämpligt)* the work capacity should not be assessed in relation to the regular labour market but in relation to the workplace; this could also be used after day 364. The label *inappropriate* is mainly used following work incapacity due to serious illness; mostly a totally



reduced capacity. However, even in cases of serious illness it is stated that it is not uncommon that the insured has some capacity for at least part-time work (Ds 2011:18, p. 55-6). There is an increased emphasis on the person's functional capacity. This means a very restrictive application, *extraordinary reasons (synnerliga skäl)*, and, thus, only cover persons that are work incapacitated from very serious diseases as tumors, neurological diseases or waiting on a transplantation of a vital organ (Prop. 2007/08:136, p. 55, 80-1).

The sickness benefit is normally paid for 364 days within a time frame of 450 days. Of the former income, nearly 80 percent is paid.<sup>7</sup> Those with reduced work capacity as a result of serious illness can be granted a benefit for a new period of maximum 550 days and are then granted 75 percent of the former income. When these days as well have come to an end, he/she is then offered a place in the work introduction via the employment office and is granted activity compensation (Ds 2011:18, p. 57). In 2010, after major public criticism, the government introduced a possibility to have the ulterior limit extended, but only by way of exception.

One type of economic work incentive that was introduced in 2009 is 'continuous settlement' ('steglös avräkning') that is available for persons granted permanent sickness benefit (before July 2008) to test regular employment without reconsideration of the right to the benefit. The person can earn up to a price base amount, a tax-free amount, without the benefit being reduced (Hägglund and Skogman Thoursie 2010: 19).

The sickness compensation (*sjukersättning*) is directed to those aged 30-64 with a permanent reduced work capacity, at least to a fourth, for chronic diseases and irreversible injuries where additional medical or vocational rehabilitation is not assessed to lead to any regained or improved capacity (Prop. 2007/08:136, p. 88). The activity compensation is normally directed to persons aged 19-29 whose work capacity have been reduced at least a fourth during at least one year due to sickness or injury, but also persons with prolonged attendance at primary or secondary education resulting from disability can receive it. It is income-related and full compensation equals 64 percent of the estimated income that the person should have had being in employment. Persons without or with low incomes are granted a guarantee compensation and the amount depends on age and residence time in Sweden. For 2011, the yearly amount was approximately SEK 90-100,000, which is

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<sup>7</sup> The compensation level of income-related daily allowances is multiplied with a 'conversion factor' that is set by the Swedish Parliament. In 2010, the factor was 0.97 (Swedish Social Insurance Agency 2011: 7).



a very low compensation, e.g. in comparison with the ceiling of the income-related sickness benefit which was SEK 249,000 (Försäkringskassan 2010, 2011). A person that is work incapacitated because of illness can, when the sickness compensation ends, regain an income-related sickness benefit. However, there is first a waiting period of three months. The person on activity compensation can participate in activities such as training, sports and medical habilitation, but these are voluntary (Ds 2011:18, p. 59; Swedish Social Insurance Agency 2011: 49).

*Vocational rehabilitation (arbetslivsinriktad rehabilitering)* consists of programs such as work training and further education directed mostly at long-term sick (at least 60 days) receiving sickness benefit, rehabilitation benefit or work injury benefit (Swedish Social Insurance Agency 2011: 44). Employers are obliged to organize and finance adaptation and rehabilitation routines and measures, e.g. a rehabilitation investigation, that aims to get the employee back to work (Prop. 2007/08:136, p. 41-2).

#### **2.4 Social policy and services**

In Sweden, economic support in form of social assistance is a last-resort safety net. *Income support (försörjningsstöd/ekonomiskt bistånd)* is granted for the person's upkeep and for him/her to have a reasonable standard of living. It consists of a national standard as well as costs for other common needs (housing, household electricity etc.). To receive social assistance the person has to apply to the Social Services. Income support is assessed on an individual basis, but it also takes into account joint household expenses. The person must first have applied to all other benefits/compensations that he/she may be entitled to (e.g. sickness and housing benefit, parental allowance) as well as totally lack financial resources. Also, the person may also be obliged to actively seek jobs and participate in ALMPs and accept the jobs or other measures being offered. Being sick, it is required that the person is on sick leave and can show a doctor's certificate if unable to work or seek jobs. In case of long-term sick leave, the Social Services can demand to see the doctor's rehabilitation plan and may also contact other authorities to see what help the person needs (Socialstyrelsen 2006).

Concerning debt-counseling, in accordance to the law on debt restructuring from 2006, the municipality is responsible, within the Social Services or in other ways, to offer counseling in budget- and debt issues to indebted persons. Also, the Swedish Consumer Agency is responsible to support and give guidance to the municipalities (Prop. 2005/06:124, p. 35).

Another economic support for low incomes households, and more specifically families with children and youth households (18-28), is *housing allowance (bostadsbidrag)*. The sum is dependent on the



size of income and capital, number of persons, housing costs and size of dwelling. The definitely most common recipient is households with single parents and specifically households with women as sole breadwinners (59 percent of total expenditures) (Swedish Social Insurance Agency 2011: 38-9).

There exists no 'social housing' segment in Sweden based on income- or means testing. However, housing distributed through municipal housing companies is no longer available for all, but for those with high enough incomes and with good references. In many municipalities queue systems have been abolished and in housing companies, economic responsibility is placed before social responsibility (Sahlin 2008). Following this, a 'secondary housing market' has grown as the local authority must, according to the *Social Services Act (Socialtjänstlagen)*, offer supported housing to those households without any means to arrange housing. These dwellings are sub-leased on special terms and originally developed for local social authority clients with mental illness, drug/alcohol addiction etc. The number of people in this type of housing has increased (Nordfeldt and Segnestam Larsson 2011: 10).

## **2.5 Family policy**

The second largest expenditure area administered by the SSIA, beside financial security in case of sickness and benefit, is financial security for families and children. The two largest areas are *parental benefit (föräldrapenning)* and *child allowance (barnbidrag)*. Paid parental leave is granted for 480 days per child.<sup>8</sup> Of these, 60 days are reserved for each parent, *the father's quota (pappamånader)*. The benefit is income-related for the first 390 days (just under 80 percent) and for the final 90 days an amount is paid out that is equivalent to the minimum level, i.e. equivalent to the lower flat-rate benefit that is payable to non-entitled parents with low or zero incomes.<sup>9</sup> In 2010, men claimed 23 percent of the days (compared to 7 percent in 1990).<sup>10</sup> Part of the parental insurance, and introduced in 2008, is a *gender equality bonus (jämställdhetsbonus)*. The parent who has taken out most days is granted a bonus if she (or he) is working or studying while the other parent draws a parental benefit. Basic child allowance is a tax free benefit to parents for a child until the quarter in which the child

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<sup>8</sup> The price base amount for the parental benefit is higher than for the sickness benefit, i.e. persons with high incomes can receive more in parental benefit than in sickness benefit (Försäkringskassan 2011).

<sup>9</sup> To be eligible for the income-related benefit it is required that the person has 'been paid national insurance through employment for a minimum of 240 consecutive days prior to the birth of the child' (Björnberg 2002: 34).

<sup>10</sup> The proportion of men taking out at least some parental leave days increased from 38 percent in 2000 to 44 percent in 2009 (Björnberg 2011).



reaches the age of 16. An extended child allowance and a large-family supplement may also be granted.

A *temporary parental cash benefit* may be granted for a) the care of children when the child is sick (normally for children under 12 and for 60 days per child and year), b) in connection with childbirth or adoption (for the second parent or other caregiver for 10 days per child), c) for contact days for children covered by the Act concerning Support and Service for Persons with Certain Disabilities (parents are entitled 10 days per child and year up to the age of 16). Other forms of financial security are *pregnancy cash benefit* when the work is too physically demanding (a maximum of 50 days during the last two months of pregnancy), *care allowance* for sick or functionally disabled children that need special care or attention (for a period of at least six months until the year the child reaches 19) and *maintenance support* for children to separated parents in case where a parent fails to pay child support (Swedish Social Insurance Agency 2011: 23-37; Björnberg 2011).

### 3. Main reforms

In this part the main national reforms within the last decade are presented. More specifically this means reforms of ALMPs, monetary incentives, unemployment insurance, health insurance, educational policy, housing policy, family policy, and finally, territorialization.

#### 3.1 Active labour market policies

At the turn of the century *guarantees* were introduced, which is a combination of measures such as intensified guidance, individual action plans, training and supported employment. These are usually introduced in a specific order and at fixed dates. Participants are selected based on unemployment duration and participation is obligatory for continued receipt of compensation. The first program was the 1998 *Youth Guarantee (Ungdomsgarantin)* (Forslund and Vikström 2010; SOU 2011:11, p. 195).

In 2000, the *Activity Guarantee (Aktivitetsgarantin)* was introduced; a fulltime, umbrella programme with no definite time limit for persons aged 20 or older that was, or risked becoming, long-term unemployed. The unemployed should have stable fulltime activities in a more coherent programme until finding a job or education to counteract unemployment cultures, hinder abuse of the insurance and moonlighting as well as activating those hit either by structural problems in sparsely-populated areas or in larger segregated urban areas. Also, a place in the guarantee was a solution to persons whose period of unemployment benefit had expired (Prop. 1999/2000:98, p. 57-8; Johansson 2006: 37ff). Those who declined job offers or participating in activities, misbehaved or did not participate in the constitution of an individual action plan could be dispelled from the guarantee and, thus, from the right to activity compensation. A participant did no longer qualify for a new period within the unemployment insurance (Johansson 2006: 46ff.).

In 2007 supported employment was reformed in line with the policies of guarantees. Instead of relying on a case worker assessment, subsidies in form of *new start jobs (nystartsjobb)* became a right for all that have been unemployed (or in other ways vacant) during a specific time period (SOU 2011:11, p. 204-5). The support is directed to all employers and corresponds to the amount of the pay roll tax. The main target group is persons 26 years or older, but persons aged 20-25 may also be covered. The normal demand is having been fulltime unemployed or on sick leave for at least 12 months during a period of 15 months. Also, the support is granted persons enrolled in JOB, on parole and part-time employed that have not been able to work because of child rearing during a two-year period (Sibbmark 2010: 30-31; SOU 2011:11, p. 212).

In 2007 *Entry Recruitment Incentive (Instegsjobb)* was introduced for unemployed persons granted residence permit in the last three years. The assignment is part- or fulltime employment to be combined with studying Swedish for immigrants. The individual could be granted a new period without studies if he/she has finalised the Swedish courses at the highest level (Sibbmark 2010: 18-9). Also, in 2007, the Youth Guarantee was phased out and replaced by the Youth Job Programme; the PES replaced the municipality as the responsible authority. Also, the Activity Guarantee was replaced by JOB.

With the introduction of these new instruments of policy participation in labour market training has significantly declined. Approximately 34 percent of the total number of persons in LMPs participated in training in 2001; the equivalent number in 2009 was 8 percent (Lundin 2011: 156). The emphasis has shifted towards matching and individual coaching activities, with significant expenditure cuts overall. The percent of GDP for LMPs in 2007 was 1.79 percent and 1.45 percent in 2008, the definitely lowest shares 1985-2008. The year with the third lowest expenditures was 1989 with 2.16 percent, with an unemployment rate of 1.6 percent (OECD 2010a; cf. Bengtsson and Berglund 2012).

### **3.2 Monetary incentives**

Since the centre-right wing government took office in 2006 there have been a number of tax reforms. The three most relevant here are four consecutive job tax deductions, lowered pay roll taxes for specific groups and a tax allowance for so-called HUS services, a common concept for discounted activities as repair and maintenance and reconstruction work (ROT-jobs) as well as cleaning, gardening, babysitting etc. (RUT-jobs). That is, tax allowances on services that are close substitutes for self-work (Finanspolitiska rådet 2011: 257, 281).

The job tax deduction is the most significant change in direct taxation of work incomes. The first deduction in 2007 stood for around SEK 40 billion and each of the other three steps for approximately SEK 10 billion (Finanspolitiska rådet 2010: 159). In the budget proposal for 2011, the government states that its ambition is to further strengthen the job tax deduction. It emphasizes that, together with the changes in the unemployment and sickness insurances, the deduction increases the work incentives and lowers the thresholds for labour market entry. Also, it increases the working hours of the employed (Prop. 2010/11:1a, p. 26, 51, 59).

The pay roll tax has been lowered, partly through a general reduction of one percentage point (in 2009), partly through selective reductions for specific groups. In 2006-08 the pay roll tax for persons above 65 year was lowered and in 2007 and 2009 it was reduced for persons under 25 and extended to 25 years old in 2009. Also, in 2007, the taxes were lowered for long-term unemployed, long-term sick and newly arrived immigrants. The pay roll tax for new start jobs was further lowered in 2010 (Prop. 2009/10:1, p. 117; Finanspolitiska rådet 2011: 278).

Tax allowances, in form of lowered value added tax, have also been made for HUS services and it is expected to lead to increasing levels of permanent employment as more homework becomes paid work. This view is also clear regarding to lower the tax for restaurant and catering services from 25 to 12 percent (Prop. 2010/11:1a, p. 60-2). The tax was reduced 1 January 2012.

### **3.3 Unemployment insurance**

In 2001 the demands on activation were strengthened. Unemployed should actively collaborate with the case worker in creating an individual action plan. The definition of *appropriate job (lämpligt jobb)* changed as it was specified that the unemployed during the first 100 days could search for jobs in the area of their occupation and close to their residence, but after that at the whole labour market. Also, active measures did no longer qualify for a new benefit period. Furthermore, the entitlement to a somewhat longer duration of the insurance among older workers was abolished; it was shortened to 300 days for all (Sörnsen 2009: 243).

In 2006, the centre-right government stressed that gainful employment should better pay off. Besides reforms as the job tax deduction, LMPs were targeted. In 2007, the unemployment insurance became less generous. The work requirement was enhanced and two more waiting days were introduced (a total of seven). Furthermore, the unemployed had to be prepared to take a job nationally and thus be prepared to move from the first day of being enrolled at the employment office. Also, the compensation was lowered after the first 200 days as a too generous insurance was said to lead 'to increased unemployment as it decreases the search activity and creates a pressure upwards on wages' (Prop. 2010/11b, p. 34, my translation).

In addition to the level of compensation, the insurance have a maximum amount that is paid, a 'ceiling', which has not increased since 2002, despite rather large wage increases during the period. From 1998 to 2006 about 40-50 percent of former full-timers had been fully compensated up to 80 percent of their former wages but in 2010 only 12 percent received 80 percent (SO 2010). There was

also a plan to create a compulsory unemployment insurance, which has not been realised. However, a parliamentary social insurance investigation has been commissioned to once again inquire whether it is possible to implement a compulsory unemployment insurance (Parlamentariska socialförsäkringsutredningen 2012).

When it comes to the level of compensation in the unemployment insurance, among OECD countries Sweden dropped from the fifth place in 2002 to the 21<sup>st</sup> place in 2008. The insurance is not either especially generous regarding other indicators: long qualification periods, around average when it comes to duration and above average concerning the number of waiting days (Janson and Orpana 2010). Fewer and fewer full-time unemployed persons receive any unemployment benefit whatsoever – the proportion fell from 70 percent in January 2006 to 36 percent in November 2011 (Arbetsförmedlingen 2012b: 43). Following this, the most common cause in 2010 for receiving income support was unemployment (Socialstyrelsen 2011: 5). Also, the monthly membership fees to the unemployment insurance were dramatically raised from a mean of SEK 99 in 2006 to SEK 344 in 2007 (SO 2007). The unemployment insurance funds are administered by the unions, which organize members in different industries/sectors. The aim of the increase was to make the fees mirror the unemployment risk in different industries.<sup>11</sup> However, many people left the insurance, to the highest degree low-income workers as well as persons aged 16-24 and 60-64. At the end of 2010, well over 1.4 million individuals, nearly a third of the Swedish labour force, were not part of the unemployment insurance. They did not, therefore, meet the membership condition in case of unemployment. This could be compared to around 700,000 people in 2006 before the current government took office (Kjellberg 2011).

### **3.4 Health insurance**

In the 1990s disability pensions were part of the pension system but became part of social insurance in 2003 in order to create a coherent insurance including all compensation paid in case of reduced work capacity following sickness. *Early retirement benefit (förtidspension)* and *temporary disability pension (sjukbidrag)* changed name to activity compensation and sickness compensation and could be granted permanently or temporary (Hägglund and Skogman Thoursie 2010: 5).

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<sup>11</sup> To give an example of the divergent fees, at the end of 2009 the monthly member fee to the unemployment fund administered by The Swedish Teachers' Union was SEK 90 compared with SEK 384 for the fee to the fund administered by IF Metall (Kjellberg 2011: 53).

At the second half of the 1990s ill-health was increasingly focused in governmental reports, political debates and the media. 'Sick leave' as an urgent political problem accelerated quickly as the costs for sick leave strongly increased around 2000. From a tradition of having seen sick leave mainly as work-related ill-health an 'over-exploitation discourse' dominated (Johnson 2010). The government established a *Delegation on measures against wrong pay-outs from the social security system* (*Delegation för åtgärder mot felaktiga utbetalningar från trygghetsystem*) and in a Governmental Commission Report (SOU 2006:86) it was stated that it was too easy to receive sickness benefits. Long-term sick leave and extensive labour market exclusion were said to follow both from a 'soft health insurance' and that too many people were neglected (Prop. 2007/08:136, p. 48-9). Doctors were also seen as too permissive in giving certificates. Long sick leave was said to transform people into passive receivers of benefits. The report shifted 'focus on absence from work due to illness as a social problem/.../towards a focus on the health insurance and how it was practiced as a social problem' (Björnberg 2012: 103).

In 2006, the social democratic government increased the ceiling in the health insurance but the centre-right government lowered it later that year to the original level with the aim to strengthen the work incentives for people on sick leave. The SSIA became stricter in their decisions on the clients' work capacities.<sup>12</sup> Prior to July 2008 the person could end sick leave either through returning to work, if he/she no longer had a reduced work capacity, or being granted an early disability pension as the work incapacity was evaluated as permanent. However, since 2008 a time limit has been introduced (Hetzler 2009: 383). Among the new demands is that the person's work capacity has been increasingly emphasized and that the person shall be tried against the whole regular labour market already after six months. This last aspect means that the employment protection for persons on sick leave has been weakened; if their work capacity are assessed to be too inadequate to be able to return to their former employer, and if the employer has taken all the expected rehabilitation and adaptation measures, it could be perceived by the employer as an objective basis for terminating the employment contract (Johnson 2010: 179-88, 274). Also, the doctor's certificate has a reduced influence, while the frontline bureaucrats of the SSIA have acquired greater decision-making power over the sickness benefit (Hetzler 2009; Björnberg 2012).

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<sup>12</sup> In 2005, the proportion that was declined sickness benefit every month was on average 0.7 percent, in 2007 the equivalent figure was 1.8 percent and this was before the introduction of the most important and hotly debated new measure within this policy area, the rehabilitation chain.



### 3.5 Educational policy

The Swedish educational system, with its coherent elementary school and its relatively wide vocational programmes at upper secondary school could be described as highly standardised and with low stratification (SOU 2010:88, p. 111-4). Following the reform in 1991, the new upper secondary school reform created an organisationally coherent school with equitable and three-year long programs with a common core curriculum and leading to basic qualifications for university studies. Also, the state responsibility for the Swedish school was transferred to the municipalities; the new secondary school system was characterized by a far-reaching decentralization, both regarding its design and its division of responsibilities, which strongly separates it from the other Nordic countries.

At the end of the 1990s, the government launched policies on lifelong learning and stressed a 'high-road' to full employment, in line with a social investment approach or human capital development strategies. Within the educational system, tertiary education widened with the creation of several university colleges and between 1999 and 2005 four university colleges acquired university status. In line with the idea of 'widening participation' ('breddad rekrytering') to give more people access to higher education, the number of university places increased to closer 100,000 between 1997 and 2005, and the proportion of a year cohort the latter year having started tertiary education at 25 years of age was just over 45 percent. The long-term goal was set to 50 percent (Prop. 2004/05:162, p. 29). The social democratic government policy underlined that recruitment to higher education from all social groups and regions should be improved, and education and skill-enhancing efforts to increase employability would be prioritized.

During the last couple of years there has been a shift in policy within the educational system. One sign of the times is the 2011 curriculum for upper secondary schools; one aim of education is to develop knowledge and skills that foster *entrepreneurship* (SKOLFS 2011:144, p. 4). Another sign is the introduction of apprenticeship programmes that historically have had a very weak position in the Swedish system. Whereas vocational programs include 15 weeks of maximum workplace training, at least half of the apprenticeship programme shall be located at a workplace (SOU 2010:88, p. 114-8).

In the end of the 1980s, less than 90 percent proceeded to secondary education, while it has turned into a 'school for all' with around 99 percent (SOU 2010:88, p. 109). However, from a situation where all upper secondary school programmes qualified students for higher education a new reform means that studies at vocational programmes no longer will qualify. Also, raising grades from upper



secondary education through participation in adult education is no longer possible. Instead the government has introduced shorter vocational courses for target groups, specifically persons with low or incomplete grades, and, thus, a weaker labour market position. Three new short-term initiatives have been introduced within municipal adult education: vocational adult education (2009), education for commercial drivers (2010) and apprenticeship education for adults and for intellectually disabled (2011) (Andersson and Wärvik Forthcoming).

### **3.6 Housing policy**

Housing policy used to be a policy field with major state subsidies but construction subsidies were nearly abolished during the 1990s (Lindbom 2011: 120-1). State subsidies to housing construction were phased out and finally abolished in 2006, which, among other things, means lowered incentives to build rental apartments. Much of the responsibility was shifted from the state to municipalities. In most municipalities, the social responsibility of the municipal housing companies was abolished. Previous public monopolies were privatized through a growing market orientation, e.g. in accordance with New Public Management, that led to the establishment of *quasi-markets*. Instead of rolling back the reforms, the subsequent Social Democratic government continued in the same direction. Public housing companies are today competing on the same term as privately owned housing (Andersson 2006; Nordfeldt and Segnestam Larsson 2011; Hansen Ljöfstrand 2012). The government has rewritten the goal for housing policy meaning that the social rights perspective within the universal housing policies had given way for a market-driven consumer perspective (cf. Sahlin 2008).

Since the 1970s residential segregation has been on the political agenda. However, in the 1990s it was given greater attention due to a growing segregation (Nordfeldt and Segnestam Larsson 2011). At the turn of the century a larger housing program, *the Metropolitan Development Initiative (Storstadssatsningen)*, was directed towards particular housing estates in the most disadvantaged suburbs in the three largest Swedish cities. From an earlier universal approach in housing policy in tackling social issues as unemployment and social exclusion, the state used more selective measures to create economic growth and social inclusion (Andersson 2006).

### **3.7 Family policy**

For a long time Sweden has been known for a comprehensive system of public child care with heavily subsidized fees and for a generous parental insurance. Child care and systems of financial security for families shall make it easier for parents to work or study. Following this, the employment rate for women has been high for several decades. In 2002 a second month of the father's quota was



introduced and in 2001-03 a stepwise fee reform within public child care aimed to increase child care supply, families' household economies and making it easier for parents to take up employment and for employed parents to work more hours. One main part of this reform package was the introduction of a *maximum fee (maxtaxa)* that was a ceiling for fees within preschool (children aged 1-5) and within after-school services (children aged 6-12). The fee should not exceed a certain percentage of the household income and a ceiling for the monthly household income. The reform lowered the average fees and homogenized the rules and fees between municipalities. Also, parents in unemployment and on parental leave received the right to have their children in preschool for 15 hours per week (Lundin, Mörk and Öckert 2008).

In 2005, an official report from the government stressed the importance of a more individualized parental leave scheme but an equal division of parental leave has only been supported by the Left Party and rejected by the other parliamentary parties. Instead the current government has introduced a gender equality bonus. A more politically conservative move is the introduction of the *child home care allowance (vårdnadsbidrag)* in 2008 that give parents the opportunity to choose between institutional or home-based care for their children; it was argued to give parents greater 'freedom of choice' but has been criticized to mainly target women in low-income jobs and serve to reproduce traditional gender roles (Björnberg 2011).

### **3.8 Territorialization**

After the crisis in the 1990s, municipalities strengthened their positions in employment policies. They received majority decision in the local employment agencies, later renamed labour market boards. In 2008 the boards were abolished and replaced with labour market councils with representation from local authorities and local industry. Main law reforms have increased the municipal part of ALMPs. With the new Social Services Act, local authorities could increase work incentives. It was a legal framing of a practice already standard in many municipalities, but the major point made by the state was that the municipalities should have a clearer labour market political perspective and to take full responsibility for activating the young. Also, greater difficulty for the young to qualify for the unemployment insurance and local authorities having full responsibility for activating persons on social assistance could be seen in terms of a *de facto* decentralization of labour market policies (Ulmestig 2009: 120-4).

Municipal activation programmes are usually organized and administered within the frame of the Social Services. In some municipalities there are either a few or a group of social welfare secretaries



or more formalized work groups that work fulltime with activation policies. In other municipalities the social service units are complemented with labour market units having responsibility for all ALMPs at local level. Some of the programmes of the Social Services are self-operated and others in cooperation with the PES, the SSIA, representatives from local industry and sometimes voluntary organizations. The grants for local activation programs often change; their scope and length varies a lot, many are temporary and project-based and often change concepts and aims (Thorén 2009: 135).

More restrictive rules in social insurances put greater obligations on insured individuals but also of the PES and the SSIA as well as more coordination between the health and unemployment insurance (Björnberg 2012: 105).

Since 1998 cooperation within the rehabilitation area is operated in a form called Frisam. The projects were voluntary without having to be approved at state level. In 2008 it started to be phased out with the implementation of the law on financial coordination of rehabilitation activities, as both targeted the same groups and local needs.

During 2006-8 a pilot project for people on long-term sickness benefits (more than two years) or with sickness or activity compensation called Pila (*Pilotinsatser för långtidssjukskrivna till arbete*) was implemented by the SSIA and the PES, first in two regions but later at national level. The aim was to secure that rehabilitation and other measures were offered people on long-term sick leave and secure that the right benefit was paid out to those who lacked work capacity (Inspektionen för socialförsäkringen 2010: 11, 21-2).

In 2004, a permanent financial coordination within rehabilitation was implemented and 5 percent of the sickness benefit expenses could be used for collaboration (Ds 2003:2). In the budget year of 2010, SEK 810 million was available for spending on three different forms of cooperation: 1) Two-partite collaboration with financial coordination between the SSIA and health and medical services, 2) National action plan coordination between the SSIA and the PES, 3) Four-partite collaboration through coordination unions between the SSIA, the PES, the health and medical service and the municipalities.

From 2008 and onward, successful programs within Frisam have been transferred to the two-partite financial collaboration between the SSIA and health and medical services. Through measures early in the sick leave period the aim is to speed up rehabilitation and shorten sick leave, e.g. to transfer



insurance-medical competences from the agency to the care units within the counties. The SSIA case workers act in a coordinating role to further collaboration.

National action plan coordination was first pursued in a pilot project (Faros) in five counties 2002-4 between the SSIA and the PES for vocational rehabilitation. An individual action plan shall be established regulating how the authorities should use the means of collaboration and thereby try to create consensus regarding work capacity issues. The plan is yearly revised and the SSIA and the PES should secure that the individual receives the necessary support during the whole process from sick leave to employment. Two groups are specifically targeted: young people on sick leave or with activity compensation and people whose days on sickness benefit or sickness compensation are coming to an end (Inspektionen för socialförsäkringen 2010: 30-1). The authorities cooperate continuously during the rehabilitation chain. After 90 days there is a 'contact meeting'. In connection with a consideration of rejection or cancellation of sickness benefit, or that the period of sickness or activity compensation ends, a 'delivery meeting' is set up. Also, there is a 'tuning meeting' to delineate the work capacity of the individual (Prop. 2011/12:1b, p. 52).

The law on financial coordination of rehabilitation efforts from 2003 has its origin in the pilot projects with financial coordination (Finsam) that was in force 1993-7 and the Socsam law, directed at citizens of working age (16-64) that need coordinated rehabilitation measures from several collaborating partners to reach or improve work capacity (Inspektionen för socialförsäkringen 2010: 35). Through Finsam it is possible for the SSIA, the county labour board, the municipality and the county to pursue financial coordination within the rehabilitation area. The target group is persons in need of coordinated rehabilitation activities from several of the partners with the primary aim to improve the work capacity.

Financial coordination is operated through an independent *coordination union* (*samordningsförbund*), which is a public judicial person with its own legal capacity where the partners are represented. The SSIA is allowed to use expenses for the sickness benefit to finance the share of the state, while the county/region as well as the municipality or municipalities should contribute with a fourth each. The coordination union shall finance coordinating rehabilitation activities and other active measures within the coordinating partners' area of responsibility and it is also responsible for local follow-up and evaluation (FINSAM 2011b). There is also a national council for financial coordination with representatives from the PES, the SSIA, the National Board of Health and Welfare and the Swedish Association of Local Authorities and Regions (FINSAM 2011a).

Financial coordination is a voluntary form of coordination. In mid-2011, 82 coordination unions were represented in 213 municipalities (of 290 municipalities overall) (Prop. 2011/12:1b, p. 53).<sup>13</sup> During 2010 the unions financed nearly 600 activities with approximately 34,000 participants; the main part was directed at the target groups of unemployed on sick leave and/or persons with income support aged 16-64 (Arbetsförmedlingen/Försäkringskassan 2011: 8). When the law on financial coordination of rehabilitation was implemented the SSIA and the PES had a county structure, which is not the case anymore when new geographical areas of cooperation have emerged that not necessarily coheres with earlier ones. The government has stressed that the old structure should not hinder efficient local cooperation and, therefore, it is today possible to form cooperation unions that transcend county borders (Prop. 2009/10:154, p. 17).

The objective of the PES presupposes a close cooperation with other public or private organizations, authorities, municipalities and with business. It has taken place for a long time and some of these are:

*Labour market councils (arbetsmarknadsråd)* with representatives from municipalities, local industry and trade unions. Two main aims are to support a good development towards employment and to develop integration and gender equality issues. There is at least one labour market council in each of the labour market areas of the PES.

*Industry councils (branschråd)* at regional and national level with participants as employer and employee organizations as well as individual employers. The main aim is to improve the matching in related industries or occupations through increasing the knowledge of the PES of the needs that exist as well as improve the cooperation between the PES, business and the trade unions. The industry councils can as well emphasize competence and skill levels that should be reached in training programs.

*Support and service cooperation (service- och tjänstesamverkan)* between the PES, the SSIA, the Swedish Pensions Agency and the Swedish Tax Agency aims at offering a cost-effective service in common premises. There exist just over 100 service offices.

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<sup>13</sup> The budget for 2011 was SEK 520 million.



*Coordination treaties (samverkansöverenskommelser)* exist between the PES, the SSIA, the Swedish Prison and Probation Service and Samhall (providing development opportunities for people with disabilities through employment). The coordination with the SSIA should ease the transfer from compensation through the health insurance to active job seeking and to get a new job. The agreement with the Swedish Prison and Probation Service shall contribute to strengthening former prisoners' anchoring at the labour market.

The PES has also a joint responsibility for disability issues within labour market policies. It shall be a unifying, supporting and instigating actor in relation to the other partners and cooperate with the SSIA, the Work Environment Authority and the National Board of Health and Welfare to reach a more efficient use of available resources within the rehabilitation area (Arbetsförmedlingen 2011a: 40-1).

The PES and the SSIA shall, in cooperation with relevant actors and within the frame of the activities of the coordination union, prioritize young people with activity compensation. Besides the responsible authorities, examples of other actors that work with rehabilitation could be employers, social companies, voluntary organizations, adult education and other private and public actors. The activity compensation is for persons aged 19-29 and the main measure to rehabilitate unemployed and presumptively unemployed young people is the *vocational rehabilitation program in action plan coordination (arbetslivsinriktad rehabilitering i handlingsplansamverkan)*. The demand is that the person can participate in activities for at least 10 hours per week, a step that many times is difficult to take for the person. In early 2011, 26,000 persons received activity compensation, which is the double amount of 2005. Among young persons, psychic diagnoses dominate (74 percent of all), there is a lower educational level compared to average young people, the majority have zero or lack any longer job experience and many suffer from a combination of medical, psychic and/or social problems (Arbetsförmedlingen/Försäkringskassan 2011: 4-7).

Following the increase of ill-health during the first years of 2000 and subsequent increased costs in social insurances, the state and the Association of County Councils (nowadays the Swedish Association of Local Authorities and Regions) signed a deal in 2006 to limit the proportion of people on sick leave. The *Health care billion (Sjukvårdsmiljarden)* was implemented in 2007-9. The state should disburse up to SEK 1 billion per year to the counties, which had to sign a deal with the SSIA regarding which measures that should be taken and to report the results on a yearly basis. Measures for improved collaboration between different actors in the sick leave process are stressed in the

agreement (Chirico and Nilsson 2009: 3-4). It has been prolonged by the current government and its counterpart (Johnson 2010: 178).

A very vulnerable group in relation to the labour market is persons with psychological disabilities. There is rarely access to programmes for disabled, with the exception of *specific introduction and follow-up support (särskilt introduktions- och uppföljningsstöd)*. It is rare with structured employment and there is a low degree of incentives to prioritize the group. The responsibility of the municipality to arrange meaningful employment is regulated by law, but there is a freedom of interpretation regarding the scope and variation of measures. Also, rarely do responsible authorities cooperate regarding employment and rehabilitation activities (Lindqvist, Markström and Rosenberg 2010: 80-2).

One other main dimension of national governance of social cohesion policies is public/private coordination. The Swedish labour market policy area has been dominated by public providers, mainly the PES. However, since the new government took office in 2006, private providers have received a considerable role in implementation of welfare services (cf. Hartman 2011).

The PES has long experience of purchasing labour market training delivered by external providers, but from 2007 onwards it has been assigned to purchase employment services from *supplementary actors (kompletterande aktörer)* in accordance with the purchaser-provider model, i.e. private organizations that cooperate with the PES and that contribute with a supplementary employment service. The purchase is done in accordance with the 2007 *Public Procurement Act (Lagen om offentlig upphandling)* and the 2008 *Law on Freedom of Choice (Lagen om valfrihetssystem)*. An experimental activity in 2007 was quickly extended in 2008-9. Early on the supplementary actors were mainly responsible for applicants to JOB and the Youth Job Programme, but since the end of 2009 there has been a huge expansion of applicants to the services of supplementary actors outside of these two programmes, e.g. job coaching for new and short-term unemployed persons (Arbetsförmedlingen 2011a: 45-7).

The goal is that one third of the participants in phases 1-2 in JOB shall be offered services from supplementary actors in order to choose from greater and more diversified employment services, and that the fresh ideas and knowledge offered by supplementary actors will contribute to that more participants will quicker find a job (Martinson and Sibbmark 2010; Prop. 2009/10:1, 2011/12:1c). During 2010 well over 150,000 persons was supported by any of the 938 supplementary actors that

have concluded an agreement with the PES. In December 2010, 15 percent of participants in JOB and 20 percent in the Youth Job Programme were supported by a supplementary actor (Arbetsförmedlingen 2011a: 45-6).

Investments in supplementary actors and job coaches, as well as the abolishment of the obligation for employers to report vacancies to the PES, have resulted in that other nongovernmental actors have received a more prominent position. The proportion of privately provisioned labour market training has also increased (Lundin 2011).

Within the educational policy field, youth education is currently based on a voucher system whereas in adult education, the purchaser-provider model is used. In 2010, as much as 37 percent of municipal adult education was purchased from private educational organizers (Andersson and Wärvik Forthcoming).

Another field of public/private coordination that have grown since the early 1990s is the creation of a market for special housing for the homeless with the introduction of a local purchaser-provider model. Today the socially excluded are governed by a network of state, non- and for-profit actors. There has expanded a market for special housing for homeless persons not considered part of the local Social Services' target group, i.e. persons without any social problems, as well as those having been expelled from special-housing units as a result of rule-breaking. Many NGOs are today business partners to the municipality and there has opened a market for new private for-profit actors to compete about time-limited contracts in the procurement process (Hansen Löfstrand 2012).

Regarding institutional child care, private provision has steadily increased since the 1990s and 19 percent of Swedish pre-school age children are currently enrolled in private pre-school. The choice for parents to arrange their children's child care as they wish has increased with the introduction in 2008 of the latest form of municipal child care allowance. A relatively small tax-free benefit of maximum SEK 3,000 per month and child (that has turned 1 year but not yet 3 year) can be granted if the child is not enrolled in publicly financed pre-school, i.e. by purchasing child care from private providers or provision of care by the caregiver within the household (Prop. 2007/08:91; Björnberg 2011). Also, private provision of child care has expanded with so-called childminding services such as purchasing services as collecting the children from pre-school. Other ways are to enlist the grandparents or a private nanny. Childminding services are directed to parents with atypical working

hours as child care is not being offered outside office hours in more than half of the Swedish municipalities (Björnberg 2011).



#### 4. Policy change: intensity and diffusion

In this final part major changes in the Swedish employment/welfare nexus are discussed. Specifically 'second order changes' in policy will be emphasised: a development where economic compensations are increasingly connected to activation, processes of individualisation, contractualisation, decentralisation, marketisation and responsabilisation, different forms of local partnerships, and a shift from universal to selective measures. I will also stress how policy goals have changed that may be described in terms of 'third order change' (cf. Hall 1993).

Activation policies have called into question earlier boundaries of employment and social policies. 'Activity' and 'activation' have become buzz-words in national social policy directives during the last two decades in Sweden. In governmental bills, reports and statements it is emphasized that the unemployment insurance shall work as 'adjustment insurance' (see e.g. Prop. 2010/11b, p. 34). The unemployment benefit is seen as a compensation for the activity of job seeking; it transforms into 'activity compensation', i.e. it is the activity, not unemployment itself, which is the basis for the compensation. Thus, the unemployment insurance is no longer seen as part of social policy but of labour market policy (Junestav 2004: 230, 2007: 50). Also, a participant in programmes as JOB does not longer qualify for a new period within the unemployment insurance (Johansson 2006).

Policy change is heavily influenced by processes of *individualization*. From a local and regional initiative in the 1990s, individual action plans has become a main instrument within national labour market policy. There is stronger emphasis on the qualifications and activities of the job seeker and a political language of individualization, competition and choice. Through a modern matching service, including private provision of ALMPs, the unemployed shall 'be given increased possibilities to compete' and the employment offices 'shall better be able to respond to the needs of job seekers through more individual service' (Prop. 2006/07:1b, p. 73, my translation; cf. Bengtsson and Berglund 2012).

Connected to individualisation is *contractualisation* of the relationship between the citizen and the state. Activation programmes build on 'contract rationality', which is a departure from traditional bureaucratic and hierarchical models. The guarantee takes the form of a 'client contract' in which the unemployed person and the employment officer sign an agreement. However, the contract consists of an asymmetric relation between the state and the citizen that could be defined as an instrument that will test whether the unemployed actively stands at the disposal of the labour market. Following



this, citizenship rights have become contractual as well as more conditional (Johansson 2006: 48-9; Hornemann Møller 2009: 46-7; Walter 2011).

Processes of *decentralisation* from the early 1990s and onwards express another major policy change whereby social policy areas of responsibility have shifted between state level and local level. Besides areas as elderly care, social welfare and primary education the local authorities have become increasingly important for the implementation of labour market policies. With the 1998 Social Services Act the local authorities could legally demand that unemployed social assistance claimants have to participate in municipally organised activities to receive economic compensation. As social assistance became conditional upon the beneficiary's participation in activities, the former boundaries of state ALMPs and activities organised by the local authorities were loosened and thereby the work strategy was widened (Hollertz 2010: 91-6).

Changes of policies during the last two decades are also found in the creation of different forms of *local partnerships*. Originally, coordination developed as a result of increased decentralization, which created new dependencies between the main authorities and new problems, e.g. regarding who are responsible for processing specific cases (Inspektionen för socialförsäkringen 2010: 17). Following this, the state has urged different authorities, agencies and organisations to closely cooperate and coordinate measures and activities.

The main strategy of national governance of public/public coordination has followed from the law on financial coordination on rehabilitation efforts (2003). The three different forms of collaboration are funded via the sickness benefit and involve actors as the PES, the SSIA, the health and medical services and local authorities. The main goals are to use public resources more efficiently, to increase coordination between authorities to shorten sick leave and unemployment and to better make use of local authorities' knowledge of vulnerable groups such as youths. A rather limited part of the budgets of the concerned organizations are part of the financial coordination, but despite this quite a large amount of coordination unions at local level, from 12 in 2005 to just over 80 in 2011, have been created. However, as the grant is dependent on a percentage of the sickness benefit, more coordination unions mean less money to be shared. It is mainly interventions for vulnerable groups with psychic or plural problems that have been financed by the coordination unions (Inspektionen för socialförsäkringen 2010: 9).

Concerning public/private coordination, a main policy change is processes of *marketisation* by private provision of services with the goal to create more efficient services and more freedom of choice of services. In the traditional model the public sector is the main actor in the role as service producer but the new model, described as a transition to a welfare *society*, is open for the choice of activity form when it comes to the production of welfare services (cf. Hartman 2011). The public tendering of private service providers on quasi-markets is done in accordance with the Public Procurement Act and the Law on Freedom of Choice.

Contemporary policy changes may also be seen as a shift from a traditional universalistic approach to a more residual approach with the growth of more *selective* policy instruments. In contemporary ALMPs greater investments in preparatory measures aim not to directly lead to employment but are mainly oriented towards more vulnerable groups such as youths with low education, older unemployed persons, foreign-born and disabled persons (Lindvert 2011: 37-8). Also, pay roll tax reduction for specific groups, as well as subsidized employment, are not used as a general method to create new jobs, as these measures have low or no effects on employment, but as a way to direct employer demand towards groups with a weaker labour market position (SOU 2011:11, p. 210).

Another policy area with increasingly selective measures is housing policy. The traditional goal from the 1940s to the early 1990s was 'good housing for all', regardless of income. Housing was distributed in accordance with queuing time and those with specific social or medical needs could be granted priority. Instead of understanding housing in universal terms as a social citizen right it has increasingly been conceptualised a consumer good and housing policy has become more selective in character (Nordfeldt and Segnestam Larsson 2011; Hansen Löffstrand 2012).

Within the educational policy area, equality used to be an overall value-system in political documents. A complex and extensive system of education had been created with conditions both for self-development and skill-upgrading. However, universalism has weakened with a development from a situation where all pupils acquired the same basic educational content, and thereby had the choice to continue to higher education, to a situation where those lacking the necessary grades to apply for higher education are directed towards more employment oriented courses with more specific vocational knowledge that have been introduced in municipal adult education (Andersson and Wärvik Forthcoming).



Another development is that the work strategy has shifted from a more social rights based model of welfare to strategies of *responsibilisation* and stricter obligations, specifically directed at vulnerable groups as long-term unemployed social assistance recipients, but also people on sick leave, with disabilities etc. With the reform of the sickness insurance in 2008 one aim was to improve work incentives. The work capacity is controlled at three time intervals, which, among other things, functions as an incentive for the person to seek jobs.

With the new rules and regulations in the rehabilitation chain people's bodies should be understood as machines: 'Parts of the body could be replaced, capacity for work could be re-created' (Hetzler 2009: 394). Possible consequences are that 'seriously ill individuals are being declared work competent and being stripped of their social insurance benefits even though they are medically certified as unable to work' (Hetzler 2009: 395). During the last years several sick leave cases have been publicly debated, e.g. badly cancer-suffering persons have been forced to seek fulltime employment to keep their benefit. Another example of the control of individual's work ethic is the measures found in JOB. The results for the so-called artificial jobs in the third phase have been dismal. However, as stated in an official government report, participation may first and foremost be seen as 'an intensified test of the willingness to work/.../for those having real problems of receiving a job at the regular labour market' (SOU 2011:11, p. 214, my translation).

Finally, one can say that the shift from a *de facto* full employment situation to a post-full-employment situation has led to extensive changes in employment and social policies that could, at least in a longer historical Swedish perspective, be seen as such wholesale changes in policy that we may talk of a third order change (cf. Hall 1993).

In Sweden, there is still a collective public financing of welfare through taxes. However, there are grounds for discussing whether the universalism of the Swedish welfare state, as a characteristic of the work/welfare nexus, has been called into question. During the last decade, and specifically during the current centre-right government, the 'work first approach' has been increasingly emphasized. Extensive expenditure cuts through the job tax deduction, major cuts in LMPs and in economic compensations and benefits, as well as stricter work obligations, altogether work as activation policies to create stronger incentives for people to take up employment or to work more hours. Also, there is an emphasis on self-regulation and privatization: reductions in compensation rates from social insurances are an incentive for supplementary private insurances, e.g. through the trade unions.



The shift in national employment and social policies has been anchored in discourses of the prerogative of the work strategy and the fighting of the so-called 'socially excluded' ('utanförskapet') (see e.g. Regeringsförklaring 2007). The main social cleavage is said to go between people in employment and those positioned as socially excluded, i.e. those who do not work or not work enough to receive compensations from the social insurances. However, activation that put beneficiaries under pressure from sanctions and time limits risk forcing the unemployed person to accept any kind of job. This is certainly the case with the currently very large number of uninsured people, e.g. nearly a third of the Swedish labour force is not part of the unemployment insurance, as well as for the people no longer eligible for the health insurance. The labour force has been increasingly commodified, i.e. the possibility to uphold a socially acceptable living standard independently of labour market participation has considerably decreased (cf. Esping-Andersen 1990: 37).

In accordance with the 'work first approach' of the current government, different instruments have been used to relatively worsen the situation for those not part of the employed labour force compared to those in employment. Besides reforms within social insurances, in-work benefits and subsidised employment for low-wage service jobs have been major strategies to reach the underlying policy goal, as the government expresses it, to 'improve wage setting' (Prop. 2009/10:1, p. 38). This means, literally speaking, reforms that will pressure the reservation wages downwards, i.e. the lowest wage an unemployed will be prepared to accept when being offered a job. At the same time, matching is emphasized in current national labour market policies. Instead of taking a 'high road' to employment, wage moderation and policies with less training and human capital development definitely points towards a 'low road' to employment and work as an impetus towards an expanded low-wage service sector.

Additionally, there is a shift towards new arrangements with a less comprehensive and redistributive welfare state, which to a higher degree governs through policies of responsabilisation (cf. Lindvert 2011: 40). In a comment upon the great proportion that left the unemployment insurance fund between 2006 and 2010, the current Prime Minister Fredrik Reinfeldt says that people will find other ways of subsistence than the unemployment insurance: 'One receives support and help from one's parents, one's partner or in some other way. Ultimately there are other safety systems that will catch people' (SvD 2011-10-20, my translation). Thus, instead of stressing collective public social security solutions, Reinfeldt stresses private solutions for vulnerable groups of the Swedish labour force.

## Appendix

**Table: National Dimensions of Integrated Policies**

<i>COUNTRY</i>	Activation		Vertical (territorialization)		Horizontal (coordination/integration)	
	Individuals	Expenses	Multilevel Coordination	Decentralization	Public / public Coordination	Public / private Coordination
<p><b>Policy goals</b></p> <p><b>What for?</b></p>	<p>Unemployment benefits as a reward for being active</p> <p>Increase employment among low- and middle-income earners</p> <p>Improve the person's functional work capacity</p> <p>Reduce overexploitation of social insurances and counter the development of unemployment cultures</p> <p>Individualized responsibility and employability</p>	<p>Lower reservation wages</p> <p>Increased emphasis on obligations in social insurances</p> <p>Lower the threshold for labour market entry</p>	<p>Coordinate the competencies of state, county and local authorities to improve work capacity</p>	<p>Decentralization of employment policies to cope with activation of welfare recipients, specifically youths, to hinder social welfare dependency</p>	<p>More efficient use of public resources</p> <p>Cost-effective service in common premises</p> <p>Increase coordination between authorities to shorten sick leave and unemployment</p> <p>Better use of local authorities' specific knowledge of vulnerable groups such as youths</p>	<p>Create more efficient welfare services</p> <p>Create more freedom of choice of welfare services</p> <p>Improve matching</p> <p>Support a good employment development</p> <p>Develop integration and gender equality issues</p>
<p><b>Policy tools</b></p> <p><b>With what?</b></p>	<p>Activation guarantee (2000)</p> <p>Activity and sickness compensation (2003)</p> <p>Youth Job Programme (2007)</p> <p>JOB (2007)</p> <p>New start jobs</p>	<p>Expulsion from social benefits</p> <p>In-work benefits</p>	<p>Financial coordination within the rehabilitation area</p> <p>Law on financial coordination of rehabilitation efforts (2003)</p>	<p>Formalization of labour market policies at local level through the Social Services Act (2001)</p> <p>Activation programs within the</p>	<p>Faros (2002-04)</p> <p>Finsam (2003)</p> <p>Pila (2006-08)</p> <p>Health care billion (2007)</p> <p>Support and</p>	<p>Supplementary actors (2007)</p> <p>Public Procurement Act (2007)</p> <p>Law on Freedom of</p>



	(2007) Rehabilitation chain (2008) Job tax deduction (2007-10)			frame of local authorities	service cooperation Coordination treaties	Choice (2008) Labour market councils Industry councils
<b>Actors Who?</b>	The PES The SSIA Local authorities Unemployment insurance funds	Ministry of Employment Ministry of Health and Social Affairs Ministry of Finance	Coordination unions National council for financial coordination	Local authorities County labour board The PES The SSIA Local industry Voluntary organizations	The PES The SSIA The Swedish Association of Local Authorities and Regions The National Board of Health and Welfare Local authorities The Swedish Pensions Agency The Swedish Tax Agency The Swedish Prison and Probation Service Samhall The Work Environment Authority	Local authorities Employers Employer organizations Trade unions Social companies Voluntary organizations Adult education



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# Localise

## WP2. UK National Report.

### Draft.

15 December 2011

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## 1. Introduction – National Socioeconomic Context

This section outlines the current characteristics the UK economy using a variety of statistical measures. It addresses the two aims set out in the structure of the national reports for Work Package 2 (WP2):

- Employment and unemployment rates for different socio-economic groups
- Historical evolution and formative moment of employment and social cohesion policies until approximately 2000.

### Key Points:

- Significant increase in the proportion of women in the labour market
- Little change in the proportion of economically inactive over the previous 30 years

### 1.1 Headline Change in the UK Economy 1971-2011

The UK economy has undergone a series of important changes in recent decades. Notable among these are: a growth in the size of the labour force as the population has increased; an increase in the proportion of women in the labour market; a reduction in the size of the manufacturing sector and a relative increase in different parts of the services sector; recessions in each recent decade including the current economic crisis which included the recent recession of 2008-09 (ONS, 2011)<sup>1</sup>. These events are important to understanding current employment and unemployment rates for different socio-economic groups. Other key points regarding the UK economy are:

- Between 1971 and 2011, an upward trend in the proportion of women in employment and a reduction in employment rates for men. Employment rates for women rose from 53% in 1971 to 66% in 2011. Male employment rates reached 92% in 1971 and fell to 76% in 2011.

<sup>1</sup> Social Trends 41. Office for National Statistics 2011. Available at <http://www.ons.gov.uk/ons/rel/social-trends-rd/social-trends/2011/index.html>

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- The gap between employment rates for women with and without dependent children has been narrowing over the last 15 years. The gap in employment rates has fallen from 5.8% in 1996 to 0.8% in 2010.
- Between 1992 and 2011 the age group with the largest increase in employment rates was the 50-64 year olds. The largest decrease was in the 16-17 year age group. Many within this group have stayed on in education rather than enter the labour market.
- The decrease in employment caused by the current economic downturn has led to a decrease in the number of full-time posts and an increase in part-time employment<sup>2</sup>.
- The current economic downturn has so far led to lower levels of unemployment than was experienced during other recessions. Unemployment increased from 5.2% in 2008 to 7.7% in 2011.
- Analysis of social trends suggests that there has been little change in the proportion of the working age population who are economically active. This figure varies between 22% and 26%. The proportion of women who were economically inactive decreased considerably from 44.5% in 1971 to 29% in 2011. Male inactivity rates increased from 5% in 1971 to 17% in 2011. Women were more likely than men to be economically inactive mainly because they were looking after the family or home in 2011 (35% compared to 6%).
- There are also long-term demographic changes occurring, with an ageing population structure and a long-term decline in the number of young people in or entering the labour market. This is particularly the case in some parts of the UK, including Scotland, where the number of 15-29 year olds in Scotland has been in long-term decline: the numbers aged 15-29 in 1927 1,369,915 (28% of population); 1952 – 1,258,378 (25% of pop.); 1977 – 1,186,595 (23% of pop); 2002 – 938,223 (18% of pop.); 2027 – 770,661 (15% of pop.); 1977-2002 a fall of 21%; with the decline projected to decline 2002-27 8%; (with a total decline over 1977-2027 of 35%). However, during 1977-2002 there was a growth in the working population (15-64 years) of +2%; while projections for 2002-2027 were a fall in total working

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<sup>2</sup>The period 2008-09 represented a formal recession (ONS) although the period since has continued to represent a downturn in the economy.

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age population of 12.5% (these forecasts are continuously updated, but the overall pattern remains similar)<sup>3</sup>.

## 1.2 Economic Activity and Inactivity

Current data on the state of the UK economy suggest that we are still in a period of difficulty with high unemployment. The unemployment rate for the three months to August 2011 was 8.1%, an increase of 0.4% on the previous quarter. This represents 2.57 million people out of work (excluding those inactive, such as on long-term sickness, students, discouraged workers etc.). This was the highest number of people out of work for about 15 years. Significantly, the number of young people out of work is higher than it has been for almost two decades (ONS, 2011). The unemployment rate for people aged 16 to 24 increased by 74,000 in the three months to August 2011. This means that almost a million young people (991,000) are out of work, the highest it has been since 1992. Figure 1 shows how the employment rate for this age group has remained relatively stable throughout the previous two years with no overall increase in the proportion of young people becoming employed.

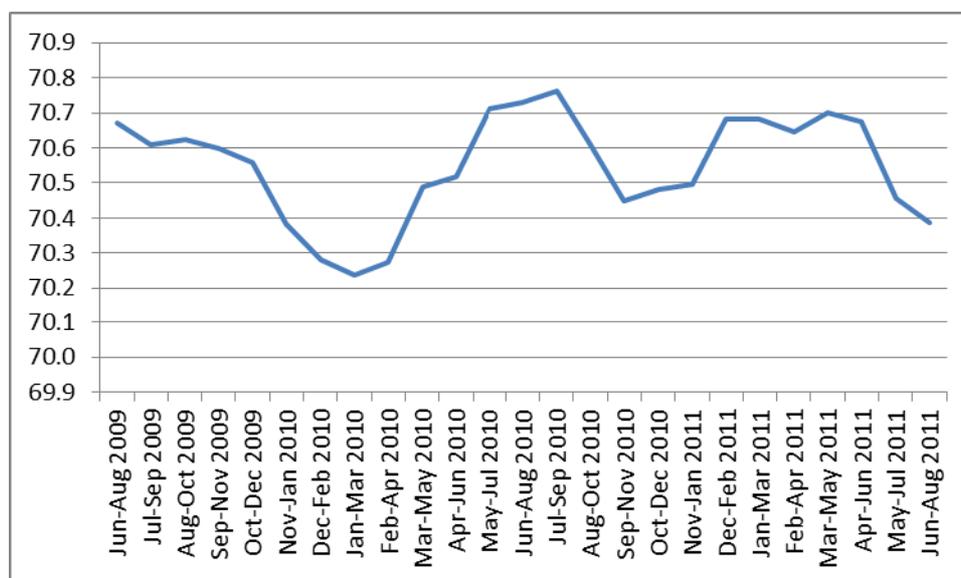


Fig 1.1 Employment rate for those aged 16-24, seasonally adjusted (%)

<sup>3</sup> GRO(S) and McQuaid (2006) Ageing, Globalisation, and Regional Development presentation at RSA, London

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The employment rate for men of working age (16-64) was down 0.6% on the previous quarter to 75.4%. The rate for women in the same quarter was 65.4%, down 0.1% on the previous quarter. The total number of people in employment was 29.10 million in the same quarter. The public sector experienced a reduction of about 100,000 in the number of people employed down to around 6 million while the number of people employed in the private sector increased by 41,000 to 23 million (ONS 2011). Regionally, the UK presents a more complex picture with the East and South East of England having the highest employment rates at 74.5%. The North East of England has the lowest employment rates at 65%. Unemployment was highest in the North East and lowest in the South East at 5.8% (ONS, 2011<sup>4</sup>). Inactivity rates were highest in the North East (26.5%) and lowest in the East (20%).

Over the previous three decades, economic activity and inactivity rates in the UK have remained relatively stable. The proportion of those in employment has remained between 74% and 78%. Rates of economic inactivity have varied between 22% and 26%. Variation in rates of unemployment reflect periods of recession in the mid 1980s, early 1990s and most recently an increase since 2008. In 2010, the UK had the seventh highest employment rate of the EU27. The UK was 5.5% above the EU27 average (ONS 2011)<sup>5</sup>. In comparison with the EU27 countries, the UK has seen less variation in the previous 4 years employment rates than other member states. Employment rates reached a high of 72% in Q4 2007 and a low of 69% in Q1. This compares to Ireland which saw a high of 70% in Q3 2007 and a low of 59% in Q4 2010. From a European perspective, the UK has therefore experienced less variation in employment rates as a result of the current downturn.

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<sup>4</sup> Regional Labour Market Statistical Bulletin. October 2011. Available at:  
[http://www.ons.gov.uk/ons/dcp171778\\_237891.pdf](http://www.ons.gov.uk/ons/dcp171778_237891.pdf)

<sup>5</sup> Labour Market. Social Trends 41. Office for National Statistics. 2011

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### 1.3 Socio-Economic Groups

#### 1.3.1 Gender and the Labour Market

This section explores variation in employment and unemployment across differing socio-economic groups<sup>6</sup>. Changes to the role of women within the labour market and income disparities between men and women are an important part of illustrating changes to the UK labour market in recent decades. However, it is also clear that age and caring responsibilities are also factors that may be used to understand the income and occupational position of individuals within the labour market.

Employment outcomes vary by social and economic group. A key development in the UK economy in the previous decade has been the increase in economic activity of women with an associated decrease in the gender pay gap since 1975<sup>7</sup>. However the decrease in the gender pay gap has not been uniform. It has persisted in the pay gap experienced by older female workers. Gender disparities are also evident for young lone mothers with dependent children who are more likely to be unemployed than couples with children. Young lone mothers in the UK have the lowest employment rate and lone parents with dependent children are more likely to be unemployed than couples with dependent children (ONS 2011<sup>8</sup>). These differences appear to lessen as the dependent child reaches the age of 10. Women with dependent children over 10 are no less likely to be in work than women with no dependent children. The current downturn has led to an increase in the number of women out of work. As of September 2011, there were 1.06 million women out of work, the highest figure since April 1988. However, this rise in unemployment was disproportionately weighted towards the young in the labour market with the rise in unemployment occurring mainly among people aged 18 to 24. The number of unemployed people in this age group rose by 77,000

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<sup>6</sup> See also: McQuaid, R., Egdell, V. and E. Hollywood (2010) *The impact of reduced public services spending on vulnerable groups - review of UK and international evidence* for Scottish Government Social Inclusion Division, July <http://www.napier.ac.uk/randkt/rktcentres/eri/projects/Pages/Impactofreducedpublicservices.aspx>;

McQuaid, R., Hollywood, E. and J. Canduela (2010) *Employment Inequalities in an Economic Downturn* – report for the Equality Commission Northern Ireland <http://www.equalityni.org/archive/pdf/EconDownturnFinalFullReport260910.pdf>

<sup>7</sup> Labour Market Social Trends 39. Office for National Statistics. 2010

<sup>8</sup> Labour Market. Social Trends 41. Office for National Statistics. 2011

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over the quarter to July 2011 (ONS 2011)<sup>9</sup>. The issue of unemployment among young people is an important one within the UK economy and will be addressed below. For women, the three months to July 2011 saw an increase of 84,000 in the number taking full-time positions and a comparable fall of 83,000 in the number of women working part-time. Across both genders, the number of employees and self-employed people working part-time because they could not find full-time employment increased by 70,000 on the quarter to reach 1.28 million. This represents the highest number of part-time employees since comparable records began in 1992.

A further important element of socio-economic change within the UK labour market has been the increase in the proportion of men that have become economically inactive over the previous 3 decades although this trend may be reversing. Conversely the percentage of women who are economically inactive has fallen over the same period. In 1979, 87% of women were economically inactive, but by 2009 that figure had fallen to 61%. In 1979, 40% of women aged 25 and upwards were economically inactive compared to a rate of under 5% for men<sup>10</sup>. Since then the rate of economic activity for men has fallen dramatically and has occurred alongside an increase in activity rates among women.

Reasons for this variation in rates of economic activity are apparent from table 1.3, 'reasons for economic inactivity by sex'. Between 1994 and 2011 there was a fall of almost 13% in the proportion of women who cite 'looking after the family/home' as the prime reason for economic inactivity. In the same period, the proportion of those who remained in education also increased as indicated by an increase of 7.3% of young women claiming to be a student as their reason for economic inactivity. The percentage of women citing retirement (4.9%) and long-term sickness (2.6%) as reasons for economic inactivity also increased in the period 1994 to 2011. For men, there was a 5.6% increase in those reporting being a student as their principal reason for not being economically active. The proportion of men reporting long-term sickness as their main reason for being inactive fell by 6.4% between 1994 and 2011. Despite this fall in the number of men reporting illness as their primary reason for being economically inactive, the number of men in the UK labour market that are inactive and not seeking employment continues to outweigh those that are unemployed. There were almost

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<sup>9</sup> Labour Market Statistics, September 2011.,

<sup>10</sup> Gregg, P., Wandsworth, J., The UK Labour Market and the 2008 – 2009 Recession. June 2010. Available at: [eprints.lse.ac.uk/28758/1/op025.pdf](http://eprints.lse.ac.uk/28758/1/op025.pdf)

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twice as many inactive men as there were unemployed men in the fourth quarter of 2009<sup>11</sup>. During the period after 2008-09, rates of male inactivity did not fall but instead are seen to rise steadily over the previous three decades. Figure 1.4 shows that inactivity rates for males of all ages are higher in 2010 than in 1975. This compares with a steady decline in female inactivity rates across all age groups.

‘Policy changes on pensions and incapacity benefits has arrested the inflow of sickness related inactivity recently, but the overall level of inactivity among men has been persistently high for twenty years. The net result is that inactivity among men is, at best, static and remains 3 times higher than the rates observed in the 1970s. Indeed more than half of the fall in the male unemployment rate from 1993 to 2008 can be accounted for by rising inactivity, though much of that rise in inactivity took place in the 1990s’. (Gregg & Wandsworth, 2010<sup>12</sup>)

High rates of economic inactivity do not necessarily indicate problems within the labour market. In some cases certain population groups are unable to participate in the economy for reasons such as childcare, caring responsibilities, sickness, disability or education. Nevertheless, the decade on decade rise in rates of male inactivity is an increasing problem within the UK economy. Welfare policies to address the issue are discussed in section 3.

### **1.3.2 Youth Unemployment**

Youth unemployment has been increasing in the UK. The unemployment rate for 16-24 year olds was 20.8% of the economically active population in the three months to July 2011 (ONS 2011)<sup>13</sup>. This represented a 1.6% point increase on the previous quarter. There were 973,000 unemployed 16 to 24 year olds in the three months to July 2011. This continued rise in unemployment rates for this

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<sup>11</sup> Gregg, P., Wandsworth, J., The UK Labour Market and the 2008 – 2009 Recession. June 2010. Available at: [eprints.lse.ac.uk/28758/1/op025.pdf](http://eprints.lse.ac.uk/28758/1/op025.pdf)

<sup>12</sup> Gregg, P., Wandsworth, J., The UK Labour Market and the 2008 – 2009 Recession. June 2010. Available at: [eprints.lse.ac.uk/28758/1/op025.pdf](http://eprints.lse.ac.uk/28758/1/op025.pdf)

<sup>13</sup> Labour Market Statistics, September 2011. Office for National Statistics.

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group is at odds with falls in unemployment in other age-groups since 2008-09 and represents a significant problem within the UK economy and a loss of opportunity for thousands of young people. UK youth unemployment exhibits several characteristics. Rates of youth unemployment are high relative to older workers; unemployment rates are highest amongst the youngest; unemployment is highly seasonal; and crucially rates of unemployment started rising before 2008-09. One in five 16 to 24 year olds are neither working nor in education or training. This represents 1.4 million young people. In the UK, the problem is so serious that this group have acquired their own moniker and are known as the NEET group of young people or 'not in employment, education or training'. Those in the 16-18 age group with higher rates of inactivity than their older peers may be shopping around for work while they gain experience or taking short spells of employment as they improve their skills and experience (DWP 2011)<sup>14</sup>. However, for many young people in the 16-18 age range, this lack of work experience and skills can make them less attractive to employers vulnerable within a competitive labour market where there is weak labour demand. Figure 1.2 shows the deterioration in the employment rate of young people since 1992. Over that period employment rates have fallen from almost 70% to less than 35%.

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<sup>14</sup> Youth Unemployment Support Measures. Department for Work and Pensions, 2011. Available at: <http://www.dwp.gov.uk/docs/eia-youth-employment-support.pdf>

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%



Figure 1.2 Under 18s employment rate if not in full-time education. Source DWP, 2011.

Another important development among this age group is the increase in the numbers of young people staying on in further and higher education. During previous recessions, the number of young people choosing to postpone entry into the labour market has risen as staying on rates in post-school education have increased. Since 2008 there appears to be an increase in the number of young people staying on in education at a time when entry into the labour market would have been difficult with fewer jobs and greater competition from those already seeking work. Policy ideas implemented to address high rates of unemployment and inactivity in the young are discussed in section 3.

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## **2. Institutional Context**

### Key Points:

- A liberal welfare system that seeks a rapid return to the labour market for the unemployed.
- Widespread use of the private and voluntary sector in the delivery of welfare to work programmes.

### **2.1 Aims and Context**

This section of the paper focusses on the institutional context and policy development in the development of welfare provision in the UK. Several key developments are discussed in this section. The development of advanced bureaucracies allowed governments to manage large, complex welfare systems and apply uniform rules and regulations. Disciplinary techniques allowed the development of enforcement measures that could improve compliance with national systems and provide greater uniformity across welfare systems. The new systems of welfare distribution also reflected the emergence of a new social rights and responsibilities agenda that sought to link the uptake of welfare with a corresponding responsibility to find work or training so as to minimize the duration of their dependency on welfare. Those who did not subscribe to this contract were liable to face sanctions. The welfare system aimed to develop incentives for individuals to seek work or training and encouraged individuals to live and work in a way that reduced their dependency on the state. The emergence of a professional bureaucracy to administer the welfare system was a precursor to the emergence of a highly centralized social security system whereby the distribution of welfare payments place under the guidance of a single government department; the Department for Work and Pensions.

### **2.2 Institutional Context of Reform to UK Welfare**

The UK welfare state has, in common with other modern European and North American welfare systems, faced various pressures. The literature identifies several areas including: globalisation and the pressure on wages created by the flow of labour across borders; shifts in the labour market including the decline of traditional male dominated professions; population ageing; changes to

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family structures; changes to gender roles within the household and labour market<sup>15</sup>. Relatively high-wage economies such as the UK face pressure from low wage economies to constrain wages and stem job losses to low wage areas. Population ageing brings higher pension costs and greater health and social care spending. As discussed in section 1, the movement of large number of women into the labour market has reshaped family structures and gender roles.

The general effect of these changes has been to put pressure on central governments to constrain expenditure on welfare at a time when population ageing and, recently, decreasing tax revenue and increasing welfare expenditure caused by the recession, have placed the pressure on welfare spending. This must be coupled with a trend towards lower productivity in the developed world associated with the shift from manufacturing to a service sector economy which produces lower growth rates and further constrains the amount available to spend on welfare (Taylor-Gooby et al, 2004)<sup>16</sup>. To this end, the welfare state has been conceptualised 'as a burden on the productive growth-enhancing economy. Conflict between welfare spending and economic growth becomes the basic issue in public policy making, and the politics of welfare are seen as a struggle between defenders of current spending levels and governments pursuing retrenchment (or at least cost-containment) fought out in different national institutional terrains' Taylor-Gooby: 575: 2004)<sup>17</sup>.

From these pressures emerge new forms of economic and social risk to the individual. In a post-industrial welfare state, risks are defined as the threat to the loss of stable employment and the management of the work-life balance. The UK welfare state has sought to adjust to these new forms of social risk by implementing policies to reduce unemployment, particularly among the younger low-skilled and to provide support for women with childcare responsibilities to enter the labour market. The new world of post-industrial social risks presents welfare as a mechanism to enable participation in the labour market. Welfare is not to be viewed as a burden on the wealth producing economy but rather as an efficient and effective job-matching mechanism that provides

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<sup>15</sup> Scharpf, F. and Schmidt, V. (eds.) (2000). *Welfare and Work in the Open Economy: Diverse Responses to Common Challenges*, Oxford: Oxford University Press.

<sup>16</sup> Taylor-Gooby P., Larsen T., Kananen J., Market means and welfare ends: The UK welfare state experiment. *Journal of Social Policy* (2004), **33**:573: 592 Cambridge University Press

<sup>17</sup> Taylor-Gooby P., Larsen T., Kananen J., Market means and welfare ends: The UK welfare state experiment. *Journal of Social Policy* (2004), **33**:573: 592 Cambridge University Press

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personalised support to individuals seeking a return to the labour market. Central to this approach is the idea of welfare as enabling individual independence through labour market entry rather than long-term dependence on welfare payments. Understanding this change of approach to the management of social risks is vital to understanding the principles that underpin UK welfare policy development such as the New Deal provision.

The New Labour governing party in the late 1990s, argued that unless Britain could improve its global economic performance there was little hope of achieving lasting prosperity<sup>18</sup>. To achieve this end would require a welfare programme that advanced the interests of social groups that had, for many years, been excluded from the labour market by a welfare state that did not provide the type of personalised support required by this group to address their complex barriers to employment. Such groups included: those in poverty; single parents; the disabled; the elderly. Redistribution based welfare would, New Labour argued, only produce short-term benefits and ultimately leave those groups marginalised within society as wages and living standards increased for those in the labour market. Only by providing support and incentives for people to help themselves move into employment would greater national prosperity be achieved. This would require redefining the core assumptions underpinning social democratic governance. There is a substantial body of literature outlining these reforms (Anderson, et al, 2002<sup>19</sup>, Sykes et al, 2001<sup>20</sup>, Liebfried et al, 2005<sup>21</sup>) but in the UK context they may be summarised under headings of: changes to work; changes to welfare; changes to citizenship.

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<sup>18</sup> Jessop B., From Thatcherism to New Labour: Neo-liberalism, workfarism and labour market regulation. University of Lancashire. Discussion paper. Available at: <http://www.lancs.ac.uk/fass/sociology/papers/jessop-from-thatcherism-to-new-labour.pdf>

<sup>19</sup> Andersen, Jørgen Goulo; Clasen, Jochen; Van Oorschot, Wim; Halvorsen, Knut (2002): *Europe's new state of welfare: unemployment, employment policies and citizenship*. Bristol: Policy Press.

<sup>20</sup> Sykes, Robert; Palier, Bruno; Prior, Pauline (2001): *Globalisation and European Welfare States*. Basingstoke: Palgrave.

<sup>21</sup> Liebfried, Stephan; Zürn, Michael (2005): *Transformations and the state*. Cambridge, Cambridge: University Press.

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Changes to work under the new institutional context for welfare focussed on four areas. Labour market deregulation created greater flexibility for employers to respond more quickly to market conditions. Creating new work based training and qualifications to increase skills within the labour market and thereby improve competitiveness and access to higher paid jobs for more workers. Training opportunities were linked to New Deal packages to up skill low-skilled workers, particularly the young. A skilled workforce was perceived to be vital to individual and national prosperity. Skills gave workers value to employers and increased employment opportunities and earning potential. Incentives were made available for the unemployed to enter the labour market: as discussed above, work was made more financially attractive than welfare through a system of in-work tax credits and other in-work payments. Incentives were also coupled with enforcement mechanisms that applied financial sanctions to those who did not engage in job search or training opportunities. In contrast to the old welfare model of dependency, the uptake of benefits was increasingly made conditional on satisfying standards of conduct likely to lead to employment. This is a useful point at which to discuss changes to citizenship under the new welfare paradigm.

As was hinted in the previous paragraph, the new welfare paradigm placed greater responsibility on the individual to minimise the duration of their unemployment to ensure that society did not have to shoulder the cost of their inactivity. This approach has been termed the 'responsibilization strategy' (Garland, 2001<sup>22</sup>) and has emerged as a tenet of social policy in fields such as housing, criminal justice and welfare. The roots of this approach can be traced to the principles of the 'Third Way' and a philosophy outlined by Anthony Giddens. Giddens argued for a new social contract based on a link between rights and responsibilities. The contract stated that there was to be 'no rights without responsibilities.' 'Those who profit from social goods should use them responsibly and give something back to the wider social community in return' (Giddens, 2000: 53<sup>23</sup>). Soon after, the government minister with responsibility for welfare and pensions, Alistair Darling, said in a speech

there is no unconditional right to benefit ... It's not only possible, but entirely desirable that we should look at making sure the social security system and the benefits system are

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<sup>22</sup> Garland, D. (2001), *Culture of Control: Crime and Social Order in Contemporary Society*, Oxford: Oxford University Press.

<sup>23</sup> Giddens A., (2000), *The Third Way and its Critics*, Cambridge: Polity Press.

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matched by responsibility ... It is right that we should ask ourselves if there is a role for the benefits system as part of the wider system in asserting the values we hold and asserting the kind of behaviour that we want to see. (Address to the Parliamentary Press Gallery, reported in the *Independent*, 16 May 2002)

Here then the principles of the third way and the new social contract are being infused into social policy. The rollout of this agenda to groups considered more vulnerable and at a greater distance from the labour market was given momentum by the perceived health benefits of work and public support for such moves. The rights and responsibilities agenda has been underpinned by evidence that work has physical and mental benefits and that being unemployed has negative effects on health (Waddell & Kim Burton, 2006<sup>24</sup>). Political support for the rights and responsibilities agenda has been buttressed by public opinion being 'generally comfortable with the idea that receipt of benefits from the state should be linked with responsibilities' (Williams et al, 1999: 1<sup>25</sup>) and by the influential Freud report. Commissioned by the 1997-2010 Labour government to review the UK Welfare to Work agenda, the Freud report proposed the delivery of welfare services through contracts with public, private and voluntary sector organisations. Organisations would be paid by results thereby creating a quasi-market for the delivery of welfare services. Contractor's performance was to be measured and rewarded by the number and duration of jobs sustained as a result of engagement with the contractor. The report, among others, concluded by recommending 'stronger conditionality' for those already on incapacity benefits (Freud, 2007: 9<sup>26</sup>).

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<sup>24</sup> Waddell, G., Kim Burton, K., Is work good for your health and well-being? The Stationary Office. September 2006.

<sup>25</sup> Williams, T., Hill, M., Davies, R., Department of Social Security. *Attitudes to the welfare state and the response to reform*. Research Report 88. 1999

<sup>26</sup> Freud, D., Reducing dependency, increasing opportunity: options for the future of welfare to work. An independent report to the Department for Work and Pensions. 2007.

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### 3. Main Reforms

This section outlines significant reforms to welfare and employment policies that have occurred in recent times within the UK. It outlines the principles that underpinned the introduction of the New Deal packages and provides an introduction to reforms to ill-health benefits. The review then moves on to an analysis of the way in which reform to employment policy is linked to the wider 'rights and responsibilities agenda'.

#### Key Points:

- Welfare programmes for the unemployed provide advice that is tailored to specific social groups to reflect their employment and training needs.
- Historically the UK has had a large number of people on ill-health benefits. Recent reforms aim to reduce these numbers.

#### 3.1 New Deal and Activation

A defining feature of New Labour's welfare reform has been the implementation of policies designed to activate the welfare system. For the individual claiming benefits who was capable of undertaking some form of work, activation meant greater support and compulsion to find employment. 'New Deal' programmes introduced a range of welfare measures targeted at specific demographic and social groups. The New Deal programme introduced in 1998 had 6 distinct elements each targeting a different client group: New Deal for Young People; New Deal 25+; New Deal for Lone Parents; New Deal for the Disabled; New Deal 50+; New Deal for Musicians.

The main New Deal priority was the New Deal for Young People (NDYP). Although intended to account for only 9% of the New Deal caseload, it consumed 77% of the budget of £3.4 billion. The cost of getting young people into work was higher due to the additional time taken to work with this group and a range of training and financial incentives put in place. The cost of NDYP was approximately £7,000 per young person and by January 2002, 753,600 people had participated. Activation programmes were coupled with programmes that sought to make work a more financially appealing option than unemployment and welfare payments. A key element of the 'make work pay'

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policies were working tax credits introduced in 1999. Initially targeted at working families with children, these in-work benefits were extended to working people without children, disabled people and those over 50. Tax credits are paid directly to the recipient and provide a minimum income guarantee for individuals or couples with children and in work. These benefits were set at rates significantly higher than previous means tested benefits so as to improve incentives to move into employment and improve levels of social inclusion in society. Tax credits went some way to addressing the problem identified by the OECD<sup>27</sup> that the UK had a large low-wage sector and that existing means tested welfare undermined work incentives. The use of tax credits in conjunction with a series of reforms to activate welfare policies sought to reduce the number of those in poverty by making work financially attractive. These reforms recognised that low-skilled individuals who could expect to enter low-paid jobs had little incentive to move off benefits if work did not make them substantially better off. Tax credits were a way to ensure that work, not welfare, would be the mechanism by which people would move out of poverty.

The New Deal agenda also carried a 'moral agenda' (Walker et al, 2003: 7). The unemployed attached to New Deal programmes were subject to compulsory job search activities. Compulsion was enforced by the threat of sanctions to benefit payments. For the then Prime Minister, this new approach represented a departure from previous welfare practices that "encouraged dependency, lowered self-esteem and denied opportunity and responsibility in almost equal measure" (source).

The New Deal approach represented a move away from the passive dissemination of welfare to the implementation of measures that were designed to be preventative. The new welfare system would provide people with the training and skills necessary to retain employment. A government paper published in 1998 argued that 'welfare is not only about acting after events have occurred . . . the welfare system should be proactive, preventing poverty by ensuring that people have the right education, training and support'. (DSS, 1998). This approach was also seen to represent a move away from the use of welfare as an income distribution measure. Welfare policies were to become more focussed on reducing expenditure on welfare rather than using welfare as a means to divert resources. Government expenditure priorities focused on popular areas of health and education. Large welfare expenditure had become an obstacle to aims in these areas. Labour did not come to power with a clear set of welfare policies (Rawnsley, 2001), but instead 'the strategic direction was

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<sup>27</sup> The Battle Against Exclusion. (1988) Organisation for Economic Co-operation and Development. Paris, OECD.

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more or less clear: to reduce expenditure on welfare so as to divert resources to electorally more popular areas of education and health’.

These changes represented a shift in the function of the welfare and benefits systems for those in or potentially in the labour force towards a mechanism to promote flexible and efficient labour markets. Unemployment was increasingly seen to impede personal development and erode the workplace skills necessary to re-enter the labour market. The reconfiguration of the welfare state under New Labour would enforce the idea that welfare services should provide personalised back to work support for the unemployed. New Deal programmes were the outcome of this approach as they tailored employment and training support to the needs of specific groups. The goal was to create a ‘modern’ welfare state that could provide a post-industrial economy with the skills required to compete in a global marketplace. Work and participation in this marketplace was now viewed as the most effective method for tackling poverty. The use of welfare as a tool for redistributing society’s wealth to the poorest was increasingly no longer seen as the most effective poverty alleviation measure. Individuals were supported to enter the labour market and develop the skills and income required to move themselves out of poverty.

### **3.2 Reforms to Address Ill-Health Benefits**

The large number of people claiming sickness benefits in the UK has forced the issue high up the political agenda. There is deep unease with public and political circles at the high numbers of people who have been claiming sickness benefits for long periods of time and in doing so effectively removing themselves from the labour market. The government minister with responsibility for welfare in the new coalition government, Iain Duncan Smith, has stated made reform in this area a political priority. In a speech delivered shortly after the coalition government came to power in May 2010, the minister emphasised the cost to the taxpayer of a high sickness benefit caseload and the personal cost to those on sickness benefits.

We are committed to tackling the huge numbers of people languishing on Incapacity Benefits. We currently have some two and a half million people claiming inactive benefits – a figure which has remained stubbornly high, costing the taxpayer £7.2 billion. Despite many of these people wanting to work, people can spend years on Incapacity Benefit without ever being required to have an assessment...Our society should be capable of tailoring support to get people into work...This is why we are starting the process of migrating 1.5 million of

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those on Incapacity Benefit on to Employment Support Allowance and simultaneously providing intensive, personalised support to help them make that transition back into work. Iain Duncan Smith, Secretary of State for Work and Pensions. (Speech delivered on 30<sup>th</sup> June 2010<sup>28</sup>).

2.61 million people in the UK were claiming ill-health benefits in May 2010. The proportion of people in the UK on sickness related benefits is almost three times the 1.5% average across the OECD (OECD 2010<sup>29</sup>). In 2002 the Labour Government published a Green Paper entitled 'Pathways to Work: Helping People into Employment' (DWP, 2002<sup>30</sup>). The paper argued that work was central to individual wellbeing and that 'with the right support, there is no health-related reason why most could not get back to work' (DWP 2002: 4<sup>31</sup>). Under Pathways, those on sickness benefits were assumed to be capable of work if given access to the right support. These reforms are an extension of the principle of rights and responsibilities advocated under the 'Third Way' philosophy. Individuals are entitled to a high level of support but are also expected to assume responsibility for their presumed return to the labour market<sup>32</sup>. As was evident in jobseeker benefits, reforms to ill-health benefits also gave public employment officials the power to impose financial sanctions on those who were not fulfilling their duties as recipients of welfare money<sup>33</sup>.

The number of people claiming incapacity benefit (IB) has risen dramatically over the previous three decades. In the late 1970s the number of people claiming IB stood at 700,000. By the mid-1990s this

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<sup>28</sup> Available at: <http://www.dwp.gov.uk/newsroom/ministers-speeches/2010/30-06-10.shtml>

<sup>29</sup> Organisation for Economic Development, 2010

<sup>30</sup> Department for Work and Pensions. Pathways to work: helping people into employment: the Government's response and action plan. 2002

<sup>31</sup> Department for Work and Pensions. Pathways to work: helping people into employment: the Government's response and action plan. 2002

<sup>32</sup> It should be noted that those with the most severe health conditions were not expected to seek work. Those in this group would, subject to a medical examination, receive long-term financial support through the welfare system.

<sup>33</sup> Qualitative research exploring the pathways to work sanctions regime. Department for Work and Pensions. Research Report. No 475. DWP. Available at: <http://research.dwp.gov.uk/asd/asd5/rports2007-2008/rrep475.pdf>

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figure had surged to 2.6 million. The majority of people who begin an IB claim have not been working prior to that claim. A quarter of those who begin an IB claim have recently finished claiming Jobseekers Allowance. A third of those who begin an IB claim have not worked in the previous two years and slightly less than a half (43%) have received an out-of-work benefit in the previous two years. A minority of those who enter onto IB, 17%, are working in the period preceding their claim for IB. Generally therefore, IB is not a type of benefit from which those in employment enter onto after a medical event that prevents them from working. Those who enter onto IB do so by 'graduating' from periods of unemployment and contribution based benefit claims. They enter onto IB with poor work histories.

The increase in the number of people claiming IB, can be 'largely explained' (DWP 2006: 25<sup>34</sup>) by the increasing duration of IB claims. Being on long-term IB significantly reduces the likelihood that an individual will return to work in the short-term. Although 60% of people who started to claim IB stopped doing so with a year, for those 40% who continued to claim IB for more than 1 year, 29% will still be receiving benefits after 8 years (DWP 2006<sup>35</sup>).

Recognising the increase in the IB role, in 2002 the then Government published a Green Paper entitled 'Pathways to Work: Helping People into Employment' (DWP, 2002<sup>36</sup>). The paper argued that work was central to individual wellbeing and that for 'almost all' (DWP, 2002) of the 700,000 people who move onto IB each year their health condition is sufficiently moderate as to not be a barrier to employment.

The slide into long-term dependency on IB is a significant problem. Long-term dependency increases the distance of the individual from the labour market through the erosion of skills; negatively affects family income; and represents a cost to public finances through the loss of tax revenue and

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<sup>34</sup> Department for Work and Pensions. A new deal for welfare: Empowering people to work. Consultation report. June 2006.

<sup>35</sup> Department for Work and Pensions. A new deal for welfare: Empowering people to work. Consultation report. June 2006.

<sup>36</sup> Department for Work and Pensions. Pathways to work: helping people into employment: the Government's response and action plan. 2002

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expenditure on benefit payments. Furthermore long-term unemployment has a negative effect on the health of the individual thereby increasing the likelihood that they will remain unemployed.

The increase in long-term IB dependency that significantly explains the rise in IB caseload rates over the previous 3 decades was partly due to an IB system whereby long-term claimants were neither expected to seek work nor were they offered any support in their attempts to return to work. Throughout the 1980s and 1990s, those who entered IB would have received very little support should they seek to return to work. Furthermore there were few expectations on those claimants to take steps to minimise the duration of their stay on IB. IB was effectively compensation for the illness and as such did not carry any expectations of future work. A closer examination of the conditions reported by those on IB, reveals a substantial proportion of people whose conditions are considered to be sufficiently moderate that they could, with support, be expected to return to work. Those who have spent less than 2 years on IB, report three main conditions. 35% receive IB due to mental / behavioural disorders such as depression or anxiety. 22% have musculo-skeletal conditions such as back, neck pain or arthritis. 11% have a circulatory or respiratory disorder (DWP 2002<sup>37</sup>).

Pathways to Work was first piloted across seven Jobcentre Plus Districts in two phases from 2003 to 2004. In 2005, there was mandatory entry onto IB for those with a claim of less than 2 years and in 2006 those with claims of up to 6 years were also entitled to enter onto Pathways to Work. As of April 2008, the components of Pathways to Work have been made available to all IB claimants. 40% of provision is made through Jobcentre Plus with the remainder occurring through contractual arrangements with private and third-sector providers. Pathways to Work is aimed at new entrants although existing claimants have voluntary access to the programme. IB claimants, in common with unemployment benefit recipients, are now subject to WFIs performed by specially trained Incapacity Benefit Personal Advisors. Personal Advisors have responsibility for diagnosing issues that may obstruct benefit claimants returning to work. Those making a new claim for IB attend a Work Focused Interview with a Personal Advisor. During these interviews, PA's seek to agree with claimants a course of action that will move the individual closer to the labour market and provide assistance with the identification of relevant employment vacancies. PA's help customers identify

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<sup>37</sup> Department for Work and Pensions. Pathways to work: helping people into employment: the Government's response and action plan. 2002

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future goals and provide support to enable their fulfilment. IB claimants are expected to attend 6 WFIs at monthly intervals.

The main aspects of the Pathways to Work reforms are:

- Mandatory Work Focussed Interviews shortly 8 weeks after making a first claim for IB
- A Personal Capability Assessment (PCA) by a GP to provide Benefits Agency Decision Makers with objective medical information on the condition of a claimant. The PCA ought to take place within 12 weeks of a claim being made.
- At the first WFI a Screening Tool is applied by the PA to decide if the claimant is suitable to continue on Pathways. The Screening Tool scores claimants responses to questions and estimates the probability of the claimant still being on benefits in 12 months time without mandatory participation in Pathways. Those who are most likely to remain on IB after 12 months are entered into a mandatory Pathways programme.
- In all Pathways districts, claimants have access to the Choices package. In addition to help for those on New Deal for Disabled People, the package also includes the Condition Management Programme (CMP). The CMP is a partnership between Jobcentre Plus and local health providers (both the NHS and private providers) to deliver a range of cognitive therapies to IB claimants to enable them to better manage their condition. IB claimants also have access to a 'Return to Work' credit whereby those who leave IB and enter employment, and if their gross annual earnings are below £15,000, are entitled to £40 per week in addition to their wages.

Measures to ensure that individuals are supported in the management of their condition so that they can return to the labour market are a core feature of changes to the way in which sickness benefits are to be administered. In common with the broader move to the activation welfare policies, the Pathways to Work reforms are bringing about a move away from the passive distribution of benefit payments. They seek to ensure that new claims for sickness benefits are viewed as a temporary support measure during which most individuals will be expected to return to work. The receipt of benefits becomes conditional on the fulfilment of certain activities designed to ensure a rapid progression back into the labour market.

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### 3.3 Reforms to Address Youth Unemployment

As with reform to sickness benefits, levels of youth unemployment have attracted considerable political and public attention in the UK. As outlined in section 1.3.2, youth unemployment in the UK was rising even before the 2008-09 recession. Almost 21% of 18-24 year olds are economically inactive (ONS 2011<sup>38</sup>). The government has stated that support for young people is a priority and has instituted several reforms in partnership with education, enterprise and the voluntary sector. Reforms will:

Provide job search support for 16-17 year olds on Jobseekers Allowance by making Jobcentre Plus adviser support available to these claimants. Additional adviser contact will ensure that a young person claiming Jobseekers Allowance will now have access to adviser support, better quality regular interventions focused on getting back into work or training and access to departmental contracted provision.

- Advisers will have an additional hour of adviser's time to be used at the front end of the claim and the equivalent to an extra five minutes adviser time for each week on benefit.
- Current adviser support is limited for 16/17 year olds who claim Jobseekers Allowance. The new approach will give a flexible and personalised approach to Adviser interviews for the first time. This includes spending more time at the start of the claim to enable the adviser to make an in-depth diagnosis of the young person's background /needs. It will give the adviser time to **consider the increased options of provision** that will be available for this group (e.g. work experience, work clubs and local provision via Innovation Fund) to help them into education, training or work with training.
- The extra time may also be used to help signpost the young person to other organisations - for example, following the phasing-out of connexions; the young person may need help in identifying the local careers advice provider.
- The additional one hour interview time should be seen as a time bank that advisers can use flexibly towards the start of a new claim. The additional five minutes is intended to be used to support the aims outlined above and to enable the adviser to review how the young person is progressing, to review any provision the young person attended, to see if any further support is required etc.

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<sup>38</sup> Labour Market Statistics, September 2011. Office for National Statistics.

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- **Fortnightly Reviews** remain a key feature, but more frequent attendance can be required where this is deemed appropriate for example, where more regular follow-up of activity is required. We expect this new approach to be both more challenging and supportive **of individuals' activity.**
- In the same way that Fortnightly Reviews are mandatory, additional flexible interviews will be mandatory and, subject to regulations, sanctions may be applied if the customer does not attend – subject to good cause. These measures only relate to 16 and 17 year olds on Jobseekers Allowance and therefore it is not likely to have an impact on young people with childcare responsibilities as they are unlikely to have children. If there are small numbers of young people in this position then as the policy states restrictions can be made on the Job Seekers Agreement thus it is unlikely that they would be discriminated against. Any disabled young person on Jobseekers Allowance would be treated the same as any adult -18 plus restrictions on their Jobseekers Agreement would be taken into account and reasonable adjustments could be made.
- Currently, Jobcentre Plus has a responsibility to **refer any 16-17 year olds who make a claim to benefit to the Local Authority Youth Service.** The main focus for advisers dealing with 16/17 year old benefit claimants has been to establish benefit payment to avoid severe hardship and to refer the customer to the careers service or Connexions.
- From Autumn 2011, Jobcentre Plus' specialist Advisers who deal with 16-17 year olds claiming Jobseekers Allowance will, in liaison with the local authorities, offer work-related advice and guidance to 16 and 17 year old NEETS. The service offered by local authorities will vary; therefore Advisers will require a good knowledge of what is on offer in their local area.
- Jobcentre Plus will require extra resource for external relationship managers to build partnerships with local services for 16-17 year old young people NEET to enable Jobcentre Plus to map and support local arrangements.
- There is early access to Work Programme places for vulnerable 18-year-old people. Young people aged between 18 and 24 years already have priority access to the Work Programme after nine months. The most disadvantaged young people will enter the Work Programme earlier after three months of unemployment. The Government has expanded early entry to

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include any young people who are 18 years old and who made a claim for Jobseeker's Allowance while they were 16 or 17 years old (DWP 2011)<sup>39</sup>.

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<sup>39</sup> Youth Employment Support Measures Equality Impact Assessment. Department for Work and Pensions. August 2011. Available at: <http://www.dwp.gov.uk/docs/eia-youth-employment-support.pdf>

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### 3.4 Reforms to Childcare

Child poverty is a key issue in the policy strategies of both UK and Scottish Governments<sup>40</sup>. The strategy to reduce child poverty has focused primarily on increasing employment and maximising in-work income, while improving the availability, affordability and quality of childcare to help parents into employment have become increasingly important (Penn and Randal, 2005)<sup>41</sup>. Prior to the 1998 UK National Childcare Strategy (DfEE, 1998), childcare was largely seen as a private family matter, since then childcare has become a central part of the 'welfare to work' employment policy agenda (Penn and Randal, 2005).

To meet the aims of the UK National Childcare Strategy, local authorities were given the task of convening partnerships – following the trend in local service provision and governance from the previous Conservative government (Penn and Randal, 2005) – and producing local childcare plans. The Early Years and Development Partnerships (EYDCs) were created and they were responsible for overseeing delivery of the government's pledge, with discretion over the allocation of funds but little over the terms of allocation (Penn and Randal, 2005).

Initiatives such as Sure Start and Neighbourhood Nurseries were launched to tackle childcare availability. The Sure Start programme started in 1999 and, with the establishment of a network of children centres, was consolidated in 2004. Those centres offered early education and childcare and support for parents including advice on parenting and help to get paid employment (Langan, 2010).

To help with the affordability of childcare the government focused mainly on demand-side solutions (Penn and Randal, 2005), introducing the Working Families Tax Credit in 1998 to support families with children while in work and contribute towards childcare costs. This was replaced with the

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<sup>40</sup> Local Government and Communities Committee (2009) *Report on Child Poverty in Scotland*. Edinburgh: Scottish Parliament ([www.scottish.parliament.uk/S3/committees/lgc/reports-09/lgr09-10-vol1.htm](http://www.scottish.parliament.uk/S3/committees/lgc/reports-09/lgr09-10-vol1.htm))

<sup>41</sup> For a discussion of some related issues see: McQuaid, R., Fuentès, V. and A. Richard (2010) *How can parents escape from recurrent poverty?* Report for the Joseph Rowntree Foundation: York. Published by Polity Press: Bristol <http://www.jrf.org.uk/publications/how-parents-escape-recurrent-poverty>

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childcare element of the Working Tax Credit<sup>42</sup> and Child Tax Credit<sup>43</sup> in 2002. The introduction of free 3 and 4-year-old part-time pre-school education had the same aim. Supply-side funding opportunities were also made available, for example through the New Opportunity Funding for out-of-school schemes. The UK government in 1999 launched its framework of Nationally Accredited Qualifications in Early Years Education, Childcare and Playwork (Penn and Randal, 2005) in order to address the quality of childcare.

In terms of Active Labour Market Policies, the key mechanism for increasing employment among parents and increasing opportunities through developing employment-related skills was the New Deal for Lone Parents (NDLP) programme (see section 3.1 for more information in New Deal programmes), administered through Job Centre Plus<sup>44</sup>. Parents of children under 12 years-old did not have an obligation to participate in the NDLP, although recently the age of children at which it is compulsory for parents to take part in ALMPs has steadily reduced in recent years (so that parents with children over 5 will receive Job Seekers Allowance and will also need to make contact with the Job Centre Plus from an earlier age of their youngest child).

In Scotland, the Scottish Executive, through the 1998 Green Paper *Meeting the Childcare Challenge: A Childcare Strategy for Scotland*, recognised the need for accessible and affordable childcare as part of its strategy for supporting families. In Scotland, Childcare Partnerships were set up in each local authority area and Childcare Strategy Funding was given to the local authority. It became the responsibility of local authorities in conjunction with the Childcare Partnerships to allocate the funding to meet local childcare needs in their area. In addition to this funding, the Scottish Executive made additional funding available for more flexible childcare.

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<sup>42</sup> To qualify for the childcare element of the Working Tax Credits those responsible for child/ren have to be in paid employment for at least 16 hours a week; the claim can start as soon as the person starts paying childcare costs (only for the amounts that are actually paid by the person). The tax credit can pay up to a maximum of 80 per cent of the childcare costs (the amount is means-tested), with a maximum of £140 a week for one child and £240 a week for two or more children (Directgov website accessed 15 May 2010).

<sup>43</sup> People responsible for any children under the age of 16 (or under 20 if they're in full-time education or approved training) may be able to claim Child Tax Credit to help with the cost of looking after them (Directgov website accessed 15 May 2010).

<sup>44</sup> The national Public Employment Service.

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From 2004-8 the Scottish Government instituted a large scale intervention to support disadvantaged parents regarding childcare and employment policy. This is described in the following case study.

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### Case Study – The Working for Families Fund

The Working for Families Fund (WFF) was established to invest in new initiatives to help disadvantaged parents to move towards, into or continue in paid employment education or training<sup>45</sup>. The aim of the WFF programme was to improve the employability of parents who faced barriers to participating in the labour market. From the start of the programme it was recognised that clients needed support in both terms of both sustainable childcare solutions and the provision and access to other relevant employability-related services.

The WFF focused on disadvantaged parents: lone parents; parents on low incomes; and those with other stresses (e.g. disability, mental health, substance abuse); was a voluntary on the part of clients; and went beyond what the NDLP offered in a number of ways.

WFF was innovative in developing integrated employability and childcare support services on a large scale. 'Key Workers' were the main support and point of contact with clients and referred them to appropriate services. There were two main elements to the programme. Clients were helped to identify and access childcare solutions: they were provided with information, advice, financial assistance if necessary, and in some cases childcare places were ring-fenced for WFF clients. The second element of the WFF was to support clients to improve their employability by establishing goals and producing a personal action plan and by linking them to a number of services, such as: personal development courses, careers advice, money and debt advice, transport support, education providers, etc.

Funding was channelled through mostly Economic Development departments with the day to day project management driven forward by a Coordinator. Steering groups comprising of key partners were established to support the development and implementation of the fund.

The development of the programme in each local authority largely depended on local needs and existing services, and followed consultations and mapping exercises. WFF was designed to complement, not duplicate or replace, existing services and to work with local childcare partnerships and childcare department (usually Education and Social Work) and employment and employability-focused partnerships to fill gaps in provision for the WFF client groups. In many areas, WFF developed and expanded employability related services (such as short pre-vocational training, helping clients to obtain driving licences, etc.) and childcare provision (crèches for employability courses; increasing the number of childminders with the double effect of providing WFF clients with paid employment and increasing the childcare provision) in order to fill the identified gaps in provision. The Working for Families Fund represented an important attempt to develop innovative, targeted solutions to the barriers to work faced by people with families.

<sup>45</sup> McQuaid R.W., Bond, S. and V. Fuertes (2009) *Working for Families Fund Evaluation (2004-08)*, Scottish Government, Edinburgh <http://www.scotland.gov.uk/Publications/2009/04/20092521/0>

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Delivery of individual projects was largely via social economy organisations (national or local), depending on the available expertise and capacity of these locally.

The programme funding allocation was £50m; twenty local authorities were selected to implement it; it covered a total of 79% of Scotland's population; and by 2008 over 25,000 disadvantage people had registered.

WFF Evaluation reports can be found on the Scottish Government website at:

<http://www.scotland.gov.uk/Publications/2009/04/20092521/2>

### **3.5 Reforms to Housing**

There are some particular initiatives which seek, for instance, to support young homeless people move into employment, through a range of assistance such as training, advice and access to more suitable housing). For example, the Aberdeen Foyer project seeks to meet the needs of people aged 16-25 as they move towards social and economic independence. Housing Benefit (a welfare payment, e.g. in the form of rent payments) are also made to eligible job seekers by the UK government.

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#### **4. Analysis of governance and integration policies**

This chapter provides an overview of the meaning of governance in the UK context. It outlines how the UK has retained a high level of centralised control over social policy matters whilst also devolving power to national and local governmental bodies. In this context governance is enacted in a dynamic and fluid political environment where different interests seek to have their views represented and their interests met.

##### Key Points:

- UK governance structures are multi-layered reflecting devolved political power.
- Central government seeking greater local involvement in policy making to address criticism that policies are not reflecting local needs.

##### **4.1 Governance and Social Policy**

In the field of social policy, governance frequently refers to the co-ordination of a variety of public – private interactions (Daly 2003)<sup>46</sup>. Distinct from the term ‘government’ that refers to a hierarchical method of control, governance implies a network form of control under which a diverse collection of agents are involved in the exercise of power. In the context of the national reports, it is useful to differentiate two contrasting definitions of governance in the field of welfare and employment policy. The first definition refers to the way in which local, regional and national governments adapt strategies to deal with social issues in response to what are usually referred to as a process of modernisation such as globalisation and demographic challenges. Some general characteristics of governance are highlighted by van Berkel (2007)<sup>47</sup>

- a redefinition of the social issues mentioned before in terms of a lack of participation (mainly, though not exclusively, in the labour market) rather than a lack of income;

<sup>46</sup> Daly, M. Governance and Social Policy. Journal of Social Policy (2003), 32 : pp 113-128 2003 Cambridge University Press

<sup>47</sup> Rik van Berkel, Vando Borghi, (2007) "New modes of governance in activation policies", International Journal of Sociology and Social Policy, Vol. 27 Iss: 7/8, pp.277 - 286

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- a greater emphasis on citizens' individual responsibilities and obligations in preventing social problems or solving them;
- an enlargement of the target groups of activation, including sick people, the handicapped, older people, highly vulnerable groups, single parents;
- an integration of income protection schemes and labour-market or activation programmes, where entitlements to the former are made dependent on participation in the latter;
- an individualisation of social interventions aimed at promoting participation

Another definition of governance focusses on the idea that the EU has through its exercise of political authority instituted a new form of governance that extends beyond political space to form a new form of network organization and has developed new forms of democracy. This leads to the idea of multi-level governance where policy making spans a number of levels (Marks et al, 1996)<sup>48</sup>.

In the context of governance in the UK, there are four key areas that frame discussion. Firstly, if Governance 'invokes an analysis of the state and the public sphere more broadly' (Daly, 2003: 119)<sup>49</sup> then there is a need to consider the extent to which governance is associated with changes in the role of the state. In the UK context, political power is diffuse. Aspects of political power are retained by devolved administrations. The devolution of power to national and local governments has raised questions of sovereignty and representation for civil society. The devolution of power to the Scottish Government and the Welsh and Northern Ireland assemblies challenges what is it to be a representative democracy where there is growing diversity and an expectation that the needs of different interests and identifies are realised. Policies on employment, social services, welfare, housing and health are delivered by local, national and regional governments with different challenges for the way in which policies and governance are delivered.

Despite the creation of devolved government within the UK there continues to be criticism that key aspects of social policy such as the design and deliver of welfare benefits to the unemployed are the result of an overly centralised system of government (Hall et al, 2001)<sup>50</sup>. To address this matter the

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<sup>48</sup> Marks, G., L. Hooghe and K. Blank (1996), 'European integration from the 1980s: State-centric v multi-level governance', *The Journal of Common Market Studies*, 34: 3, 341–78.

<sup>49</sup> Daly, M. Governance and Social Policy. *Journal of Social Policy* (2003), 32 : pp 113-128 2003 Cambridge University Press

<sup>50</sup> Burgess, P., Hall, S., Mawson, J., Pearce, G., Devolved approaches to local governance: policy and practice in neighbourhood management. Joseph Rowntree Foundation. 2001. Available at: <http://goo.gl/k5LSV>

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UK government has introduced programmes that seek to encourage local communities to identify issues within their locality that they consider a priority for local government. The Modernising Local Government programme and the National Strategy for neighbourhood renewal introduced in the early part of this century aim to place the citizen at the core of policy development and to improve local democracy. These programmes aimed to achieve 'a citizen-focussed holistic approach to policy development and delivery and to reinvigorate local democracy' (Burgess et al, 2001: vii)<sup>51</sup>. The UK government has emphasised the importance of a community led approach in which local citizens are engaged in decision through devolved government and community planning. Greater involvement in decision making was perceived to be necessary to address criticism regarding the separateness of policy making from the needs of citizens. Criticism has focussed on local government being: too remote and not meeting the needs of local citizens and communities; dominated by professionals and departmental priorities and spending programmes; a failure to actively involve citizens in their role as consumers of services and in decisions affecting their quality of life (Burgess et al, 2001. xi)<sup>52</sup>.

#### **4.2 The Governance of Social and Employment Policy**

Local government in the UK is weaker than in most other countries in Western Europe. Local authorities do not have financial autonomy, their roles and responsibilities are not codified, and the UK parliament being sovereign being able to 'create, restructure or abolish other tiers of government at will' (Martin, 2010, p.338)<sup>53</sup>.

In the post-war consensus period (1945-1979) local government was a major player in building the welfare state as a provider of services (Daly and Davis, 2008; Martin, 2010) which included, amongst

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<sup>51</sup> Burgess, P., Hall, S., Mawson, J., Pearce, G., Devolved approaches to local governance: policy and practice in neighbourhood management. Joseph Rowntree Foundation. 2001. Available at: <http://goo.gl/k5LSV>

<sup>52</sup> Burgess, P., Hall, S., Mawson, J., Pearce, G., Devolved approaches to local governance: policy and practice in neighbourhood management. Joseph Rowntree Foundation. 2001. Available at: <http://goo.gl/k5LSV>

<sup>53</sup> Martin, S., 2010. From New Public Management to Networked Community Governance? Strategic Local Public Service Networks in England. In Osborne, S., ed. 2010. *The New Public Governance?* Oxon: Routledge. Ch. 19

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many other services, education, housing, transport, social assistance, waste and refuse collection, etc.

A combination of economic crises and increasing cost of welfare provision meant that at the end of 1960s and through all the 1970s the principle of local authorities as direct providers of services was being questioned (Martin, 2010)<sup>54</sup>. Budgets were squeezed and the internal management of local authorities was reviewed.

With the Conservative government elected in 1979, local authorities' role was changed to be one of enabler of services rather than a provider. Principles of New Public Management (NPM) were introduced, which according to Pollit and Bouckaert (2000 cited in Martin, 2010) center in four strategies: controls on public spending; private-sector management practices (including working conditions, performance management, etc); marketisation of public services through competition (specifically compulsory competitive tendering); and minimisation of the state through privatisation and contracting out. Control over services were centralised and provision was outsourced.

The New Labour administration that came to power in 1997 used the language of partnership between the central and local governments, but never went back to give local authorities the role they had prior to the 1980s nevertheless unlike their Conservative predecessors they wanted not to bypass local government but to redefine it. Budgets to local authorities increased and although CCT was abolished, many of the NPM principles were maintained including marketization in many areas. The government imposed a modernisation agenda in local government whose main characteristic was top-down performance monitoring. It also introduced the principle of 'join up' services, which local government led via partnerships, would aimed to increase horizontal coordination between local agencies including public agencies, the private companies, community groups and voluntary organisation (Martin, 2010). According to Martin (2010) this model became to be known as "networked community governance".

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<sup>54</sup> Martin, S., 2010. From New Public Management to Networked Community Governance? Strategic Local Public Service Networks in England. In Osborne, S., ed. 2010. *The New Public Governance?* Oxon: Routledge. Ch. 19

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According to Jessop (cited in Bode, 2006, p.346)<sup>55</sup> there was a 'shift from government to governance... in all scales', a quasi-market governance in the provision of social assistance, with a 'contract culture' and a 'business jargon' (Bode, 2006). Social welfare provision is increasingly view as (co)produced in a multifaceted process of inter-organizational exchange, the latter 'involving . . . the market . . . but also civil society actors' (Kooiman, 2003 cited in Bode, 2006).

The current UK coalition government has launched the Work Programme<sup>56</sup> for labour market activation. There is a set number of WPs nationally, divided in a number of areas; the contracts to deliver WP will be given to at least two providers by area (with the intention to provide competition and thus according to the government efficiency and effectiveness). Payments to providers will be according to three establish outcomes: attachment fee, job outcome, and sustainment payments. The government will not specify of service delivery but a minimum level of service expected will be established. It is expected that prime providers will work with a range of sub-contractors and local partners to deliver services.

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<sup>55</sup> Bode, I., 2006. Disorganized welfare mixes: voluntary agencies and new governance regimes in Western Europe. *Journal of European Social Policy*, 16(4), p.346–359.

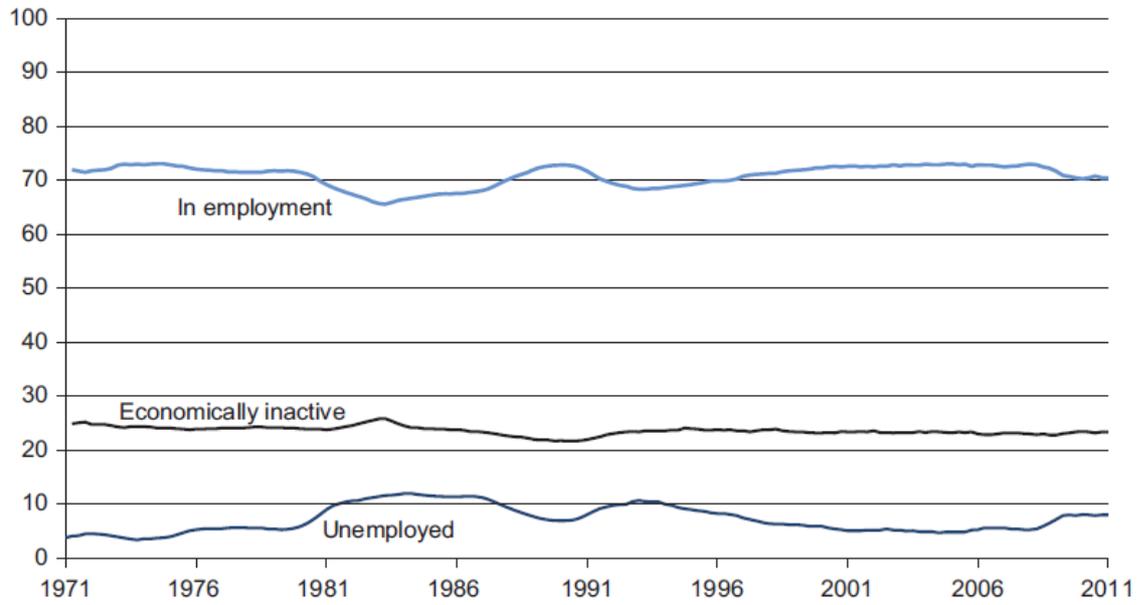
<sup>56</sup> <http://www.dwp.gov.uk/docs/work-prog-prospectus-v2.pdf>

### 4.3 National Dimensions of Integrated Policies

UK	Activation		Vertical (territorialisation)		Horizontal (coordination/integration)	
	Of individuals	Of living expenses	Multilevel coordination	Decentralization	Public/public coordination	Public/private coordination
Policy goals What for?	Benefits, in general, form part of a contract in which the individual have rights but also responsibilities under a 'welfare to work' principle.	Benefits should be oriented towards 'welfare to work' and the contractual principle.	Main rules come from central government (e.g. DWP); UK and Scottish government can pursue separate policies; Competences of LA determined by Scottish government and (for England) UK government.	Work Programme mean devolution of employment services for long-term unemployed to companies. WFF in Scotland largely devolved to LA.	DWP and Treasure; Community Planning Partnership (CPP) co-ordinate local and national policy at local level.	Through PPP and PFI; Through service agreements such as Work Programme; CPP and local strategic work with private sector.
Policy Instruments	New Deal; Pathways to Work; Work Programme;	Welfare benefits, including housings and childcare	Budget for employment and welfare services primarily from UK	Work Programme (including	Greater coming together of welfare support (welfare	Contractual.

With what?	Top up benefits: Tax Credits.	benefits, tax credits; Benefit penalties for not compliance.	government; For skills primarily from Scottish government since 1999; In Scotland some skills and employment services co-ordinated by Scottish government.	training for long-term unemployed); WFF now part of Fairer Scotland Fund.	benefits) with support from Tax Credits; Greater separation of skills support since 1999 (skills now part of Scottish government)	
Actors Who?	Department for Work and Pensions (DWP); Employment Services (Jobcentre Plus) responsible for benefits and enabler of partnerships; Prime contractors of Work Programme and local partners (including private, public and third sector)	DWP; Local Authorities (LA) for housing benefits (e.g. for homeless job seekers); Inland Revenue for tax credits	Mainly DWP.	Work Programme prime contractors and their local partners.		Prime Work Programme contractors and some local bodies (e.g. Business in the Community)

## Appendix 1



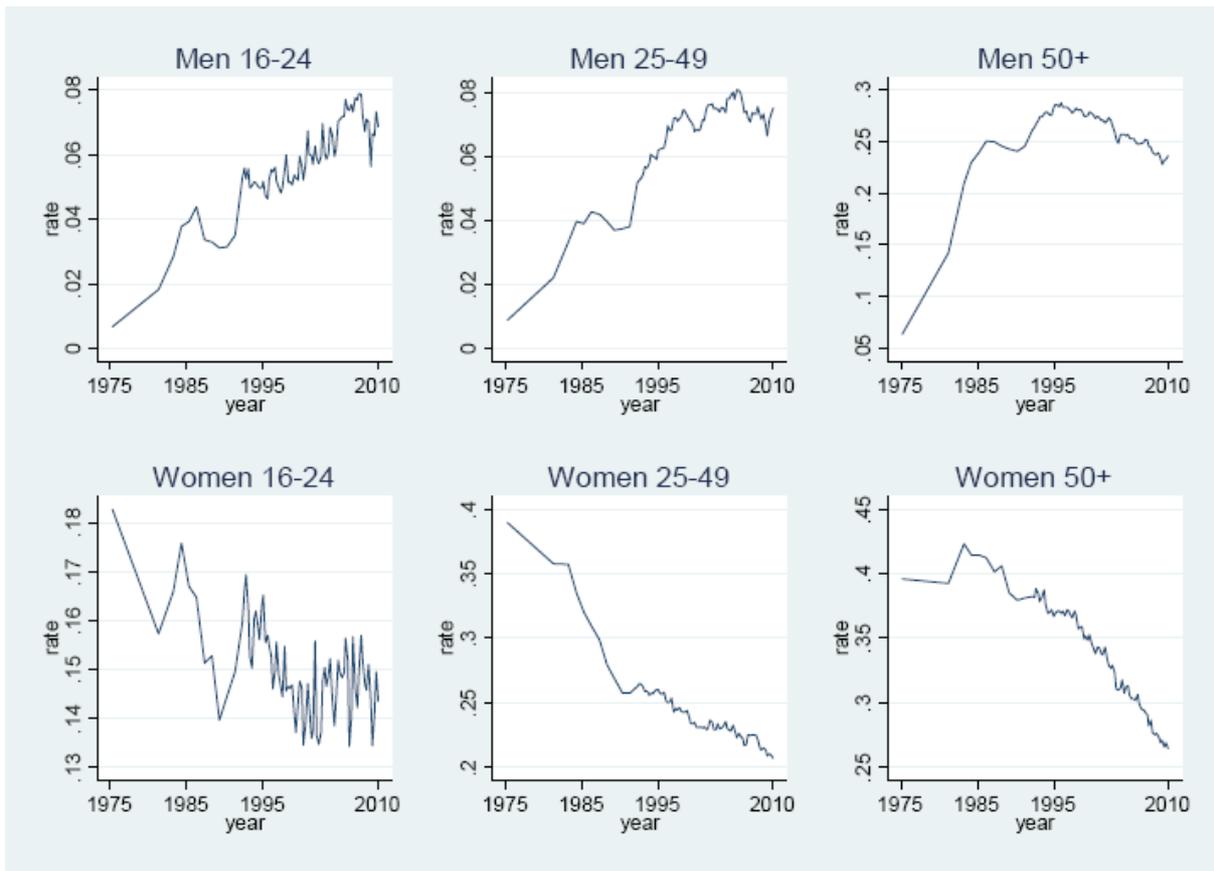
**Figure 1.2 UK Economic activity and inactivity rates 1971 – 2011.**

Source: Labour Force Survey, Office for National Statistics.

United Kingdom		Percentages				
	1994	1999	2004	2009	2010	2011
<b>Men</b>						
Students	27.7	25.0	28.0	32.9	34.4	33.3
Looking after family/home	4.7	6.0	6.1	6.2	6.3	5.7
Temporary sick	3.8	2.9	3.1	2.5	2.6	2.2
Long-term sick	39.9	42.8	37.7	34.6	32.5	33.5
Discouraged	3.4	1.6	0.7	1.0	1.2	1.5
Retired	11.1	12.1	12.9	13.2	13.3	13.5
Other	9.4	9.5	11.4	9.5	9.6	10.2
Does not want a job	68.2	67.9	71.0	72.1	69.8	70.1
Wants a job	31.8	32.1	29.0	27.9	30.2	29.9
<b>Women</b>						
Students	11.9	12.5	14.1	17.7	18.8	19.2
Looking after family/home	48.1	40.8	38.7	35.9	35.6	35.4
Temporary sick	1.9	1.9	1.7	1.6	1.5	1.5
Long-term sick	14.6	19.3	19.1	17.8	17.9	17.2
Discouraged	1.4	0.7	0.3	0.5	0.5	0.5
Retired	13.4	15.8	16.7	18.5	18.1	18.3
Other	8.7	9.0	9.4	8.0	7.7	7.8
Does not want a job	75.3	75.7	78.7	78.5	77.2	77.1
Wants a job	24.7	24.3	21.3	21.5	22.8	22.9

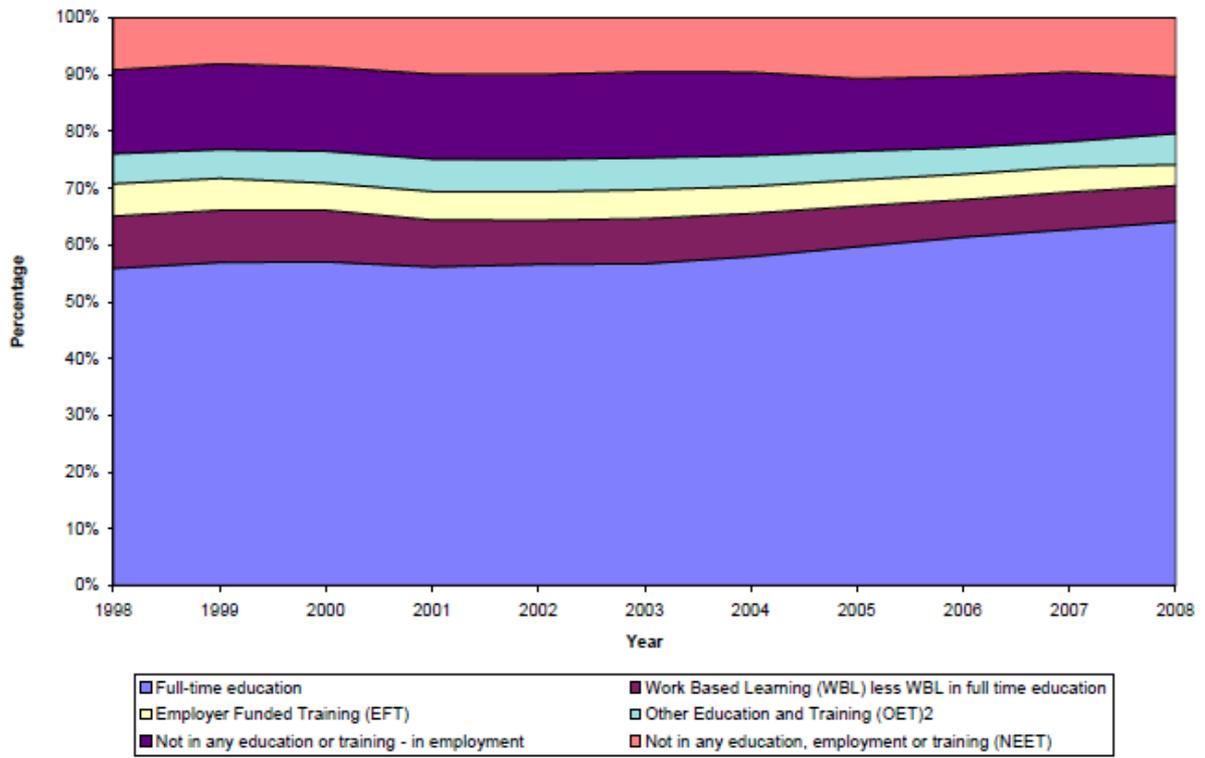
**Figure 1.3. Reasons for economic inactivity by sex.**

Source: Labour Force Survey, Office for National Statistics.



**Figure 1.4: Inactivity rates by age and gender.**

Source: Labour Force Survey.



**Figure 1.5 Participation of 16-18 year olds in education and training, England 1998-2008.**

Source: Department for Education. 2009