

ACTIVE LABOUR MARKET POLICY AS A COMPONENT OF FLEXICURITY

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Active labor market policy includes measures to facilitate the return to work (training courses for the unemployed, incentives for unemployed to return to work, support for creating new jobs, etc.). Within the EU countries, we can observe some convergence in the activation of the unemployed. On the other hand, there are also significant differences resulting from the different performance of their labour markets as well as the heterogeneity of their institutional environments. The current paper aims to analyse these tendencies in the example of the following countries: Austria, France, United Kingdom and Spain. The results show that despite some differences, the most significant common factor of the active labour market policy in the selected EU member states is tightening the program participation criteria.

Keywords: flexicurity, labour market performance, active labour market policy

Introduction

Labour market reforms carried out in EU countries in recent years have been based on activation policies. Active labour market policies include measures of various types. In some countries, these policies have a dominant support position designed to create jobs. The support can be in the following forms:

- financial incentives (subsidies, tax holidays) are provided to companies hiring people who are experiencing difficulties in the labour market
- direct job creation in the public sector.

In other countries, the emphasis is mainly on policies aimed at increasing the employability of the unemployed (these are primarily various retraining programs). Many studies analyse the approaches and efficiency of active (Goulas & Zervoyianni, 2018; Vishnevskaya, 2019; Vooren et al., 2019; Sahnoun & Abdennadher, 2018) and passive (Taracha & Mirowski, 2022; Sahnoun & Abdennadher, 2021; Ductor & Grechyna, 2020) labour market policies in multiple countries, including Western European countries (Kantová & Arltová, 2020; Orton & Green, 2019; Wapler et al., 2018; Karasova et al., 2019).



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Regarding the EU countries, the current article focuses on four representatives: Austria, France, Great Britain and Spain. The paper analyses certain national particularities in the enforcement of activation measures.

Active Labour Market Policy in Austria

In the past, Austria allocated relatively few resources to the active labour market policy. However, it has made several institutional changes in recent years:

- Tightening of conditions for the provision of unemployment benefits. Based on the 2004 measure, the period during which an unemployed person can refuse a job offer because it differs from his/her previous jobs was reduced to 100 days. (Weishaupt, 2010).

- Introduction of active labour market policy programs. All unemployed program participants receive a benefit in addition to the unemployment support. Various types of programs have their specifics as follows:

- Requalification courses include language courses and courses to improve computer skills of duration from 4 weeks to one year. In case of successful completion, each participant receives a certificate.

- Job search help program focuses on writing resumes, cover letters and preparing for a successful job interview.

- Help with orientation in the labour market – each participant is assigned a coach who helps him/her develop an individual plan for his/her future career.

- Integration programs are intended for long-term unemployed.

Establishing social enterprises

The establishment of the first social enterprise in Austria dates back to the 1980s (Zauner, 2006). In the mid-1990s, it experienced a second wave of social enterprises, which were established thanks to funds from the European Social Fund. Social enterprises are considered as a secondary labour market that facilitates transition to the open labour market for its participants. Social enterprises cannot employ workers permanently. In the past, employees could stay in social enterprises for a maximum of 12 months. Currently, this period is limited to 6 months.

The specifics of the application of active labour market policy measures in Austria are also reflected in a different structure of expenses compared to the average of the EU countries (see Tab. 1).

Table 1–Structure of expenditures on active labour market policy in Austria and EU countries, in %, 2021

(Source: processed by the author according to the OECD data)

	Requalification programs	Employment programs	Integration of disadvantaged groups	Other programs
Austria	65	23	12	0
EU	41	35	18	6

Active Labour Market Policy in France

Within the measures of the active labour market policy in France, three main directions can be distinguished:

- decrease in the length of working hours established by law,
- reduction of contributions paid by employers to the social insurance company,
- specific measures regarding certain categories of the economically active population, which are most at risk of unemployment.

Ad 1

The first step to reducing working hours to increase the number of jobs was an attempt by the left-wing government in 1981. As a result, the working time established by law was reduced from 40 hours to 39 hours. From January 1, another reduction was introduced. The 35-hour working time contributed (according to INSEE) to the creation of 300,000 jobs.

Ad 2

In the 1990s, employment policy in France was oriented towards introducing measures to reduce labour costs. Measures are being introduced to reduce the payments from low wages and also from the wages of certain social groups (seniors, young people, etc.).

Ad 3

The latest measure in this area is the "new employment contract" (CNE – Contrat nouvel embauches), from 2005. The latter simplifies the legislation regarding dismissals in small businesses employing at least 20 workers (Guimard & Serverin, 2007). It is an employment contract for an indefinite period, which includes a two-year stabilisation period. It can be terminated by both the employee and the employer through a registered letter. The employer has to pay a severance in the amount of 8% of the gross wage and is supposed to transfer 2% of the employee's gross salary to the special employment services fund.

Active Labour Market Policy in the UK

Public expenditure on labour market policy is relatively low in UK. Their share in GDP is only 0.67% (while the EU average is 2.2%). Within the active measures of the labour market policy, the cost of public employment services is essential.

The tools used in the UK within the active labour market policy can be divided into two groups:

- Programs intended for job seekers (created gradually from 1998 to 2003).
- Tax incentives in case of return to work.

Ad 1

This group includes:

- New Deal for young people – all young people from 18 to 25 years old who have received a jobseeker's allowance (JSA) for six months have to be included in this program. The employment centre firstly tries to find a job for the unemployed youth during the "Gateway" period. At the end of this period, each job seeker has to

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choose one of the following three options: a subsidised job (for six months), training or an environmental job.

- The new Deal for long-term unemployed older than 25 years old is similar to the previous program, intended for people under 25.
- New Deal for single parents created for single parents out of work or parents who work less than 16 hours a week. The program participation is voluntary, and each participant is assigned a personal consultant.
- New Deal 50 plus.
- New deal for disabled people.
- Pathway to work is a program created in 2003 and is mandatory for all new applicants for a disability pension.
- Employment zones – this program is applied in regions with a consistently high unemployment rate.

Tax incentives in case of return to work

This active labour market policy instrument already has a history in the United Kingdom. Currently, benefits are provided in two forms:

- WTC (Working Tax Credit) – this benefit is intended for childless persons older than 25 years, who work more than 25 hours a week and have a very low income.
- CTC (Child Tax Credit) - the condition for granting this benefit is that at least one family member works more than 16 hours a week and that the family takes care of at least one child under the age of 16.
- As for the effects of the mentioned active labour market policy measures, they were lower than expected when they were put into practice (Brewer, 2008).

Active Labour Market Policy in Spain

The active labour market policy began to be more fundamentally enforced in 1992 when there was a dramatic decrease in the payment of unemployment benefits. Until then, the system of unemployment benefits was generous. Its administration is ensured by the National Institute of Labour (INEM).

The reason for the reform of the unemployment benefits system in 1992 was a deep recession in the early 1990s. A generous system of social support, in combination with a high unemployment rate, becomes a cause of the deficit in the state budget. Since a recovery of public finances is one of the conditions of the Maastricht Treaty, it has become a government priority.

Therefore, the Spanish government also supported the active employment policy in this period. However, this did not bring the expected results. A more radical change in the employment policy was brought only by the 2002 law, which introduced new restrictions on unemployment benefits into the Spanish legislation (Sobrino, 2007):

Public employment services have to offer personal consultations to the unemployed.

In cooperation with each job seeker, they have to develop a plan for his/her integration into the labour market. The unemployed has to sign the so-called activity commitment. In doing so, he/she undertakes to actively look for a job and especially accept adequate job offers.

The concept of an adequate job offer is being revised based on the three following criteria:

- Professional criterion. If a job seeker has been unemployed for more than one year, all job offers that are considered to be adequate from the point of view of an employment services meet this condition.
- Geographical criterion. All job offers located less than 30 km from the place of residence of the job seeker fulfil the requirements.
- Conditions associated with a job contract. The salary offered has to correspond to the usual wage in the given profession.
- The share of expenditures on active labour market policy is increasing. Among these expenses, subsidies paid to companies for the employment of job seekers become the most important.

Conclusion

In conclusion, we should highlight that despite the national specificities in implementing active labour market policies in EU countries, it is also possible to identify certain common features. These consist of tightening the criteria that must be met to become entitled to unemployment benefits and shortening the amount and duration of receiving these benefits.

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