Labour Market Reforms and Performance in Denmark, Germany, Sweden and Finland

Publications of the Ministry of Employment and the Economy
Employment and entrepreneurship
19/2012

TYÖ- JA ELINKEINOMINISTERIÖ
ARBETS- OCH NÄRINGSMINISTERIET
MINISTRY OF EMPLOYMENT AND THE ECONOMY

HEIKKI RÄISÄNEN – JOHANNA ALATALO – KRISTIAN KRÜGER HENRIKSEN
– TORBJÖRN ISRAELSSON – SABINE KLINGER

Labour Market Reforms and Performance in Denmark, Germany, Sweden and Finland

Publications of the Ministry of Employment and the Economy
Employment and entrepreneurship
19/2012

Työ- ja elinkeinoministeriön julkaisuja Työ ja yrittäjyys 19/2012
Arbets- och näringsministeriets publikationer Arbete och företagsamhet 19/2012
MEE Publications Employment and entrepreneurship 19/2012

Tekijät | Författare | Authors

Heikki Räisänen, Johanna Alatalo,
Kristian Krüger Henriksen, Torbjörn Israelsson
ja Sabine Klinger

Julkaisuaika | Publiceringstid | Date
April 2012

Toimeksiantaja(t) | Uppdragsgivare | Commissioned by
Työ- ja elinkeinoministeriö
Arbets- och näringsministeriet
Ministry of Employment and the Economy

**Toimielimen asettamispäivä |
Organets tillsättningsdatum | Date of appointment**

Julkaisun nimi | Titel | Title

Labour Market Reforms and Performance in Denmark, Germany, Sweden and Finland

Tiivistelmä | Referat | Abstract

The Danish, German, Swedish and Finnish labour market reforms and performances are analysed in this publication between 2000 and 2010. A descriptive report is presented from each country concentrating in the main reforms, their context and the outcome based on research evidence.

All the four countries have implemented remarkable labour market reforms. The reforms have addressed tighter unemployment benefit regime, the tasks and organisation of the public employment service as well as the volume and content of active labour market policy measures. In addition, certain specific groups of people have been addressed in the reforms. All these are components of successful labour market reforms.

In Denmark, especially innovative is the combination of broad activation policy, relatively generous unemployment benefits and loose employment protection regulation, known as the Danish flexicurity model. Germany has experienced a continuum of systematic reforming. Fostering the long-term labour supply and effective integration of the difficult groups of people to the labour market has been emphasised in Sweden. The Finnish transition security and education on one´s own initiative with unemployment benefits can be considered as innovative reforms.

Denmark has been especially succesful in integration of young people, the general employment rate is high and the labour market dynamic. Germany has, due to the broad reforms, improved the overall labour market performance. In Sweden the general and elderly employment rates are high and the labour market dynamic. Finland has succeeded in improving the employment of the elderly and also the female employment rate is high.

This report tries to build a systematic outlook on the labour market reforms on one hand, and the labour market performance on the other as well as to spesify the more and less successful components of the reforms.

Contact person within the ministry of Employment and the Economy: Johanna Alatalo / Knowledge Management Department, tel +358 10 604 8084

Asiasanat | Nyckelord | Key words
Labour Market, Labour Market Policy, Reforms, Denmark, Germany, Sweden, Finland

ISSN
1797-3562

ISBN
978-952-227-620-9

Kokonaissivumäärä | Sidoantal | Pages
108

Kieli | Språk | Language
English

Hinta | Pris | Price
22 €

Julkaisija | Utgivare | Published by
Työ- ja elinkeinoministeriö
Arbets- och näringsministeriet
Ministry of Employment and the Economy

Kustantaja | Förläggare | Sold by
Edita Publishing Oy / Ab / Ltd

Foreword

This paper is a joint effort of researchers from four countries: Denmark, Germany, Finland, and Sweden. The motivation behind this publication is to analyse the labour market policy reforms of these countries and try to learn from each other. Labour market performance is monitored in several ways, and we also try to connect the reforms with the performance indicators.

The request for this analysis was presented by Finnish Minister of Labour Lauri Ihalainen, who wanted to obtain comparative information and thorough knowledge for purposes of the Finnish labour market reforms that are being prepared.

We asked colleagues from Denmark, Germany, and Sweden to join us in this effort. Mr Kristian Krüger Henriksen, from the Danish National Labour Market Board (Arbejdsmarkedsstyrelsen); Dr Sabine Klinger, of the Institute for Employment Research of the German Federal Employment Agency (Institut für Arbeitsmarkt und Berufsforschung); and Mr Torbjörn Israelsson, from the Swedish Public Employment Service (Arbetsförmedlingen), joined us for this challenging task. They have prepared the country reports describing and analysing the reforms in the 2000s in the field of labour market policy in their respective countries. Also, they have prepared the sections analysing the Beveridge curves in the respective countries. The Finnish country report and all general indicator-based portions, along with the conclusions of the report, have been prepared by Ms Johanna Alatalo and Dr Heikki Räisänen from the Finnish Ministry of Employment and the Economy. All authors are responsible for their part of the whole.

We would like to thank all of the organisations for devoting high-level resources to this exercise and improving mutual policy understanding and benchlearning. However, the statements and opinions presented in the paper remain the authors' responsibility and do not necessarily reflect the official opinions of the respective organisations.

Helsinki, March 2012

JOHANNA ALATALO
Ministerial Adviser

HEIKKI RÄISÄNEN
Research Director

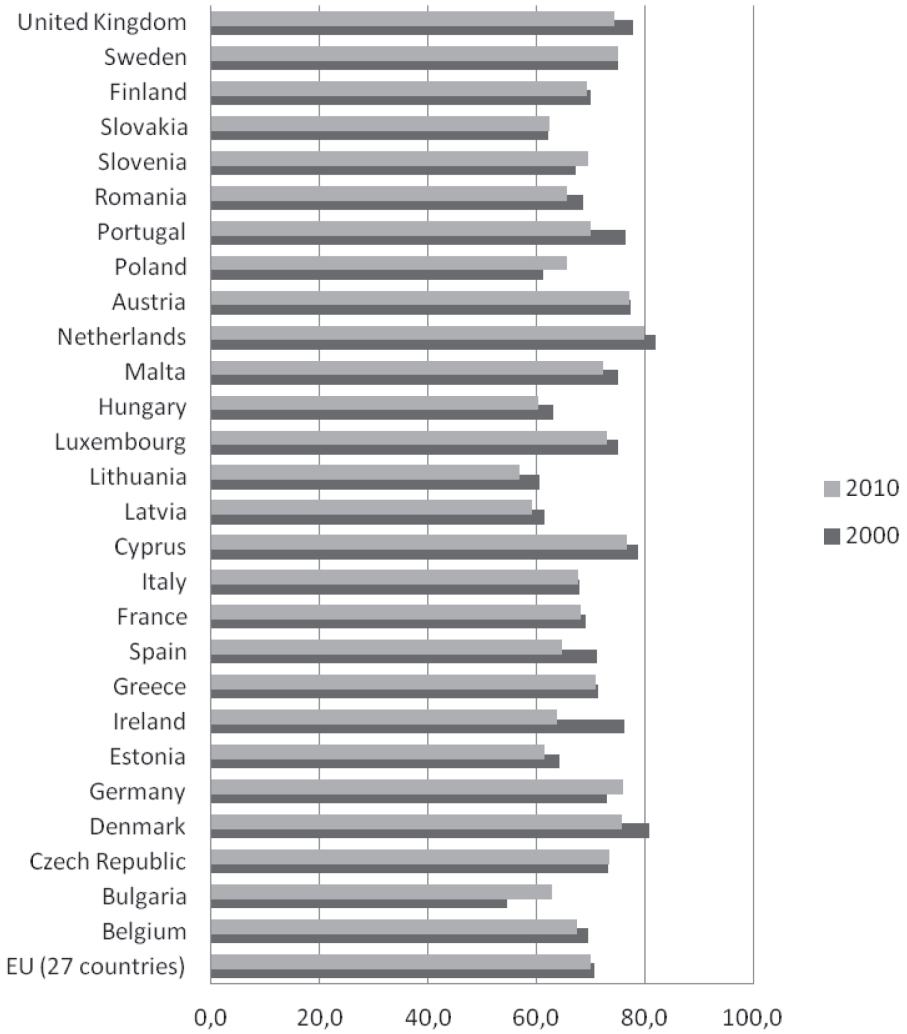
Contents

1 Introduction: good performance with different policies

The aim of this report is to describe recent labour market reforms in certain countries – Denmark, Germany, Sweden, and Finland, with the motivation for Finland in particular being to learn from labour market policy and reforms in other countries. Since all four countries have performed fairly well in the labour market, as measured by various indicators, Finland should look carefully at the reforms in these countries. At the same time, Finland itself has made reforms, which could be interesting for the other countries. The time window considered in the paper is, in general, 2000 to 2010. This time was characterised by relatively long and stable growth until the global financial crisis hit Europe in 2008 and, in so doing, all four of these export-dependent countries. The labour market outcome of the crisis was at its worst in 2009, and the next year already saw the start of the recovery.

The case countries' institutions and policies share some features, but more detailed comparison reveals that there are also differences. The focus in this report is on labour market policy, which means that other labour market institutions, as well as social benefits other than unemployment benefits, are excluded. The message delivered via labour market indicators such as employment and unemployment rates is that all of these countries have performed fairly well, with different policies. Labour market dynamics, measured in terms of labour turnover, is also quite high in all four countries. On the other hand, each of the countries has its own challenges as well, and reforms in various countries have been tailored to tackle those challenges. The reforms in the various countries are described in Chapter 2, in the country reports. First, we discuss the EU-wide developments between 2000 and 2010 in terms of employment, unemployment, and labour market dynamics, in order to gain understanding of the larger labour market environment around these four countries.

Figure 1. Standard employment rates in EU countries in 2000 and 2010, as a percentage of the relevant population (source: Eurostat).[1]



The employment rate in 20 EU countries fell between 2000 and 2010, in most cases probably explained by the financial crisis in 2008 and developments after that. However, six countries have been able to improve their employment performance. All of these are new Member States, apart from Germany. Sweden stands at exactly the same position as 10 years before, and Finland's employment rate was slightly lower in 2010 than in 2000. In Denmark, the employment rate was very high in 2000, and even though it remained clearly higher than the EU average in 2010, the financial

1 The indicators in the report are based on the work of the European Commission's Employment Committee's Indicators Group concerning EU 2020 monitoring. The statistical sources are Eurostat and the OECD.

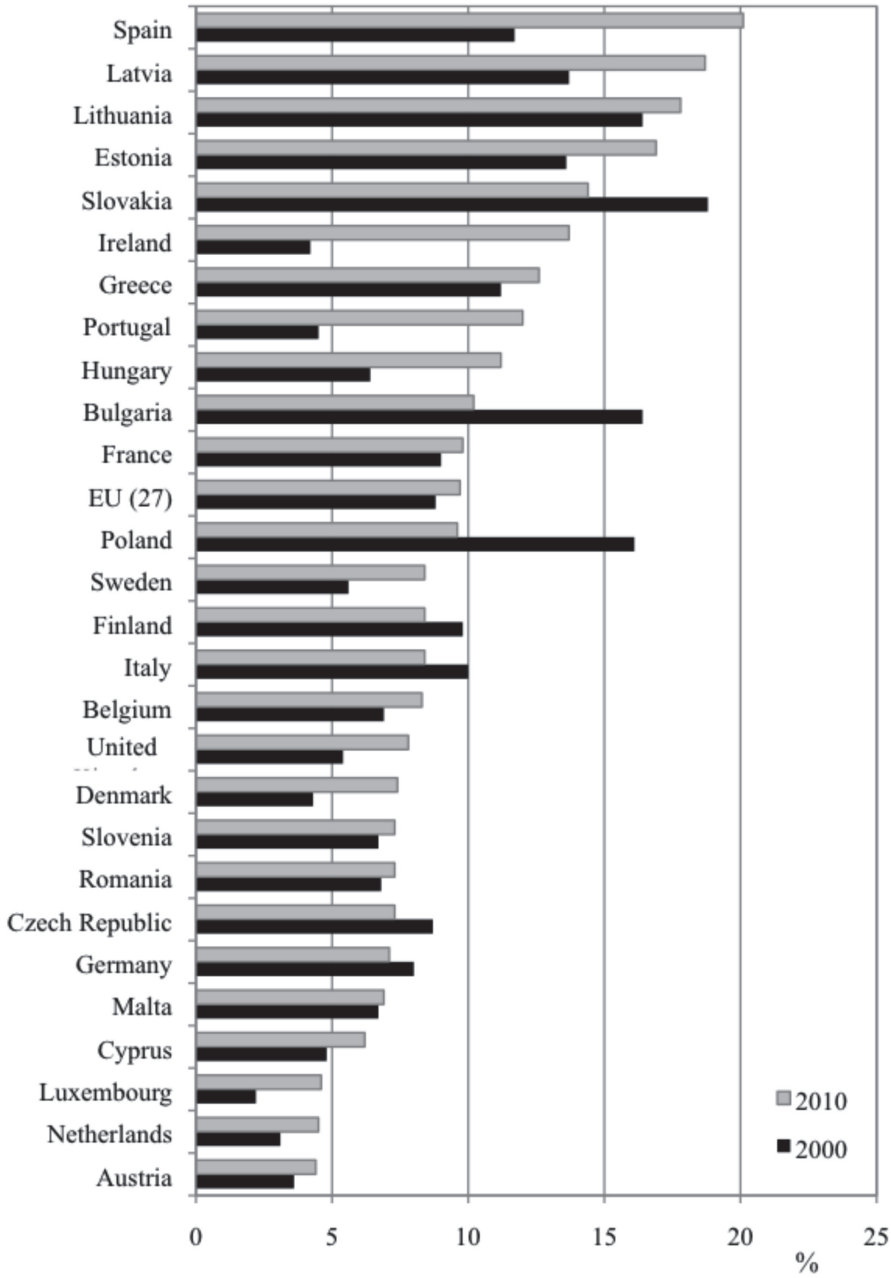
crisis seems to have had quite a negative effect on employment in Denmark. The EU27 development for 2000 to 2010 is a slight decline in employment rates.

The figure above shows also that starting levels of employment in 2000 were quite different. Employment rates in Sweden and especially in Denmark were very high, while those in Germany and Finland were closer to the EU average. The employment rate in Finland lagged especially far behind those in the other three case countries. This was the case also in the 2010 figures.

In 2000, unemployment rates in Sweden and, even more pronouncedly, Denmark were clearly below the now-EU27 average. The unemployment rate in Germany in 2000 was slightly lower than the EU average. In contrast, in Finland the unemployment rate in 2000 was slightly higher than the EU-average figure, a fact partly explained by structural unemployment as a legacy of the depression in the 1990s.

The financial crisis in 2008–2009 resulted in higher unemployment in most EU countries, especially in 2009. In 2010, employment had not entirely recovered in several EU countries, and unemployment rates in most countries are now higher than before the financial crisis. Spain and the three Baltic States (Latvia, Lithuania, and Estonia) had the highest unemployment rates in 2010. The other end of that continuum consists of Austria, the Netherlands, Luxembourg, and Cyprus. There have been some relatively large changes in unemployment rates in the 10 years considered. Worthy of note is that only Germany, the Czech Republic, Italy, Finland, Poland, Bulgaria, and Slovakia have succeeded in reducing their unemployment rate.

Figure 2. Unemployment rates in today's EU countries in 2000 and 2010, as a percentage of the labour force (source: Eurostat).

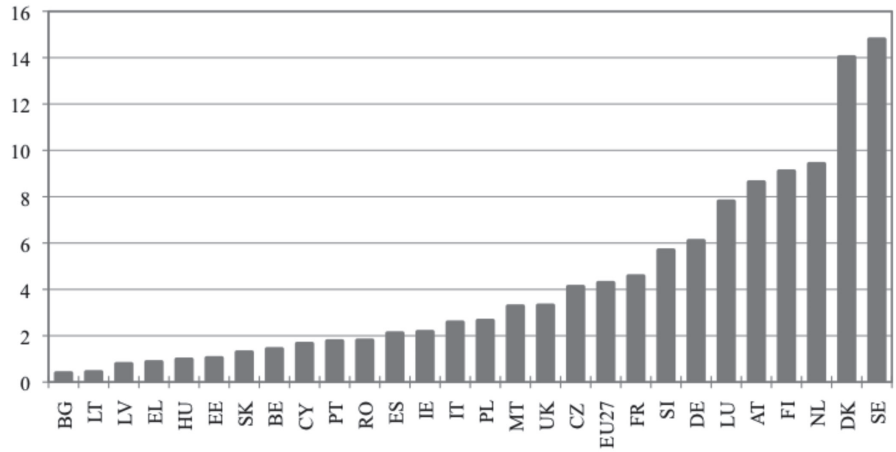


In general, all four countries have performed quite well, as measured by employment and unemployment rates. This can be seen from both 2000 and 2010, even though the effects of the financial crisis did result in greater loss of employment in some countries. While our focus is not on the effects of the financial crisis, the fact remains that in 2010 employment had not fully recovered. The emphasis in the country reports in Chapter 2 is on labour market policy reforms since 2000. Even in the case of successful structural reforms intended to promote employment in the long term, one could see more or less negative employment effects during – and shortly after – the crisis.

The structure of unemployment varies among these four countries. We will take a more in-depth look at unemployment in various age groups and between women and men. The share of long-term unemployment is another important indicator. We consider also that the employment rates in various groups differ. Since the focus is on reforms, we are interested in not only the recent levels of these indicators but also the changes in time series – these changes and trends do not verify the effectiveness of reform *per se*; they indicate successes or challenges. Performance as described by labour market indicators is presented in Chapter 3.

The dynamics of the labour market has been quite high in all of the case countries, especially Sweden and Denmark. Continuous restructuring and reallocation of resources influence both labour market and macroeconomic performance. Dynamics in the economy boosts productivity, but, at the same time, the restructuring process involves frictions and rigidities. The more dynamics there is in the labour market, the smoother the adjustment called for. Greater dynamics also creates more causes of friction, therefore demanding well-functioning and flexible institutions. This has been addressed in the labour market reforms through efforts to improve the matching efficiency.

Figure 3. Labour turnover (hires and separations), as a percentage of employment in 2010 (source: Eurostat).



High turnover in the labour market has prompted reforms intended to increase the employability of jobseekers, protect employment, and/or ensure economic security of the unemployed (the flexicurity approach). Whilst we do not discuss different flexicurity models in this report, reforms intended to tackle labour market rigidities and promote smooth adjustment are in any case closely related to the reforms pertaining to unemployment benefits, active labour market policy, and public employment services.

The functioning of the labour market and matching – as is labour turnover – are determined also by other institutions than labour market policy and the reforms we describe in Chapter 2. Despite this, labour market dynamics and performance are worth examination in more detail. Labour turnover describes the volume of separations and hires, but other indicators too, such as Beveridge curves, are important. Labour market dynamics and matching efficiency are analysed in Chapter 4. The institutions and policies have some common features, but a more detailed comparison reveals differences. The focus in this report is on labour market policy reforms, so other labour market institutions, and social benefits beyond unemployment benefits, are excluded, even those other institutions with a role in labour market performance. Chapter 5 presents conclusions about the reforms and performance and provides an overview of the reforms described in the country reports. All countries have made reforms in all main policy areas, but the intensity of their various components differs. Chapter 5's conclusions also address performance, examined in view of the indicators in chapters 3 and 4. Even though the indicators themselves are quite easy to interpret, comparison of the reforms and performance must ultimately remain rather tentative. The changes during the financial crisis further complicates interpretation.

2 Labour market policies and reforms

2.1 Denmark: Increased incentives and activation

2.1.1 Introduction

A high structural level of labour supply and employment is the foundation of a high prosperity level and is crucial for financing of public spending.

The labour market reforms in Denmark since the mid-1990s have increased the incentive to seek employment, with tightening of unemployment benefit structures and increased use of activation schemes. The labour market reforms have reduced structural unemployment – i.e., the unemployment level that is compatible with stable wage and price developments a few years ahead[2]. At the same time, actual unemployment decreased substantially from its 1993 peak of around 350,000 persons to the latest trough, of around 50,000, in 2008[3]. The substantial drop in unemployment occurred without the rate of wage increase rising as much as warranted by estimated wage models; structural unemployment has indeed dropped markedly. This partly reflects the ongoing reforms of labour market policy. At the same time, demographic trends and increased inflow of labour from abroad have led to a larger workforce.

From the autumn of 2008, the economic crisis led to a sharp increase in unemployment. However, the level of unemployment in Denmark in 2011 remains relatively low from a historical and international perspective.

The labour market reforms imply that active employment measures take place earlier, are intensified, and spread to target groups with problems other than unemployment. Rules regarding eligibility qualifications have been tightened so as to strengthen job search. At the same time, rules pertaining to social benefits are adjusted to strengthen the incentive to obtain work, for instance, through a shorter benefit period.

The demographic trends of today are reducing the workforce and employment as the historically large generations now leave the labour force and are replaced by smaller cohorts. The increase in the proportion of older people in the workforce reduces the labour supply also since the older employees work fewer hours, on average, than those in younger groups. This demographic trend is expected to reduce the labour supply by about 66,000 people in total between 2010 and 2020 while the total population grows by more than 150,000[4]. The decline in the labour supply will be greater if the trend toward fewer working hours continues into the future.

---

2 Finansministeriet: Reformpakke 2020, April 2011, p. 109.
3 Danmarks Statistik: Statistikbanken.
4 Finansministeriet: Reformpakke 2020, April 2011, p. 110.

The retirement reform (2011) addresses this challenge. It increases labour supply and thereby contributes to ensuring structural balance in public finances in 2020. In addition, the Danish labour market has undergone a number of reforms since the mid-1990s. The maximum unemployment benefit entitlement period is to be gradually reduced to two years from mid-2012. The 'passive' period before an activation process has been significantly reduced. Requirements for the unemployed to be available for work are being tightened on an ongoing basis, and sanctions have been made stricter. Most recipients of cash benefits are now subject to the same availability rules as unemployment benefit recipients are. Special measures have been implemented for unemployed persons under the age of 25, including a lower benefit level, and this has led to a significant decline in youth unemployment. As a result of the reforms, structural unemployment – i.e., the level of unemployment that is compatible with stable development in inflation over a few years – has declined by more than half since 1995, according to the Ministry of Finance (2009)[5].

During the economic crisis, the Danish government considered it crucial to ensure that as many people as possible retain their attachment to the labour market and maintain their qualifications, without limiting the effective labour supply and increasing the level of structural unemployment. Targeted adjustments to the elements of the flexicurity model have contributed to this development – including temporarily increasing flexibility in the short-term work arrangements and increasing assistance to people under notice.

2.1.2 The content of the employment policy

The purpose of the active employment measures is to contribute to a well-functioning labour market.

The Danish employment system features a number of schemes whose purpose is to include as many as possible in the labour market. Unemployed people entitled to income-related benefits are offered guidance and qualification enhancement, on-the-job training, and employment with subsidised wages. Also, efforts are targeted at creating more places in practical training for young people, preventing long-term unemployment, and reforming the anticipatory pension scheme, and initiatives are taken in relation to other categories of vulnerable workers.

Active employment measures affect the overall economic trend by helping to ensure that the effective supply of labour is as large as possible. This provides the best conditions for economic growth. Active employment measures help to decrease structural unemployment in several ways. For instance, they contribute to ensuring that unemployed people make real efforts to find a job. In addition, the measures help to prevent unemployed people from losing their connection to the labour market, by maintaining as well as upgrading their skills.

5 Finansministeriet: Økonomisk Redegørelse, December 2009, p. 142.

In addition to bringing forward and intensifying the activation measures, more focus has been placed on job counselling. The authorities maintain early and regular contact with the unemployed, with an aim of shortening the time of unemployment as much as possible. Furthermore, there has been increased focus on reducing sickness-related absence among the employed, which includes making offers to absentees to allow them to be active during recovery.

Denmark did not make fundamental changes in the activation policy during the crisis. Every unemployed person has the right – and duty – to take up an offer for activation measures, and the minimum requirement is laid down in the legislation.

2.1.3 Major employment-policy challenges in Denmark in the coming years

In the long term, the greatest employment-policy challenge in Denmark will be labour shortages that result from falling numbers in the workforce. In the future, older people will retire from the Danish labour market in increasing numbers, and these will not be replaced by a corresponding influx from younger age groups.

This demographic development, with more seniors and fewer young people, is increasing the pressure on the workforce. The shrinking workforce threatens the foundation for ensuring growth and financing the welfare state. Strengthening of the labour supply and employment is, therefore, of vital importance for the welfare of Danish society and for financing of the public sector.

To increase labour supply and employment, a number of labour market reforms have been implemented over the last few years, and several new initiatives are in deployment. Meeting the national employment target for 2020 requires further reforms. The government is planning a reform of the social assistance system, the early-retirement system, the 'flex job' system, and the sickness benefit system.

2.1.4 Initiatives in employment policy

A summary is presented below of the main labour market reforms and initiatives to promote labour supply and employment in the time from 2006 to the end of 2011.

The Welfare Agreement (2006)

- Gradually higher early-retirement age and public-pension age (following life expectancy)
- Activation effort being moved forward so that the deadline for the first activation will be advanced to after nine months of unemployment
- All insured unemployed persons being included in an intensive activation effort after 2½ years, with unemployment benefits for the rest of the unemployment benefit period
- Introduction of minimum requirements as to the duration of active offers

- State reimbursement of municipalities' activation expenditure, determined according to certain rules, to create increased economic incentive to deliver an active effort

The Local Government Reform in the employment area (2007)

- Solid organisation of the employment policies, including the following
- Four (state) employment regions' authorities overseeing the job centres and in dialogue with them
- Job centres – a joint state and municipal entity – and establishment of pilot municipal job centres with overarching responsibility
- The Employment Minister's announcement of employment-policy objectives for specified areas of implementation
- The social partners being encouraged to influence the employment policies for all target groups

The Job Plan Agreement (2008)

- Adjustment and harmonisation of the rules regarding supplementary unemployment insurance benefits so that, in the future, insured part-timers can receive supplementary benefits for up to 30 weeks within a 104-week reference period
- Disability pensioners under the 'old scheme' (*førtidspension – gammel ordning)* who are able to work not facing a risk of losing their pension entitlement by working
- Increasing the attractiveness of continued work among old-age pensioners through the introduction of an additional income test offset of 30,000 DKK and reduction of the employment requirements for deferred pension ('opsat pension') from 1,500 to 1,000 hours per year
- Introduction of a tax credit of up to 100,000 DKK for 64-year-olds who have worked full-time since they were 60 years old
- Increased international recruitment efforts including marketing of Denmark as a place to work, relaxation of the residency requirements for qualified foreigners, and better service for businesses and job-seekers
- The adult apprenticeship scheme (*voksenlærlingeordningen*) being expanded by 1,000 persons in 2008 and 500 additional persons in 2009

Agreement on the Adult Apprentice Scheme (2008)

- Legal-right status for subsidies to adult apprentices (at the same time, subsidies under the scheme are targeted at adult apprentices who have either an outdated education or no professional training at all)

The Sick Leave Action Plan (2008)

- After eight weeks of sick leave, job centres' assessment of the possibility of a gradual return
- An opportunity for the job centres to provide offers of activation for everyone on sick leave
- Rearrangement of the state and municipal reimbursement system to give job centres incentives to provide activation offers for those on sick leave
- A new medical certificate for employers, to promote job retention of persons on sick leave

Debureaucratisation (2009)

- Simplification of the rules on activation of young unemployed people
- Simplification of the rules on sanctions pertaining to recipients of social security benefits, introductory assistance, and start assistance
- Simplification of the procedures in the job centres' client reception
- Increased targeting of the activation measures

A one-tier municipal employment system (2009)

- Transfer of the state job centre functions to the municipalities
- The mayor acting as chairman of the local employment council
- Expansion of the (state) employment regions' responsibilities:
  - Establishment of an advisory function
  - Employment regions' involvement in the development of employment plans and performance audits
- Involvement of other stakeholders, to promote employment via the state procurement framework
- Municipal co-financing of expenditure on unemployment benefits and the costs of activating insured unemployed people (from 1 January 2010)
- Stronger municipal oversight of the availability of employment for the unemployed

Four initiatives to assist people at risk of unemployment (2009)

- More flexible rules for the planning of temporary job-sharing (*arbejdsfordeling*)
- Extended access to the 'notification pool' (*varslingspuljen*)
- Establishment of a national notification contingency plan (*varslingsplan*)
- Strengthened monitoring of labour market trends

The Agreement on More Young People in Education and Jobs (2009)

- Activation for 15–17-year-olds who are not in education or jobs, including on-the-job training, counselling and upgrading of skills, and support through mentoring

- Immediate activation for 18–19-year-old social security and unemployment benefit recipients – personal, early, and activity-based action
- A new opportunity for young people in the form of special subsidies to job centres that make extra effort to get more young people under 30 years who have had more than 12 months on continuous public support engaged in company-oriented activation (wage subsidies or on-the-job training)
- Improving opportunities for participation in job rotation and enhancement of skills for young unemployed people through ordinary employment etc.
- Establishment of a National Youth Unit to support the job centres organising the youth action plan (*ungeindsatsen*)

Four initiatives to help employers and persons at risk of unemployment (2010)

In January 2010, the Minister of Employment announced new initiatives to assist employers amidst restructuring and employees who are about to be dismissed:

- The existing support to education of unemployed people who are dismissed can now be extended beyond the date on which the dismissed persons leave the firm. The total duration of education and training may be as great as eight weeks.
- The job centres will be obliged to assist persons under notice to draft an individualised action plan that spells out the steps to be taken for return to employment.
- Those not covered by a collective agreement will have the same rights as people working under such agreements, when it comes to access to temporarily reduced working time with supplementary unemployment support (in the so-called work-sharing scheme).

Action plan on long-term unemployment (2010)

The action plan on long-term unemployment features seven initiatives to tackle long-term unemployment. Under the plan, approx. 270 million DKK is to be spent on education and improvement of skills. Funds have been earmarked partly for regional allocation for job-specific requalification and partly for financing of courses in reading, writing, and arithmetic for unemployed people.

The Fiscal Consolidation Agreement (2010), including an unemployment benefit reform

- Reform of the benefit scheme to reduce the maximum unemployment benefit time from four years within the last six years to two years within the last three from 1 July 2010
- Harmonisation of the condition (employment) for requalification for unemployment benefits to 52 weeks of employment in all cases (the harmonisation

takes effect in July 2012 and replaces 26 weeks to requalify for unemployment benefits)

Successful active labour market effort (2010)

- The government has concluded two political agreements aimed at strengthening municipalities' financial incentives to improve the efficiency of their employment policies, with an increased focus on enterprises and use of on-the-job training.
- The agreements entail the municipalities receiving state reimbursement at a higher rate (50%) for expenses during periods in enterprise-based activation and ordinary education, while a lower reimbursement rate (30%) applies during periods in other guidance and qualification upgrading (for example, courses and activation projects) as well as passive income support.
- At the same time, the state reimbursement rates will be harmonised and reduced across a range of benefits, including unemployment benefits and social assistance.

The retirement reform (2011)

- The age for early retirement will be increased by half a year in each year from 2014 to 2017. In 2017, one can retire early when 62 years old and receive early-retirement pay in five years.
- In addition, the early-retirement period is shortened from five to three years. This is done by raising the retirement age gradually, in 2018 to 2023. In 2023, one can retire early as a 64-year-old and get early retirement in three years.
- Offsetting of pension savings means that the early-retirement scheme is no longer attractive for a very large group of the employed.
- Senior early retirement is provided for people who have lost the ability to work but are not old enough to be entitled to an old-age pension.

The age for retirement on old-age pension is being raised in phases between 2019 and 2022.

2.1.5 Evidence-based knowledge bank

The Danish National Labour Market Authority is developing a 'knowledge bank' in order to provide accurate scientific knowledge about the effects of various employment measures on employment. The results are summarised below.

Consultations / job counselling

Overall, research indicates that

- There is strong evidence that frequent consultation or job counselling generally helps the unemployed into employment,

- The consultative conversations may work better than conversations that simply test availability, and
- There are signs that when the placement officer has a number of characteristics in common with the unemployed person, the effect of the consultations is better (faster entry into employment).

Enterprise-oriented activation

Enterprise-oriented activation covers job training and both public and private wage subsidies. Accumulated research indicates that

- There is strong evidence that job training in private companies helps unemployed people into employment – this is the tool that has the best effects;
- There is moderate evidence that public wage subsidies, as organised today, keep the unemployed in unemployment; and
- There is indication that short-term job training helps unemployed people into employment.

Ordinary education

Overall, research indicates that

- The overall effect of regular training for the unemployed is uncertain,
- There is moderate evidence that education early in one's unemployment period keeps the unemployed in unemployment, and
- There are indications that very precisely targeted training helps unemployed people into employment.

Additional guidance and upgrading (courses and projects)

Overall, research indicates that

- There is indication that the courses and projects generally have no effect or a negative one and
- The effect of courses in job-seeking is uncertain.

2.1.6 Conclusions

The labour market reforms seem to have had a positive effect on the relationship between unemployment and job vacancies in the Danish economy. This relationship (known as the U/V or Beveridge curve) traditionally is taken as an indication of the functioning of the labour market: The closer to the origin, the lower the degree of imperfection in the market.

Until mid-2008, the Danish economy was characterised by low unemployment and shortages of skills. The labour market policy responded with reforms to expand the supply of labour, increased influx of foreign labour, and adjustments of employment policy, which together stimulated the supply of labour (reducing retirement, motivating the unemployed to seek work, etc.).

From autumn 2008, Denmark was hit by the global financial crisis, which led to a drop in employment, rising unemployment, and a reduction in the workforce. In the Danish economy, productivity has been declining during the upswing in the economy since 2001. Lack of labour led companies to hire less efficient people. Denmark – as a small open economy with a high proportion of export – was hit relatively hard by the crisis. The result was rising unemployment, growing deficits in public budgets, and stagnating private consumption. In addition, uncertainties have led to big falls in stock prices and a decline in business and consumer confidence. Therefore, both the global and the Danish growth outlook have been continually revised downwards.

2.2 Germany: The continuum of the Hartz reforms

2.2.1 The Hartz reforms – the largest social and labour market reforms in German post-war history

In response to high and persistent unemployment in Germany, the government established the Hartz Commission – named after its chair, Peter Hartz – in 2002 to modernise labour market institutions. The commission aimed to reduce unemployment via the flow variables: The number of outflows can be raised if the unemployed seek jobs more intensively and if barriers to job creation in enterprises are reduced. In consequence, unemployment duration and, thereby, the stock of unemployment should decrease (Hartz Commission 2002: 270). The suggestions of the commission led to four laws, which came into force in three waves: Hartz I and II entered effect in January 2003, Hartz III in January 2004, and Hartz IV in January 2005. Each of the four reforms had several components (see Table 1 for an overview). Jacobi and Kluve (2007) summarise them with a grouping into three core elements that may influence the job-finding probability of short-term as well as long-term unemployed workers:

1. Greater effectiveness and efficiency of labour market services and policy measures, for instance, via outsourcing of placement services to the private sector or choosing measures of active labour market policy that promise to be more effective (Hartz I), or by reorganising public employment services (Hartz III)
2. More activation and greater self-responsibility of the unemployed via for instance, new start-up subsidies (Hartz II), use of targets in reintegration efforts (Hartz I), reconfiguration of the unemployment benefit and social assistance system toward lower or shorter benefit entitlement and higher thresholds of search effort (Hartz IV)
3. Labour market deregulation related to, for instance, temporary-agency work, fixed-term contracts, and employment security (Hartz I)

Table 1. Components of the Hartz reforms

	Components of the Hartz reforms
Hartz I: effective since January 2003	• modified claims – changes to when and how often unemployed persons have to register • a broader definition of reasonable work • stricter sanctions if an unemployed person does not co-operate sufficiently with the placement officer • introduction of training vouchers (the unemployed person may choose how to spend it: on which course and training provider) • personnel service agencies (special temporary-work agencies for the unemployed) • legal employment protection only in firms with 10 (previously five) or more employees • collective bargaining contracts in temporary-work agencies (the principle of equal treatment was made obsolete)
Hartz II: effective since January 2003	• Minijobs (income of up to €400) and Midijobs (€401–800), with reduced social security contributions • a new kind of start-up subsidy, Me, Inc. (Ich-AG)
Hartz III: effective since January 2004	• reorganisation of the Federal Employment Agency and the local job centres • case managers taking care of the long-term unemployed • stock of unemployed as placement potential gets segmented and different strategies (by segment) are applied
Hartz IV: effective since January 2005	• merger of the previous unemployment assistance and social welfare into unemployment benefit II • unemployment benefit I: 60% of last income (for unemployed persons with children, 67%) for the first 6–12 (18/24) months of unemployment (financed by social contributions, with unemployment insurance responsible) • unemployment benefit II: means-tested basic income for needy job-seekers (financed by taxes and mainly the responsibility of job centres in co-operation with municipalities, though in 69 (2012: 108) regions, only municipalities are responsible) • new job creation schemes in the public sector for recipients of UB II (so-called 1-Euro-Jobs)

Source: Author's summary.

As can be seen from Table 1, the Hartz reforms intervened in many fields of labour market institutions, including employment protection and unemployment insurance, as well as labour market policy, including such elements as new measures and the efficiency of placement services. Meanwhile, changes to the original version of the reforms have taken place. Thus the current set of institutions and measures is a mixture stemming from the reforms and further laws.

2.2.2 Additional changes in labour market institutions and policies

Changes in active labour market policy

Besides the reforms, with their two main new instruments – Me, Inc. (Ich-AG) and the 1-Euro-Job – one further adjustment of labour market policy measures took place, at the beginning of 2009: new measures for activation and reintegration were formed either as mergers of former measures or as flexible combinations of several similar measures. The basic idea was to increase responsibility for the application of measures in the local agencies, as these can be presumed to have the best knowledge of how helpful certain measures may turn out for an unemployed individual. This creed also points to another reform of the measures, for 2012. As a consequence, so far, training measures have received a new appearance, and people covered by reintegration efforts of third parties (private providers) have been removed from unemployment statistics.

Participants in these measures can be counted either as employed in the second labour market[6] or as a hidden reserve. The second labour market in Germany grew from 380,000 people in 2000 to, at maximum, 400,000 in 2006. The increase in 2005 and 2006 is mostly due to the new 1-Euro-Job in tandem with decline in older schemes for job creation. However, as micro-evaluation studies proved the limited success of those measures, they were applied less and less. In 2010, only 220,000 people were employed in the second labour market. The hidden reserve from other measures consists of participants in measures not directly connected to employment, among them short- or long-term training. This hidden reserve grew from 590,000 people in 2000 to as many as 880,000 in the years of the crisis. In 2008–9, an increase in labour market policy efforts contributed to absorbing of negative effects and to protection from long-term unemployment. In 2010, the hidden reserve fell to 730,000 participants again.

Changes in the public employment service

The second wave of reform (Hartz III) led to substantial reorganisation of the Federal Employment Agency, its regional directorates, and local offices. The aim was to reduce co-ordination failures of an market lacking co-ordination (for the theoretical approach, see Petrongolo & Pissarides 2001): In this situation, applications are not distributed well across the vacancies, and some vacancies might receive no applications at all. By law, one task of the Federal Employment Agency is to reintegrate unemployed people into employment. For this purpose, new corporate policy strategies akin to those of a service company were introduced, the organisational

6 The second labour market in Germany consists mostly of job creation schemes in public or quasi-public sectors for the unemployed, often in non-market, socially useful activities that shall not displace market activities. They usually involve some state or municipal subsidy and often partnership with non-governmental bodies in the voluntary, charitable, or co-operative sector. The second labour market does not include jobs negotiated for under normal contracts in the private sector, even if those jobs are subsidised for some time by a settling-in allowance.

structure was changed, and contacts with potential employers were deepened (for a comprehensive analysis of corporate policy changes made by the Federal Employment Agency, see Fertig & Kluve & Schmidt 2006).

Changes in the level, duration, and coverage of unemployment benefits

Neither the level nor the coverage of unemployment benefit I has changed in the last few years. However, the Hartz reforms dramatically shortened the entitlement period. In a phased move starting approximately one year after the last wave of reforms, the entitlement period for older workers with long employment spells shrank from a maximum of 32 months to only 18 months (see Table 2). Political pressure caused the government to prolong the entitlement again in January 2008. Unemployed workers older than 58 are now entitled to unemployment benefit for up to 24 months, if their last employment spell lasted 48 months.

Table 2. Duration of entitlement to unemployment benefit I

<table>
<tr><th rowspan="2">After employment covered by social security of min … months</th><th colspan="2">Effective since Jan 1, 2008</th><th colspan="2">Effective between Feb 1, 2006 and Dec 31, 2007</th><th colspan="2">Effective until Jan 31, 2006</th></tr>
<tr><th>After completion of … year of one´s life</th><th>Entitlement period (months)</th><th>After completion of … year of one´s life</th><th>Entitlement period (months)</th><th>After completion of … year of one´s life</th><th>Entitlement period (months)</th></tr>
<tr><td>12</td><td></td><td>6</td><td></td><td>6</td><td></td><td>6</td></tr>
<tr><td>16</td><td></td><td>8</td><td></td><td>8</td><td></td><td>8</td></tr>
<tr><td>20</td><td></td><td>10</td><td></td><td>10</td><td></td><td>10</td></tr>
<tr><td>24</td><td></td><td>12</td><td></td><td>12</td><td></td><td>12</td></tr>
<tr><td>30</td><td>50</td><td>15</td><td rowspan="6">55</td><td>15</td><td rowspan="2">45</td><td>14</td></tr>
<tr><td>36</td><td rowspan="2">55</td><td rowspan="2">18</td><td rowspan="5">18</td><td>18</td></tr>
<tr><td>44</td><td rowspan="2">47</td><td rowspan="2">22</td></tr>
<tr><td>48</td><td rowspan="3">58</td><td rowspan="3">24</td></tr>
<tr><td>52</td><td>52</td><td>26</td></tr>
<tr><td>64</td><td>57</td><td>32</td></tr>
</table>

Source: §127 of SGB III (Social Code III), various years.

Unemployment benefit II was introduced at an amount of €345 per month in 2005 and rises to €374 in 2012. Usually, further social assistance is provided for the recipients of UB II, such as allowances for housing and heating, families with children receiving less money. However, the payment of UB II is connected to a test of the neediness of the household.[7] In this context, savings or other financial assets have to be consumed first (a certain amount may remain).

7 The household does not necessarily constitute the correct alignment according to Social Code II. The *Bedarfsgemeinschaft* is a community of members of a household in need of benefit.

Changes in active labour market policy for special target groups

The most important measures of active labour market policy[8] (activation and reintegration, subsidised vocational training, settling-in allowance, and the 1-Euro-Job) are not related to a special target group but may apply to recipients of either UB I or UB II. There are many other measures, which are of minor importance with respect to the number of participants but do have special target groups. For young people it is important to limit unemployment to the shortest possible duration, in order not to damage their whole professional career. Older unemployed people, immigrants, handicapped persons, and the long-term unemployed receive special attention, as it may be especially hard to place them in the labour market. The number and variety of special measures is large. However, changes often affect only a few people, as, in the main, another instrument is formed to provide compensation.

For instance, measures to support young people's transition from general education to work have hardly changed in their total scope, with about 300,000 subscribing in 2005 and 290,000 in 2011. However, on the non-aggregate level, changes did occur, as some measures levelled out and others were established. In 2008, a new law came into force that provides bonuses for apprenticeship by less privileged young people. In October 2011, 23,000 people (and, accordingly, firms) received such a bonus. Schooling of very good quality has been gaining more and more importance, to improve the employability of the young and address demographic change.

The framework of the labour market for older people has become stricter (see also Dietz & Walwei 2011). Not only do they have shorter entitlements to UB I than before 2006, they also have to obey stricter rules if they are to maintain their entitlement. Until 2007, people older than 58 could receive UB I without actively searching for a job or having to participate in measures. Since 2008, they have had to attempt reintegration as any other unemployed person must. Early-retirement schemes were abolished in 2009. Consequently, registered unemployment among the elderly has increased gradually but does not necessarily reflect a worse situation for them.

Legislation regarding migrants is not a special task of active labour market policy in Germany. By the end of 2005, support for courses in the German language had faded out. Of course, migrants take part in general measures, but their participation rate is lower than that of non-migrant unemployed workers (in 2011, the figures were 31% and 46%, respectively).

The number of participants in measures for handicapped people has decreased slightly, from 140,000 in January 2005 to 120,000 in October 2011. Here again, some new measures, with greater flexibility of application, supplanted older measures with their highly restrictive requirements or targets of application. The highest take-up of these measures is seen for education of handicapped people, which remained unchanged at about 35% of all participants in measures for disadvantaged people.

---

8 Source of the numbers for this section: Förderstatistik (data warehouse of the Federal Employment Agency).

The long-term unemployed are a special target group for activation and active labour market schemes. Newly implemented job creation measures tend to improve ability to work among hard-to-place people. However, whereas more than 30% of all measures for the unemployed were taken up by long-term unemployed in 2005, this share had fallen to about 20% in 2010. Nonetheless, this is unsurprising in view of the sharp reduction in long-term unemployment.

2.2.3 Evaluation of the reforms or policy changes: An overview

Reforms of active labour market policy

There have been a few micro-based evaluation studies of the active labour market policy and its changes with the Hartz reforms. For instance, Jacobi and Kluve (2007) identified a positive influence of the reforms on the effectiveness of training measures and integration subsidies. The introduction of the Me, Inc. ("Ich AG") system also received positive evaluations (Caliendo & Künn 2011), especially as it increased the incentives to move from unemployment into self-employment for a group that typically does not found enterprises, with more females and fewer qualified people than are the norm.

For other changes in active labour market policy – such as placement vouchers, placement outsourced to third parties, personnel service agencies, wage subsidies, and changed fixed-term employment regulations for older workers – no positive effects of the reforms could be verified (Bernhard & Kruppe 2010; Bernhard & Wolff 2008). The reforms had no impact on the evaluation of job creation schemes: they still reduced the chances of reintegration, because of lock-in effects. However, for the subgroup of UB II recipients, at least small positive net effects appear. A similar finding obtains for the new job creation measure 1-Euro-Job (Hohmeyer 2012).

The effects of active labour market policy were analysed on the macro level too: Fertig & Kluve & Schmidt (2006) investigated the effects of policy instruments that were applied differently across regions before and after the Hartz reforms. They found almost no influence of the reforms on the effectiveness of the measures. Only start-up subsidies had a significant positive effect at the aggregate level. The other measures were insignificant or – as with job creation measures in eastern Germany – even associated with higher unemployment.

All in all, the reforms added almost no new evidence to the information that evaluation studies had gained already (for an overview, see Stephan & Pahnke 2011). Measures that were introduced exclusively by the reforms had the expected effects – positive if close to the market (such as the new start-up subsidy), insignificant or negative if far from the market (such as public job creation).

2.2.4 Outlook

A further reform of the labour market instruments is planned for 2012. The main objective of this reform is to accelerate the matching process and improve the matching. Placement officers at the employment agencies can apply various measures more flexibly to help the unemployed to find a regular job. However, drastic saving measures in job creation schemes and start-up subsidies might have undesirable effects on the unemployment duration of hard-to-place unemployed people.

2.3 Finland: Public employment service reforms and increased activation

2.3.1 General overview and background of the Finnish reforms

To understand the labour market reforms in Finland since 2000, we need to give a brief summary of the economic situation and labour market performance in the 1990s. Finland experienced a very deep depression in the early 1990s. It resulted in an extremely dramatic increase in unemployment – the unemployment rate before this crisis was very low. Depression lasted three years (GDP growth was negative from 1991 to 1993). The legacy from the depression would be high unemployment and quite persistent structural unemployment. It has been argued that even though this unemployment was not caused by labour market institutions, those institutions could have had a role in the process of recovery after the crisis (Koskela & Uusitalo 2004), and Grönqvist and Kinnunen (2009), who analysed the effects of depression on the labour supply, argue that economic crises are likely to increase exclusion from the labour market and hence reduce labour supply also in the long term.

During the depression and times of very high unemployment, no significant labour market policy reforms were introduced. The level and duration of unemployment benefits remained the same. For the elderly long-term unemployed, the extended unemployment benefit period was changed in 1991 to cover unemployment until age 60. The motivation for this minor change and also the background for maintaining the level of unemployment insurance was to provide economic support for the unemployed. This certainly was needed, since demand for labour was extremely low. The low demand level was the main concern, and the focus was not on labour market institutions and reforms.

Economic growth started to recover in 1994, and the economic indicators were quite good after a couple of years. However, employment was increasing only slowly and unemployment, in turn, was decreasing only slowly. Hence, the role of labour market institutions, active labour market policy, unemployment benefits, and incentives dominated discussion in the late 1990s and early 2000s (see Pohjola et al. 1998; Räisänen & Skog 1998; Ilmakunnas & Koskela 2002). During the last five years, the

focus has been more on the determinants of long-term labour supply. However, the debate has concentrated primarily on the pension system – which definitely has a role – and less on labour market institutions.

The reforms in the late 1990s and early 2000 concentrated on public employment service (PES) reforms and on the rules – rather than levels – of unemployment insurance. The PES reforms included regular interviews, skill-mapping, a job-search plan and the monitoring thereof, and job-search training, with eservices joining the list recently. These were designed to promote an active search process, shorter unemployment spells, and better matching (Räisänen 2001).

The discussion and research concerning incentive problems and reservation wages did not lead to changes in unemployment benefit levels – incentive problems were tackled by changes in tax policy. Instead of only restricting benefits, the reforms were made also to introduce more intensive activation and monitoring of job searches. Moreover, mainly because of structural unemployment of older people, and also as part of pension reforms, the age limits for extended unemployment benefits have been changed several times. The unemployment pension has been abolished, except for those born before 1950. One part of 2005's transition security (referred to as 'change security') reform was an increased unemployment benefit level during participation in active measures. Recently, in 2012, unemployment benefits have been increased, since the level of benefits had lagged behind general income and price levels.

Table 3. Reform elements in Finland

Policy area	Main elements of the reforms
Unemployment benefits and search activity	Unemployment tunnel (UT) scheme (a combination of extended UB period and unemployment pension): • unemployment pension since 1970s; since 2005, restrictions for long-term unemployed born before 1950 • aged long-term unemployed: UB 500+400 days (1987); extension to 60 years (1991); age limit increase first from 53 to 55, then to 57 (1997) and later 59 (2005) Search activity and activation: • 'activation' of the flat-rate benefit (labour market support) for job-creation subsidy • intensified activation for those having received UB for over 500 days (in 2006) • change in the definition of travel-to-work area, to 80 km from home (since 2010) The level of UB: • transition security: increased UB during active labour market measures (since 2005) • increase of about €120 a month (since 2012)
Public employment service	Reforms supporting job-searching and/or preventing and tackling long-term unemployment: • regular interviews, skill-mapping, a job-search plan and its monitoring, and job-search training (implemented since 1998 and 2001) • employment office reform (implemented in 2004–2006): PES focusing on support for rapid job-finding; Labour Force Service Centres for the long-term unemployed) • transition security (since 2005): co-operation with employees, the employer, and PES during layoffs; employment services already during the notice period
Active labour market policy	• changes in volumes of active labour market policy measures in 1998–2001; large-scale short-term jobsearch training • self-motivated studies while one receives UB (since 2010) • the youth guarantee (in effect from 2013)
Policies for special target groups	• rehabilitative activities (KUTY) • low-wage subsidy (in effect in 2006–2010)

The depression left quite high and persistent structural unemployment, which resulted in PES reforms (such as the Labour Force Service Centres mentioned in the table above) as well as measures in active labour market policies (rehabilitative activities; see the table). On the other hand, especially since 2005, reforms in active labour market policies or programmes (ALMPs) have been designed to provide and support education in a dynamic labour market with high labour turnover. The transition security in place since 2005 has included elements of PES reform, UB components, and intensified ALMP measures. Also, self-motivated studies while one receives unemployment benefits, part of the system since 2010, could be interpreted in relation to the discussion about flexicurity – the goal of this reform was, among other things, to provide more flexible and tailor-made education for job-seekers.

2.3.2 Changes in the unemployment benefit system

Unemployment insurance in Finland includes three distinct types of benefits. They differ in their level, duration, the required employment history, and whether they are means-tested.

Types of unemployment benefits in Finland:

- Labour market support – means-tested, does not require employment history, unlimited period (since 1994)
- Basic unemployment allowance – not means-tested, requires a three-year employment history, max. of 500 days
- Earnings-based unemployment insurance – not means-tested, max. 500 benefit (working) days

Labour market support was introduced in 1994. Since it does not require an employment history, quite a large percentage of the beneficiaries are either young or, on the other hand, long-term unemployed. The levels of labour market support and the basic unemployment allowance are equal. In certain cases, unemployment benefits during activation are slightly greater than passive benefits (for example, one element in transition security is higher benefits while one is taking part in active labour market measures).

The incentive effects of unemployment benefits and social security were discussed in the late 1990s and early 2000s, the background for this being that it was realised during the economic recovery that unemployment was declining quite slowly. However, the reforms addressing this have concentrated mainly on tax and benefit policy while not touching unemployment benefits' level and duration. For discussion and empirical research on unemployment traps and economic incentives, see Holm & Kyyrä & Rantala (1998), Laine and Uusitalo (2001), Kyyrä (1999), Koskela & Pirttilä & Uusitalo (2004), and Parpo (2004), as well as the recent work of Uusitalo and Verho (2010). The discussion has been motivated also by increasing problems with recruitment and matching (Prime Minister's Office Publications 17/2007). The most serious unemployment traps and lowwage incentive traps have been found among families with children below school age and especially among single-parent families. Since 2010, the definition of the travel-to-work area was changed (to 80 km), which probably has supported incentives for labour mobility and job-seeking.

At the same time, the incentive problems have been tackled through activation and monitoring of job-seeking. At the beginning of 2000, the flat-rate passive benefit, labour market support, was activated for job creation purposes jointly with employment subsidies (a combined subsidy) especially in the 'third sector', targeted at those unemployed job-seekers who had received the benefit for at least 500 benefit days. In 2006, this flat-rate unemployment benefit was again activated, which means in practice that those having received the benefits for over 500 days were

subject to intensified activation. Also the responsibility of the state and municipalities in financing the schemes was reformed. This reform created financial incentives for the municipalities to activate the long-term unemployed as the state took on the fiscal burden for active measures, but, on the other hand, the municipalities were made responsible for the passive benefit costs for their part. The outcome was increased likelihood of participation in ALMP measures. The government's target of a 30% activation rate among the target group was reached, but no direct employment effects could be found. Also, the 'threat effect' of the intensified activation was tested, but the result was that the relevant people were not able to avoid ALMP programme participation by acquiring an open-labour-market job (Hämäläinen & Tuomala & Ylikännö 2009).

At the start of 2012, unemployment benefits were raised by 120 euros a month at their floor level, reaching about 670 euros per month, which, because of legislation, increased the earnings-related benefits also. This rise in benefits was motivated by long-term lagging behind prices and wages. Higher benefits mean simultaneously diminished incentives for job-finding, which is demonstrated in the reservation wage calculations for 2012. As the labour market outcome remains yet to be seen, the change in incentives seems not to be very serious in nature.

Figure 4. Reservation wages for a single unemployed person in 1996, 2011, and (projection) 2012 (source: micro-simulation calculations by Heikki Viitamäki, Government Institute for Economic Research (VATT)).

The unemployment tunnel – a combination of unemployment pension and an extended unemployment benefit period for elderly long-term unemployed people – has been part of the Finnish unemployment benefit system for some time now. The unemployment benefit tunnel (i.e., a pipeline leading to unemployment pension) was replaced by extended UI benefits for the elderly long-term unemployed, and the age limit for this has been increased a few times (first from 53 to 55; then from 55 to 57 in 1997; and, as an element in the pension reform of 2005, from 57 to 59 years). For younger cohorts, the unemployment pension system no longer exists, but people in these groups will receive a regular pension even after longterm unemployment. The effects of these changes in the age limits on the risk of unemployment, the duration of unemployment, and the exit states have been analysed (Kyyrä & Wilke 2004); the empirical results are robust and give evidence that the reforms resulted in lower risk of unemployment, shorter unemployment periods, and higher rates of exit to employment. The other side of the coin was, Kyyrä and Ollikainen (2008) found, that roughly half of the unemployed with extended benefits withdraw from their job search.

2.3.3 The public employment service reform

Finnish labour market policy was thoroughly reformed in 1998, with some modifications, deepening of the original reforms, and further actions for this reform completed later, in 2001. The main elements of these reforms were improvements in the employment service system, introducing regular interviews, skillmapping, a job-search plan and monitoring of it, and more support for independent job searches, alongside introduction of large-scale short-term job-search training for 120,000 participants. All of this required the service capacity of the PES, which was improved through the hiring of 160 specialists for the employment offices. Also, regular company visits by the PES were fostered. Also the rights and obligations of the unemployed were defined, from interpretation of existing legislation (Räisänen & Skog 1998; Toinen aalto 2001).

The reforms aimed at fostering labour market dynamics and shorter unemployment periods. The outcome was relatively favourable, but some parts of this major reform were clearly more successful than others. The job-search training efforts aided in job-finding (Tuomala 2000), which outcome was verified by a fieldexperiment study (Malmberg-Heimonen & Vuori 2000), and also measures assisting with recruitment were considered successful, mainly thanks to the improved service process and information on job-seekers (Valtakari 2000). According to one evaluation, the employment service improved the job-search activity of the participants but they did not more often become employed than others did. Instead, they participated more in the active measures (Aho & Holttinen & Vehviläinen & Virjo 2000). One of the evaluations suggested a 'second wave' for the reform, calling for greater focus on the local level and flexibility in implementation (Arnkil & Spangar & Nieminen

2000). It is also worth mentioning that all the evaluations were carried out in the form of an on-going evaluation begun when the first phases of implementation were just starting.

The next reform of public employment service structure was carried out in 2004–2006. Public employment services in about 40 major cities and towns were divided into two separate services: 1) the Labour Force Service Centres (LAFOSes) and 2) employment offices. The goal was to 'streamline' employment offices – both LAFOS and employment offices were designed to focus on their clients. To put it clearly, LAFOS clients were people in long-term unemployment (over 500 days) with health and/or social problems, and the clients of employment offices were job-seekers looking for a job on the open labour market.

The LAFOSes were introduced to tackle the relatively high and persistent long-term unemployment, providing joint services of public employment services, the social insurance institution (Kela), and local social and health care services of municipalities (with a 'multi-professional approach'). Simultaneous employment office reform was aimed at promotion of labour availability and prevention of matching problems. The employment office reform included such components as fostering self-service and e-service.

From the labour market perspective, the aim of the public employment service reform was to prevent prolonged unemployment and reduce structural unemployment (via the LAFOS entities) and to promote labour availability and prevent matching problems (through the employment office reform). The employment office reform was related most strongly to the need to increase matching efficiency in those labour markets where dynamics and labour turnover are high.

Evaluation (Valtakari et al. 2008) showed that the impacts of the reform were at least partly those that were intended. Firstly, both the Labour Force Service Centres and employment offices were able to focus on their own clients, which was one of the motives behind the reform. Secondly, however, mobility between employment service centre and job centre was quite low; i.e., only very rarely were clients of the LAFOSes able to search for jobs provided through employment offices. In other words, the reform probably created barriers even between the two client groups. Thirdly, the volume of clients at employment service centres has been quite low when compared to the total number of the long-term unemployed.

The evaluation research by Valtakari and colleagues (ibid.) was carried out quite soon after the reform, and statistical data covering all aspects of the reform were not yet available. However, Valtakari et al. monitored indicators such as unemployment spells, the percentage of long-term unemployment, and the inflow to long-term unemployment. All of these were reduced in the areas where LAFOSes were located but not at the national level – which was expected because of the low volume of clients at LAFOSes. Moreover, the evaluation method mainly involved monitoring of the outcome and not econometric effectiveness research. The reform had only minor effects on recruitment problems and the labour shortage.

A simultaneous evaluation study by Arnkil et al. (2008) employed more qualitative methods; it focused on the experiences of the clients as well as PES officers. Also the implementation of the reform and the role of multi-professional networks were evaluated. According to this evaluation, the reform succeeded in providing a more active start in PES, and self-service and e-service were developed further. The LAFOS system strengthened co-operation between the state and municipalities, and it was well received by customers. However, the PES–LAFOS connection was unsatisfactory. Recently Karjalainen and Saikku (2011) analysed LAFOSes as an example of a network approach and multi-sector implementation of activation and joint services.

Another PES reform in the mid-2000s (starting in 2005) was use of the Finnish flexicurity model, transition security. It included elements of unemployment benefits (higher UB while one takes part in active labour market measures), intensified activation, and PES. The most important change, however, was the PES reform – co-operation among employees, the employer, and PES during layoffs. Hence, employment services were actively provided by PES already during the notice period and PES officers could even establish a stand in the workplace. Employees could also get paid job-seeking leave. All this was intended to promote an active job-search process and support shorter unemployment spells and transitions from one job to another, sometimes even without any time of unemployment. Arnkil et al. (2007) evaluated this reform and concluded that the activation and re-employment of the target group were significantly higher in comparison to the control group. On the other hand, the reach and knowledge of transition security in SMEs were not good enough and the public sector lagged behind in implementation of this measure. Transition security was especially successful in company or plant closure situations, while layoffs at an individual level require more flexible and tailored measures.

2.3.4 Changes in active labour market policy

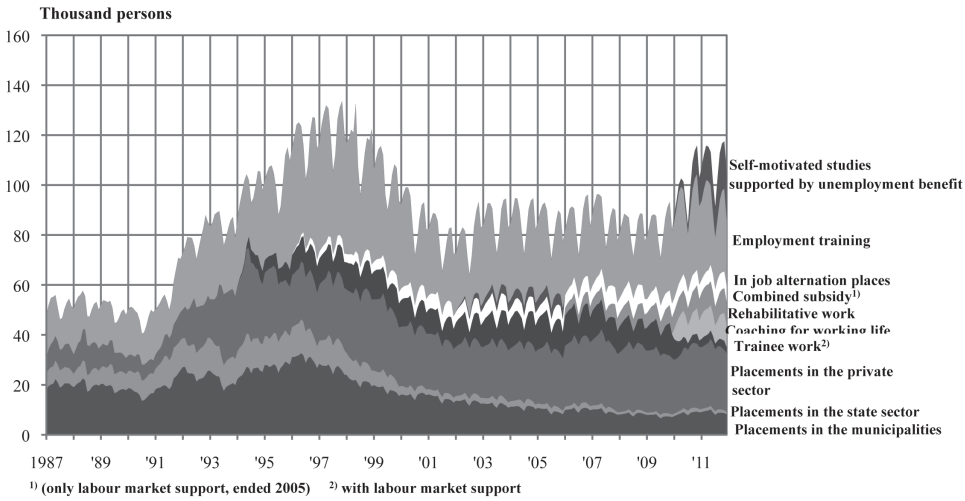
Active labour market policies have seen many changes over the last decade. However, the main ALMP programmes set up large frames, within which the most visible changes often are variations in volumes. Within the programme frames, several changes in targeting, duration, and programme content can occur. The main categories of programmes are employment subsidies and labour market training. Practical training programmes too are fairly extensive. The main changes after the economic crisis in the 1990s have been easing of the preparatory labour market training volume, introduction of job-search training in labour market training programmes and its provision also as an employment service by the PES, targeting of employment programmes clearly at the private and especially the corporate sector, and cuts in publicsector employment programmes. These changes were all motivated by evaluation outcomes (Hämäläinen & Tuomala 2006; Asplund 2009).

In 2010, self-motivated education and training for unemployed people receiving unemployment benefits were initiated. This was possible on condition that the PES

considered the education or training relevant from an employability perspective. It activated unemployed job-seekers to apply for self-motivated training and to finish studies they had begun earlier.

The OECD research group (Duell & Grubb & Singh 2009) recommended that Finland, among other things, strengthen the national management of placement services and develop a common monitoring system for the LAFOSes, improve the job-search monitoring, increase activation rates for earnings-related benefit recipients, and begin intensive activation earlier in the unemployment spell. During recession, short training courses should proliferate, and the selection bias against disadvantaged groups in labour market training should be tackled.

Figure 5. Stocks for ALMP measures in 1987–2011.



Young people's employment prospects are often at the focus of labour market policy. There are tighter restrictions on receipt of unemployment benefits by people aged 15–24 who are at the stage of entering the labour market as compared to older persons. Young people receive passive benefits only after five months of unemployment, so schoolchildren and students cannot, for example, receive unemployment benefits outside term time, in summer. However, by participating in active labour market policy measures, they can receive benefits. Young people without vocational qualifications are required to apply for appropriate education or training. If a study place cannot be offered to a young unemployed person applying for it, unemployment benefits should be paid. A 'youth guarantee' offering a study place or job; training, workshops, or rehabilitation; or other relevant activity after three months of unemployment will enter effect at the beginning of 2013. This targets both those aged 15–24 and people under 30 who have recently obtained vocational

or academic qualifications. As things stand at the beginning of 2012, about 80% of the members of the target group (15–24-year-olds) are being offered one of the active alternatives; the real content of the coming reform will be to increase the coverage to as near 100% as possible (and to offer these services also to those who have recently taken an exam). Both educational and labour market policy measures are to be applied in implementation of this reform. The 2013 reforms were motivated by research published in 2011 (Myrskylä) showing the very bad labour market prospects of the NEET group[9].

2.3.5 Policies for special target groups

An example of a limited-scope initiative to foster employment among those with relatively low productivity is the low-wage subsidy. This reform was active between 2006 and 2010. The subsidy was given to the employer through social security contributions, with the maximum subsidy reducing the employer's contributions from over 20% of wages to about five per cent. The employment effect of the subsidy was some 2,000 persons, of whom only a third entered new jobs. This initiative was not successful, and it was terminated (Karikallio & Volk 2009).

Female labour supply and the employment rate among women are both high in Finland. The Finnish childcare system with its subjective right to child-care includes an alternative of a home-care allowance and a municipal supplement to it. According to estimates by Kosonen (2011), an increase in this municipal component by 100 euros per month decreases the labour supply of mothers by three per cent.

According to evaluations, 'job alternation leave' is favourable for alternation-leave substitutes only, not for those people leaving work for alternation leave (Junka & Korkeamäki & Rokkanen & Uusitalo 2009). The employer must hire an unemployed job-seeker as a substitute for the person who has gone on leave (not necessarily for the same tasks). People exiting work for leave do not have higher employment later than controls do, while the unemployment rate of the substitutes is lower than controls' and the employment rate increases after the substitution period.

A rehabilitative work scheme has been provided since 2001 by municipalities for long-term unemployed people who are, in local PES consideration, not able to be offered a job, participation in labour market policy measures, or other activation. The municipalities receive a state subsidy for organising this activity. The scheme is counted as an active social policy measure, but the outcome has labour market policy relevance also. The ways of organising this activity and the costs vary greatly between municipalities (Kallio & Meklin & Tammi 2008).

9 'NEET' refers to those young people not in employment, education, or training.

2.4 Sweden: Preventing structural unemployment and promoting labour supply[10]

2.4.1 Long-term employment policy: Efforts to stimulate labour supply

In Sweden, the supply of labour (unemployed plus employed) has increased significantly since the end of the 1990s, especially during the last six years. This is a result of a strong trend in the labour market and healthy population growth for the active age group (16–64 years). The strong population growth of recent years can be attributed most of all to high net immigration. In the future, only persons born overseas will account for increase in the active age group as the number of people born in Sweden continues to decline. However, the structure of immigration has changed from an influx of refugees to increasingly constituting labour force immigration. Immigration from certain countries hit by crises within the EEA is expected to continue increasing in the wake of mass unemployment. The labour force is predicted to grow by 55,000 people in 2011, or just over one per cent.

Long-term employment policy focuses on measures to strengthen the supply of labour, since experience shows that labour supply will have major effects on employment in the long run, because of the coming decades' weaker development of the number of persons of active work age. During the '00s, especially after 2006, decisions were made to establish new reforms for the specific purpose of increasing the labour supply. New reforms have been introduced in areas such as unemployment insurance, health insurance, and labour market policy. Furthermore, an earned-income tax credit was established in order to increase incentives to seek work and be part of the workforce. An increase in the number of job-seekers will also help to improve matching in the labour market.

Labour market policy has since 2006 come to include a much greater element of incentive to seek work actively, primarily through changes in unemployment insurance, which mainly contribute to a more efficient matching process in the labour market. Below is a summary that outlines various interventions introduced since 2006 to increase the labour supply but also efforts to stimulate demand for labour in connection with the financial crisis.

- Jobs Tax deduction
- Changes to the labour market policy programmes
- Tax deduction for household services
- New rules in the unemployment insurance system

10 In addition to those references specified in the text, the following sources have been used in working out this country report: Andersson & Nekby (2011), Carlsson & Rooth (2006), de Luna & Forslund & Liljeberg (2008), Delander (1978), Försäkringskassan (2011), Johansson & Åslund (2006), Liljeberg & Lundin (2010), Ministry of Employment (2006-2012), Riksrevisionen (2010).

- Increased funding for adult education (in July 2009, to stimulate supply in the long run)
- Introduction of applied sciences (stimulating supply in the long term)
- Increased investment in higher education (stimulating supply in the long term)
- Increased investment in infrastructure
- Changes in regulations in the social health insurance system, and introduction to work
- Reduced employer taxes for those hiring young people
- Increased government support for municipalities
- Change in responsibilities related to new immigrants

Active labour market policies were important for responding to rising unemployment in 2009 and 2010. Labour market policy was central in the worsening economic situation, and major investments in active measures for the long-term unemployed were undertaken, but so were efforts for those who had recently become unemployed. When the labour market situation improved in late 2010 and early 2011, it was, therefore, reasonable to reduce the number of persons enrolled in active measures. In the long run, it is primarily the structural reforms that are important for the development of employment.

2.4.2 Labour market policy and reforms in Sweden

The overall objective of the Swedish labour market policy is that the measures contribute to an efficient labour market. The labour market policy resources should be clearly prioritised and focused on matching of job-seekers with vacancies and those who are far from getting a job on the labour market. Labour market policies should be based on objectives and resources of work, for

- Improving the matching of those seeking workers and those seeking employment,
- Ensuring that unemployment insurance serves as a conversion policy, and
- Increasing employment in the long term.

The Public Employment Service has undergone great changes in a short span of time. The former National Labour Market Administration, which was made up of the National Labour Market Board as governing authority for the County Labour Market Boards, together with Local Employment Offices, as individual county authorities, was in 2008 reorganised with these as one united authority: the Swedish Public Employment Service. Primarily this involved the addition of new and extended commissions in 2008–2010. In parallel to these changes, 2009 and 2010 were characterised by great efforts to mitigate the effects of the financial crisis that hit the labour market in autumn 2008.

Prior to the financial crisis, the government's policy for full employment focused on efficient matching. The labour market programmes were given a clearer direction toward increasing job-seeking activity and supporting those furthest from the labour market. This principle for the policy would be preserved, even in the face of deep recession, with the support of research showing that mediation actions were a relatively effective measure for reducing unemployment and that subsidised-wage employment increased the likelihood of gaining employment to a greater extent than employment training did. It was, therefore, important to stimulate job-seeking activity among unemployed individuals in circumstances wherein there was a temporary increase in labour market policy measures, whilst it also remained important to improve competitiveness among those furthest from the labour market.

2.4.3 Labour market programmes: Volumes and participants

The extent of labour market programmes has increased in recent years in connection with rising unemployment. The number of programme participants (in terms of the annual average) rose from 87,000 in 2008 (1.8% of the workforce) to more than 127,000 in 2009 (2.7%) and then 185,000 (3.8%) in 2010. For 2011, the number decreased to 171,000 people (3.5%).

Roughly 70% of the participants in labour market programmes in recent years have been tied to the job and development guarantee and to the job guarantee for young people. Both programmes are designed to break long unemployment spells and leave the job-seeker with a clear orientation toward work. To become qualified for the job and development guarantee (which is addressed to people aged at least 25 years), one is required to have spent 300 days with unemployment insurance and those not covered by this insurance have a limit of 14 months of unemployment and/or participation in programmes. An additional criterion for the job guarantee for young people is a further month or participation in the programme Work Introduction. To be accepted for the job guarantee for young people (< 25), a person needs a period of three months of job-seeking within a time frame of four months.

Of the participants in the job and development guarantee programme at the end of 2011, almost 29,000 had entered the third part of the programme, which involves a form of employment without earned income, in combination with continued support from the Public Employment Service. A person qualifies automatically for this after 450 days in the job and development guarantee programme if no other alternatives are available. The employment should last no more than two years but may be followed by a new period if the person had not found a job in the open labour market.

In conjunction with moving of people from the social health insurance system to the labour market, a reform was introduced in January 2010 to address the need for a special labour-market-preparatory programme. This includes various measures for the identification and guidance of job-seekers, further vocational rehabilitation, and

preparatory education. In addition, the end of 2009 saw Working Life Introduction invented, a programme particularly suitable for those whose days with sickness benefits or sickness compensation are running out.

A special measure outside the arsenal of regular labour market programmes has been targeted at people with a minimum of one year (or, for young people, of six months) of unemployment, sick leave, sick pay, activity, and/or financial assistance, and at refugees. The number of people employed in this programme's 'newstart jobs' has increased and came to 46,000 in 2011, representing 0.9% of the workforce. Newstart jobs have, since their introduction in January 2007, significantly reduced the need for various other employment subsidies. Of these, now only one programme remains, special employment support, and its volume has fallen to only a few thousand people.

In addition to the above-mentioned options, there are programmes specifically for disabled job-seekers. In 2011, nearly 71,000 people (1.5% of the workforce) were taking part in labour market measures for the disabled, 46,000 of them in employment with wage subsidies (0.9%). A fairly rapidly growing programme is secure-estate employment, with 18,000 persons (0.4%). This is intended for people with severe disabilities and serious limitations in their ability to work and thus who have few opportunities to find another type of employment.

2.4.4 Measures for the long-term unemployed

Labour market policies are directed at those job-seekers who are far away from getting a job quickly in the labour market. Unemployed persons who have poorer chances of employment are given greater emphasis in early-action programmes or subsidised jobs than are job-seekers with better job opportunities. The Public Employment Service has several tools to support job-seekers who are far from the labour market, including the above-mentioned labour market programmes: the job and development guarantee and the job guarantee for young people. The Public Employment Service and Social Health Insurance Agency engage in close co-operation to provide rehabilitation services for the insured.

Through the job and development guarantee, a person who has been unemployed for a long time receives individually tailored support for a return to work. The job and development guarantee has helped to increase abilities for a transition from unemployment to employment for those furthest from the labour market. It was in late 2007 when the job guarantee for young people was introduced. The purpose of this measure for young people who have been unemployed for a time is that unemployed young people get a job equivalent to their labour supply, or begin an education in the regular education system, as quickly as possible.

The Public Employment Service may also provide assistance to people with disabilities who are far from getting a job via the labour market. The Public Employment Service works steadily with measures designed to increase employment

permanently, and this work is done largely through matching efforts and striving to overcome exclusion. One of the conditions for increased employment is that the labour markets be flexible and the workforce mobile. People with disabilities can receive assistance through subsidised employment in order to compensate their employers for the lower productivity that arises because of the disability. The Public Employment Service has produced an action plan to work for creation of more entry points to the labour market for people with disabilities. The aim is that more such people will be offered subsidised work, including wage subsidies and job security measures.

2.4.5 New measures for people with long-term illness

New rules were introduced in 2010 within the National Social Health Insurance Agency that meant that people with work ability should be tested after three months in the insurance system. Responsibility for this was imposed on the Public Employment Service. To accommodate the needs of people whose entitlement to sick pay or allowed time with sickness has come to an end, the Employment Policy Programme for Working Life Introduction was initiated, on 1 January 2010. The aim is to offer participants individualised labour market measures to determine the need for support for a transition to work. Working Life Introduction may last, at most, three months.

Most people who left the social health insurance system after having reached the maximum time have been enrolled with the Public Employment Service. Women are over-represented (70%) in line with their higher proportion among those with long-term sickness. Just under half had a secondary education and nearly 70% were between 35 and 54 years of age.

Participants in Working Life Introduction had sick leave of, on average, two and a half years or more (in 2010) and have varied needs for work and various opportunities to take part in activities such as those the Public Employment Service can offer. More than two in three participants have some form of clear disability. Mental illness and physical disabilities are the most common diagnoses.

Tormod Johansson (2011) examined 30,000 individuals who entered the programme between its inception on 1 January 2010 and the end of September. The individuals in this group had had a lower income than the population as a whole over a long period. In the years 1991 to 2008, it was more commonplace among the Working Life Introduction group for some of the income to be paid from the unemployment fund or from the social health insurance system. The lower income in the early 1990s seems to have been due to a higher level of unemployment for this group. However, the unemployment has been covered as sick leave or disability pension to an increasing extent, a development that started in the late 1990s and accelerated throughout the 2000s. The sickness rate, as measured by compensation from social health insurance, has, in other words, been increased for the Working Life Introduction group. On average, the group have been either unemployed or on sick-leave

or sickness and activity compensation (earlyretirement pension) and therefore not worked for 10 out of the last 20 years.

Out of those in the group studied who had completed the Working Life introduction programme, 60% were deemed to have work capacity and did not return to sick leave. Of those judged to possess work capacity, two per cent went back to work for their previous employer and five per cent gained employment without support with a new employer. A further 13% found some kind of subsidised job, including new-start jobs. Thus, in total, 20% gained some kind of work. An additional eight per cent were openly unemployed and were assessed to be at the labour market's disposal. Finally, 54% participated in programmes with activity support, with the majority enrolled in the Employability Rehabilitation Programme, a programme aimed at helping individuals who are deemed to be in need of great support.

That the Public Employment Service has been commissioned to accept people who are returning from sick leave means that this authority is accepting a wider target group than before, which places new demands on its operations.

2.4.6 New reform for newly arrived immigrants

In 2010, the Public Employment Service prepared a reform of migrants' settling[11], which was introduced on 1 December 2010. Preparatory work for this included operations within an experiment with 'establishment calls' whose content bore many similarities to the design of the reform. Other projects aimed to identify successful approaches for reducing exclusion among foreign-born women. Too many foreign-born people have difficulty establishing themselves in the labour market. The low employment among the foreign-born means that there is large labour force potential in this group that could make a significant contribution to overall employment. It is of great importance to introduce early measures for newly arrived immigrants for purposes of higher employment and shorter spells of unemployment among the foreign-born.

Work to prepare the reform characterised much of the Public Employment Service's work with establishment and integration in 2010. That year also saw collaboration with other relevant authorities and the Swedish Association of Local Authorities and Regions, SKL, strengthened. Until June 2011, 4,100 new immigrants arrived in Sweden who are covered by the reform and registered with the Public Employment Service. Experience to date shows that extensive collaboration among all authorities is a prerequisite for the Public Employment Service's successful coordination of the various parts of the reform. Forms of such collaboration can be established at various levels, and their continuous development is based on work with the jointly identified areas for development. One example of the collaboration is local agreements that the Public Employment Service has signed with local municipalities. Other areas involved include access to housing, child care, instruction in

11 Newly arrived immigrants (< 3 years), including quota refugees in need of protection and relatives of these, were placed under the overall responsibility of the Public Employment Service.

the Swedish language for immigrants, health care, rehabilitation, and promotion of good health – all important issues for newly arrived immigrants.

It is too early to make any further statements about the introduction activities for the newly arrived, since these activities began only in December 2010.

The Swedish Long-Term Survey 2011 discusses five explanations for the differences in labour market results for persons born abroad: i) Human resources (education, work-life experience, language skills, and other country-specific knowledge); ii) norms, search activity, and networks; iii) qualifications for employability; iv) discrimination; and v) policy measures. From this discussion, the conclusion is drawn that the following factors are particularly important if one is to understand the differences in labour market results between people born in Sweden and those born abroad: lack of language skills, insufficient access to informal networks, demands for extensive qualifications, ethnic discrimination, and poorly designed policy measures.

The Swedish Long-Term Survey reaches the conclusion that factors pertaining to the persons born abroad themselves (the supply factor), such as language skills and access to networks; factors associated with the recruiting employers (the demand factor), such as choice of recruitment methods, qualifications, and discrimination; and the society's policy measures (policy factors) all are important. Many of these factors share a difficulty of being measured, and, therefore, it is not possible to draw any conclusions from the current research as to their relative importance. Furthermore, the Swedish Long-Term Survey shows a probability of the factors being linked and reinforcing each other.

2.4.7 Complementary providers

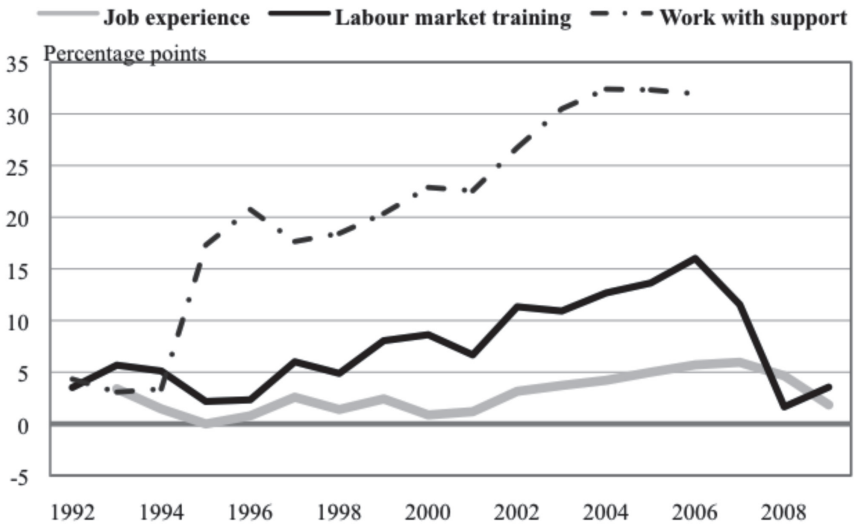
The Public Employment Service engages additional providers (private actors) in the field of labour market policy for quickly and efficiently getting job-seekers into work. Participants in the guarantee programmes, newly arrived refugees, immigrants, and people being inducted to work have access to services from complementary actors. New immigrants (as a target group) since 1 December 2010 have been provided with a system involving choice, to be supported by a new type of complementary actor – 'establishment pilots'.

The Public Employment Service had to ensure the presence of local smaller providers within its range of services. In 2010, it had contracts with 938 additional providers, three quarters of them small local providers. More than 180,000 people were with a complementary provider at some time that year. Under the Public Employment Service's appropriations, a third of the participants in the job guarantee programme for young people and in the job and development guarantee programme's first and second phase should be offered services of a complementary provider. The outcome for 2010 was that 39% of participants in the job and development guarantee scheme's first and second phase and 34% of those in the job guarantee for young people received services offered by complementary providers.

2.4.8 Effects of measures and programmes[12]

An indicator of the employment effects of the three main groups of programme efforts – individual recruitment incentives, vocationally oriented employment training, and job experience – can be presented. The general conclusion is that individual recruitment incentives are the measures with the best effect on job-seekers' chances of finding employment. Employment training has had the best effects if one disregards years of weak economic development. Finally, job experience placements, on average, have had a positive if modest effect.

Figure 6. Employment effects after a year of participation in programmes starting in 1992–2009 (source: Swedish Public Employment Service).



The Swedish Long-Term Survey 2011 studies evaluations of the effects of the employment training from the 1980s through to the 2000s. The effects have shown a swing over the decades. During the 1980s, the effects were positive, while in the 1990s they were non-existent or in some cases negative and during the 2000s positive again, except in the last few years, when the employment effects were small again. This pattern corresponds well with the long-term analysis that the labour market report's indicator of programme effects, even if the mid-1990s showed weak but positive effects that were not evident from evaluations from the 1990s.[13]

The Swedish Long-Term Survey (2011) highlights a number of explanations as to why the effects improved during the 2000s. One is rules, or management by objectives. From 2000 to 2007, there was an objective for the employment training that

12 Public Employment Service – Swedish Labour Market Report.
13 One explanation is that the Employment Service's indicator includes only vocational training and excludes preparatory training courses. For more information on the Employment Service's indicator system, see Nilsson (2008).

70% of those who accomplished vocationally oriented employment training would have a job within 90 days of completing the training. The authors point to two effects of such an objective: firstly, that the Public Employment Service has likely tried to a large extent to identify those who are really supported by the training and, secondly, that it will probably be more selective in which training programmes are offered.

Furthermore, the Swedish Long-Term Survey highlights that the possibility of requalifying for a new period of unemployment compensation through participation in programmes was eliminated in 2001, which should have led to those who currently participate in the training being more suitable for it. A contributing factor may have been the scaling down of volumes during the 2000s. Ultimately, the labour market situation has likely played a part.

Alongside employment training, several kinds of subsidised employment and job experience are currently the dominant types of programme. The Swedish Long-Term Survey draws the conclusion that the best effects are shown by those programmes most akin to regular employment (contribution for starting a business, recruitment support, and individual recruitment incentives) and there is a tendency for the effects to be worse the less like a normal job the programme operation is. It also states that the effect of participating in a programme rather than continuing to apply for work as openly unemployed seems to be particularly great for some of those programmes that most resemble regular jobs: individual recruitment incentives and start-up grants. These types of subsidies strengthen the individual's position in the labour market more than other types of efforts do. The results apply for both the 1990s and the 2000s. This too is supported by the Public Employment Services report's indicator of employment effects. Evaluations of job experience, however, showed smaller effects, even though the effects tended to be greater in the 2000s than the 1990s.

There is a potential problem with those programmes most resembling regular jobs. They usually have the largest displacement effects. The Swedish Long-Term Survey does point out that if different types of subsidised employment are directed at the long-term unemployed, the displacement need not be such a big problem. The long-term unemployed are far removed from the labour market and compete less over the vacancies. Those displaced can then be expected to stand closer to the labour market and also be able to apply for other jobs. The result hence is increased competition for the jobs. The pressure pushing salaries downward increases. Employers can then create more vacancies, and direct displacement is counteracted in the long term.

This displacement discussion has been frequent, and the research seems to have reached consensus that the displacement can be accepted if it occurs to the benefit of persons far removed from the labour market. However, there is another kind of discussion of displacement – or, more properly, substitution – between different types of individual recruitment incentives. The Public Employment Service has experienced it as difficult to increase the number of work experience placements, individual recruitment incentives, or new-start jobs beyond existing levels. In part, the

inertia may be due to transition problems: it takes time to get used to new methods of working. But it might also be due to a saturation level in the labour market. There is a risk of substantial substitution effects between different individual recruitment incentives and work experience placements wherein an increase in one type of support entails the risk of other types of support being displaced. The Public Employment Service has presented a wish for an audit of the subsidy structure between different individual recruitment incentives.[14]

2.4.9 Long-term effects of labour market programmes[15]

There are not many studies of the long-term effects of labour market programmes, or of how they should be directed in various states of the economy. However, knowledge about this is important, as it enables somewhat successful allocation of labour market policy resources in view of the situation of the labour market. Taslimi (2011) has compiled the knowledge about these connections. It is difficult to come to agreement surrounding the conclusions, since the results vary and many of the analyses are carried out in countries that differ from Sweden in many cultural respects, which renders it difficult to determine whether the conclusions are generalisable. However, it is possible to point to some of the main results for purposes of discussion.

The empirical research on programme effects indicates that studies with a longer time perspective in general find more advantageous effects of labour market policy measures and programmes.[16] The estimates show that many programmes that seem to display small positive (or even negative) effects in the short term have significant positive effects in the long term. The reason is that the negative lock-in effect seems to be as great as or, in many cases, larger than the positive treatment effect in the short term whilst the treatment effect dominates in the long term.[17] Subsidised work provides quicker effects, and training efforts provide more long-term effects for the participants.

Furthermore, the negative lock-in effect of the labour market training seems to be weaker during recessions. However, the training's positive treatment effects too seem to be lower amid recession. One explanation for this could be that it is easier during a boom to find occupations whose employers are shorthanded and that the competition for vacancies is reduced.

The research also shows that labour market policy measures have positive effects on participation in the labour force both in the short term and in the long term in the Swedish labour market. Labour market programmes prevent the unemployed from leaving the labour force.

---

14 Swedish Public Employment Service (2011b).
15 The section is based on the work of Taslimi (2011). For references, see the Swedish Labour Market Report.
16 There is no generally accepted definition of 'short-term' and 'long-term'. However, the former can be regarded as result periods of approximately one year while the latter is related to periods of three to five years or even longer.
17 During the time in programmes, there are lock-in effects in which the level of job-seeking is lower and therefore the chance of getting a job is lower. The expected positive effects of the programme itself, the treatment effect, in all likelihood come into existence after accomplished effort.

The research results indicate that labour market policy should stimulate demand through employment creation activities and programmes such as individual recruitment incentives. According to the research, individual recruitment incentives produce large displacement effects but entail very positive effects, especially in the short term, which prevents long-term unemployment and counteracts social exclusion and withdrawal from the labour force.

In summary, the research indicates that the labour market policy during a recession should shift emphasis toward employment creation programmes and training efforts and put less emphasis on matching efforts.

2.4.10 The unemployment insurance system

The Public Employment Service will work actively with the unemployment insurance system so as to serve as transposition insurance and also, if necessary, hire complementary actors for quickly and efficiently placing job-seekers in work. The Public Employment Service has been engaged in efforts to promote uniformity and certainty, to ensure that the unemployment insurance system acts as a transposition system.

The time from 2006 to 2010 has seen extensive reforms in the unemployment insurance system. Among other changes, efforts were made in 2008 to increase the incentives for individuals to break from unemployment. The ability to receive unemployment benefits for part-time employment has been limited to a maximum of 75 days. This change means that the limit for the number of benefit days is met in nearly seven months for a person working half-time, while the old rules in practice meant that a part-time job could be combined with unemployment benefits for several years.

The increased financing charge was replaced with an unemployment fee equal to 33% of the incomerelated unemployment benefits that the unemployment fund pays out in the course of a month. This means that the unemployment insurance payment to the state is now clearly reconnected to the unemployment insurance fund payout in unemployment benefits, so the differences in membership fees between unemployment funds have increased. The introduction of an unemployment levy was intended to give further strength to the incentives to limit changes in wages and ensure that it should not lead to increasing unemployment. Furthermore, an addition of two more qualification days was introduced; now, unemployment benefit is not provided in the first seven days of a spell of unemployment.

Other changes mean that an unemployed person can become eligible for unemployment insurance if he or she has previously worked in the field covered by the relevant unemployment fund. The change encourages increased access to unemployment insurance at the same time as it helps to simplify the administration of insurance. With the change, employers do not need to certify a certain working time for workers seeking entry into the insurance scheme.

2.4.11 Challenges – groups of unemployed people

The challenges of the labour market policies are already large and will grow in the coming years. The employment increase will move toward a decline and the number of unemployed will increase; likewise, the number of people belonging to groups with a weak position in the labour market will continue to rise as a percentage of the labour force. The increased influx to the labour market of persons who find it difficult to secure employment quickly means that structural unemployment may become a growing problem. It already accounts for a significantly larger share of unemployment than it did during the first half of the 2000s.

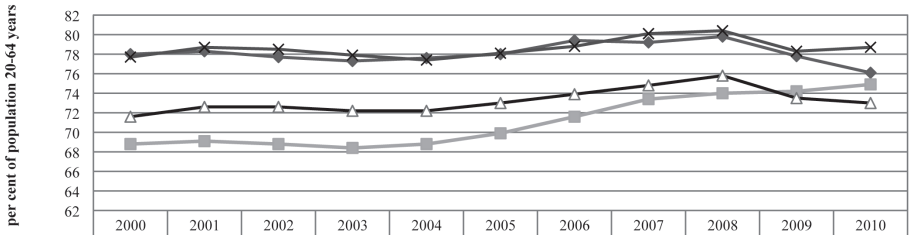
A worrying trend is that the percentage of unemployed people with no more than the compulsory level of schooling is increasing significantly in the younger age groups, or among those below 35. It is an exceptionally worrying trend that a greater percentage of the new generations who are entering the labour market have not reached the level of education that is necessary for establishing themselves in working life. The trend toward higher percentages with a short education among young people has two main causes. Firstly, a large share, approximately 40%, of youth with a foreign origin and approximately 20% of people born in Sweden have not completed their schooling. The second reason is continued immigration (in the form of refugees) involving groups of immigrants who lack basic education.

3 Trends in employment, unemployment, benefits, and activation

3.1 Convergence in overall employment rates?

Employment rates in Denmark and Sweden have historically been especially high when compared to either EU or OECD averages, and they still were increasing even further before the crisis. The starting levels in 2000 in Finland and Germany were much lower, close to the EU average. While the convergence of the employment rates is to a great extent explained by the financial crisis – which hit employment in Denmark especially hard – also Germany has been improving its employment continuously since 2004, even during the financial crisis. Finland as well has been catching up, though much less than Germany.

Figure 7. Employment rates for those aged 20–64 in Denmark, Germany, Finland, and Sweden between 2000 and 2010, in per cent (source: Eurostat).



	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Denmark	78,0	78,3	77,7	77,3	77,6	78,0	79,4	79,2	79,8	77,8	76,1
Germany	68,8	69,1	68,8	68,4	68,8	69,9	71,6	73,4	74,0	74,2	74,9
Finland	71,6	72,6	72,6	72,2	72,2	73,0	73,9	74,8	75,8	73,5	73,0
Sweden	77,7	78,7	78,5	77,9	77,4	78,1	78,8	80,1	80,4	78,3	78,7

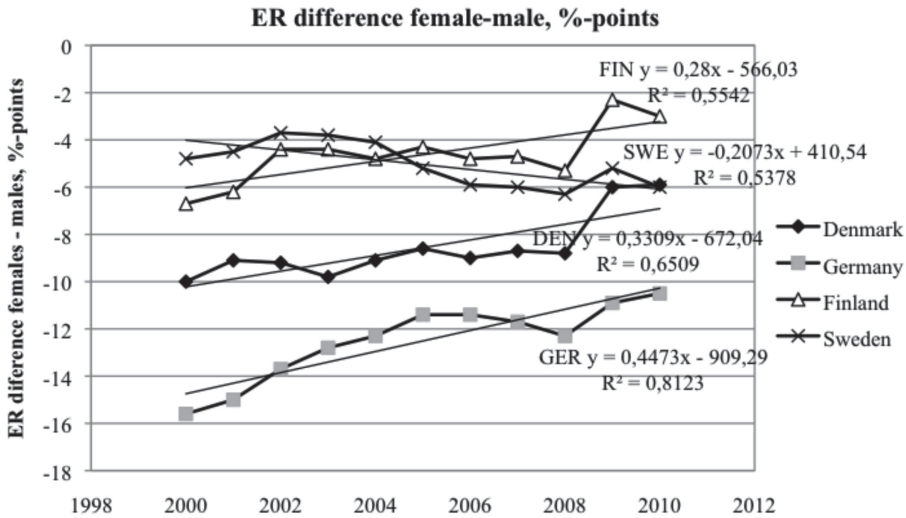
It is interesting to note that over the last decade the spread of employment rates in the age-20–64 population group in the four countries has diminished. All four experienced improvement until 2008 (with all facing slight losses in 2002 and 2003), with Germany experiencing remarkable improvement especially between 2005 and 2008. Germany seems to be an exception, with a rising employment rate even during the years of fiscal crisis. Swedish employment has recovered quite quickly, while Denmark and Finland lost employment in both 2009 and 2010. German employment rose, surpassing the Finnish figure, in 2009 and doing so even more clearly in 2010.

Labour market institutions and reforms cannot be blamed for the lower employment rates seen during the crisis. Instead, the role of labour market policy and reforms during the period after the crisis is of great interest. All countries performed well, and they apparently made good policy. For example, the excellent performance in Germany could be explained by the Hartz reforms, which have been supported by moderate wage development and cost-competitiveness. Denmark, in turn, had started reforms designed to increase economic incentives and intensified activation already in the mid-1990s, and reforms were continued in the 2000s. In Sweden, in turn, the two cornerstones have been inclusive labour market policy, on the one hand, and reforms promoting (long-term) labour supply, many of them beyond labour market policy, on the other. Both in Sweden and in Finland, for example, tax policy reforms have promoted labour supply, which, in combination with good economic growth, has resulted in increased employment rates. However, it is worth noting that, while unemployment rates do not differ between Sweden and Finland, the gap in employment rates is quite high. One could observe as a general conclusion that an exceptionally high employment rate – in which Finland still lags behind – requires that employment rates for all groups be high. A closer look at the employment trends reveals some of the associated challenges.

There is a long tradition of high employment of both sexes in the Nordic countries. The graph below describes the gap in employment rates between men and women. Basically, this is an indicator measuring equity between the sexes. The gap is greatest in Germany but decreasing rapidly. In Finland and Sweden, the gap has been especially low, which was true even before the crisis. Overall, the gaps are converging. However, this indicator also points to the fact that one explanation for the excellent performance in Finland is that, while the employment rate of women indeed is high, the employment rate of men has been only at the EU average level since 2000. The employment rates of men and women, separately, are presented in appendix A1 and A2.

The development of employment rates by sex is hard to explain by any specific reforms in any country. None of the reforms have been tailored especially for women or men, or to reduce the gap. The developments have been clearly more favourable for females than males within the last decade – but this is likely to be caused by some other determinants. There seems to be some relative improvement for females in Germany and Denmark, as is the development in Finland, also, while Sweden has lost female employment in relation to male employment. While in Finland the smaller gap between men and women is explained in part by the relatively weak employment of men, the case in Sweden is quite the opposite. The employment rate among women was increasing before the crisis, but the gap widened, because the employment rate of men was increasing even more. However, the way the financial crisis hit all of these countries can be characterised as involving heavier losses for males than females. In Germany, female employment increased more than did employment of men.

Figure 8. Trends in employment rate gaps between females and males in Denmark, Germany, Finland, and Sweden between 2000 and 2010, percentage points (source: Eurostat).

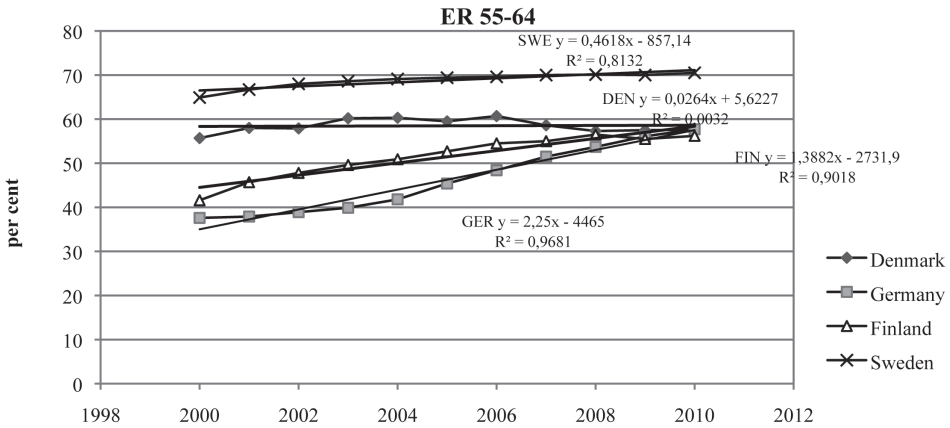


Taking a closer look at the trends in female–male employment rate differences, we can see that the trend line (linear regression) has the highest coefficient for Germany, which had the greatest gap in 2000. According to the trend, each year is expected to see the female–male employment rate narrow by 0.45 percentage points in Germany. The corresponding figure for Denmark is 0.33 percentage points and for Finland 0.28 percentage points. From the developments between 2000 and 2010, the Swedish trend shows an increase in the gap of 0.21 percentage points annually. It is quite natural that the German coefficient is the highest, as the starting gap was the widest. With so few observations, the models are very sensitive to the selection of years, so, for example, for Sweden the most recent observations (since 2006) are relatively stable. For Finland, the labour market's reaction to the financial crisis was a heavy hit suffered by maledominated fields, which suddenly amplifies the latest observations and shows a trend of decrease in the gap. For Denmark, there seems to be a similar kind of development. What can we then conclude from the observations and trends? Probably only the German trend and, with reservations, the Danish one can be interpreted as showing a decreasing female–male employment rate gap. All three Nordic countries show a relatively narrow gap, with a further decrease not easy to reach.

In Sweden, the employment rate for people aged 55–64 is clearly higher than that in the other three countries. This has become even more visible since 2007. As Germany and Finland have improved their performance and Denmark experienced slight losses in recent years, there has been a convergence in the employment of older people in these three countries. These rates in all three countries being between 56%

and 58% is a good achievement, but the Swedish figure of over 70% is a great achievement. The German improvement in 10 years is more than 20 percentage points, which is impressive. Finland too has succeeded in raising its employment rate of older people significantly.

Figure 9. Employment rate trends for those aged 55–64 in Denmark, Germany, Finland, and Sweden between 2000 and 2010 (source: Eurostat).



In examination of trendwise developments in the employment rate of the older segment of the population, the German improvement is strongest, with a 2.3% average annual rise. Finland reaches 1.4% and Sweden, with the highest level of employment of older people, 0.5%. The squared regressions show that the trends for Germany, Finland, and Sweden are fairly stable, with no outliers. For Denmark, the trend is flat. Reforms affecting the taxation of 60–64-year-olds, on one hand, and those who are retired, on the other, were made in 2008. Moreover, Denmark completed sweeping pension policy reform very recently (in 2011). The results of both reforms will be seen later. Here it is interesting to see how Sweden is on its own level with over 70% employment rate of elderly and all other countries show converging development, with practically the same level in 2010.

Apart from a few exceptions in the country reports, this paper does not examine some of the relevant issues from the angle of older people's employment, such as developments in the pension systems, the improved health and education of the elderly, and changes to working life. Also, the rules and institutions related to disability have a strong effect on the employment rate in this age group. However, all countries have made reforms in these areas and those probably have had a much larger role in the good performance than labour market policy reforms have. In Finland, as a part of wider pension reform, the unemployment pension has been abolished and

the age limits for the extended unemployment benefit period have been increased a couple of times. Evaluation results indicate that this has lowered the risk of unemployment in that age group. However, this is only half of the story – older people in all of these oneyear age cohorts have higher employment rates now than those cohorts born earlier had at the same age.

It is remarkable that even during the financial crisis, employment rates of older people were quite stable – with a slight increase in most countries and only a slight decrease in Denmark. Older people have remained employed. At least in Finland, the other side of the coin – also before the crisis – has been that the probability of getting a job at the age of 55 or older has continuously been quite low.

3.2 Unemployment and outsiders

The differences in unemployment rates were quite large at the beginning of the monitoring period, in 2000. Finland had the highest unemployment rate, partly still as a legacy from the extremely high unemployment during the 1990s depression. However, unemployment showed a trend of slow decrease until the financial crisis. The unemployment rate in Germany in 2000 was quite high as well. Moreover, in the first few years of the decade, the rate was increasing. The reforms were planned and implemented to tackle increasing unemployment, among other things, and showed excellent results. In Sweden, unemployment was quite low in 2000 but increased slightly during the first years of the 2000s. However, since 2005, unemployment started to decrease, only to increase again because of the financial crisis. From 2005 onward, unemployment rates and trends in Sweden and Finland have been very close, with Sweden performing slightly better. In Denmark, the unemployment rate was very low in 2000 and, despite the slight increase in 2003–2004, remained low for the whole period. Denmark performed very well, at least partly because of reforms made already in the 1990s – and followed by further reforms in the 2000s. Extremely low unemployment was reached before the crisis; however, the blow of the crisis hit Denmark quite hard.

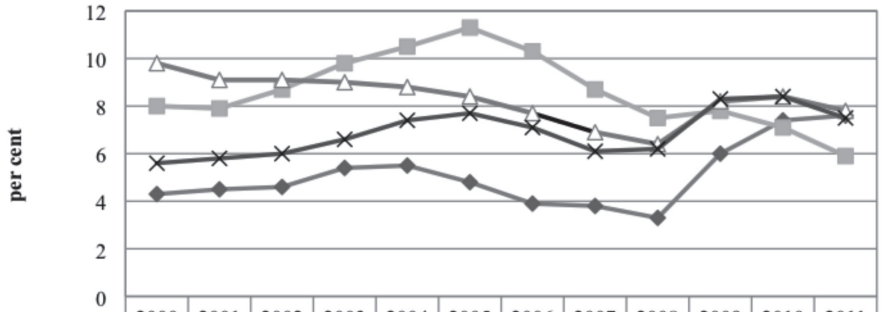
Since the starting points and trends were quite different, also the needs for (further) reforms in 2000 were different. Nonetheless, all countries' reforms have been intended to reduce incentive problems, increase active searching, shorten unemployment spells, and increase matching efficiency. All these reforms should, at least in theory, result in lower unemployment.

Denmark has implemented significant reforms concerning unemployment benefit duration – since the 1990s, starting with very long duration, then converging with other countries. In Germany, the Hartz IV reform included elements of unemployment benefit reforms, especially in relation to 'unemployment benefit II'. In Finland, the age limit for the extended unemployment benefit period among older long-term unemployed people has been increased several times, with the goal of lower inflow into unemployment. Recently, at the beginning of 2012, the unemployment

benefit level was increased, since it had lagged behind wages and prices. In Sweden, the reforms addressing unemployment benefits were made especially in 2006–2010 and had several elements, such as changes to the duration of partial unemployment benefits and the system for financing of benefits.

The reforms in all countries include elements intended to increase searching activity and/or changes in eligibility rules. For example, the Hartz reform included elements of this type – such as its terms on the frequency of registration and broader definition of reasonable work. In Sweden, search activity has been intensified mainly by means of economic incentives. In Finland, the definition of the travel-to-work area has been changed, to support labour mobility and searches that encompass a broader area.

Figure 10. Unemployment rates in Denmark, Germany, Finland, and Sweden between 2000 and 2011, per cent (source: Eurostat).

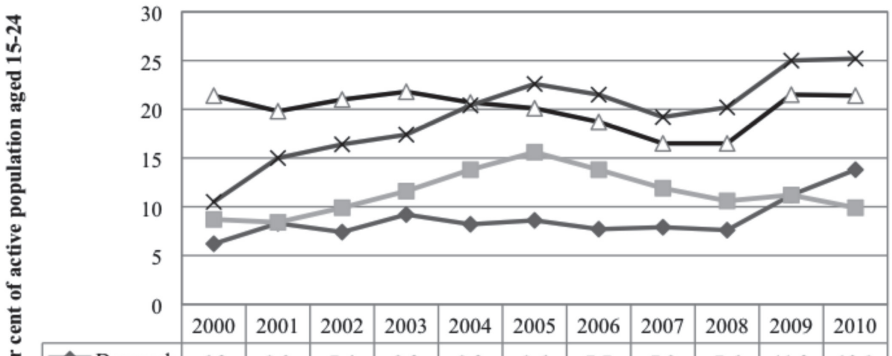


	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Denmark	4,3	4,5	4,6	5,4	5,5	4,8	3,9	3,8	3,3	6,0	7,4	7,6
Germany	8,0	7,9	8,7	9,8	10,5	11,3	10,3	8,7	7,5	7,8	7,1	5,9
Finland	9,8	9,1	9,1	9,0	8,8	8,4	7,7	6,9	6,4	8,2	8,4	7,8
Sweden	5,6	5,8	6,0	6,6	7,4	7,7	7,1	6,1	6,2	8,3	8,4	7,5

The unemployment rate developments show very similar reactions to the financial crisis in the Nordic countries, while Germany has performed very well already for a longer while since 2005. In 2011, all three Nordic countries had practically the same unemployment rate, with only Sweden reaching about the same pace of improvement as Germany during that year. Finland showed a somewhat slower pace, and Denmark seemed to lag behind in reaching the turning point. The change of labour market institutions – or lack of reforms – had little role in the increase of unemployment during the crisis. Even though in Germany the improved labour market trend partly compensated the crisis effects. Also worthy of note is that the mechanisms of adjusting working hours – which did have a role – are excluded in this paper. However, conclusions concerning the role of institutions and labour market adjustment after the crisis will be possible after a couple of years.

Also the starting levels of youth unemployment were different in 2000. Finland had much higher youth unemployment, over 20%, which was twice as high than that in Sweden, and the gap to Germany and Denmark was even larger. In Finland, the trend of youth unemployment was, however, decreasing, although very slowly, following the overall decrease in unemployment. In Germany, youth unemployment could be said to have followed overall unemployment – also youth unemployment started to decrease in 2005 after having increased for several years. During the period under review, Denmark's youth unemployment was very low, except in the time of increase during the crisis, but even during the crisis it was lower than Finland's figure at its best, from before the crisis. In Sweden, the youth unemployment rate increased quite a lot in 2000–2005. As in Germany, this could be explained in part by the increase in overall unemployment in that same period.

Figure 11. Youth unemployment rates in Denmark, Germany, Finland, and Sweden between 2000 and 2010, per cent of the active population aged 15–24 (source: Eurostat).



	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Denmark	6,2	8,3	7,4	9,2	8,2	8,6	7,7	7,9	7,6	11,2	13,8
Germany	8,7	8,4	9,9	11,6	13,8	15,6	13,8	11,9	10,6	11,2	9,9
Finland	21,4	19,8	21,0	21,8	20,7	20,1	18,7	16,5	16,5	21,5	21,4
Sweden	10,5	15,0	16,4	17,4	20,4	22,6	21,5	19,2	20,2	25,0	25,2

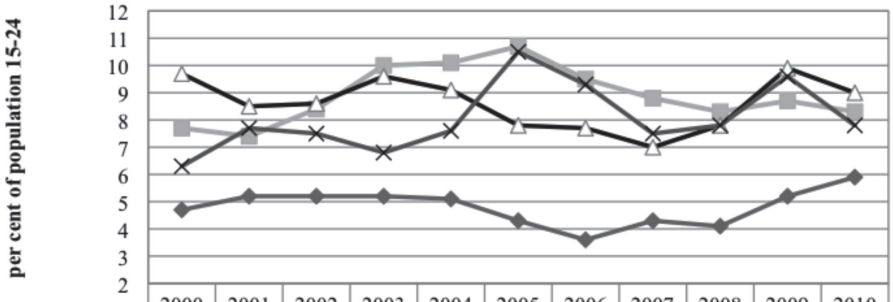
The youth unemployment rates for Sweden and Finland are higher than those for Denmark and Germany. One possible institutional explanation could be the differences in school-to-work transition, where Germany and Denmark's apprenticeship-type vocational education makes it easier for young people to find their first job than does the general vocational-school-type education in Sweden and Finland. On the other hand it may turn out to be easier to change jobs later with more general vocational qualifications.

All of the case countries have special policy elements for the young, many of them introduced well before the monitoring period. However, the role of reforms since 2000 has been quite different from one country to the next. In Germany, the Hartz reform did not actually include any special elements labelled as for the young, and

probably youth unemployment was not the most significant problem before the reform. However, after implementation of the reform, youth unemployment did start to decrease. In Denmark, performance was especially good in 2000–2008, without large reforms concerning the young in that time. Quite recently, in 2009, Denmark made reforms (the Agreement on More Young People in Education and Jobs), the effects of which will be seen later. In Finland, there have been no significant reforms labelled as especially for the young – although the 'activated' labour market support is used especially by the young. The 'youth guarantee' will be implemented in 2013. Sweden invests in inclusive labour market policy, and so the young as part of that. Sweden has also reduced the employer contributions for young people. However, it seems that youth unemployment responds quite strongly to overall unemployment in Sweden – and in Finland even more strongly.

Another indicator, NEET, monitors the percentage of youth not in employment, education, or training. It is a measure not of the performance of labour market policy but of the performance of the combination of employment policy, education policy, and labour market policy. It is a rough analogue of the proportion of young people at risk of exclusion, although it covers also, for example, some of the young parents taking care of small children. Since the unemployed are included, the changes in the youth unemployment rate explain some of the changes in the NEET indicator as well.

Figure 12. NEET rates in Denmark, Germany, Finland, and Sweden between 2000 and 2010, as a percentage of the population 15–24 years of age (source: Eurostat).



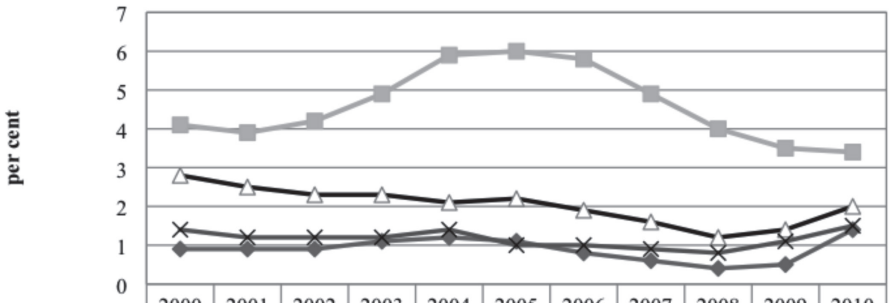
	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Denmark	4,7	5,2	5,2	5,2	5,1	4,3	3,6	4,3	4,1	5,2	5,9
Germany	7,7	7,4	8,4	10,0	10,1	10,7	9,5	8,8	8,3	8,7	8,3
Finland	9,7	8,5	8,6	9,6	9,1	7,8	7,7	7,0	7,8	9,9	9,0
Sweden	6,3	7,7	7,5	6,8	7,6	10,5	9,3	7,5	7,8	9,6	7,8

The changes in the values of the NEET indicator might be explained partly by the changes in youth unemployment. Youth unemployment, in turn, correlates with overall unemployment, but how strongly varies between countries. As mentioned earlier, and as can be seen in the table 4 below, this relationship between overall

unemployment and youth unemployment is stronger in Finland and Sweden than in Germany and Denmark. In Germany, NEET values have been on the decline since 2005, as have overall unemployment and youth unemployment. Also, part of the story behind Denmark's especially low NEET values is that overall unemployment as well has been low. However, the performance in Denmark has been convincing, since the NEET rate even during the crisis was lower than it has been in other countries throughout the period. The changes in the NEET values – similarly to the changes in youth unemployment rates – are not easy to connect to certain specific reforms. There seems to exist convergence for three of the countries in the NEET rates of the last few years; the exception is Denmark, where the rate is on a somewhat lower level. Looking at the German developments since 2005, one finds that a very good outcome has been reached in cutting unemployment for both young people and the broader group of NEETs simultaneously. This was probably supported by demographic effects, as the low-birth rate post-reunification cohorts started to enter the labour market.

There is relatively even development in long-term unemployment rates between the Nordic countries: Finland has improved its performance and is close to reaching Sweden and Denmark's levels. The developments in Germany also have been convincing in this respect, since the implementation of the labour market reforms. Still, the long-term unemployment level remains higher in Germany than in the other three countries. The long-term unemployment (LTU) trend is not bad at all in any of the countries. The effects of the financial crisis on the prolongation of newly started unemployment spells in 2008–2009 remains yet to be seen, but the upward tendency in 2010 in the Nordic countries is worrying.

Figure 13. Long-term unemployment rates in Denmark, Germany, Finland, and Sweden between 2000 and 2010, as a percentage of the labour force (source: Eurostat).



	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Denmark	0,9	0,9	0,9	1,1	1,2	1,1	0,8	0,6	0,4	0,5	1,4
Germany	4,1	3,9	4,2	4,9	5,9	6,0	5,8	4,9	4,0	3,5	3,4
Finland	2,8	2,5	2,3	2,3	2,1	2,2	1,9	1,6	1,2	1,4	2,0
Sweden	1,4	1,2	1,2	1,2	1,4	1,0	1,0	0,9	0,8	1,1	1,5

It could be argued that reaching an extremely low long-term unemployment rate requires success in a broad policy area. It necessitates policy that prevents long unemployment spells, which reduces the inflow to long-term unemployment. The variety of efficient policies is large. Also required are effective policies and tools for those who are at risk of prolonged unemployment – and good timing: not too late but not too early either. And it often requires quite intensive, long-term, and expensive measures for those who are long-term unemployed. Vice versa, it could be argued that a high long-term unemployment rate is a signal of poor policy in some respect – the possible reasons for poor performance are many.

Hence, it is difficult to name the reforms contributing to good performance. In Germany, long-term unemployment has decreased since 2005 – as overall unemployment rate and youth unemployment have. At the same time, employment rates (overall, by sex, and by age group) have been increasing. The Hartz reform has had a significant role in the overall good progress in Germany – but only on the basis of effectiveness research is it possible to identify which parts of the reform were especially relevant for longterm unemployment.

Denmark and Sweden have a long tradition of extensive active labour market policy. This has had a significant role in reaching of continuously low long-term unemployment rates, except amid the crisis. However, to reach extremely low long-term unemployment rates – below one per cent, or even 0.4% as seen in Denmark at its best – a country needs more than extensive active labour market policy. It could be argued that both of these countries have implemented reforms to prevent inflow to long-term unemployment, such as reforms related to incentives. At the same time, activation has been at quite a high level. However, since 2006, the percentage of people wanting to work among participants in the various programmes has been decreasing in Sweden, while Denmark has maintained a high percentage. In Sweden, the group at the focus of labour market policy has been those job-seekers who are far from getting a job on the labour market.

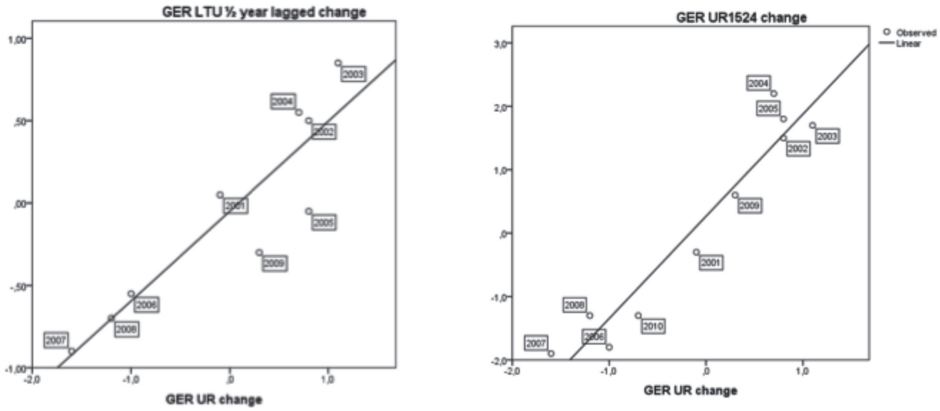
Table 4. Regression estimates for explaining changes in youth unemployment rates or LTU rates (LTU rates half-year-lagged) in 2001–2010, by total unemployment rate change

	UR->UR15–24 r^2 %	B_1	significance	UR-> ½-year-lagged LTU r^2 %	B_1	significance
Denmark	69	1.26	.003	90	0.20	.000
Germany	93	1.61	.000	82	0.55	.001
Finland	89	2.56	.000	93	0.26	.000
Sweden	68	2.25	.003	46	0.13	.05

The models for youth unemployment are significant in all of the countries. The German and Finnish models show the best fit. A change of one percentage point in the

total unemployment rate 'causes' the highest youth unemployment rate changes in Finland and Sweden, with the Danish coefficient being less than half of the Finnish figure. So one possible interpretation is that in Finland and Sweden unemployment rate changes are connected to clearly more dramatic simultaneous youth unemployment changes than in Germany or, especially, in Denmark. For long-term unemployment, the models have the best fit with a halfyear-lagged LTU rate changes in all countries. The models applying one-year-lagged LTU rate changes show a clearly better fit than those without lagged figures, but here we report only on the models with the best fit. The Swedish model is significant at the five-per-cent risk level, and the other models are significant at least at the one-per-cent level. The coefficient is highest for Germany and lowest for Sweden. With time lags of half a year, the models suggest that unemployment rate change causes the most serious long-term unemployment changes in Germany and has a less drastic effect in the Nordic countries. Interpretation must, however, remain rather tentative, since these models are applied with only a few observations.

Figure 14. a-b. Regression estimates for explaining the dependence between unemployment rate change and long-term unemployment rate change (a, left) and the unemployment rate among young persons (b, right) in Germany between 2001 and 2010.

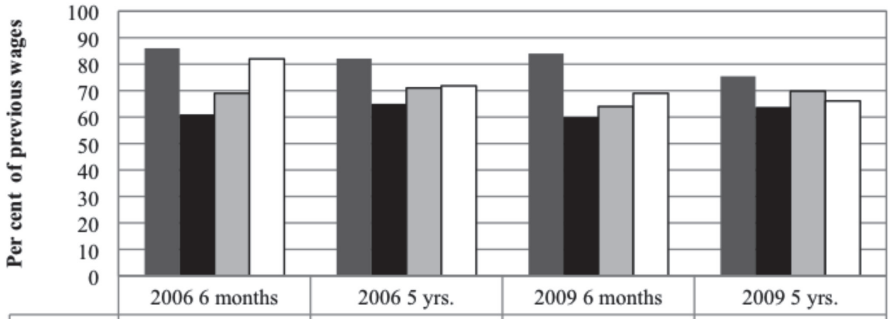


3.3 Unemployment benefit schemes and replacement rates

Unemployment benefits provide income security during unemployment. A high enough level and long enough duration of unemployment benefits also give the unemployed time for the matching process and hence support the quality of matching between a job and job-seeker as well. On the other hand, generous unemployment benefits increase replacement rates and reduce incentives for job-seeking.

It could also be argued that a long (or unlimited) duration of unemployment benefits has an important role – probably even more important than that of the level itself.

Figure 15. Net replacement rates of unemployment benefits for a duration of unemployment of six months and five years (with social assistance) in Denmark, Germany, Finland, and Sweden in 2006 and 2009 (source: Eurostat).

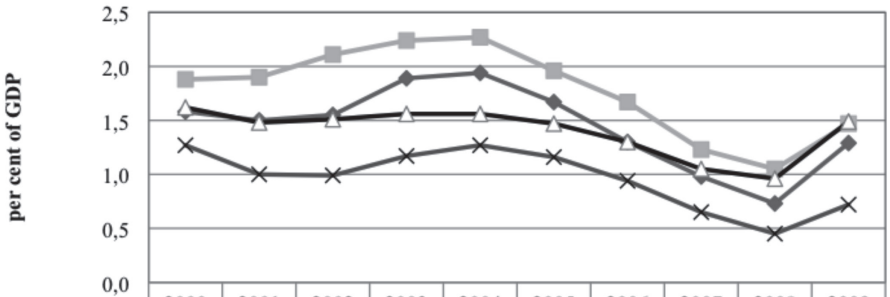


	2006 6 months	2006 5 yrs.	2009 6 months	2009 5 yrs.
Denmark	86,0	82,1	84,0	75,4
Germany	61,0	65,0	60,0	63,8
Finland	69,0	71,0	64,0	69,8
Sweden	82,0	71,8	69,0	66,1

Across EU countries, there are differences in net replacement rates, varying between 40% and over 80% for six months' unemployment duration (see appendix). In comparison of the four case countries – Denmark, Germany, Sweden, and Finland – the replacement rates after six months' unemployment range from 60% (Germany) to over 80% (Denmark). For a very long unemployment duration, of five years – taking social assistance into account – replacement rates are still high and in two of the countries they are even higher than for a six-month unemployment duration. Developments in all four countries between 2006 and 2009 show a slight moderation of replacement rates for both short- and long-tem unemployment situations. Sweden has moderated the replacement rates for short-term unemployment especially, with a cut of 13 percentage points in three years and also close to six percentage points for long-term unemployment.

There is no clear definition of a 'high' or 'low' replacement rate. However, Grubb (2007) argues that countries with higher replacement rates seem to spend much more on ALMPs. Generous unemployment benefits and high replacement rates, without active measures, tend to increase unemployment. However, activation measures could tackle the negative, disincentive effects of generous unemployment benefits.

Figure 16. Unemployment benefits in Denmark, Germany, Finland, and Sweden between 2000 and 2009, percentage of GDP (source: Eurostat).



	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Denmark	1,58	1,50	1,55	1,89	1,94	1,67	1,30	0,98	0,73	1,29
Germany	1,88	1,90	2,11	2,24	2,27	1,96	1,67	1,23	1,05	1,47
Finland	1,62	1,48	1,51	1,56	1,56	1,47	1,30	1,05	0,96	1,49
Sweden	1,27	1,00	0,99	1,17	1,27	1,16	0,94	0,65	0,45	0,72

Spending on passive labour market policy in relation to GDP follows the level of unemployment and also GDP in all of the countries. The level of benefits too is part of the story, but it should be looked at separately. For the years considered, the costs of passive labour market policy relative to GDP were highest in Germany – not because of high benefits but because of unemployment being higher than in other countries. That was the case until 2007: since then, unemployment in Germany has been further decreasing, and in 2011 it was lower than that in the other countries. The increase of spending in 2009 is partially explained by the expenditure on 'Kurzarbeit' during the crisis. In Denmark, quite high spending on passive labour market policy has involved a combination of low unemployment and high benefit levels, and the increase in 2009 can be explained by increased unemployment. In Finland, the level and duration of unemployment benefits were not changed (except for the transition security scheme) during the review period, and the changes are explained mostly by the trend in unemployment. Comparing Sweden and Finland reveals the role of low unemployment especially in the case of quite high benefits. Until 2008, Sweden managed with lower spending on passive benefits, even if the level of benefits has been higher than in Finland. In 2000–2009, the unemployment rates in Finland and Sweden were very similar, but spending on passive benefits relative to GDP increased much more in Finland – not because of reforms but because of a dramatic drop in GDP (by 8%) in Finland.

The levels of unemployment benefits could be said to be converging slightly. Recently, their level has been increased in Germany and Finland, even if the figures still are lower than that of Sweden and especially Denmark. In contrast, the duration of unemployment benefits has converged significantly. Denmark has shortened the maximum period, step by step. In Germany, the Hartz reforms decreased the

entitlement period as well. The monitoring of job-search activity, for example, is at about the same level in all four countries, according to the OECD indicator (Venn 2012: 18). Sanctions have been increased, more or less, in all countries, but, at the same time, elements of flexibility and tailoring of training have been introduced.

The strictness of eligibility criteria for unemployment benefits

The OECD (see Venn 2012) has revised its indicator of the strictness of eligibility criteria. The revised indicator consists of nine items, describing various aspects of eligibility criteria and sanctions. Those items are entitlement conditions, such as 1) a minimum employment condition record and 2) sanctions for voluntary unemployment, then job-search and availability conditions, consisting of 3) availability during ALMP participation, 4) demands for occupational mobility, 5) demands for geographical mobility, and 6) other valid reasons for refusing job offers, followed by monitoring, with 7) proof of one's job search, and, finally, sanctions, both 8) sanctions for refusing job offers or ALMP participation and 9) sanctions for repeated refusal of job offers or ALMP participation. Scores of 1 to 5 are given in all areas, where 5 represents the strictest rules.

A summary index, using different weights, is calculated also, and the values in 2011 for all four countries are quite close to each other, from about 2.5 (Sweden) to slightly below 3 (Germany), with Denmark and Finland in between. The summary index covers four main areas: entitlement conditions (items 1–2), job search and availability (items 3–6), monitoring (item 7), and sanctions (items 8–9). The table below is constructed on the basis of the information of Venn (ibid.).

Table 5. Eligibility criteria for unemployment benefits in 2011, from the work of Venn (2012)

	entitlement conditions	job search and availability	monitoring	sanctions
Denmark	2	slightly above 4	2	3
Germany	3	around 4.5	2	below 2
Finland	2.5	around 2.5	2	around 3.5
Sweden	3	below 4	2	2

While the total score does not differ much among the case countries, the differences lie in the details. For example, strictness of 'job search and availability' includes issues such as availability during ALMPs, demands for occupational mobility, demands of geographical mobility, and the number of valid reasons to refuse jobs. Demands for occupational mobility range from those with a score of 1 (can refuse indefinitely without losing UB) to a score of 5 (all job offers have to be accepted). Scores of

2–4 indicate that a jobseeker may refuse for a limited time without losing benefits. Demands for geographical mobility score from 1 (no requirement for geographical mobility) to 5 (the unemployed person must be willing to move). Scores 2–4 involve definitions of the amount of transportation time per day that is acceptable.

This is the area in which the countries differ most, especially Finland, which is less strict than the other three countries. When the profiles of all of the case countries in this area are considered in more detail, it appears that the largest differences between Finland and the other three countries arise for the 'number of valid reasons to refuse a job offer' component. The list of valid reasons includes issues such as one's health or disability, family or personal reasons, and factors related to the wage level being lower than the unemployment benefits or the usual wage for the occupation. However, this category explains only part of the difference – Finland is less strict with respect to all sub-components in this area. This indicator reflects that, for example, availability during ALMPs is required more in other countries than in Finland. Demands for occupational mobility too are stricter, especially in Denmark and Germany.

A score of 2 for monitoring – in all countries – is interpreted as a situation in which job-seeking activity may be checked upon request (a score of 4 would require regular proof of job-search activity and of 5 provision of proof every week or every second week).

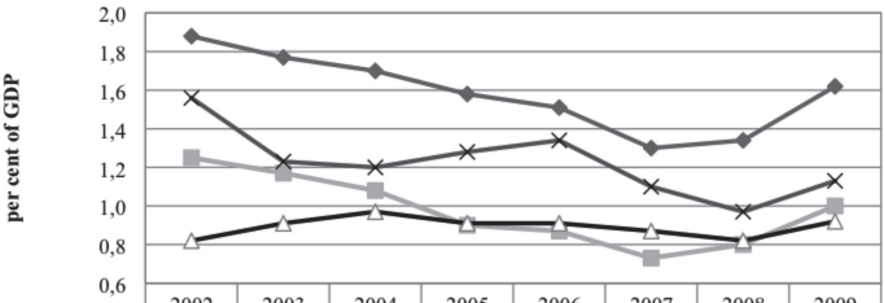
The indicator of overall strictness of eligibility for unemployment benefits gives interesting detailed information concerning the differences in these four countries. In broader international comparison, the report (Venn 2012: 21) reveals that the overall indicator values in all four countries are among the lowest. This is quite a surprising result, in view of, for example, the flexicurity discussion, in which strict monitoring has been argued to balance high levels of unemployment benefits.

The summary indicator in Venn's (2012: 24–25) analysis shows a strong negative correlation with ALMP expenditure, most notably PES and benefit administration and training, and with the generosity of benefits. However, the correlations between various sub-elements of the indicator reveal some heterogeneity. Countries with stricter entitlement conditions tend to have shorter duration of benefits and spend less on PES, benefit administration and training programmes for the unemployed. Strict job-search and availability requirements coexist with more generous benefits, as measured by the net replacement rate.

3.4 Active labour market policy expenditure and participation

This section discusses the ALMP spending and participation figures. These figures were not available after 2009, and the time series is somewhat shorter.

Figure 17. ALMP spending in Denmark, Germany, Finland, and Sweden between 2002 and 2009, per cent of GDP (source: OECD, Employment and Labour Market Statistics database).



	2002	2003	2004	2005	2006	2007	2008	2009
Denmark	1,88	1,77	1,70	1,58	1,51	1,30	1,34	1,62
Germany	1,25	1,17	1,08	0,90	0,87	0,73	0,80	1,00
Finland	0,82	0,91	0,97	0,91	0,91	0,87	0,82	0,92
Sweden	1,56	1,23	1,20	1,28	1,34	1,10	0,97	1,13

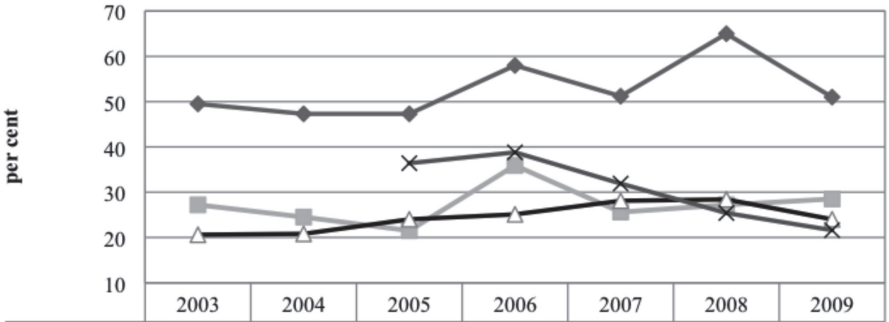
It is Denmark that invests the most in active labour market policies. The difference in relation to others is quite clear, even if Sweden has also invested a great deal in several years. The German and Finnish trends have been close to each other since 2004. Sweden probably has the most favourable active–passive spending profile among the four countries: it spends the least on passive benefits and is not a top spender for active policy either – at least when rough metrics such as share of GDP are used.

However, high spending on ALMPs is not the only strategy for tackling search frictions. The role of the public employment service is also important. Intensive interviews, job-search monitoring, and individual action plans are used, more or less, in all four countries. The country reports in Chapter 2 described the role of PES in each country.

Even though ALMPs have a role as a strategy for reducing the negative incentive effects of generous unemployment benefits, the efficiency of ALMPs should be considered also in view of the empirical evaluation results. Some of these are referred to in the country reports. Indicators such as unemployment spells, the proportion of long-term unemployment, and unemployment among vulnerable groups reflect the effectiveness of ALMPs – and other institutions as well.

The changes in the percentage of participants in active measures among persons wanting to work reveals different trends and profiles, shown in the figure below.

Figure 18. Participants in active measures in Denmark, Germany, Finland, and Sweden between 2003 and 2009, percentage of people wanting to work (source: Eurostat).

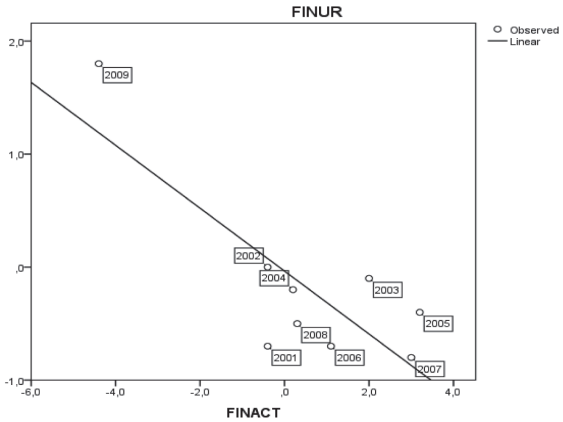


	2003	2004	2005	2006	2007	2008	2009
Denmark	49,5	47,3	47,3	58,0	51,2	65,0	51,0
Germany	27,2	24,5	21,5	35,9	25,6	27,2	28,5
Finland	20,6	20,8	24,0	25,1	28,1	28,4	24,0
Sweden			36,4	38,8	31,9	25,4	21,6

The percentage of ALMP participants among people wanting to work is especially high in Denmark, 50% or over. In Germany, it has varied within the range 20–30%, with a peak in 2006 constituting an exception. In Finland, the share has been quite stable, at 20–28%. Sweden has seen a trend of decrease since 2006. However, at least as important as the percentage of participants is the content of ALMP measures and reforms of these. This kind of monitoring does not take the content of the active measure into account, or the duration of the measures These also depend a great deal on the structure of the job-seekers' skill sets and the situation of the demand side of the labour market.

In calculation of simple regression estimates to explain the change in unemployment rates in terms of changes in activation rates, only Finland and Denmark have significant models. The Finnish model (see the figure below) for the nine years 2001 to 2009 explains technically 64% of the UR variation, and the model is significant. According to the coefficient, Finland could, by increasing the activation rate by one percentage point, reach a decrease of 0.3 percentage points in its unemployment rate. The corresponding Danish model has an r2 value of 53% and the model is almost significant. However, the B1 coefficient suggests that the respective UR change in Denmark with a one percentage point increase in activation rate would be less than 0.1 percentage points. Activation rate changes in Germany and Sweden did not explain the UR changes.

Figure 19. The dependence between activation rate change and unemployment rate change in Finland in 2001–2009.

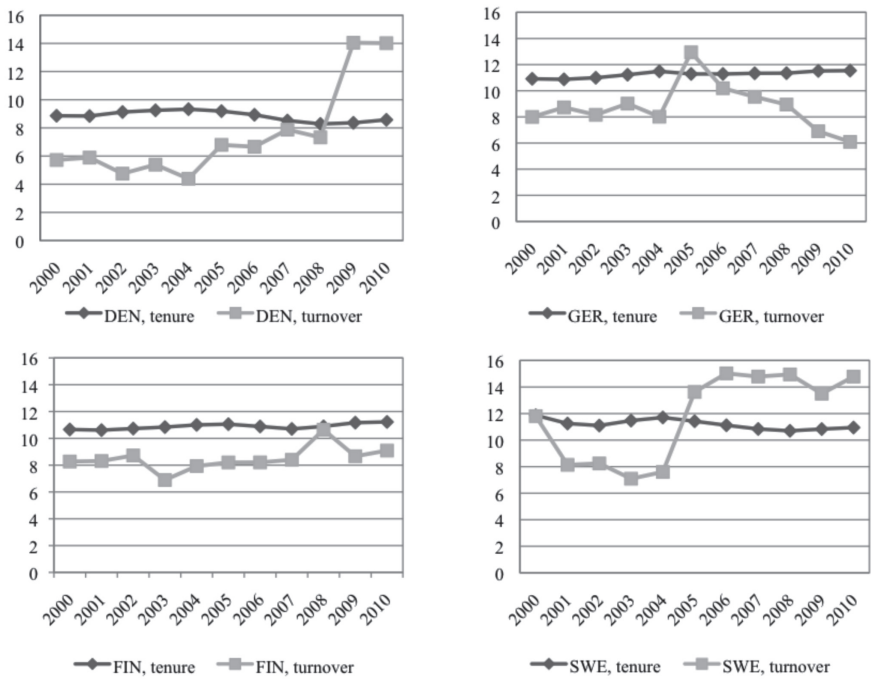


4 Labour market dynamics and matching efficiency

4.1 Labour turnover and transitions

Dynamics in the labour market can be measured by a simple indicator, labour turnover, describing hires and separations. This indicator was presented in Section 1.1, and it was recognised that, in comparison to the EU27 average, labour turnover is high in all four countries. It is extremely high in Sweden and Denmark. Labour turnover – even though only part of the story – correlates with high productivity. High labour turnover, in turn, is correlated with the strictness of employment protection, although not strongly. The OECD's employment protection legislation (EPL) indicator is presented in the appendices' Figure A8. Of the four case countries, Denmark has the lowest EPL value, a figure that is low even at the EU level. Germany is at the other end of the spectrum among the four countries examined. Sweden and Finland lie between Denmark and Germany and are in the middle also in comparison among all EU27 countries.

Figure 20 a-d. Labour turnover (hires and separations) and job tenure in a) Denmark (top left), b) Germany (top right), c) Finland (lower left), and d) Sweden (lower right) between 2000 and 2010, per cent employment (turnover) and average years (job tenure) (source: Eurostat).

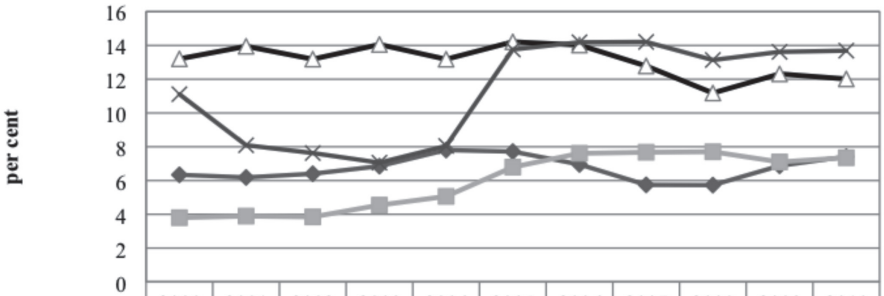


There is no straightforward interconnection between labour turnover and job tenure. This may be explained by high turnover in some groups in the workforce and high job tenure in some others simultaneously. The countries have shown quite different developments in this respect. In Denmark, turnover has almost doubled since the financial crisis and there is also a decrease in average job tenure. In Germany, job tenure is rising relatively steadily as turnover has decreased trendwise after 2005. In Finland, it seems that both turnover and tenure are rising slightly. The Swedish development is of very high turnover since 2005 and a slight decrease in tenure. Correlation analysis proves that there is a deviation from zero only in Germany, where the correlation between tenure and turnover changes is -.55; for all the rest, the correlation is practically zero. This appears to verify the above explanation for the Nordic countries.

Another issue related to employment protection legislation is the segmentation of the labour market. High labour turnover probably applies for only one part of the labour force, while another stays in stable and permanent contracts. High labour turnover could result from high rates of separations and hires affecting only part of the labour force. The reasons for segmentation could be related to education level or a vulnerable position (arising for a particular reason), in general. One potential cause for segmentation is, however, employment protection legislation. More precisely, EPL as a whole probably does not explain segmentation as much as it does the difference of EPL levels between various groups.

Again, strict conclusions as to causality should not be derived from these figures. In Denmark, EPL for temporary and regular employees is at about the same level, which should, in theory, result in low segmentation. The same applies for Finland, although the total EPL index is clearly higher in Finland than in Denmark. In Germany, the total value of EPL is quite high and the EPL value is higher for regular employees than for temporary workers. In Sweden, the total value for EPL is at the average level – close to Finland's – but the difference in EPL between regular and temporary employees is significant. In theory, this should result in segmentation. Indicators such as the share of (involuntary) temporary contracts and various transition indicators can be used as proxies for segmentation.

Figure 21. Involuntary fixed-term or part-time employees in Denmark, Germany, Finland, and Sweden between 2000 and 2010, per cent of employees (source: Eurostat).



	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Denmark	6,3	6,2	6,4	6,9	7,8	7,7	7,0	5,7	5,7	6,9	7,4
Germany	3,8	3,9	3,8	4,5	5,1	6,8	7,6	7,7	7,7	7,1	7,4
Finland	13,2	13,9	13,2	14,1	13,2	14,2	14,0	12,8	11,2	12,3	12,0
Sweden	11,1	8,1	7,6	7,1	8,0	13,8	14,2	14,2	13,1	13,6	13,7

High dynamics in the labour market – between production sectors, between occupations, between firms, and within companies – boosts productivity. However, this is not to say that the causal relationships between productivity, labour turnover, and employment protection legislation have been straightforward, or that other determinants of productivity were not important as well. Moreover, the other side of the coin is that high labour turnover makes employment policy more challenging. It tends to increase matching problems or at least pressure toward them.

This situation also calls for new labour market measures and policies, and this change of the economic environment has been reflected in the flexicurity paradigm as well. One might conclude from flexicurity discussions that security of employees could be strengthened by increasing employability and probably income security, rather than increasing the strictness of employment protection legislation. A lower EPL index is not in itself a recipe for higher productivity – other elements that support productivity growth must be in place. On the other hand, too tight EPL could result in an overly sluggish adjustment process in the labour market. What is 'too high' is an empirical and political issue.

4.2 Matching efficiency

High employment and participation rates, low unemployment, short unemployment spells, low structural unemployment, occupational and regional labour mobility, and only small problems with recruitment and matching are features of efficient labour markets. Matching problems, in turn, are related to inefficient incentive structures, inefficient employment services, or rapid changes in labour demand. Changes in

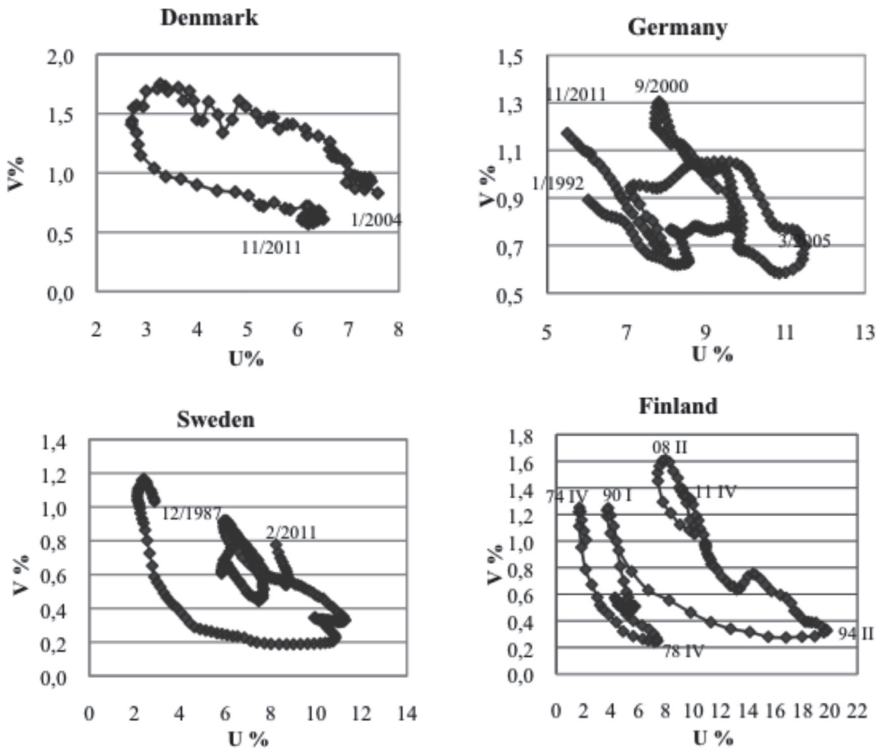
location or occupational requirements could result in matching problems – at least temporarily. High labour turnover itself tends to make the matching process more challenging, since churning in the labour market always causes some frictional unemployment and even an efficient recruitment process takes time.

Matching efficiency can be analysed by means of a hiring function (or matching function) – i.e., via the Beveridge curve. Outward shift of the curve may be explained by changes in search activity, resulting in a less efficient matching process. Decreased search activity, in turn, could be explained by several factors, such as changes in replacement rate or increased selectiveness of job-seekers. Also, greater selectiveness among employers, discrimination, and aversion to risk can decrease matching efficiency. Moreover, the gap between the qualifications of unemployed people and the qualifications required in the work results in inefficient matching.

Long-term or structural unemployment too decreases matching efficiency. This is caused by two different mechanisms. The first factor is that search activity among the long-term unemployed is lower than that of the short-term unemployed. Second, long spells of unemployment give a negative signal to the employer, reducing the probability of becoming employed.

All four countries have performed quite well when measured by general labour market indicators such as employment and unemployment rates. Employment development and matching efficiency do not go hand in hand; there are differences in matching efficiency, as shown by the Beveridge curves. Matching efficiency as indicated by the Beveridge curve has increased in Germany and Denmark – through different routes – while in Finland and Sweden the Beveridge curves have shifted outwards. The reasons behind the shifts in the Beveridge curves can be explained only by empirical research.

Figure 22 a-d. Beveridge curves for Denmark, Germany, Finland, and Sweden, various years (source: national data from each country).



4.2.1 Denmark: Increased efficiency of matching

The labour market reforms seem to have had a positive effect on the relationship between unemployment and vacancies in the Danish economy. This relationship (again, known as the U/V curve, or the Beveridge curve) traditionally is taken as an indication of the functioning of the labour market: The closer to the origin, the less the degree of imperfection in the market.

It seems to be possible to identify a rather stable relationship between the rate of unemployment and the rate of vacancies from 2004 to 2008. This time was characterised by economic growth and increasing employment. In mid-2008, the financial crisis hit the Danish economy. Unemployment increased, and the number of vacancies declined. From 2008 to 2011, the relationship between unemployment and vacancies followed a new curve, closer to the origin. This can be interpreted as indicating that the functioning of the labour market has become more efficient, since a given level of vacancies corresponds to lower unemployment.

4.2.2 Germany: The Hartz reforms' improvement to the functionality of the labour market

The most important aim of the Hartz reforms was to reduce unemployment duration and, consequently, the stock of unemployment by reducing inflows and causing outflows to rise. The variety of reform components makes it nearly impossible to discern the effects of each individual component. However, the reform package in total had a positive influence on the German labour market. It increased the dynamics of the formerly sclerotic market and improved its functionality. Several results of descriptive or econometric analyses support this statement.

Unemployment used to grow steadily over time. Since the early 1970s, it had not shrunk amid economic expansions as much as it had risen in recession before. In the upswing of 2005 to 2008, however, for the first time in decades, unemployment sank more sharply than it had risen before. The main reason for this improvement was a decline in structural unemployment. According to estimates by the Council of Experts (Sachverständigenrat 2008: 284 f.), the NAIRU (non-accelerating inflation rate of unemployment) fell by nearly two percentage points between 2005 and 2008 (further estimates are not yet available). The council ascribes this reduction to the labour market reforms, as the 'new' flexibility of the labour market caused greater incentives to create more vacancies and to search for jobs more intensively.

The relationship between vacancies and unemployment also shows that the functionality of the labour market has improved. It is depicted by the normally downward-sloping Beveridge curve (see Figure 1). Shifts of the Beveridge curve indicate that structural unemployment has changed, mainly because matching efficiency reacts to institutional changes. In other words, it has become easier or more difficult to match a vacancy and an unemployed person in line with the association between a given number of vacancies and a lower or higher number of unemployed people. Between 1970 and 2006, the Beveridge curve shifted outward, as generous labour market institutions induced more and more persistent unemployment. Since the beginning of 2007, the Beveridge curve has been shifting inward (Gartner & Klinger 2010). The main reason for this must be an improvement in match efficiency, which has been documented in econometric studies by, for example, Fahr & Sunde (2009) and Klinger & Rothe (2012). Accordingly, the positive effect was larger for the longterm unemployed than for the short-term unemployed.

However, not only has the Beveridge curve shifted inward; the German labour market seems to be sloping upward and to the left too. This has come about through the moderate wages that have been applied in Germany since at least 2003. As a consequence, there has been a tendency for demand for labour to rise. The reforms may have contributed to the wage moderation, as the shortening of the maximum duration of entitlement to UB I and the introduction of means-tested UB II led to lower outside options for people threatened with unemployment. This accelerated the transition from unemployment into employment (Dlugosz & Stephan & Wilke

2009). The effect appeared predominantly among the short-term unemployed, while the recipients of UB II hardly reacted to the modified earnings replacement benefits (Bender et al. 2008; Osiander 2010).

Reactions to new institutional settings usually take time, as the capital stock has to be adjusted and worker or trade relations are fixed by contracts. Most probably, the German labour market was still in the course of adjustment when the worldwide economic crisis arrived in autumn 2008. Therefore, the negative business cycle shock was at least partly offset by the positive trend. This can be seen as one major reason for the mild response of the German labour market.

4.2.3 Finland: Outward shift of the U/V curve in the early 2000s and shifts along the curve after the financial crisis

The economic depression in the 1990s in Finland resulted in very high unemployment. It reached its peak value in 1994, but the proportion of long-term unemployment was at its highest in 1997. Since then, it has decreased slowly, even during the economic crisis in 2009. It is typical that the early part of an economic downturn sees the high inflow of (short-term) unemployed people result in reduction in the proportion of long-term unemployed. However, during the recovery, there is a risk that lengthening periods of unemployment and long-term unemployment tend to become structural unemployment. This happened in Finland in the 1990s, when the depression and recovery process resulted in structural change of the economy. Moreover, structural unemployment, in turn, is one of the determinants of the outward shift of the Beveridge curve. This indeed goes some way toward explaining the shift of the curve in the late 1990s and early 2000s in Finland.

On the other hand, the turnover in the labour market – the inflow to unemployment but also the ouflow from unemployment – has increased since the 1990s, in comparison to the 1970s or 1980s. High labour turnover could be related to matching frictions and could explain, to some extent, the shift in the Beveridge curve between the 1970s and the 2000s, although the most important reason for the outward shift of the curve in the late 1990s and early 2000s was the high share of structural unemployment. Obstbaum (2011) finds a strong Beveridge relationship and a positive correlation between job-finding rate (matches as a proportion of the unemployed) and labour market tightness (measured by V/U) in 1981–2010 and a slightly smaller – but still high – correlation in 1994–2010. The total number of matches increases in good times, but a smaller percentage can be attributed to the unemployed.

The other side of the coin of labour turnover is the separation rate. The literature on cyclical fluctuations, job destruction, separations, and inflow to unemployment is controversial. Also the empirical findings concerning Finland are controversial. Ilmakunnas and Maliranta (2008) found that in 1991–2005 job creation has been procyclical and job destruction counter-cyclical. Obstbaum (2011), in turn, estimated

the separation rates over 1981–2010 and argued that separation rates correlate negatively with unemployment and positively with vacancies, tightness, and job-finding, resulting in lower separation rates during recession.

Despite the controversial empirical work concerning the relationship between cyclical changes and separations and hires, the policy conclusions concerning increased dynamics are clear. The higher the labour turnover, the more smooth adjustment and matching in the labour market are called for. In the case of sluggish adjustment – whatever the reason behind it – high turnover could result in an outward shift of the Beveridge curve. Indeed, dynamics and high turnover in the labour market has promoted reforms intended to increase the employability of job-seekers, protect employment, and/or ensure economic security of the unemployed (i.e., the flexicurity approach). In Finland, the flexicurity framework (see Räisänen & Schmid 2008) resulted in the above-mentioned transition security reform, including intensified public employment services and slight topping up of unemployment benefits during participation in active measures for those who were laid off for economic reasons. Both PES reforms and e-services have probably supported matching efficiency where short-term unemployment is concerned.

Even though the unemployment spells of those exiting the open labour market have not significantly lengthened, the Beveridge curve has shifted outward. What else has changed in the Finnish labour market that might explain the shift of the Beveridge curve since the 1970s? And what changes/reforms – or lack thereof – can explain the fact that the curve did not move significantly inward in the 2000s? Long-term unemployment, defined as unemployment for at least 12 months, decreased in the late 2000s. Hence, the large share of long-term unemployment probably does not entirely explain the shift of the Beveridge curve. However, structural unemployment – with a broader definition, covering not only the long-term unemployed but also the repeatedly unemployed and those unemployed after active labour market policy measures – has been quite high. Lahtonen (2007) finds evidence that at the aggregate level the relative increase in highly educated job-seekers is likely to speed up the matching process. Accordingly, the better education level should result in increased matching efficiency. On the other hand, Lahtonen (2006) argues that the higher share of those unemployed among people over 50 years of age slows the matching process.

Schauman and Vanhala (2011) argue that the negative effects of the financial crisis in 2008–2009 on the labour market will persist for quite a long time even after recovery. The recovery of employment and labour market participation rates will occur with a delay, when compared to the recovery of production. This is typical for economic crises in general. The policy measures supporting employment during crisis probably result in relatively low reductions in employment, but the price of these measures could be lower growth in productivity after the crisis. This may apply in the case of Finland, for example: the economic crisis in 2008–2009 indeed resulted in a 'productivity gap'. On the other hand, without the measures supporting labour

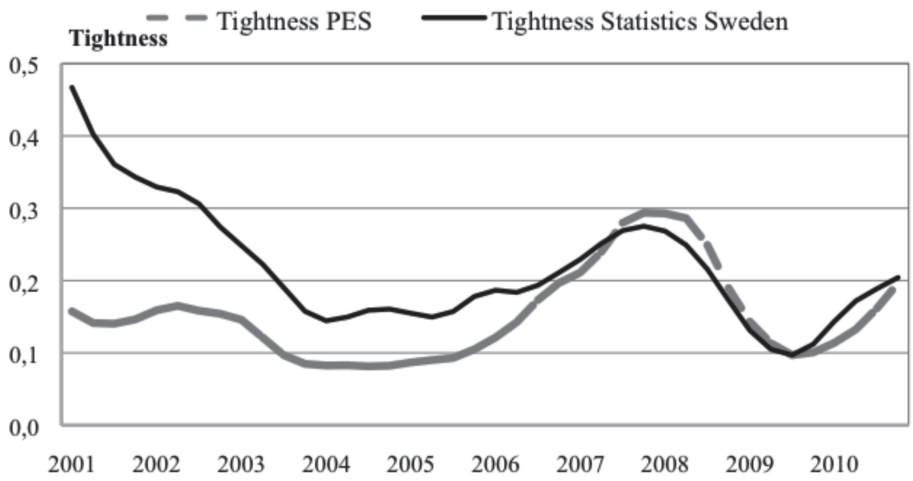
demand amidst crisis, unemployment – especially structural unemployment – could have increased more. Structural unemployment, in its turn, results in slow reduction in overall unemployment during the recovery process, as well. On the other hand, Schauman and Vanhala (ibid.) conclude that the adjustment in the labour market after the financial crisis lay along the Beveridge curve, without outward shift of the curve.

4.2.4 Sweden: Increased tightness in the labour market

The Employment Service's possibilities for filling vacancies and affecting the development of unemployment periods have a strong connection with the labour market's demand pressure, or tightness[18]. The latter refers to the number of vacancies in relation to that of job-seekers. With many vacancies per job-seeker, the chances of finding work increase for the unemployed and the number of spells of unemployment falls, but recruitment periods tend to become longer for the employers. Having been subjected to declining demand pressure over the course of several years, the curve began climbing again in 2010.

There are also indications that the matching in the labour market might have deteriorated. This is what the Beveridge curve, under certain simplified assumptions, would indicate[19]. The Beveridge curve has shown a tendency of an outward shift and lies on a curve outside that which applied during the 1980s and 1990s.

Figure 23. The tightness of the labour market – i.e., demand pressure (sources: Swedish Public Employment Service and Statistics Sweden).



18 See the labour market report for 2011.
19 The shift in the Beveridge curve at an upswing in the economy usually creates a 'U' shape. This development was evident during the second half of the 1980s. It is too soon to comment on whether the development of recent times will be manifested in a return to the previous curve or settlement at a new outward shift level.

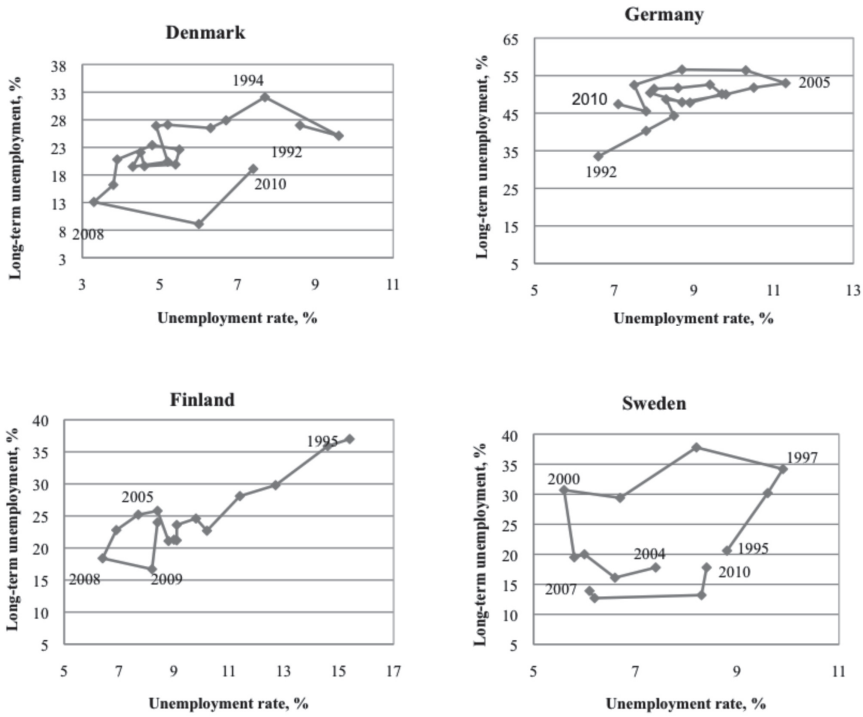
The Beveridge curve cannot be unreservedly interpreted in terms of matching efficiency, as it does not take inflow/outflow into consideration. Whenever economic shifts occur, we expect a 'U-turn', heading back into the curve. In the 1980s, this adaptation process took several years, but eventually the curve took a form that much more closely resembled the original. The interpretation of this was that the matching process had been improved, despite the fact that it looked different in the adaptation process. The situation was different after the crisis of the 1990s, when the curve was thought to have shifted outward, following the adaptation process. However, it is still difficult to say whether this shift owes itself to actual deterioration of the matching process or to other structural factors.

4.3 Structural unemployment

Significant structural changes during and after deep economic crisis are one of the important causes of large and persistent employment changes. The depression in the 1990s in Finland is an example of this. The economic structure after the depression was quite different than before the crisis, and unemployment decreased sluggishly during the economic recovery, resulting in large structural unemployment, which, in turn, resulted in outward shift of the U/V curve.

In economic crisis, it is typical that the ratio of long-term unemployment to total unemployment decreases in the beginning. This is caused by the large inflow to (short-term) unemployment. After a delay of one year, absolute long-term unemployment, along with the share of long-term unemployment, increases. This could be seen in Denmark and Finland. In Sweden, however, the share of long-term unemployment did not increase, even though the unemployment rate increased in 2009. In Germany, the LTU rate has fallen by almost 10 percentage points (as a share of total unemployment) since 2006, and the unemployment rate too has dropped. Also, developments in Germany in 2008–2010 were positive.

Figure 24 a-d. Developments in unemployment rates and the percentage of long-term unemployment in Denmark, Germany, Finland, and Sweden, various years (source: Eurostat).



Monitoring the share of long-term unemployment is especially important after economic crisis, since an increase in that component of unemployment could result in structural unemployment and inefficient matching, as well as on outward shift of the U/V curve. Moreover, it has implications for economic policy. Structural – as well as frictional – unemployment cannot be reduced via expansive financial policy, or by other policies boosting labour demand. It is an allocation or matching problem, which, in the long run, reduces also potential output and economic growth.

Long-term or structural unemployment decreases matching efficiency because the search activity of the long-term unemployed is lower than that of the short-term unemployed and also because long spells of unemployment give a negative signal to the employer, reducing the likelihood of becoming employed. Moreover, the gap between the qualifications required and those possessed by the unemployed results in inefficient matching, and it could be argued that this gap is even wider among the long-term than the short-term unemployed.

High structural unemployment typically reduces matching efficiency and shifts the Beveridge curve outward – and, vice versa, matching efficiency can be increased through reduction of structural unemployment. Indeed, decreased long-term unemployment rate could at least partly explain the increased matching efficiency in

Denmark. Moreover, the presence of both extremely high labour turnover and inward shift of the Beveridge curve indicates high overall functionality of Denmark's labour market. In Germany, the explanations for increased matching efficiency are, at least partly, different. Matching efficiency has improved through shorter unemployment spells, supported by the Hartz reforms, including the reforms introducing means-testing and shortening the maximum duration of unemployment benefits. Shorter spells of unemployment prevent structural unemployment and could result in further inward shift of the Beveridge curve also in the long term. In Finland and Sweden, in turn, Beveridge curves have moved outward, indicating less efficient matching in the labour market. In both of these countries, the long-term unemployment rate has decreased, which should result in increasing matching efficiency. Hence, the explanations for the outward shifts of the Beveridge curves are related not to structural unemployment but to some other determinants.

5 Conclusions

This report has described labour market policies and reforms since 2000 in four countries: Denmark, Germany, Finland, and Sweden. The reforms addressed in the report concentrate on active labour market policy measures – the public employment services as well as the levels and duration of unemployment benefits. The reforms in Denmark could be labelled as flexibility and functionality of the labour market, supported by intensified activation; the flexicurity model of Denmark is well known. Denmark made significant reforms already in the 1990s, and new elements have been introduced quite recently, in the last couple of years. In Germany, the continuum of the Hartz reforms has been systematic and covered a broad range of issues, and those reforms have been accompanied by others too. The reforms and wage moderations resulted in high labour demand, not significantly reduced even during the financial crisis, which has supported employment. In Finland, the reforms have not been broad and systematic but, instead, targeted ones. Finally, in Sweden, the active labour market policy has strongly supported inclusive labour markets. On the other hand, the long-term focus for the labour market, institutions, and reforms in Sweden has been on policies supporting labour supply.

High employment and participation rates, low unemployment, short unemployment spells, low structural unemployment, occupational and regional labour mobility, and only small recruitment and matching problems feature efficient labour markets. Matching problems, in turn, are related to inefficient incentive structures, inefficient employment services, or rapid changes in labour demand. It can be concluded that while labour markets in all four countries are challenging, as measured, for example, by the labour turnover indicator, all of these countries have performed fairly well. The differences at the beginning of the monitoring period, 2000, were larger, but since then developments in the case countries have converged. Employment rates are above the EU average and unemployment rates below it. On the other hand, all countries have their individual strengths and special challenges as well.

The first part of the table below includes reforms in various policy areas and is based on the country reports in chapter 2 and, partly, indicators in chapters 3 and 4. The table's perspective is that of comparison among the countries. The idea is to compare the existence and strength of certain reform elements and performance elements in the 2000s. It is possible that in some national discussion some elements are even stronger, but this is our interpretation when comparing the countries in view of the country reports (it is noteworthy also that the country reports are not fully comparable and in some respects may feature overstatement or understatement).

The second part of the table includes conclusions as to performance, based on indicators in chapters 3 and 4. The labour market performance outcome depends on whether we monitor the level of attainment or improvement. As in this paper we are interested in the reforms and their probable connection to the labour market outcome, we do emphasise improvement. However, an additional criterion is that of maintaining an exceptionally high level. For example, Sweden's employment rate has not risen in the course of the decade under review, but that level is very high, getting a mark of '++' in this case. The effects of the financial crisis too complicate the conclusions. The changes of recent years have to be taken into account, but even more stress should be on the trends over the whole period.

Table 6. Labour market reform components in the four case countries in the 2000s

Policy reforms 2000–	Denmark	Germany	Finland	Sweden
unemployment benefit replacement/duration	++	++	+	+
unemployment benefit eligibility	++	++	+	+
PES role/organisation	+ +	++	++	++
private actors		+		++
activation policy	+	++	+	++
job-search issues		+	+	+
special target groups: - young people - the elderly - long-term unemployed - the disabled / long-term ill - employers/entrepreneurs	 ++ + + + +	 + + +	 + + + +	 + + ++
innovative policy characteristics	combination of high activation, good benefits, and loose regulation (Danish flexicurity model)	continuum of systematic reform	transition security; education on one's own initiative with UB for the unemployed	long-term labour supply; inclusive labour market policy
Performance 2000–	**Denmark**	**Germany**	**Finland**	**Sweden**
employment rate, 20–64 yrs	++	++	+	++
employment rate, 55–64 yrs	+	++	++	++
female/male employment gap	+	++	+	+
matching efficiency	++	++		
labour market dynamics	++		+	++
unemployment rate	+	++	+	+
unemployment rate, 15–24 yrs	+	++		
long-term unemployment rate	++	+	++	++
NEET	++	+		
benchlearning characteristics	high performance with youth integration; high general employment; dynamic markets	convincing overall improvement	improved employment of the elderly; high female employment	high general and elderly employment; dynamic markets

++ indicates that this is a strong policy component / excellent performance; + indicates that this component is present / performance is good (performance is here assessed on the basis mainly of improvements and additionally on the basis of a continued high level of attainment).

(See also the OECD (2006) employment outlook, for earlier comparison between Denmark, Norway, Finland, and Sweden, and the work of Räisänen (2006), for comparison between Denmark, Finland, Germany, the Netherlands, and the UK.)

Reforms: Differences in timing, broadness, and continuum

It seems that a successful reform must exhibit consistency among its various elements and display continuity, so that labour market actors can really adapt their actions to the reform policy lines. A successful labour market reform must consider unemployment benefits, the PES content, and organisational reform and renewal of activation policies. Also, some special target groups should be addressed.

One important aspect – which is also visible in the country reports – is the role of knowledge-based policymaking and evaluation. There are good experiences in application of theoretical and applied research in policy-making and also taking evaluation outcome into account. Some of the countries seem to have a highly developed system of producing evaluations and integrating the best available knowledge into the policy-making process. Finland should implement more systematic and more evidence-based reforms.

The levels and duration of unemployment benefits can be said to have converged to some extent. Denmark has shortened the maximum period, step by step. Germany's Hartz reforms shortened the entitlement period as well. The levels of benefits has recently been increased in Finland and will be slightly increased in Germany as well, but they are still low in comparison to Sweden and, especially, Denmark. The eligibility criteria as depicted by the OECD indicator (Venn 2012: 18) are at about the same level in all four countries; while the rules have been tightened by reforms more in Germany and Denmark than in Sweden and Finland, today's overall values of the OECD eligibility indicator do not differ much – the differences are in details. Job-search issues have been on the agenda more in Germany and Sweden and with some reservations in Finland. Intensified activation plays a role in all countries, although the details differ. Sanctions have been increased, more or less, in all of the countries, but, on the other hand, also elements of flexibility and tailoring of training have been introduced. All in all, eligibility rules, job-search monitoring, the role of public employment services, and activation policies are closely tied to each other, and it is not always easy to classify reforms. Again, all countries have reformed the PES in the period under review.

Activation policy has also been a concern of policy-makers. Of the special target groups, the long-term unemployed have been addressed in all countries. There are relatively large differences between the countries in the handling of special target groups in policy reforms, which may partially be explained by the relatively short time horizon of one decade. On the other hand, broad reforms without specific target groups may result in good performance as well. Also, we should take into account, that there exist differences in labelling the reforms for special target groups. For example, in Germany reforms concerning the entitlement and means-testing of benefits, as well as job centres, have at least indirect effects on long-term unemployment, but in the table above they are counted in the respective items. In terms of this interpretation, Germany and Sweden have completed the most thorough reforms during this period. Especially for Finland, the time between 2000 and 2010 was one of partial reforms.

We wish to present some innovative policy characteristics from each country between 2000 and 2010. In Denmark, the combination of high activation, good benefits, and loose labour market regulation, known as the Danish flexicurity model, has worked very well. In Germany, the continuum of systematic reform is impressive. Labour market performance has improved overall, which is a convincing argument in favour of the reform policy. As Finland has concentrated on partial reforms, the innovative examples are also of that kind: transition security since 2005 and opening of the possibility for education on one's own initiative for those unemployed persons receiving unemployment benefits, since 2010. Both are aimed at increasing the opportunities for skill-building, especially amidst labour market transitions. In Sweden, the long-term labour supply policy, consisting of several policy initiatives, is fundamentally oriented also to longer-term outcomes. One important element of this policy in Sweden is an inclusive labour market, which intensively addresses the weak groups in the labour market.

The focus in this report has been on policies and reforms related to active labour market measures, public employment services, and unemployment benefits. Broader reforms of social security and tax structure are mostly excluded, even though these could have effects on incentives in the short term as well as on the labour supply and demand in the long term. This is not to say that reforms increasing labour supply in the long term have not been made, or that many of the reforms described in this report would not support longterm labour supply as well. Also, other changes in labour market institutions, such as wage-setting mechanisms, have been excluded from consideration in this report. Employment protection legislation, however, is addressed in an appendix. The long-term interactions and feedback mechanisms related to flexibility, social benefits, wage-setting, productivity, and employment are excluded as well. Overall, policies and institutions that affect mainly labour demand are excluded. This restriction was applied even though interpretation of the reforms is impossible without the context of labour demand. For example, increasing labour demand has promoted the effects of the Hartz reforms during the economic expansion in 2005-2008, but, on the other hand, some elements of the Hartz reforms could have had a role in wage moderation and labour demand.

Good performance with different reforms

All countries have improved in terms of employment, which is fundamental but usually not easy to connect directly to labour market reforms. Comparison of the reforms and performance – which must ultimately remain rather tentative – seems to indicate that the German reforms are clearly visible in subsequent labour market performance. On the other hand, Germany has benefited from a catching-up effect as well. Sweden seems to have implemented a thorough reform policy in the course of the period, but evaluation of performance in terms of improvement makes Swedish performance look a bit more moderate. Still, the level of performance is very high in

most respects. Danish performance is in line with the reform content in the last decade. On the other hand, the very good performance seen before the crisis may have resulted from reforms made already in the 1990s. The effects of the reforms implemented in the last couple of years remain yet to be seen. For Finland, the concentration on partial reforms with a rather low level of continuity in reform policy is visible in the performance also.

The overall conclusion is that over a longer period, employment has increased or at least remained high among most groups in all countries, except during the crisis. However, in some groups there has been convergence while in others the gaps have been maintained, even if all countries have performed better than before. On the performance side, we want to present benchlearning elements from each country. Denmark's strong performance with respect to youth integration and high general employment are such elements, as is the highly dynamic market. An example in Germany is the convincing overall improvement in labour market performance. For Finland, the improvement in employment of the elderly and, also, high female (full-time) employment are such performance elements. Finally, Sweden's high general and elderly employment level and the country's very dynamic labour markets are benchlearning characteristics.

A closer look at employment and unemployment trends in various groups reveals some differences. The employment rate gap between men and women has decreased in Denmark, Finland, and especially Germany (which has been catching up with the other countries). In Sweden, the gap has been more stable or even widened slightly. At the same time, it has to be kept in mind that employment rates for both sexes are very high in Sweden. Finland has had the smallest gap in recent years; however, this good performance masks the fact that the employment rate of men in Finland lags behind the equivalent figure in other countries. At the same time, the employment rate of women in Finland has been increasing.

Where employment rates for older people (55–64 years old) are concerned, it can be concluded that the differences were quite high in 2000, while in 2010 Denmark, Germany, and Finland had converged. In Sweden, the employment rate of older people was very high already in 2000, especially in comparison to Germany and Finland. Even though the starting level in Sweden was high, Sweden succeeded in performing even better after that. Policies and reforms described in this report – ALMP and unemployment benefit reforms – may have had some role in increasing the employment rate of older people; however, significant policies and conditions having an influence on the employment rate of older people are partially beyond the scope of this report. These include pension schemes, retirement-age schemes, disability pensions, incentives for employers as well as employees, changes in work conditions and working hours, and changing education levels of various age cohorts.

Changes and trends in youth unemployment have been quite different from one country to the next. In Denmark, youth unemployment was very low in the 2000s, and, though it increased during the financial crisis, it still is quite low. In Germany, youth

unemployment has shown a tendency of decreasing since 2005, stabilising during the crisis and further decreasing after that. In Finland, youth unemployment was closer to the Southern European than the Nordic level in 2000, over 20%. Since then, until the crisis, the trend was decreasing, although slowly, but it has been higher than in Denmark or Germany for the whole period. In Sweden, in turn, the starting level in 2000 was quite good, at 10%, but the figure reached 20% before the crisis.

Even though the causal relationships between the reforms and performance cannot be verified from the indicators, one could ask whether Denmark and Germany have succeeded through quite different policies – in Denmark, strong activation coupled with low overall regulation has reduced youth unemployment, while Germany's youth unemployment has been reduced by the Hartz reforms, including Minijobs, Midijobs, and relaxation of employment protection in small firms. The role of strong activation of the young in Denmark is also supported by the fact that the NEET indicator – describing 15–24-year-olds not in an employment, education, or training relationship – is the lowest in Denmark. Moreover, the low level of employment protection legislation could explain low youth unemployment in Denmark, since high youth unemployment could signal segmentation in the labour markets.

Long-term unemployment in Denmark and Sweden was low in the 2000s, although it did increase slightly, with a delay, after the financial crisis. Activation policies and measures have had a role in this, even though the trend in ALMP spending as a percentage of GDP has been a decreasing one. Germany has had a higher long-term unemployment rate than the other three countries have, but the figure has been decreasing since 2005 – after implementation of the Hartz reforms. In Finland, the long-term unemployment rate has been decreasing, although slowly, since 2000, and it is almost converging with those of Sweden and Denmark. The reasons for this are at least partly related to the changing age structure, but also the changes in the age limits for the unemployment pension pipeline have reduced the inflow to unemployment – reducing the risk for long-term unemployment as well.

We have also looked at the matching efficiency in the labour market. Matching efficiency, as measured by the Beveridge curve, has improved in Denmark and Germany. High structural unemployment typically reduces matching efficiency and shifts the Beveridge curve outward, and, conversely, matching efficiency can be increased by a reduction in structural unemployment. Indeed, a decreased long-term unemployment rate could go at least some way to explaining the increased matching efficiency in both Denmark and Germany. Moreover, the combination of extremely high labour turnover and an inward shift of the Beveridge curve indicates high overall functionality of the labour market in Denmark. In Germany, matching efficiency has improved through shorter spells of unemployment, supported by the Hartz reforms, including the reforms introducing means-testing and reducing the maximum duration of unemployment benefits. Shorter unemployment spells prevent structural unemployment and could result in further inward shifts of the Beveridge curve also in the long term.

In Finland and Sweden, in turn, the Beveridge curves have shifted outward, indicating less efficient matching in the labour market. In both countries, the long-term unemployment rate has decreased, which should result in increasing matching efficiency. Hence, the explanations for the outward shifts of the Beveridge curves are related not to structural unemployment but to some other determinants. Sweden and Finland share a similar pattern in geographical labour market density, with low population density in some parts of the country. In this respect, Denmark is a rather different kind of labour market area. In Germany, the labour market density is high. (See Appendix A12). These issues may turn out to become even more relevant as the Swedish and Finnish population ages and the population becomes concentrated in the main labour market centres. Regional mobility is a rather different thing for Sweden and Finland than for Denmark and Germany. This would be interesting as a subject of more careful study.

All four countries considered are export economies, but they have different main products and different profiles. Also, the broader institutional framework differs. These facts may explain some of the economic and labour market differences in 2008–2010. Germany produces not only investment products but also consumer goods and has a sizeable domestic market. Also, 'Kurzarbeit' had a significant role in Germany during the crisis. The Danish economy, meanwhile, is dominated by SMEs, and the financial crisis hit the Danish export sector heavily. Finally, Sweden and Finland have some capital-intensive investmentproductoriented production sectors, such as the forestry industry, that faced difficulties in the financial crisis. On the other hand, the employment rate in Sweden has recovered more swiftly than that of Finland and Denmark. Especially for Finland and Denmark, it will be clear only a few years after the crisis how well labour market institutions and active measures support adjustment during the economic recovery.

References

Aho, Simo & Holttinen, Jari & Vehviläinen, Jukka & Virjo, Ilkka (2000); Vuoden 1998 työvoimapoliittisen uudistuksen arviointia. Työpoliittinen tutkimus 224, Työministeriö (Ministry of Labour), Helsinki

Andersson Joona, P. & Nekby, L. (2012); Intensive Coaching of New Immigrants:An Evaluation Based on Random Program Assignment. The Scandinavian Journal of Economics.

Arnkil, Robert & Jokinen, Esa & Aho, Simo & Spangar, Timo & Syrjä, Hannele & Karjalainen, Jari (2007); Muutosturva uudenlaisen yhteistyön airuena. Työpoliittinen tutkimus 331, Työministeriö (Ministry of Labour), Helsinki.

Arnkil, Robert & Karjalainen, Vappu & Saikku, Peppi & Spangar, Timo & Pitkänen, Sari (2008); Kohti työelämälähtöisiä integroivia palveluita. Työ- ja elinkeinoministeriön julkaisuja, (Ministry of Employment and the Economy), Työ- ja yrittäjyys 18/2008, Helsinki.

Arnkil, Robert & Spangar, Timo & Nieminen, Jarmo (2000); Suomen työvoimapoliittisen uudistuksen arviointi palveluprosessin ja paikallistoimistojen näkökulmasta. Evaluoinnin loppuraportti. Työpoliittinen tutkimus 219, Työministeriö (Ministry of Labour), Helsinki

Asplund, Rita (2009); Työmarkkinoiden toiminnan ja toimivuuden vaikutus työllisyyteen ja työttömyyteen. Työ- ja elinkeinoministeriön julkaisuja, (Ministry of Employment and the Economy), työ- ja yrittäjyys 40/2009, Helsinki.

Bender, S. & Koch, S. & Meßmann, S. & Walwei, U. (2008); Was muten sich Arbeitslose zu? Lohnkonzessionen von ALG-II-Empfängern, Sozialer Fortschritt 57, 3, 75-84.

Bernhard, S. & Kruppe, T. (2010); Vermittlungsgutscheine für Arbeitslose: Oft ausgegeben und selten eingelöst, IAB Kurzbericht, 21/2010.

Bernhard, S. & Wolff, J. (2008); Contracting out Placement Services in Germany: Is Assignment to Private Providers Effective for Needy Job-seekers? IAB Discussion Paper, 5/2008.

Caliendo, M. & Künn, S. (2011); Start-Up Subsidies for the Unemployed: Long-Term Evidence and Effect Heterogeneity, Journal of Public Economics 95, 3-4, 311-331.

Carlsson M. & Rooth D.O. (2006); Evidence of Ethnic Discrimination in the Swedish Labor Market Using Experimental Data, IZA Discussion Paper No. 2281, IZA, Bonn.

de Luna X. & Forslund A. & Liljeberg L. (2008); Effekter av yrkesinriktad arbetsmarknadsutbildning för deltagare under perioden 2002-04, Rapport 2008:1, IFAU, Uppsala.

Delander L. (1978); Studier kring den arbetsförmedlande verksamheten, SOU 1978:60, Stockholm.

Dietz, M. & Walwei, U. (2011); Germany – no Country for Old Workers? Journal for Labour Market Research 44, 4, 363-376.

Dlugosz, S. & Stephan, G. & Wilke, R. A. (2009); Fixing the leak: Unemployment Incidence before and after the 2006 Reform of Unemployment Benefits in Germany, IAB Discussion Paper 25/2009.

Duell, Nicola & Grubb, David & Singh, Shruti (2009); Activation Policies in Finland. OECD Social, Employment and Migration Working Papers No. 98, www.oecd.org/els/workingpapers

Fahr, R. & Sunde, U. (2009); Did the Hartz Reforms speed-up the Matching Process? A Macro-evaluation using Empirical Matching Functions, German Economic Review 10, 3, 284-316.

Fertig, M. & Kluve, J. & Schmidt, C. M. (2006); Die makroökonomische Wirkung aktiver Arbeitsmarktpolitik – eine Panelanalyse auf Ebene regionaler Arbeitsmärkte, Zeitschrift für Arbeitsmarktforschung 39, 3+4, 575-601.

Finansministeriet (2009); Økonomisk Redegørelse december 2009, Copenhagen

Finansministeriet (2011); Reformpakke 2020, april 2011, Copenhagen

Försäkringskassan (2011); Anslagsbelastning och prognos för anslag inom Försäkringskassans ansvarsområde budgetåren 2010–2015, Dnr 152-2011, Försäkringskassan (Swedish Social Insurance Agency), Stockholm.

Fransson K. (2009); Matchningsfunktionen - en indikator för matchningsprocessen, Working paper 2009:1, Arbetsförmedlingen (Swedish Public Employment Service), Stockholm.

Gartner, H. & Klinger, S. (2010); Verbesserte Institutionen für den Arbeitsmarkt in der Krise, Wirtschaftsdienst 90, 11, 728-734.

Grubb, David (2007); Labour Market Policies at Different Benefit Replacement Rates. Thematic Review Seminar of the European Employment Strategy. http://www.mutual-learning-employment.net/uploads/ModuleXtender/Trscontent/16/OECD_present_TRSE.pdf

Grönqvist, Charlotta & Kinnunen, Helvi (2009); Impact of Recession on Labour Supply: Experiences from the 1990s in Finland. http://www.suomenpankki.fi/fi/julkaisut/selvitykset_ja_raportit/bof_online/Pages/BOF_ONL_10_2009.aspx (Bank of Finland)

Hämäläinen, Kari & Tuomala, Juha & Ylikännö, Minna (2009); Työmarkkinatuen aktivoinnin vaikutukset, työ- ja elinkeinoministeriön julkaisuja 7/2009, (Ministry of Employment and the Economy), Helsinki

Hämäläinen, Kari & Tuomala, Juha (2006); Työvoimapoliittisten toimenpiteiden vaikutusten arviointi. Työpoliittinen tutkimus 315, Työministeriö (Ministry of Labour), Helsinki

Hartz Commission (2002); Moderne Dienstleistungen am Arbeitsmarkt. Vorschläge der Kommission zum Abbau der Arbeitslosigkeit und zur Umstrukturierung der Bundesanstalt für Arbeit. Bundesministerium für Arbeit und Sozialordnung (Federal Ministry of Labour and Social Affairs), Berlin.

Hohmeyer, K. (2012); Effectiveness of One-Euro-Jobs: Do Programme Characteristics Matter? Applied Economics 44, 34, 4469-4484 (forthcoming).

Holm, Pasi & Kyyrä, Tomi & Rantala, Juha (1998); Business Cycle, Unemployment Trap and Effects of Economic Incentives on a Job Finding Probability. Keskustelualoitteita 175, VATT (Government Institute for Economic Research), Helsinki

Ilmakunnas Pekka & Maliranta Mika (2008); Recent Development of Job and Worker Flows in the Finnish Business Sector. Finnish Labour Review 3/2008, 30-45, Ministry of Employment and the Economy.

Ilmakunnas, Seija & Koskela, Erkki (2002); Towards Higher Employment: The Role of Labour Market Institutions. Government Institute for Economic Research. VATT-Publications 32, Helsinki

Jacobi, L. & Kluve, J. (2007); Before and after the Hartz Reforms: The Performance of Active Labour Market Policy in Germany, Journal of Labour Market Research 40, 1, 45-64.

Johansson P. & Åslund O. (2006); Arbetsplatsintroduktion för vissa invandrare – teori, praktik och effekter, Rapport 2006:6, IFAU, Uppsala.

Johansson T.F. (2011); En deskriptiv analys av deltagarna i arbetslivsintroduktion, Ura 2011:4, Arbetsförmedlingen (Swedish Public Employment Service), Stockholm

Junka, Teuvo & Korkeamäki, Ossi & Rokkanen, Miikka & Uusitalo, Roope (2009); Vuorotteluvapaajärjestelmän työllisyysvaikutukset. Työ- ja elinkeinoministeriön julkaisuja, (Ministry of Employment and the Economy), työ ja yrittäjyys 35/2009, Helsinki

Kallio, Olavi & Meklin, Pentti & Tammi, Jari (2008); Kuntouttavan työtoiminnan taloudelliset vaikutukset kunnille vuonna 2006. Työ- ja elinkeinoministeriön julkaisuja, (Ministry of Employment and the Economy). työ ja yrittäjyys 4/2008, Helsinki

Karikallio, Hanna & Volk, Raija (2009); Suomen matalapalkkatuen kohdentuminen ja työllisyysvaikutukset. Työ- ja elinkeinoministeriön julkaisuja, (Ministry of Employment and the Economy), työ ja yrittäjyys 63/2009, Helsinki

Karjalainen Vappu & Saikku Peppi (2011); Governance of Integrated Policy in Finland. In van Bertel - de Graaf – Sirovatka (eds.): The Governance of Active Welfare States in Europe. Palgrave Macmillan.

Klinger, S. & Rothe, T. (2012); The Impact of Labour Market Reforms and Economic Performance on the Matching of the Short-term and the Long-term Unemployed, Scottish Journal of Political Economy 59, 1, forthcoming.

Koskela, Erkki & Pirttilä, Jukka & Uusitalo, Roope (2004); Verotuksen vaikutus työllisyyteen. Valtioneuvoston kanslian julkaisusarja 13/2004, Valtioneuvoston kanslia, (Prime Minister´s Office), Helsinki.

Koskela, Erkki & Uusitalo, Roope (2004); Unintended Convergence – how Finnish Unemployment Reached the European Level. Bank of Finland discussion papers, http://www.suomenpankki.fi/fi/julkaisut/tutkimukset/keskustelualoitteet/Pages/dp2004_06.aspx

Kosonen, Tuomas (2011); To Work or not to Work? The Effect of Child-care Subsidies on the Labour Supply of Parents. Government Institute for Economic Research, Working Papers 23, Helsinki.

Kyyrä, Tomi & Ollikainen, Virve (2008); To Search or not to Search? The Effects of UI Benefit Extension for the Older Unemployed. Journal of Public Economics 92 (2008), 2048-2070.

Kyyrä, Tomi & Wilke, Ralf A. (2004); Reduction in the Long-Term Unemployment of the Elderly: A Success Story from Finland. Centre for European Economic Research, discussion Paper No. 04/63, http://econstor.eu/bitstream/10419/24071/1/dp0463.pdf

Kyyrä, Tomi (1999); Post-unemployment, Wages and Economic Incentives to exit from Unemployment. Tutkimuksia 56, VATT, (Government Institute for Economic Research), Helsinki

Lahtonen, Jukka (2007); Labour Market Model with Heterogeneous Jobseekers. Info

Working Paper 334/2007, University of Jyväskylä, https://www.jyu.fi/jsbe/tutkimus/julkaisut/workingpaper/wp334/view

Lahtonen, Jukka (2006); Matching Heterogenous Job Seekers and Vacancies: Empirical studies using Finnish data" Jyväskylä Studies in business and Economics 50, University of Jyväskylä.

Laine, Veli & Uusitalo, Roope (2001); Kannustinloukku-uudistuksen vaikutukset työvoiman tarjontaan. Tutkimuksia 74, VATT, (Government Institute for Economic Research), Helsinki.

Liljeberg L. & Lundin M. (2010); Jobbnätet ger jobb: effekter av intensifierade arbetsförmedlingsinsatser för att bryta långtidsarbetslöshet", Rapport 2010:2, IFAU, Uppsala.

Malmberg-Heimonen, Ira & Vuori, Jukka (2000); Työnhakuryhmätoiminnan vaikutukset työmarkkina-asemaan ja koettuun terveyteen. Työpoliittinen tutkimus 221, Työministeriö (Ministry of Labour), Helsinki

Ministry of Employment, Prop (2006-2010, 2012), Stockholm

Myrskylä, Pekka (2011); Nuoret työmarkkinoiden ja opiskelun ulkopuolella. Työ- ja elinkeinoministeriön julkaisuja, (Ministry of Employment and the Economy), työ ja yrittäjyys 12/2011, Helsinki

Nilsson P. (2008); Programeffekter 1992 till 2006, Working Paper Series 2008:1, Arbetsförmedlingen, (Swedish Public Employment Service), Stockholm.

Obstbaum, Meri (2011); The Finnish Unemployment Puzzle. Ministry of Finance, Discussion Papers 1/2011, Helsinki.

OECD (2006); Employment Outlook 2006, Paris.

Osiander, C. (2010); Anspruchslöhne bei Empfängern des Arbeitslosengelds II, Wirtschaftdienst 90, 4, 235-239.

Parpo, Antti (2004); Kannustavuutta tulonsiirtojärjestelmään. Tulonsiirtojärjestelmän muutokset, kannustinloukut ja tulonjako. Tutkimuksia 140, STAKES, Helsinki.

Petrongolo, B. & Pissarides, C. A. (2001); Looking into the Black Box: A Survey of the Matching Function, Journal of Economic Literature 39, 2, 390-431.

Pohjola, Matti (ed.) (1998); Suomalainen työttömyys. Taloustieto Oy, Helsinki.

Prime Minister's Office Publications 17/2007 (2007); Recruitment Problems, Labour Supply and Worker's Mobility, Helsinki.

Räisänen, Heikki (2001); Implementation Issues in Finland: Experiences, Developments and Context of Labour Market Policy Measures. In: Labour Market Policies and the Public Employment Service, OECD, Paris

Räisänen, Heikki (2006); Recent Labour Market Developments – An Overview. In: Reconciling Labour Flexibility with Social Cohesion – Ideas for Political Action. Trends in social cohesion. No 16, Council of Europe Publishing, Strasbourg

Räisänen, Heikki & Schmid, Günther (2008); Transitional Labour Markets and Flexicurity from the Finnish Labour Market Point of View. WZB DP 108, Wissenschaftzentrum Berlin für Sozialforschung, Berlin

Räisänen, Heikki & Skog, Harri (1998); Towards a Better Functioning Labour Market. Ministry of Labour, Helsinki.

Riksrevisionen (2010); Staten och arbetsmarknaden – summering av tre års granskning. Dnr 31-2010-0153, Riksrevisionen 2010:6, (Swedish National Audit Office), Stockholm.

Sachverständigenrat (2008); Jahresgutachten 2008/09: Die Finanzkrise meistern – Wachstumskräfte stärken, Wiesbaden.

Schauman, Heidi & Vanhala, Juuso (2011); Beveridge-käyrä, kriisit ja työmarkkinoiden rakenteelliset muutokset Suomessa. Suomen Pankki (Bank of Finland), Rahapolitiikka- ja tutkimusosasto 2/2011. http://www.suomenpankki.fi/fi/julkaisut/selvitykset_ja_raportit/bof_online/Documents/BoF_Online_02_2011.pdf.

Statistics Sweden, Labour Force Survey, 1990-2011

Stephan, G. & Pahnke, A. (2011); The Relative Effectiveness of Selected Active Labor Market Programs: An Empirical Investigation for Germany. The Manchester School 79, 6, 1262-1293.

Swedish Long-term Survey (2011); Långtidsutredningen 2011, Huvudbetänkande, SOU 2011:11, Stockholm.

Swedish Public Employment Service (2010); Arbetsmarknadspolitiska program, Årsrapport 2009, Ura 2010:1, Arbetsförmedlingen, Stockholm.

Swedish Public Employment Service (2009); Arbetsmarknadsrapport 2009:2, Arbetsförmedlingen, Stockholm.

Swedish Public Employment Service (2011b); Budgetunderlaget 2012-2014, Arbetsförmedlingen, Stockholm.

Swedish Public Employment Service (various years); Labour Market Forecast, autumn 2002-2011

Swedish Public Employment Service (2011a); Årsredovisning 2010, Arbetsförmedlingen, Stockholm.

Taslimi M. (2011); Vad vet vi om arbetsmarknadspolitiska långsiktiga effekter och konjunkturella mönster?, Working Paper 2011:3, Arbetsförmedlingen (Swedish Public Employment Service), Stockholm.

Toinen aalto (2001); Työvoimapolitiikan uudistuksen jatkaminen. Työhallinnon julkaisu 269, Työministeriö, (Ministry of Labour), Helsinki

Tuomala, Juha (2000); Työnhakukoulutuksen vaikutusten arviointi. Työpoliittinen tutkimus 222, Työministeriö, (Ministry of Labour), Helsinki

Uusitalo, Roope & Verho, Jouko (2010); The Effects of Unemployment Benefits on Re-employment Rates: Evidence from the Finnish Unemployment Insurance Reform. Labour Economics 17 (2010), 643-654.

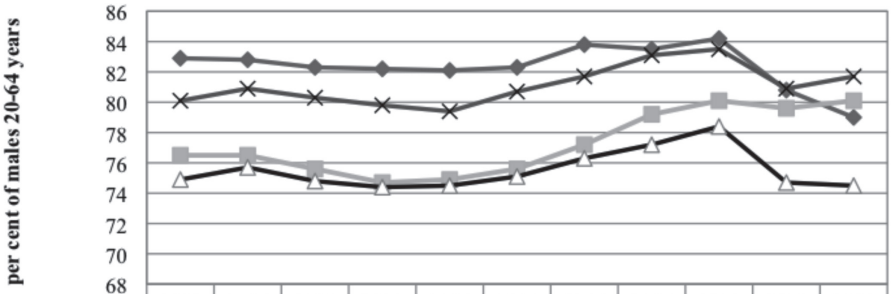
Valtakari, Mikko & Syrjä, Hannele & Kiuru, Pertti (2008); Julkisen työvoimapalvelun palvelurakenteen uudistamisen vaikuttavuus. Työ- ja elinkeinoministeriön julkaisuja, (Ministry of Employment and the Economy), Työ- ja yrittäjyys 19/2008, Helsinki.

Valtakari, Mikko (2000); Työvoimapoliittisen järjestelmän uudistuksen rekrytointia edistävät vaikutukset. Työpoliittinen tutkimus 220, Työministeriö, (Ministry of Labour), Helsinki

Venn, Danielle (2012); Eligibility Criteria for Unemployment Benefits: Quantitative Indicators for OECD and EU Countries. OECD Social, Employment and Migration Working Papers, No. 131, OECD Publishing. http://dx.dol.org/101.1787/5k9h43kgkvr4-en

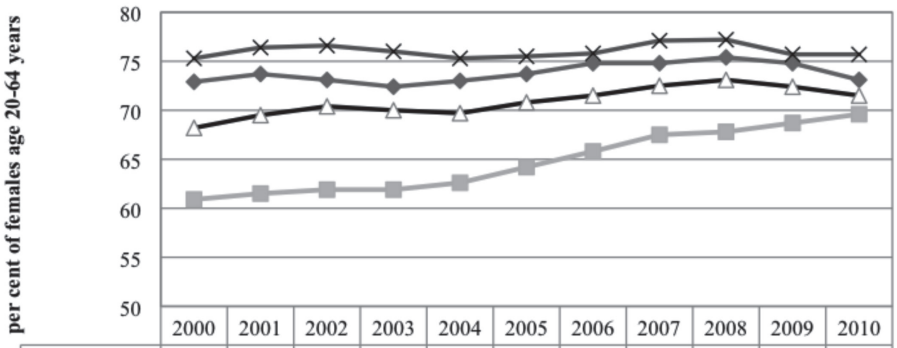
Appendix

Figure A1. Employment rates among males 20–64 years of age in Denmark, Germany, Finland, and Sweden between 2000 and 2010, per cent (source: Eurostat).



	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Denmark	82,9	82,8	82,3	82,2	82,1	82,3	83,8	83,5	84,2	80,8	79,0
Germany	76,5	76,5	75,6	74,7	74,9	75,6	77,2	79,2	80,1	79,6	80,1
Finland	74,9	75,7	74,8	74,4	74,5	75,1	76,3	77,2	78,4	74,7	74,5
Sweden	80,1	80,9	80,3	79,8	79,4	80,7	81,7	83,1	83,5	80,9	81,7

Figure A2. Employment rates for females 20–64 years of age in Denmark, Germany, Finland, and Sweden between 2000 and 2010, per cent (source: Eurostat).



	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Denmark	72,9	73,7	73,1	72,4	73,0	73,7	74,8	74,8	75,4	74,8	73,1
Germany	60,9	61,5	61,9	61,9	62,6	64,2	65,8	67,5	67,8	68,7	69,6
Finland	68,2	69,5	70,4	70,0	69,7	70,8	71,5	72,5	73,1	72,4	71,5
Sweden	75,3	76,4	76,6	76,0	75,3	75,5	75,8	77,1	77,2	75,7	75,7

Figure A3. Changes in employment rates between 2000 and 2010 for males and females, percentage points (source: Eurostat).

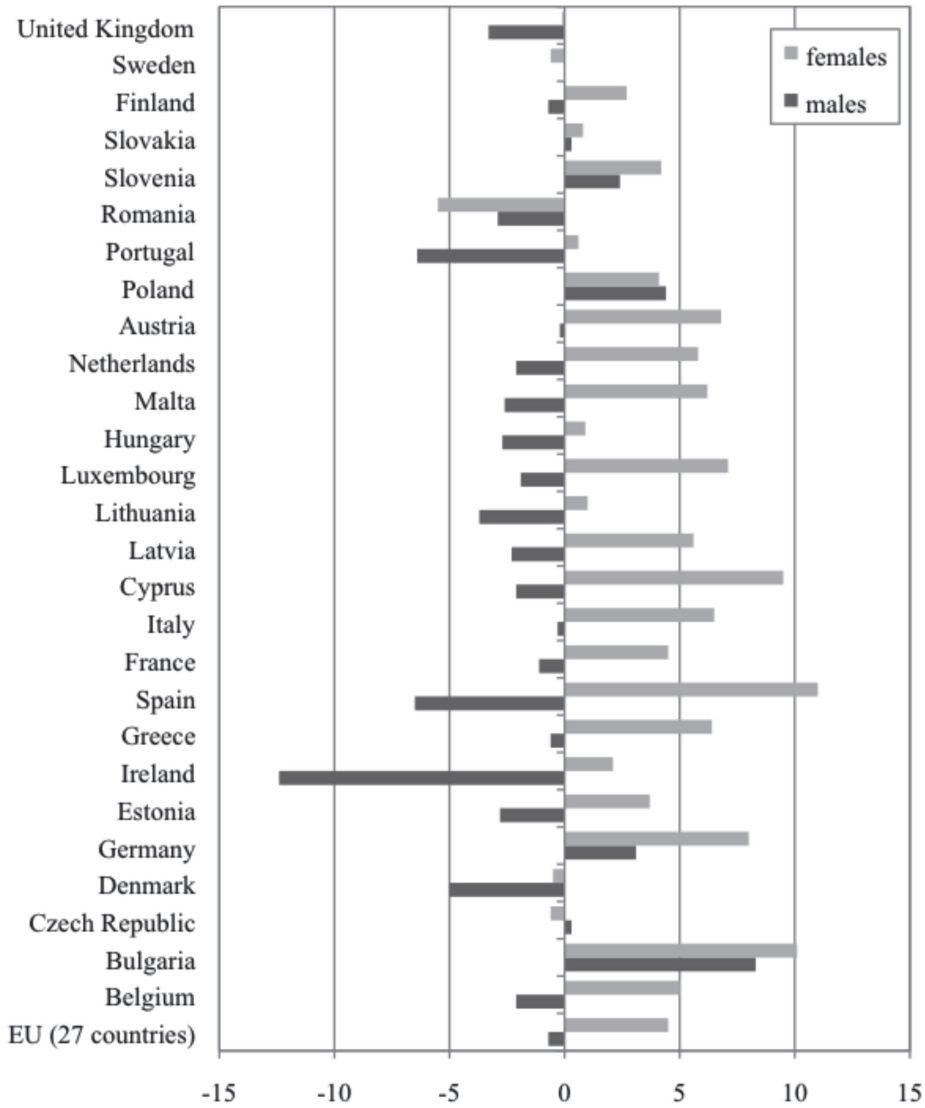


Figure A4. Employment rates for the 55–64-year-old population in 2000, 2005, and 2010, per cent of the relevant population (source: Eurostat).

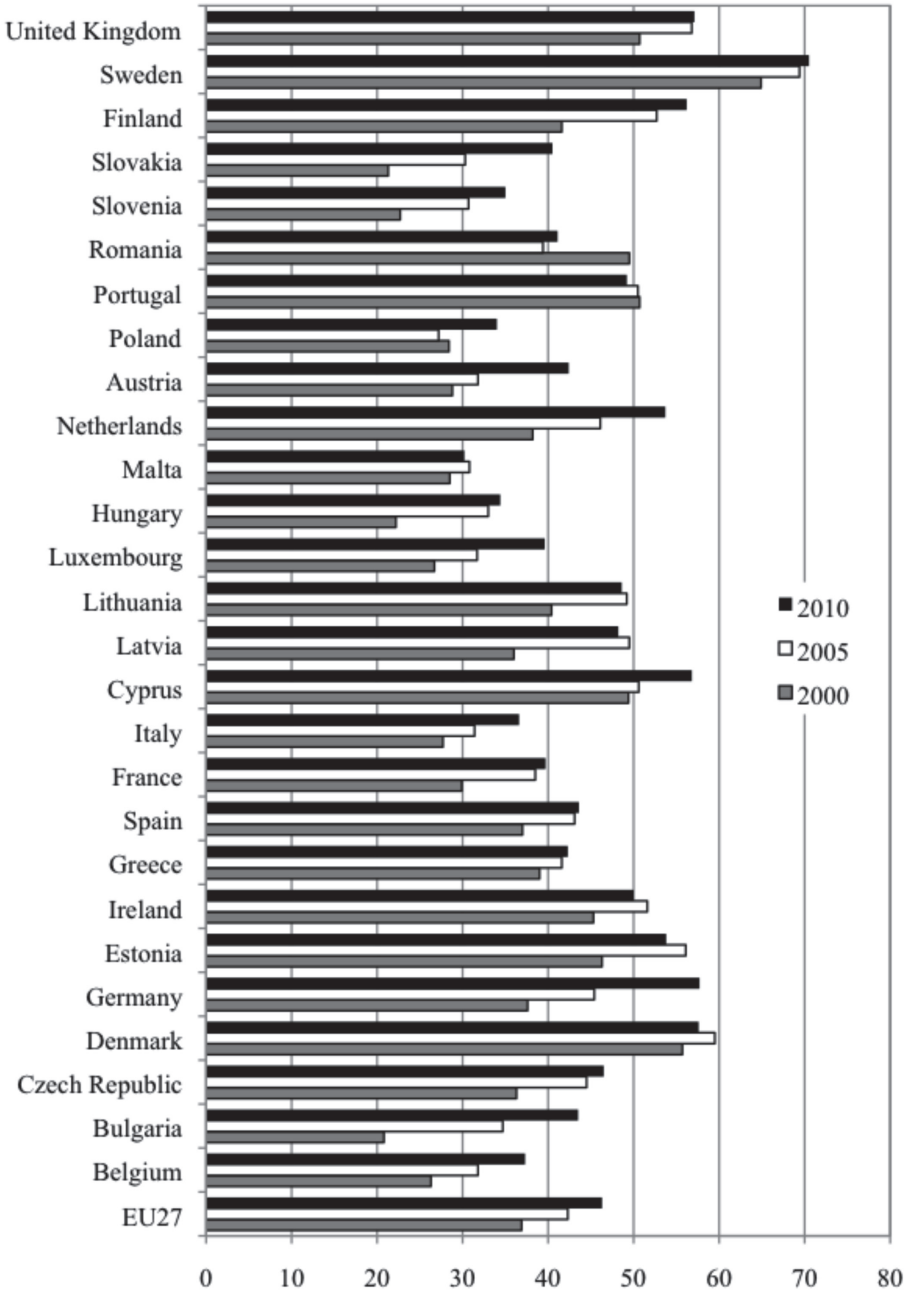


Figure A5. Changes in employment rates between 2000 and 2010 for 20–29-year-old and 55–64-year-old people, percentage points (source: Eurostat).

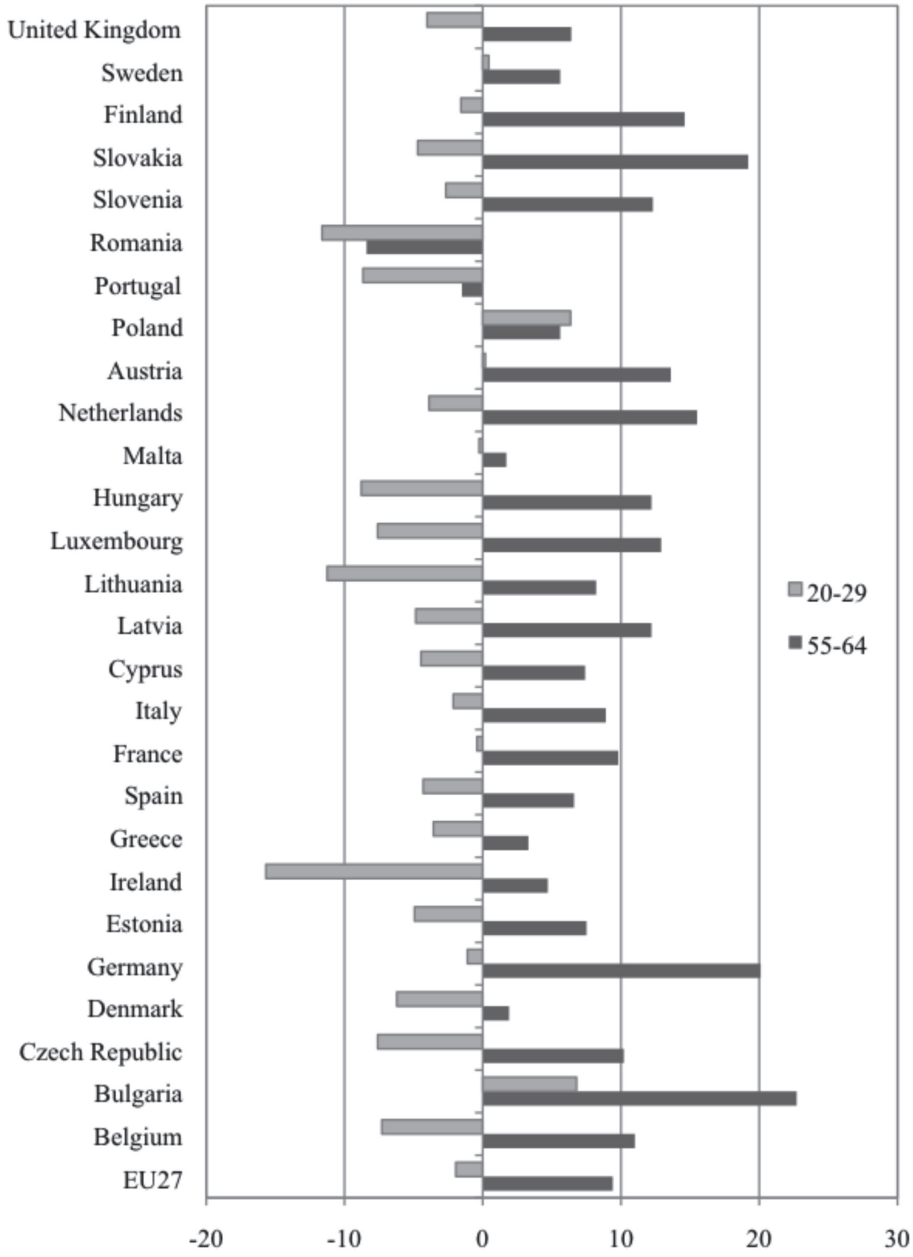
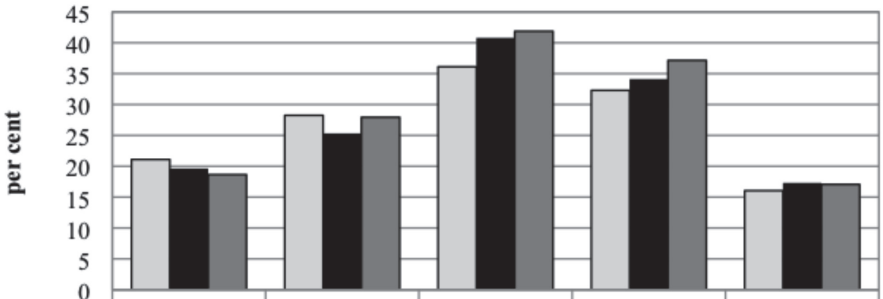


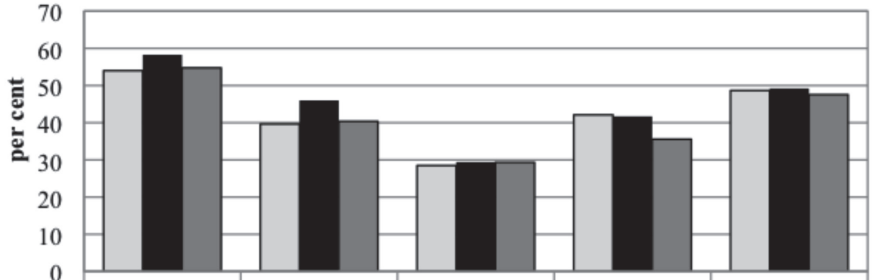
Figure A6. a) Temporary and b) permanent employment rates in Denmark, Finland, Germany, and Sweden, and the OECD average in 2003, 2008, and 2010 (source: OECD).

Temporary employment rates in 2003, 2008 and 2010, % of the relevant population



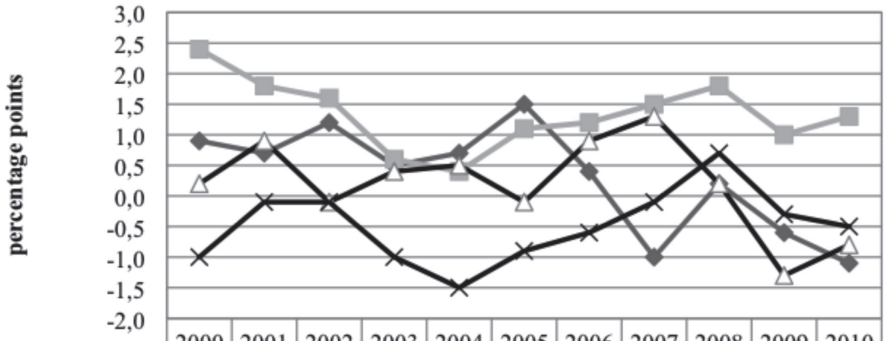
	DEN	FIN	GER	SWE	OECD
2003	21,1	28,2	36,1	32,3	16,0
2008	19,6	25,3	40,8	34,1	17,3
2010	18,6	27,9	41,9	37,1	17,1

Permanent employment rates in 2003, 2008 and 2010, % of the relevant population



	DEN	FIN	GER	SWE	OECD
2003	54,0	39,7	28,5	42,1	48,7
2008	58,3	46,0	29,4	41,7	49,2
2010	54,8	40,4	29,3	35,6	47,5

Figure A7. Difference in NEET rate between the sexes in Denmark, Germany, Finland, and Sweden in 2000 to 2010, female rate less male rate, in percentage points (source: Eurostat).



	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Denmark	0,9	0,7	1,2	0,5	0,7	1,5	0,4	-1,0	0,2	-0,6	-1,1
Germany	2,4	1,8	1,6	0,6	0,4	1,1	1,2	1,5	1,8	1,0	1,3
Finland	0,2	0,9	-0,1	0,4	0,5	-0,1	0,9	1,3	0,2	-1,3	-0,8
Sweden	-1,0	-0,1	-0,1	-1,0	-1,5	-0,9	-0,6	-0,1	0,7	-0,3	-0,5

Figure A8. Employment protection legislation's indicator values for regular and temporary contracts in 2008 (high values indicate strict regulation) (source: OECD).

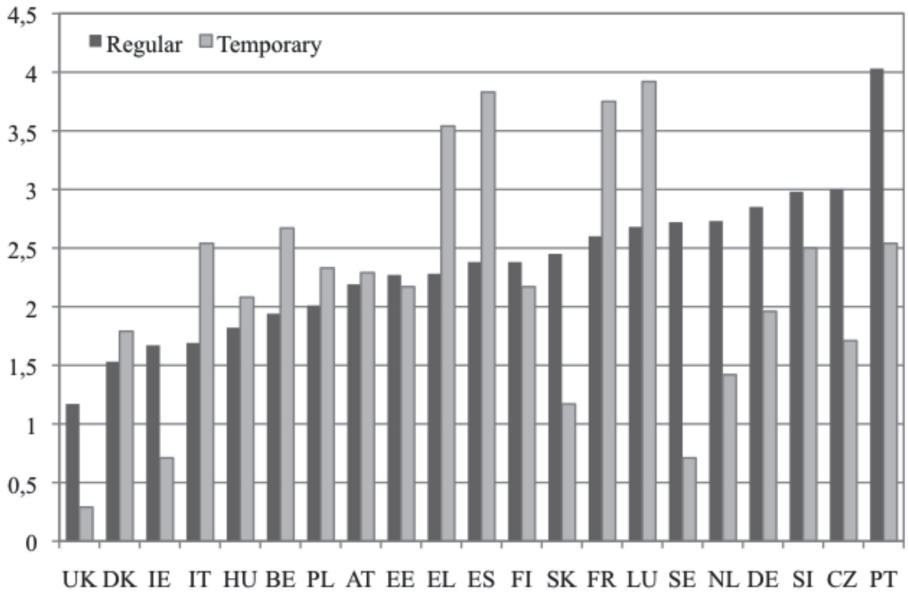
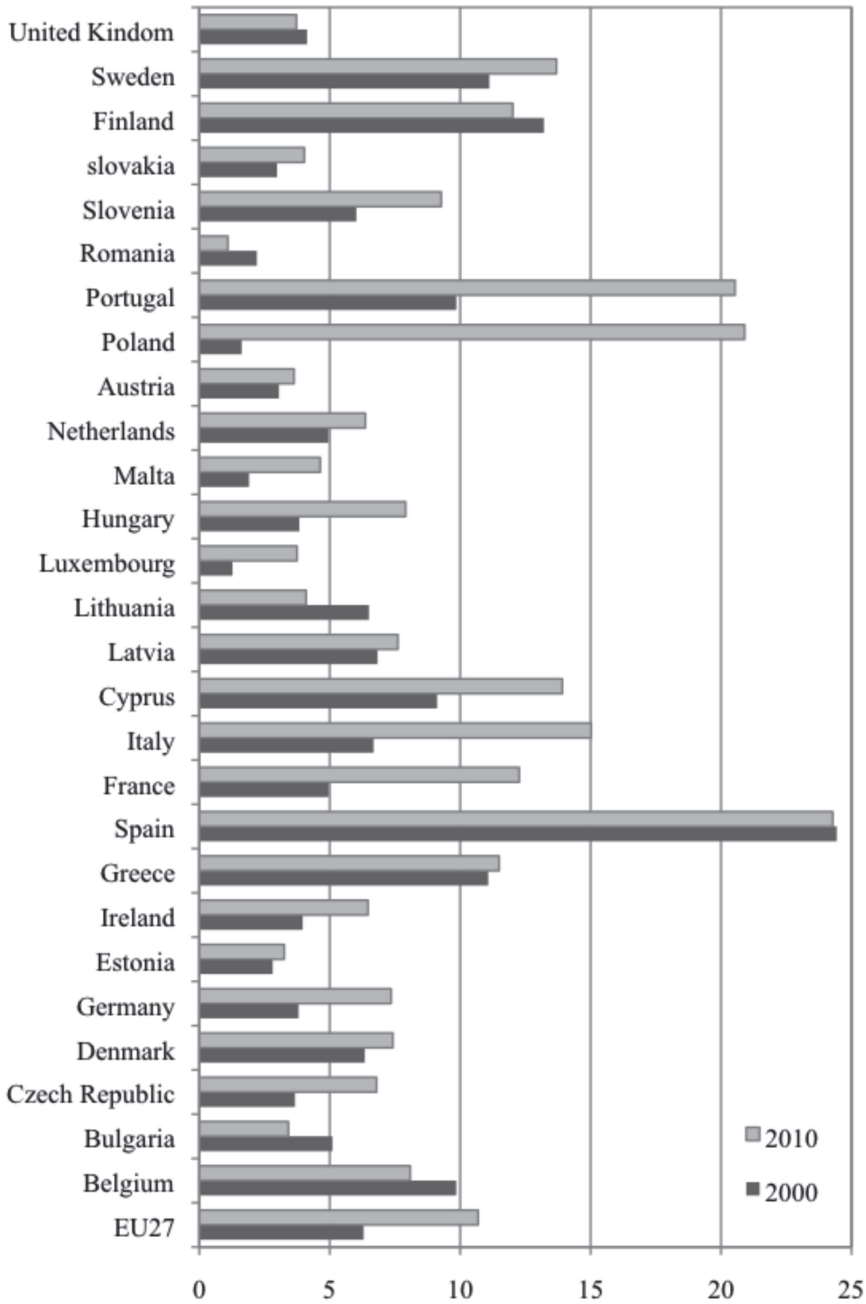
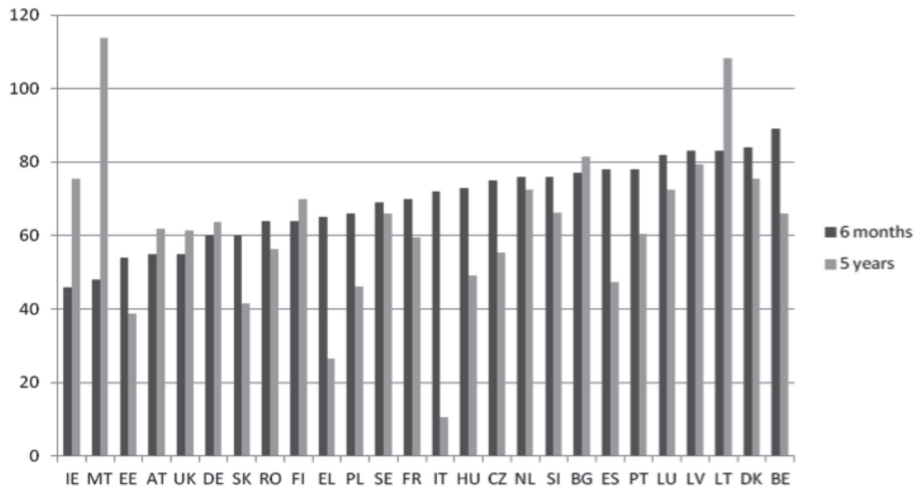


Figure A9. Those who work in an involuntary fixed-term or part-time job, as a percentage of those employed in 2000 and 2010 (source: Eurostat).



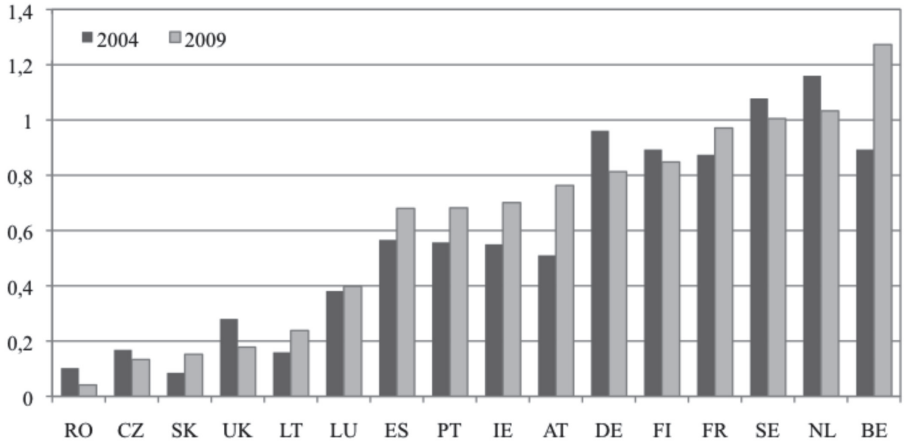
The figure presented for Belgium for 2000 refers to 2001.

Figure A10. Net replacement rates of unemployment benefits after six months of unemployment and after five years with social assistance (sources: OECD and European Commission figures for benefits and wages).



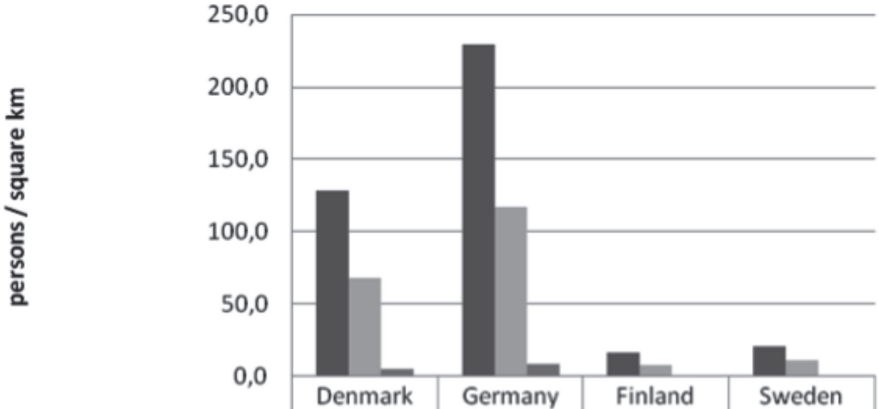
In this figure, the net replacement rates for unemployment benefits are presented for two duration situations: after six months of unemployment and after five years (with assistance benefits). It is worth noting that the replacement rates vary much more after five years of unemployment, as the replacement rate in this case for 67% of AW level after six months of unemployment did not vary so greatly. All EU countries seem to aim at providing a reasonable replacement rate for this kind of relatively short-term unemployment.

Figure A11. Active labour market policy expenditure as a percentage of GDP in 2004 and 2009 for selected EU countries (source: Eurostat).



In 2009, active labour market policy spending was, in relative terms, the highest in Belgium, the Netherlands, Sweden, France, Finland, and Germany, with Romania, the Czech Republic, Slovakia, and the United Kingdom at the other end of the spending distribution. Each of Germany, Sweden, and Finland spend more than average on ALMPs. It is worth noting that the Danish figures are missing here.

Figure A12. Population, labour force, and unemployment density in Denmark, Germany, Finland, and Sweden in 2010, in people per square kilometre (source: Eurostat).



	Denmark	Germany	Finland	Sweden
population density	128,4	229,2	15,8	20,8
labour force density	68,1	116,8	7,9	11,0
unemployment density	5,1	8,3	0,7	0,9

Table A1. Statistically significant correlations with ER change and UR change in 2001–2010 (all variables measure changes) * = correlation is significant at the 0.05 risk level, ** = significant at the 0.01 risk level

	Denmark	Germany	Finland	Sweden
ER change				
ER, 20–64 M	.95 **	.97 **	.96 **	.97 **
ER, 20–64 F	.88 **	.90 **	.79 **	.94 **
ER DIFF., FM		-.64 *	-.64 *	
ER, 55–64		.77 **	.68 *	
TENURE				-.68 *
TURNOVER			.66 *	
ACTIVE	.71 *		.73 *	
PASSIVE	-.84 **	-.85 **	-.97 **	-.94 **
UR	-.92 **	-.73 *	-.97 **	-.91 **
UR, 15–24	-.73 *	-.66*	-.89 **	
NEET, M	-.65 *	-.86 **	-.67 *	
NEET, F	-.69 *	-.65 *		
NEET DIFF.		.70 *		.85 **
LTU	-.70 *			
	Denmark	**Germany**	**Finland**	**Sweden**
UR change				
ER, 20–64	-.92 **	-.73 *	-.97 **	-.91 **
ER, 20–64 M	-.95 **	-.82 **	-.97 **	-.88 **
ER, 20–64 F	-.72 *		-.69 *	-.86 **
ER DIFF., FM	.66 *	.84 **	.73 *	
ER, 55–64			-.68 *	
TENURE			.68 *	
TURNOVER	.64 *			
ACTIVE	-.72 *		-.80 **	
PASSIVE	.92 **		.99 **	.85 **
UR, 15–24	.83 **	.96 **	.94 **	.82 **
NEET			.74 *	
NEET, M	.72 *	.86 *		.73 *
NEET, F	.63 *	.82 *		
NEET DIFF.				-.67 *
LTU		.81 **		
INVOLUNTARY	.69 *			

Alternative matching indicator in Sweden

As an alternative comprehensive unit of measurement of the effectiveness of the matching process, the Public Employment Service developed a matching indicator (Fransson 2009). It gauges the expected number of people leaving the Public Employment Service for a job as a function of the number of job-seekers and the number of job vacancies. The indicator takes economic developments into account by using demand pressure and statistical forecasting. It also considers the composition of programmes. In general, the indicator gives the impression that 2009 and the first half of 2010 were difficult years for labour market policy.1[20] Despite the fact that a large number of the indicators above reveal good overall results for efforts, these have not been sufficient for collective efficiency. The matching indicator remains constant for certain factors that influence the matching, but many are missing. An explanation for the deviations must be sought in the factors not included in the model. Being unable to point to specific explanations, the Public Employment Service can instead propose a number of hypotheses to clarify the worse-than-expected result. The addition of new assignments during the process likely affects the efficiency of the operations.

In 2008, private providers were introduced as suppliers for procurement of parts of the services of the Public Employment Service. The operations grew rapidly after this, in 2009 and 2010. Whether or not this development phase has affected efficiency remains unclear, however. Evaluations have been unable to show that the results of the private actors deviate from those of local Employment Service offices.

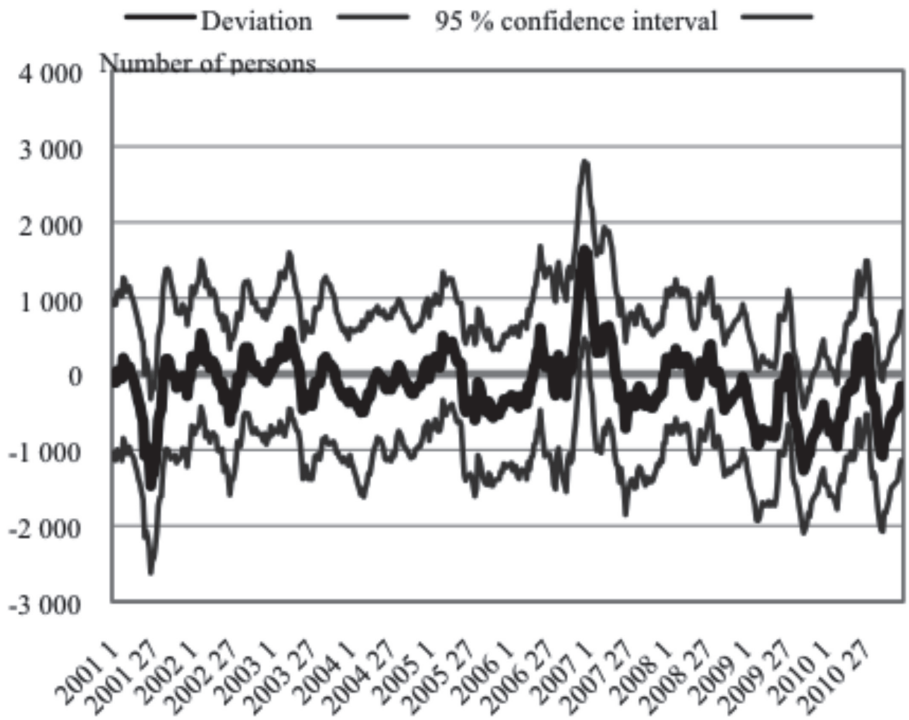
In 2010, the Public Employment Service's assignment expanded, with tasks in the areas of rehabilitation and integration. This may affect efficiency via a change in the composition of the group of job-seekers. The analyses conducted have not, however, shown that it has had a significant impact. The same can be said for the stream of young people, which changed dramatically in 2007 when students no longer qualified for compensation from the unemployment fund. A large group of young people with a relatively short 'processing time' should have a positive effect on the efficiency metric. However, the Public Employment Service have been unable to find any covariance between these factors and the matching indicator. In contrast, one factor that has very obvious covariance with the development of the matching indicator is the variation in the scope of the use of individual recruitment incentives. This usage was relatively limited during 2007–2009.

In 2010, however, volumes increased again. Without being able to attach any real relevance to these, one can link this change to generally positive development of the matching indicator. The importance of this may be mirrored in the fact that several recruitment incentives that are aimed at groups far removed from the labour market and that de-prioritise stronger candidates increase competition for the available jobs and thereby improve the matching.

---

20 1 The values above the 0 line reflect better than expected matching in view of the conditions, and the values below the 0 line reflect worse matching than expected.

Figure A13. Matching indicator for Sweden.



Source: Swedish Public Employment Service (labour market report for 2011)

Työ- ja elinkeinoministeriön julkaisuja Työ ja yrittäjyys 19/2012
Arbets- och näringsministeriets publikationer Arbete och företagsamhet 19/2012
MEE Publications Employment and entrepreneurship 19/2012

Tekijät | Författare | Authors

Heikki Räisänen, Johanna Alatalo,
Kristian Krüger Henriksen, Torbjörn Israelsson
ja Sabine Klinger

Julkaisuaika | Publiceringstid | Date
Huhtikuu 2012

Toimeksiantaja(t) | Uppdragsgivare | Commissioned by
Työ- ja elinkeinoministeriö
Arbets- och näringsministeriet
Ministry of Employment and the Economy

**Toimielimen asettamispäivä |
Organets tillsättningsdatum | Date of appointment**

Julkaisun nimi | Titel | Title

Työmarkkinareformit ja työmarkkinoiden toimivuus Tanskassa, Saksassa, Suomessa ja Ruotsissa

Tiivistelmä | Referat | Abstract

Julkaisussa analysoidaan Tanskan, Saksan, Ruotsin ja Suomen työmarkkinauudistuksia ja työmarkkinoiden toimintaa vuosien 2000 ja 2010 välisenä aikana. Kustakin maasta esitetään maaraportti, jossa on kuvattu keskeiset uudistukset, niiden tausta ja tutkimusten perusteella arvioidut tulokset.

Kaikissa neljässä maassa on tehty huomattavia työmarkkinauudistuksia. Uudistukset ovat koskeneet niin työttömyysturvan tiukennuksia, julkisen työvoimapalvelun tehtäviä ja organisointia kuin aktiivisten työvoimapoliittisten toimenpiteiden määrää ja sisältöä. Lisäksi on käsitelty tiettyjen erityisryhmien tilannetta. Nämä kaikki osat kuuluvat menestyksellisiin työmarkkinauudistuksiin.

Tanskassa erityisen innovatiivisia piirteitä ovat laajan aktivoinnin, hyvien työttömyysetuuksien ja väljän työsuhdeturvan yhdistelmä eli Tanskan joustoturvamalli. Saksassa on toteutettu systemaattisia uudistuksia jatkumona. Ruotsissa on korostunut pitkän aikavälin työvoiman tarjonnan lisääminen ja vaikeiden työvoimaryhmien tehokas integrointi työmarkkinoille. Suomessa muutosturvaa ja työttömien omaehtoista koulutusta voidaan pitää innovatiivisina uudistuksina.

Tanska on menestynyt erityisen hyvin nuorten integroinnissa, yleinen työllisyys on korkealla tasolla ja työmarkkinat ovat dynaamiset. Saksa on laajojen työmarkkinauudistusten seurauksena edistynyt vakuuttavasti kaikilla osa-alueilla. Ruotsissa yleinen sekä ikääntyneiden työllisyys on korkealla tasolla ja työmarkkinat ovat dynaamiset. Suomi on onnistunut parantamaan ikääntyneiden työllisyyttä ja naisten työllisyys on korkealla tasolla.

Raportti pyrkii muodostamaan systemaattisen kuvan uudistusten ja työmarkkinoiden toiminnan välisistä yhteyksistä ja erittelemään uudistuspolitiikan onnistuneita ja vähemmän onnistuneita osia.

Työ- ja elinkeinoministeriön yhdyshenkilö: Johanna Alatalo / Tieto-osasto, puh. 010 604 8084

Asiasanat | Nyckelord | Key words
Työmarkkinat, työvoimapolitiikka, reformit, Tanska, Saksa, Ruotsi, Suomi

ISSN
1797-3562

ISBN
978-952-227-620-9

Kokonaissivumäärä | Sidoantal | Pages
108

Kieli | Språk | Language
Englanti

Hinta | Pris | Price
22 €

Julkaisija | Utgivare | Published by
Työ- ja elinkeinoministeriö
Arbets- och näringsministeriet
Ministry of Employment and the Economy

Kustantaja | Förläggare | Sold by
Edita Publishing Oy / Ab / Ltd

Työ- ja elinkeinoministeriön julkaisuja Työ ja yrittäjyys 19/2012
Arbets- och näringsministeriets publikationer Arbete och företagsamhet 19/2012
MEE Publications Employment and entrepreneurship 19/2012

Tekijät | Författare | Authors

Heikki Räisänen, Johanna Alatalo,
Kristian Krüger Henriksen, Torbjörn Israelsson
ja Sabine Klinger

Julkaisuaika | Publiceringstid | Date
April 2012

Toimeksiantaja(t) | Uppdragsgivare | Commissioned by
Työ- ja elinkeinoministeriö
Arbets- och näringsministeriet
Ministry of Employment and the Economy

Toimielimen asettamispäivä |
Organets tillsättningsdatum | Date of appointment

Julkaisun nimi | Titel | Title

Arbetsmarknadsreformer och arbetsmarknadens funktion i Danmark, Tyskland, Sverige och Finland

Tiivistelmä | Referat | Abstract

I publikationen analyseras arbetsmarknadsreformer och arbetsmarknadens funktion i Danmark, Tyskland, Sverige och Finland mellan åren 2000 och 2010. För varje land presenteras en landsrapport, där man beskriver de centrala reformerna, bakgrunden till reformerna och reformernas effekter som bedömts utifrån undersökningar.

I alla fyra länder har det genomförts betydande arbetsmarknadsreformer. Reformerna har gällt såväl strängare bestämmelser i lagen om utkomstskydd för arbetslösa, den offentliga arbetskraftsservicens uppgifter och organisering som antalet aktiva arbetskraftspolitiska åtgärder och deras innehåll. Dessutom har man behandlat situationen för vissa specialgrupper. Alla dessa delar ingår i framgångsrika arbetsmarknadsreformer.

I Danmark är särskilt innovativa drag kombinationen av omfattande aktivering, goda arbetslöshetsförmåner och lös anställningstrygghet, dvs. den danska flexicurity-modellen. I Tyskland har det genomförts systematiska reformer som ett kontinuum. I Sverige framhävs en långsiktig ökning av utbudet av arbetskraft och en effektiv integration av svåra arbetskraftsgrupper på arbetsmarknaden. I Finland kan omställningsskyddet och den frivilliga utbildningen för arbetslösa betraktas som innovativa reformer.

Danmark har haft särskild god framgång med integration av ungdomar, den allmänna sysselsättningen är hög och arbetsmarknaden dynamisk. Tyskland har till följd av omfattande arbetsmarknadsreformer gjort övertygande framsteg i fråga om alla delområden. I Sverige är både den allmänna sysselsättningen och sysselsättningen bland äldre hög och arbetsmarknaden är dynamisk. Finland har lyckats förbättra sysselsättningen bland äldre. Kvinnornas sysselsättning är hög.

Rapporten syftar till att bilda en systematisk bild av sambanden mellan reformer och arbetsmarknadens funkton samt att specificera lyckade och mindre lyckade delar av reformpolitik.

Kontaktperson vid arbets- och näringsministeriet: Johanna Alatalo / Kunskapsavdelningen, tfn 010 604 8084

Asiasanat | Nyckelord | Key words
Arbetsmarknaden, arbetskraftspolitiken, reformer, Danmark, Tyskland, Sverige, Finland

ISSN
1797-3562

ISBN
978-952-227-620-9

Kokonaissivumäärä | Sidoantal | Pages
108

Kieli | Språk | Language
Engelska

Hinta | Pris | Price
22 €

Julkaisija | Utgivare | Published by
Työ- ja elinkeinoministeriö
Arbets- och näringsministeriet
Ministry of Employment and the Economy

Kustantaja | Förläggare | Sold by
Edita Publishing Oy / Ab / Ltd

Labour Market Reforms and Performance in Denmark, Germany, Sweden and Finland

This report is a joint effort of researchers from four countries. The motivation behind this publication is to analyse the labour market policy reforms of these countries and try to learn from each other. Labour market performance is monitored in several ways, and we also try to connect the reforms with the performance indicators. Also, we try to specify successful labour market reform characteristics based on the experiences of these four countries.

The authors of this comparative study are Kristian Krüger Henriksen, from the Danish National Labour Market Board (Arbejdsmarkedsstyrelsen); Sabine Klinger, of the Institute for Employment Research of the German Federal Employment Agency (Institut für Arbeitsmarkt und Berufsforschung); Torbjörn Israelsson, from the Swedish Public Employment Service (Arbetsförmedlingen), Johanna Alatalo and Heikki Räisänen from the Finnish Ministry of Employment and the Economy.

Sale:
Netmarket
Edita Publishing Ltd
www.edita.fi/netmarket
asiakaspalvelu.publishing@edita.fi
Tel. +358 20 450 05
Fax +358 20 450 2380

Printed publications
ISSN 1797-3554
ISBN 978-952-227-619-3

Electronic publications
ISSN 1797-3562
ISBN 978-952-227-620-9

TYÖ- JA ELINKEINOMINISTERIÖ
ARBETS- OCH NÄRINGSMINISTERIET
MINISTRY OF EMPLOYMENT AND THE ECONOMY