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TACKLING THE RECESSION: LABOUR MARKET POLICIES IN THE EU MEMBER STATES

MODELS AND SOLUTIONS

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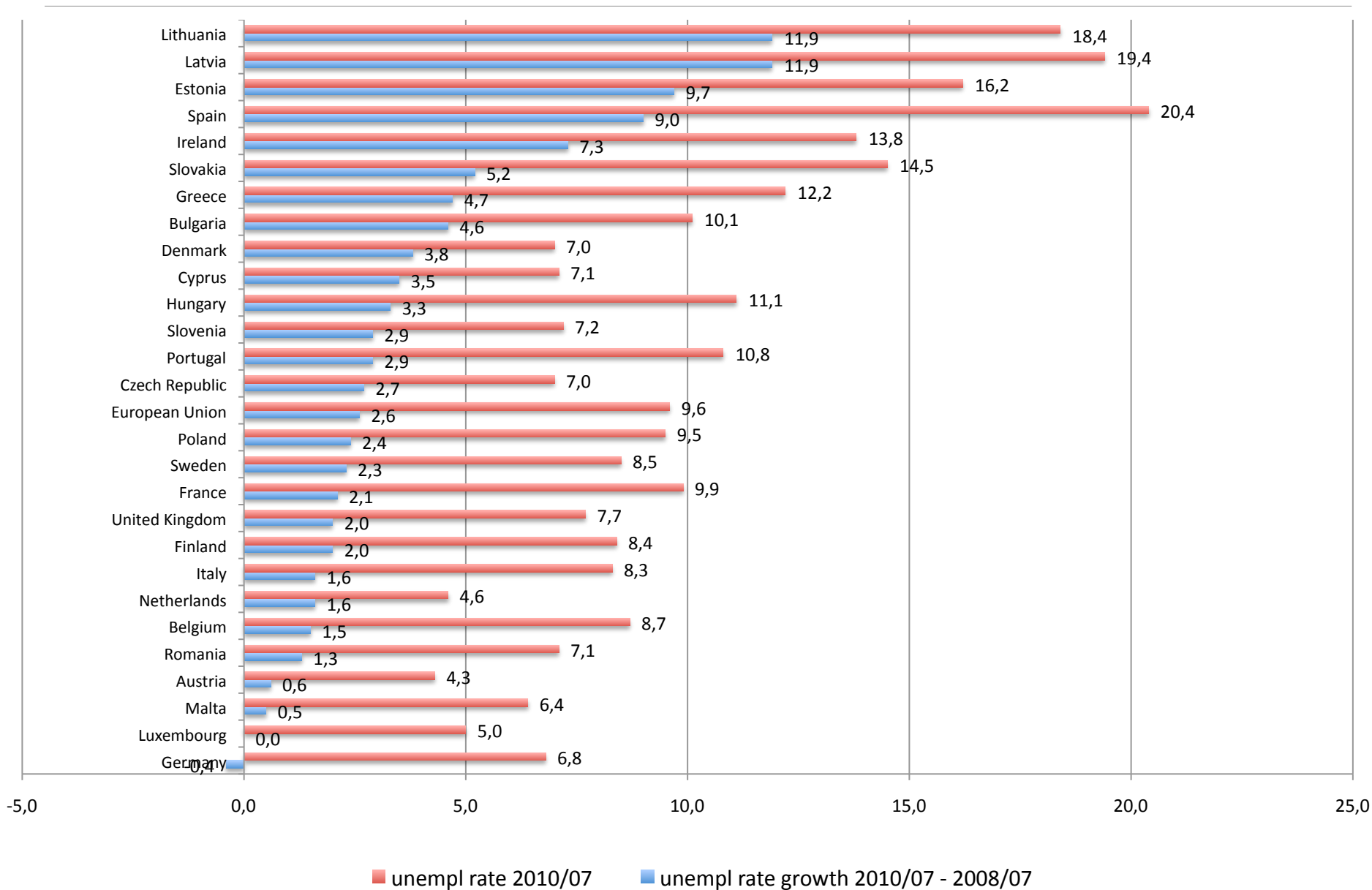
27 EU MEMBER STATES ...

... 27 WAYS OF TACKLING THE RECESSION

- ***Work placement programme*** (Ireland, Italy)
- ***Short-time working allowance programme*** (Belgium, Germany, Italy, the Netherlands)
- ***State funds for local investment*** (Spain, Latvia)
- ***Occupational transition contract*** (France)
- ***Job retention package*** (Hungary, Slovakia)
- ***Innovative labour market measures*** (the Netherlands, Portugal, Sweden, Italy)
- ***Temporary cuts in labour costs*** (Romania)
- ***Future jobs funds*** (United Kingdom)
- etc. etc.

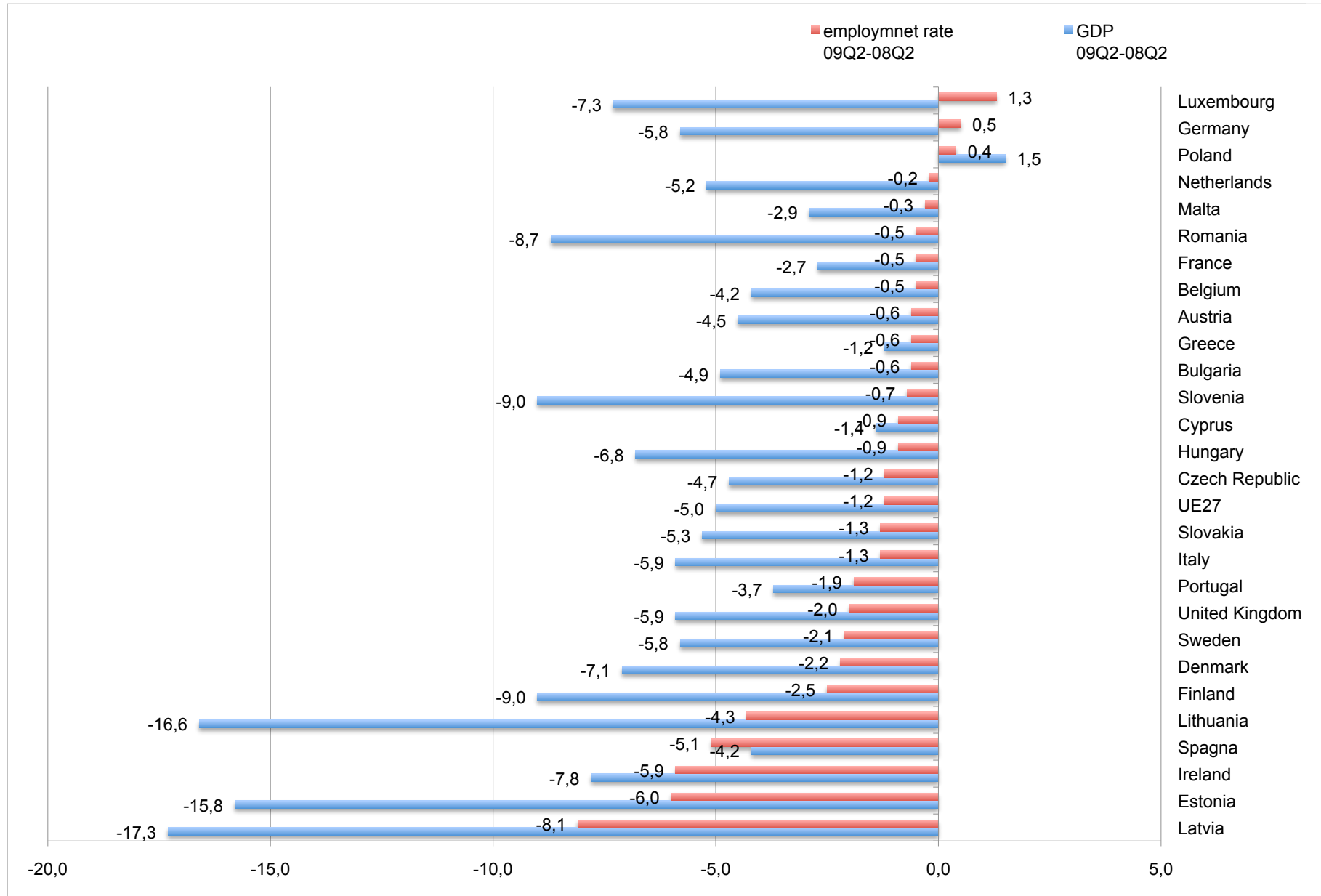
27 LABOUR MARKETS...

...27 DIFFERENT REACTIONS TO THE RECESSION

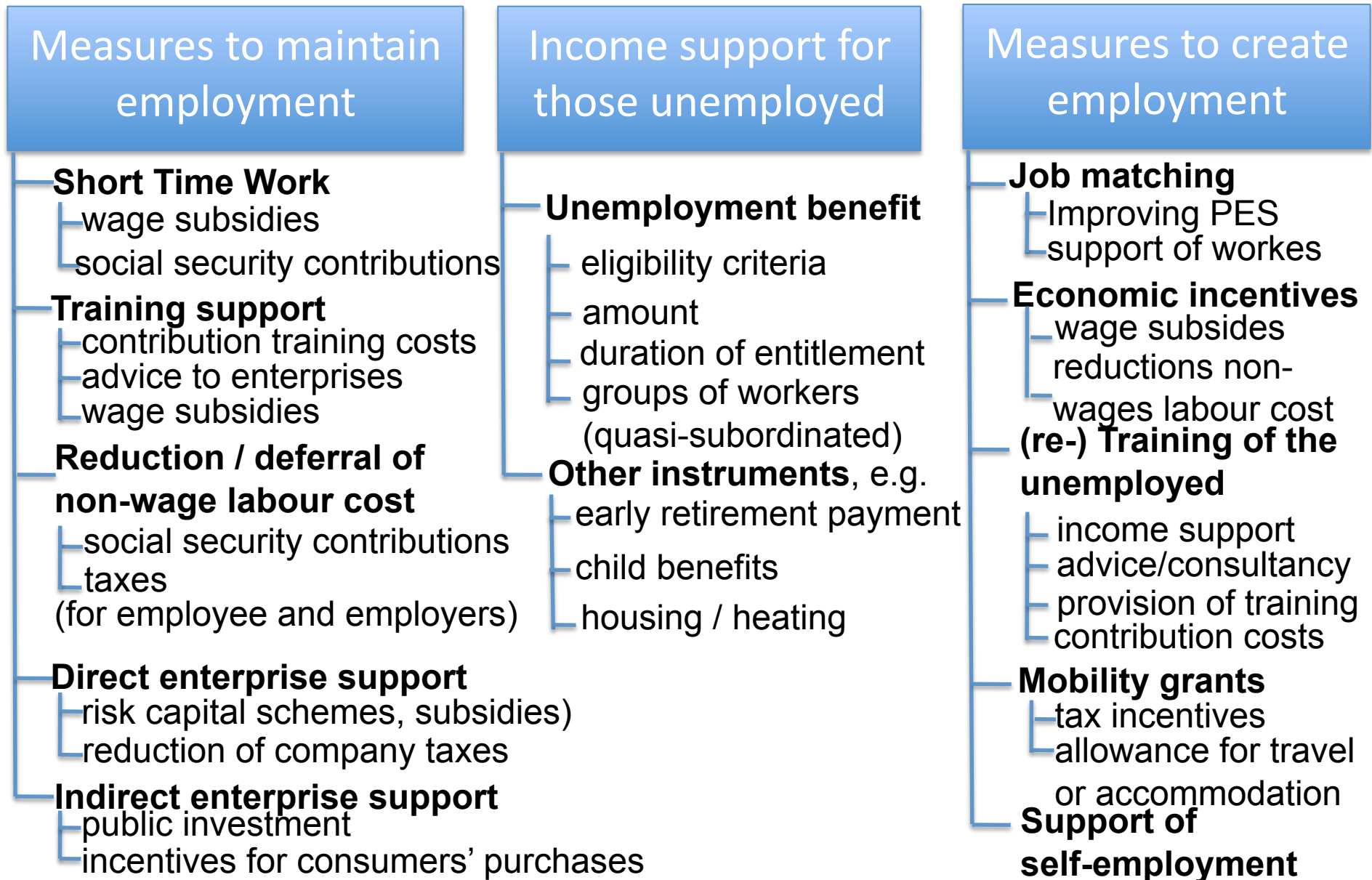


27 LABOUR MARKETS...

...27 DIFFERENT REACTIONS TO THE RECESSION



EMPLOYMENT RELATED RECESSION MEASURES



INCOME SUPPORT FOR THOSE UNEMPLOYED

UNEMPLOYMENT BENEFITS SYSTEM

- in every EU member State
- to face the crisis some governments have made (temporary) amendments to the regulations, for example with regard to the:
 - **Eligibility criteria:** relaxed the rules for entitlement to unemployment benefits (France, Finland, Sweden)
 - **Amount:** increased (Czech Republic)
 - **Duration of entitlement:** increased Latvia (9 months), Poland (from 12 to 18 months), Romania (+ 3 months)
 - **Group of workers protected:** quasi-subordinated (Italy)

MEASURES TO CREATE EMPLOYMENT

- **job matching, counselling and career guidance**
- efforts to **adapt public employment services** (for example hiring additional staff as in Germany, Norway, Spain, UK) and to **sustain with economic and / or normative incentives private employment agencies** (the Netherlands, Italy)
- **incentives for companies to employ additional workers** regarding special target groups (Germany, France, Italy, Sweden) for instance reducing the non-wage labour costs that employers have to pay for newly hired workers or through wage subsidies
- **training of unemployed people, support for training costs** (Poland, Italy)
- **additional income support**: in a few countries (as in France and Italy), unemployed persons are eligible for additional income support if attending training courses while they are unemployed due to the recession
- **mobility grants** (in Belgium extended tax incentives are offered to employees commuting from their place of residence to another region in which suitable job offers are available)
- **supporting self-employment** for example **giving advice, consultancy and training** (UK, Bulgaria) or **reducing or deferring social security payments**. Several Member States (Austria, Lithuania, Italy, Portugal, UK) have introduced or extended **subsidies for business start-ups**

MEASURES TO MAINTAIN EMPLOYMENT

MAIN MEASURES TO PREVENT DISMISSAL



SHORT TIME WORK ARRANGEMENTS (STW):

a temporary reduction in working time intended to maintain an existing employer / employee relationship. STW can involve either: (1) a **partial reduction in the normal working week** for a limited period of time or (2) a **temporary lay-off**. In both cases, the employment relationship continues and is not broken (*OECD definition*)

Too wide definition: STW schemes differ a lot in relation to **coverage, level of wage compensations** and **criteria** for their use i.e. **eligibility, time duration, procedures, involvement of trade unions, plans for return to normality**

SHORT TIME WORK SCHEMES: WHAT?

GROUP I

already existing / adapted
(Germany, Austria, Belgium,
France, Italy, etc)

STW are part of the unemployment benefit / insurance system
the employer pays social contribution to a fund or to the unemployment insurance system
in case of short time working or temporary lay-off, the employees are covered by this funds for the lost income as consequence of the reduction of working hours

GROUP II

**recently introduced
to face the crisis**
(the Netherland, Poland,
Hungary, Slovakia etc)

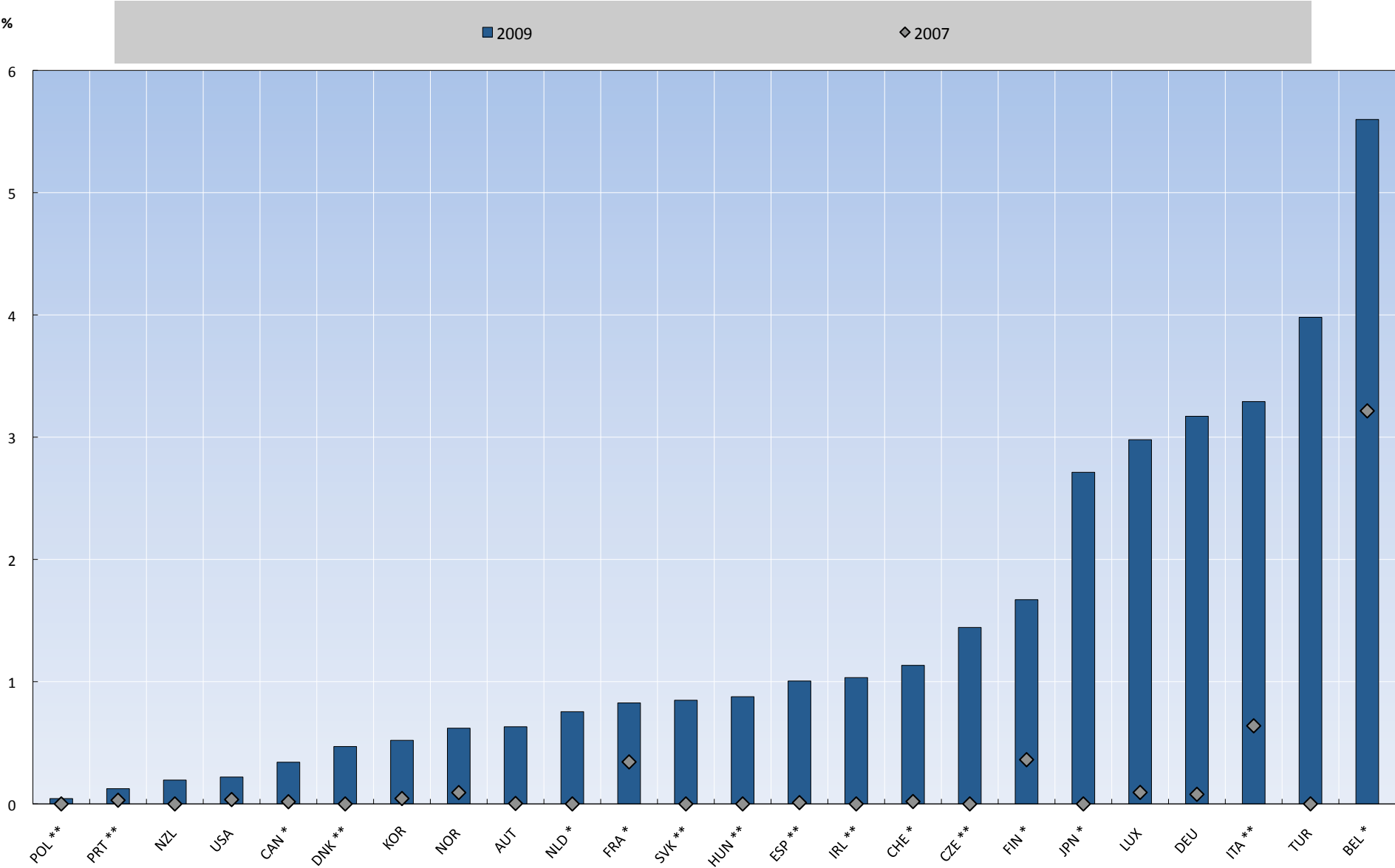
STW are not part of the unemployment benefit / insurance system
STW are introduced on temporary basis and funded by taxes

➔ **STW as income support in the transition towards a new job i.e. a sort of partial unemployment benefit** (minority of EU member States)

➔ **STW as a form of job protection against dismissal i.e. a sort of internal flexibility** (majority of EU member States)

EMPLOYEES PARTICIPATING IN STW SCHEMES

AS (% OF ALL EMPLOYEES)

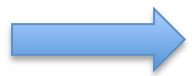


SHORT TIME WORK SCHEMES: WHY?



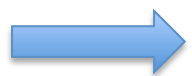
ADVANTAGES FOR EMPLOYEES

- AVOID DISMISSAL MAINTAINING EXISTING JOBS / CONTRACTS
- SUPPORT INCOME TO COMPENSATE LESS SALARY (due to less working hours)
- PROTECTING THE JOBS IRRESPECTIVE OF THE PERSONAL CHARACTERISTICS OF THE JOB HOLDER (SENIORITY, EMPLOYABILITY, KIND OF CONTRACT, ETC)



ADVANTAGES FOR EMPLOYERS

- PRESERVE HUMAN CAPITAL / SKILLS NECESSARY IN THE RECOVERY PHASE
- REDUCING COSTS OF TURNOVER, DISMISSAL, NEW SELECTIONS, TRAINING
- PREVENT PROFITABLE ENTERPRISES FROM GOING BANKRUPT



ADVANTAGES FOR GOVERNMENTS

- MAINTAIN SOCIAL PEACE / SOCIAL COHESION SHARING THE BURDEN OF THE ADJUSTMENTS WITH TRADE UNIONS, EMPLOYERS AND EMPLOYEES
- GAIN FLEXIBILITY AND DISCRETIONARY: PUBLIC AUTHORITY ARE ABLE TO INFLUENCE THE ADJUSTMENT OF THE LABOUR MARKET

POLICIES MIX ADOPTED BY EU MEMBER STATES

FROM THE BEST ... TO THE WORST LABOUR MARKET SITUATION

COUNTRY	Short time work	Training activities during the time off	Reduction of non-wage labor costs	Public expenditure	Income tax cut	Incentives to employ additional workers	Direct enterprise support	Training of unemployed	Improving employment services	Unemployment benefits
Germany	+	+	+			+	+		+	
Austria	+	+						+		
Romania	+		+				+		+	+
Belgium	+	+	+							
Netherlands	+	+	+			+	+	+	+	
Italy	+	+						+		
UK		+				+			+	+
France	+	+		+		+	+	+		+
Sweden			+			+			+	+
Poland	+				+		+	+		+
EU 27										
Hungary	+	+	+			+	+			
Denmark										+
Bulgaria	+		+			+			+	
Greece		+				+				
Ireland		+						+		+
Spain				+				+	+	
Estonia					+		+	+		+
Lithuania		+			+		+			

POLICIES STRATEGIES / SOCIAL PROTECTION SYSTEM

Systems	Employment protection legislation	Unemployment benefit / insurance	Short time working (STW) and lay-off compensations	Active Labour Market Policies (ALMP) Public Employment Services (PES)
Traditional welfare systems (Southern Europe)	Strict dismissal protection legislation (individual and collective)	Non generous: <ul style="list-style-type: none"> • Short duration • Low replacement rate 	Yes (as internal flexibility tool) <ul style="list-style-type: none"> • Extended to workers with atypical contract 	Low level of activities and implementation of few ALMPs
Flexicurity systems (Northern Europe)	Non-restrictive dismissal protection legislation	Generous: <ul style="list-style-type: none"> • Long duration • High replacement rate 	No or very limited as partial unemployment benefit	High level of activities and implementation of many ALMPs

CONCLUSION

→ There is not necessarily only one “best solution” to tackle “different kinds” of economic recession i.e. “different type of crisis” need “different solutions” (STW works quite well to deal with transitory shocks i.e. when the downturns is temporary, but they are risky in other cases: **declining sectors? delaying their restructuring?** But see the manufacturing sector in Germany, Italy)

→ It is also important to **understand the contest and the legal framework** in which any possible solution indicated by the international comparison works (STW are complementary to a strict dismissal protection regulation)

→ For comparative purposes scholars from US interested in STW schemes should probably concentrate their efforts to **study countries like the Netherland where dismissal protection is no so much restrictive** like in Germany, Italy