The Active Labour Market Policy Reform – The Second Wave

Executive Summary of the Peer Review

1. Introduction

The Peer Review meeting held in Helsinki on 13-14 May 2004 and hosted by the Finnish Ministry of Labour concerned the second wave of active labour market policy reform in Finland. 14 peer countries participated in the Peer Review: Austria, Belgium, Bulgaria, Cyprus, the Czech Republic, Denmark, France, Germany, Hungary, the Netherlands, Norway, Slovakia, Spain and the United Kingdom. The meeting included a visit to an Employment Office (job search centre) in Vantaa. This executive summary draws mainly on the contributions from experts and officials during the meeting and on the ‘statement and comments’ papers prepared by the host and peer country independent experts in advance of the meeting. Further elaboration of these themes can be found, along with further relevant information, on the Peer Review web site (www.peerreview-employment.org).

2. Background and policy considerations

The Economic and Labour Market Situation

The Finnish economy experienced a deep recession at the beginning of the 1990s with the unemployment rate shooting up from 3% to 20% between 1990 and 1994. The motivation for the 1998 reform was the situation in the period of rapid economic growth when the labour market was still in the recession. The unemployment rate was already decreasing, but too slowly in relation to the development in the whole economy. What is called the “Second Wave of Reforms” has been implemented since 2002. The state of the economy has improved significantly since the recession of the early nineties with inflation and growth showing more positive trends than the EU average in spite of the current downturn. Finland now has a relatively high employment rate of 67.3% although the unemployment rate remains high at 9%. The government target is to create 100 000 new jobs by 2007, a difficult objective which also depends on economic growth. The latter is expected to be over 3% in 2004 and 4% in 2005.

The economic policy of the government is to relieve the tax burden on labour and ‘make work pay’. Tax-benefit reforms have lead to better incentives for low-income earners. Unemployment benefit is divided into two parts – a flat rate labour market benefit and earning related insurance. When an employer recruits a long-term unemployed person (someone unemployed for over 500 days), the employer receives the benefit that would normally be paid out to the jobseeker as a subsidy.

A further problem facing the Finnish labour market is the adverse demographic situation. By 2015, Finland will have the most unfavourable dependency rate in the EU. Over the next decade, an unprecedented generation change will take place in the workplace. The Finnish
government has reacted with a comprehensive cross-governmental Age Programme (also subject to a Peer Review in 2000\textsuperscript{1} and 2003\textsuperscript{2}).

The labour market reforms are taking place in an overall context of reform in Finland. The Finnish welfare state is undergoing a restructuring process, e.g. new ways of providing services jointly with the municipalities, the PES and the SII (??) have been established with the aim of achieving better co-operation and synergies. There has been a shift in the steering mechanisms used in the public sector for governance and a move away from the ‘management by objectives’ model of the 1980s and 1990s towards more heterogeneous models. These include quality award elements, balanced scorecard approaches, benchmarking, and knowledge management.

The Finnish Labour Market Policy System

Finnish labour market policy is based on a broad range of services mainly focusing on job-brokering services, training measures and subsidised employment programmes. It also provides a large amount of information on vacancies, education and training, and careers.

Labour Market Policy Reforms in the 1990s

During the recession at the beginning of the 1990s, labour market policy took on a rather reactive role. As demand in the open labour market collapsed, active labour market policy programmes were stepped up to provide unemployed people with new qualifications and keep them job-ready. While these programmes helped interrupt individual periods of unemployment, they also had the effect of encouraging people to wait for activation rather than actively searching for a job themselves and thus actually prolonging the real period of unemployment.

The first wave of the reforms, known as ‘activation and individual employment services’, was introduced in 1998. The main pillars of the reforms were:

1) improved and more individual employment services,
2) activation of the passive labour market support benefit for job-creation,
3) reform of active programmes,
4) reform of recruitment services and
5) definition of the rights and obligations of the unemployed job-seekers.

The employment services themselves were also reformed and their job-search remit increased. This involved skill-mapping to increase compatibility between vacancies and job-seekers and the introduction of large scale short-term job-search programmes for the unemployed, with the aim of reducing periods of unemployment. Efforts were also made to prevent exclusion from the labour market by reforming both the service process and the flat-rate unemployment benefit known as ‘labour market support’.

\textsuperscript{1} The National Programme for Ageing Workers (follow up), January 2003: http://www.peerreview-employment.org/en/finland03/FIN03.htm;

Early on in the process, in 2000, five evaluations were carried out by different research institutes on a number of different aspects of the first wave of reforms. One evaluation\(^3\), conducted from the point of view of the local employment offices, concluded that while the reforms were very positive overall, a number of improvements could be made: greater flexibility in the provision of services, a new balance between central government and the regional and local authorities, and the development of multiple skills. The evaluations contributed to the launching of the second wave of reforms in 2002, which were initiated by the Ministry of Labour on the basis of results generated by the labour administration’s management-by-results and statistical monitoring systems.

The way in which the second wave of reforms was planned was in itself innovative: 10 high-level experts from the labour administration were relieved of their other duties for two and a half weeks and asked to make reform proposals. In three sub-groups they came up with several suggestions for reform.

**The Second Wave of Reforms**

Despite the positive effects of the 1998 reforms, two challenges remained: how to improve the functioning of the labour market and what to do about structural unemployment. A ‘bifurcation point’ had been reached at which the combination of external labour market pressure and the fiscal pressure on the municipalities made a radical paradigm change necessary. The Finnish government chose to adopt a dual strategy which dealt with both the ‘good’ (easy-to-place) end of the labour market and the structural problem (hard-to-place) end. It lead to the creation of Joint Service Centres (JOIS) on the one hand and the implementation of a cross-ministry employment programme on the other.

The dual strategy of the Finnish Ministry of Labour of both improving the matching function of the employment services and attacking structural unemployment holistically, is consistent with the European Employment Strategy which also promotes both preventive and curative measures. The Finnish reform has succeeded in cutting the unemployment duration by six weeks since 1998, but this is not totally caused by the reforms. They have contributed to this development (in what magnitude is not possible to say). Removing 17 000 people from the stock of unemployment is the effect of a one-week-cut in unemployment duration taken the magnitude of the inflow into unemployment (calculation: 1/52 weeks x 900,000 = 17,300).

Future strategic activities on the part of the cross administrative government employment policy programme from 2004 – 2006 will involve dividing the PES into two parts: one will provide job-broking services and the other services for the hard-to-place. The employment offices providing the job-broking services will be called ‘job search centres’, and the JOIS will be increased in number to 40 and renamed ‘labour force service centres’ (LAFOS).

\(^3\) Arnkil, Spangar and Nieminen (2000).
3. Policy design and implementation

The first wave of Finnish labour market policy reform was prepared between December 1996 and May 1997 in response to the insufficient functioning of the labour market, high dependence on subsidies and the questionable impact of active labour market policy measures. The reform was implemented in January 1998 with two main objectives: the improvement of the functioning of the labour market and the prevention of exclusion from the labour market. The main measures introduced in 1998 were:

1. Improvement of the employment service process by introducing interviews of job-seekers and agreeing job-seeking plans with them
2. Activation of passive labour market support for the purpose of employment
3. Reforms of active labour market policy measures
4. Measures to support the recruitment process
5. Definition of the rights and obligations of unemployed job-seekers

The evaluations of the reforms showed that they were positive but rather inconclusive and that a further development of the strategy was necessary.

In the period immediately following the first wave of reforms and before the implementation of the second wave, two important projects were carried out. The first was a transnational project funded by the European Commission, the ‘Incentive Measures Project (FIM). In cooperation with Denmark, Sweden, The Netherlands and the United Kingdom, the PES explored client participation models and employer services. These included:

- Client panels
- Job Clubs
- Self-service, e-service
- Client segmentation
- Skill assessment
- Call centres, help desks

Another project which took place in the interim period between the two waves of reforms was a comprehensive PES staff training programme called ‘Surge’. The project tried to deal with the inadequate involvement of PES staff in the first wave by developing methods to encourage bottom-up participation and dialogue between management and shop floor. The training programme had three aims:

1. Developing customer service methods in the PES
2. Enhancing knowledge of regional and local labour markets
3. Developing capabilities for organisational development in the PES
During the interim period between the two phases of reforms, it became clear that a more radical response to the labour market and fiscal pressures was necessary. The two-strand second labour market reforms were introduced.

The First Strand: Joint Service Centres
The main instrument developed to combat structural unemployment was the Joint Service Centres (JOIS). The pilot programme was set up in 2002 and 25 centres were opened, mainly in the larger cities and towns but covering the whole country fairly comprehensively. The idea behind the JOIS was to stop sending customers from one institution to another and to find joint solutions. The main aim was to create one-stop-shops for hard-to-place people who needed more services than just those of the PES, i.e. those of the municipalities and the national insurance institution (Kela) as well. Concrete targets were to help at least 60% of the customers to find more permanent solutions to their problems and to reduce the number of joint beneficiaries of labour market support and social assistance. The JOIS funding was shared 50:50 between the state and the municipalities but thus will need to be reappraised in future.

As well as providing holistic assessment and services, the JOIS also acted as a ‘gateway’ for other services needed by the customers, e.g. rehabilitation, health, work experience, drug detoxification, youth workshops, etc. These services were sub-contracted from municipalities, the third sector, private organisations and enterprises.

The centres were extremely well received by customers and the staff reported a high degree of job satisfaction. The mid-term evaluation of the pilot project (Arnkil et al., 2003) pointed to a number hiccups at management level due to the complexity of managing a centre under three different administrations (state, municipalities, insurance institution). There was also a certain ‘culture clash’ between the bodies involved (e.g. social workers found the labour market officials too labour market-oriented while labour market officials found the social workers too ‘different’ and too slow to push people towards employment), and one organisation usually dominates.

In 2001, new legislation on active social policy was brought in, requiring new forms of cooperation between employment offices and municipalities, and the scheme was taken forward in the new national government employment programme and the new employment service strategy under the title of Labour Force Service Centres (LAFOS). 15 centres have been set up to date. 10 of the JOIS are still running. A total of 40 LAFOS are planned in the strategy period 2004-2006. Although the setting up of a LAFOS is based on an application to the Ministry of Labour and a set of guidelines, each LAFOS is free to design a structure which corresponds to the needs of its customers.

The Second Strand: Renewing the Employment Offices
The renewal of the employment offices has the following aims:
- Better anticipation of labour market circumstances
- Better employer contacts
- Proactive regional and local role
- Good contacts with LAFOS
- Emphasis on the role of open markets (job-seeking units/centres, e-services, self-service, job brokerage, guidance, training...)
- Rapid start of services and needs assessment, skill mapping, information
- Securing staff skills in the development of the new model

One of the main thrusts of the second wave of reforms was the improvement of information services, particularly in the field of e-services for those customers who are able and willing to use them and for routine tasks. Individual services remain for more personal issues, e.g. working out a job-search plan or dealing with benefits. E-services have been developed for both job-seekers and employers. For example, job-seekers can place their CVs in a database for employers or, under a new service, are notified by email of new vacancies in their occupation or targeted occupation. Active labour market measures have been cut back, in an effort to encourage customers to be more proactive in their job search. New services for employers include the possibility of placing a vacancy on the internet with zero time lag within extended business hours, which improves the efficiency of their recruitment process.

The employment office renewal programme started with a staff information process in August and a job-broker conference in September 2003. A project group was set up in Spring 2004 to steer the process. It consists of members of the Ministry of Labour, Employment and Economic Development Centres, the Ministry of Trade and Industry, the social partners and private employment services.

Due to the recent launch of the programme, it is rather difficult to make any comments on its effectiveness.

In addition to the first two strands, a third strand is currently emerging in the fields of the sustainable development of working life, productivity and life-long learning. The Finnish labour market, like so many in Europe, is dichotomous. It suffers from a high level of structural unemployment on the one hand and, on the other, due to the demographic situation, will suffer from a shortage of labour in the imminent future. More efforts need to be put into keeping people in working life for longer. This means a change in attitude, and innovations in the workplace with more attention being paid to well-being at work, age management, lifelong learning and cross-generational co-operation. These issues have been dealt with in depth in Finland in the framework of programmes such as the Finnish Age Programme 2000-2002 and follow-up programmes and the Finnish Workplace Development Programmes (FWDP) 1996-2003 and 2004-2009. The results of the programmes were positive. In the new FWDP 2004-2009, a key role will be played by the 15 Employment and Economic Development Centres (‘TE’ centres), regional offices jointly run by the Ministries of Labour and of Trade and Industry. The TE centres are geared towards the study of labour market needs and the planning of training measures.

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4 The Finnish Age Programme was also the subject of two Peer Reviews. See notes 1 and 2.
5 The Finnish Workplace Development Programme (FWDP) 1996-2003 was also the subject of a Peer Review (for summary and further documentation please visit the Peer Review website: http://www.peerreview-employment.org/en/FINLANDsept01.htm.
4. Policy impact and challenges

In the following section, the strengths and weaknesses of the reforms as they were discussed in the expert papers and during the Peer Review meeting will be looked at.

As mentioned above, the overall results of both the first and the second wave of reforms have been positive although the second wave has only just started. In the case of the latter, it is perhaps more accurate to speak of an assessment of the concept than of the results. The two-strand - and emerging three-strand - approach has the advantage of being able to address the needs of the different segments of the labour market in a more focused and qualified manner. On the one hand, the more independent, better-qualified members of the labour market and employers benefit from the self-service systems and e-services in place and, on the other, the harder-to-place customers benefit from the personalised, holistic services offered in the framework of the LAFOS. The most impressive result has been the halving of the stock of long-term unemployed from 140,000 in 1996/97 to 70,000 at present.

The efforts being made to react to the ageing and shrinking workforce are also promising and will no doubt gain in importance when the generation change begins to make itself felt.

The most obvious challenge to the reforms is maintaining a link between the first two strands and avoiding fragmentation between the services of the PES and the LAFOS. Linked to the further development and increase in number of the LAFOS is the problem of how to handle the service chains between employment offices, LAFOS and subcontractors. Such service chains are vulnerable to breakdowns and this could result in customers again being sent from one provider to the other and again resorting to social benefits, which puts a strain on municipal budgets.

In this dual system, there is also the question of how to assess and refer customers satisfactorily. This is done by the local PES staff in co-operation with the customers but is a sensitive issue. There is also a need for 'job-readiness indicators'.

A further weakness, or challenge, is the management of the LAFOS. As mentioned above, there are difficulties involved in the management of an organisation 'owned' by three different partners and the position of the LAFOS within the local and regional strategies is not yet clear. The problems are also of a very practical nature, e.g. the IT systems of the state and municipalities are not compatible. It will also be difficult to evaluate the impact of the LAFOS because the management and follow-up systems established in the era of management by results are inadequate. The greatest danger to the new system would be for the LAFOS to lose contact with the other strands and to be left to deal with the most difficult customers alone. This would result in the kind of structural unemployment which the new dual system was meant to deal with.

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The involvement of sub-contractors is also an issue which deserves further thought in future. At present the contracts are evaluated and customers give feedback on their experience of the service. In future, quality management systems need to be developed to ensure joint standards etc.

Also important to the success of the reforms is the demand side. More efforts should be made to improve employer contacts in future.

In the words of the independent expert, the key success factors for the second wave of reforms are:
- Developing a comprehensive concept and practice that binds together the three ‘strands’ of development
- Developing the position (degree of autonomy, role) of LAFOS among local/regional stakeholders and their employment and economic strategies
- Developing the service markets and sub-contracting mechanisms of LAFOS and employment offices
- Developing further the new holistic and individualised services and customer contact in LAFOS and employment offices
- Developing the whole management system of labour market policies and the Ministry of Labour more towards cross-sectoral co-operation and networking on all levels, and between levels.

5. Transferability and issues of special interest for Peer Countries

This section summarises the key points from the peer country papers and presentations and from the transferability discussions. Readers are referred to the individual ‘statements and comments’ papers for each country for further details of policy and trends in that country.

Austria

There have been several waves of Public Employment Service reforms since the beginning of the 1990s in Austria. Rather than a radical restructuring, the reforms have been a continuous process of organisational development. While the targets and organisational structures, the programmes and measures are well conceived, Austria faces certain difficulties in the implementation of the reforms.

In terms of labour market policy, Austria has placed the emphasis on the development of contacts with employers as a method for also developing opportunities for hard-to-place job-seekers. The Austrian experience also indicates the limits of too strict policies towards job-seekers, which have resulted in a rather poor reputation of the PES in Austria. As far as transferability is concerned, the Peer Review concentrated mainly on the ‘inputs’ and not on ‘outputs’ or ‘outcomes’ – which are of interest to any PES which is thinking of transferring models. It would seem that the most interesting aspect of the Finnish reforms for the Austrian PES – at least in the short term – would be the e-services.
Belgium
As a result of a change in government in 1999, Belgium has an ‘active welfare state’ strategy which combines measures to eliminate inactivity traps and personalised services and active measures to move people on benefits into work. Influenced also by the European Employment Strategy, labour market policy in Belgium has moved from curative to preventive measures. However, the situation of the Belgian labour market has worsened over the past two years.

The PES in Belgium operates under the auspices of the Regions. There are thus three regional PES which enjoy relative autonomy. For the purpose of the Peer Review, the Belgian expert concentrated on the Flemish PES (VDAB), as the Flemish situation bears most similarity to the Finnish situation.

The Flemish PES has invested a lot in the development of e-services, call centres and face-to-face services. The reforms also brought about a concentration on the local and sub-regional levels and lead to the establishment of local job shops which bear similarities with the Finnish LAFOS. During the meeting, the Belgian representatives described the development of e-services and contact with employers in Belgium, and also the on-line customer monitoring by different sectors, the use of service vouchers and the plan to certificate job-seeker skills. The on-line monitoring helps to overcome the breakdown of the customer service chain, a danger also in the LAFOS concept. The broad scope of the LAFOS concept was of particular interest to the Belgian participants.

Bulgaria
The economic, social and institutional circumstances in Bulgaria are very different from those in Finland. The country has experienced significant difficulties in adjusting to a market economy and political democracy. Living standards have decreased by 70% and GDP by 30% since 1989. Bulgaria has an official unemployment rate of 13% with a substantial proportion of long-term unemployed. The demographic situation is also dramatic, with a UN prognosis that the country’s population will have nearly halved by 2050. In this context, transferability is a difficult issue. Nevertheless, with a view towards EU accession in 2007, the European Employment Strategy is being increasingly taken into account in the development of Bulgarian labour market policy and a number of aspects of the Finnish policy are of interest to Bulgaria. Active labour market measures are being introduced in Bulgaria and the Finnish reforms provide an interesting example of a more customer-oriented and preventive approach. This is especially true of the LAFOS. However, in order to be sustainable in Bulgaria, the measures have to address a broader range of issues, in particular, economic and income policy, the ageing workforce, poverty and social exclusion.
Cyprus
Accession to the European Union and the requirements of the European Employment Strategy, as well as new or prospective labour market pressures have prompted the introduction of radical reforms in the organisational structure and operations of the PES in Cyprus. The PES has a good track record but is inadequately staffed and rather restricted in its functions. Staff need training and specialisation. Although Cyprus has enjoyed almost full employment over the last years, it will also be affected by the ageing of the population and increasing dependency rates and is under pressure to respond. In this context, for Cyprus, two interesting aspects of the Finnish reforms are the prevention of exclusion from the labour market and the definition of the rights and obligations of unemployed job-seekers. There is also a case in Cyprus for a dual approach for the ‘good’ and ‘structural problem’ ends of the labour market. The connection of labour market policy to economic and social policies was a crucial issue for the Cyprus expert and while the cross-fertilisation of ideas and actions works in certain fields, greater efforts need to be made in this direction to meet the needs of PES customers. In the context of the country’s dependence on its human resources, the ‘third strand’ of the Finnish policy which focuses on work-life balance was also of great relevance for Cyprus.

Czech Republic
The economic and labour market situation in the Czech Republic bears some resemblance to the situation in Finland. The Czech Republic has experienced four years of economic growth exceeding the EU average but a simultaneous rise in unemployment from 9% to 11%. Structural causes lie at the root of the unemployment rate and the high share of long-term unemployment. The high level of taxation of labour, the high replacement rates for low wage earners and the high taxation of companies contribute to the structural rigidity of the labour market. Unemployment benefits and social assistance are at a high level but resources for active measures are the lowest in the EU at less than 0.2% of GDP. 

Although the conditions are difficult, the Czech PES has taken steps in the direction of more active and preventive labour market policy in line with the European Employment Strategy. Between 2002 and 2003 employment offices introduced a number of measures including individual action plans, co-operation with employers, profiling of the unemployed, motivation and labour market orientation courses – often in co-operation with other partners.

Of particular interest in the Finnish policy are the job search centres and e-services, integrated services for hard-to-place customers, and specific measures such as the job clubs. Outsourcing and the quality issue is also of interest to the Czech Republic, as is the redefinition of the rights and obligations of the unemployed.
**Denmark**

The Finnish labour market system is comparable to that of the other Scandinavian countries and there are similar developments in Denmark, e.g. regarding the merging of employment services and social security offices into a one-stop shop. There is currently a large scale reform of the regional and local government system underway in Denmark in which the position of the PES is not entirely clear. The likely scenario is that employment services will be administered by the local authorities with considerable influence taken by the national level. It is also likely that the public employment services and social services will be merged. One of the arguments for merging the two in Denmark is that the social services have a poorer performance record than the PES. However, merging them removes the possibility of comparison and benchmarking, thus potentially reducing competition and quality. Regarding transferability, the Danish expert felt that the Finnish papers did not offer enough empirical insight into the programmes to be able to form a proper opinion. He also presented a model which showed that the performance of the Finnish PES has decreased to some extent during the reform years. By calculating the ratio of the vacancies filled by the PES out of the total number of vacancies filled, we get an impression of the efficiency of the PES in filling vacancies. Even if corrected for the unemployment rate, the performance of the PES has decreased during the period of reforms. Although this may not indicate that the reforms have been ineffective, it certainly calls for a closer look at this issue. The Danish expert also elaborated on the ‘threat effect’ of active labour market measures, i.e. the unemployed tend to more actively seek work when they are under threat of having to participate in a LM measure. This should be taken into account in the evaluation of the second wave of reforms.

**France**

France has been experiencing an economic slowdown accompanied by rising unemployment and a decrease in salaried workers (older workers retiring from the labour market) since mid-2001. The main instrument for getting people back to work is the Return to Work Action Plan (PARE) established in July 2001. Under this programme, the job-seeker develops a Personalised Action Plan for a New Start (PAP-ND) and has the opportunity of participating in a number of active measures to help him or her back into a job. The programme is based on a tripartite agreement between state, UNEDIC (employment insurance fund) and ANPE (national employment agency) and involves private reintegration services as well. The coordination between UNEDIC (insurance benefit), employment policy, training policy and social security benefits is important as is the decentralisation of the administration from the central to the regional and local levels.

Regarding transferability, France has opted for a universal rather than a dual approach targeting all job-seekers whether they receive unemployment benefit or not. Nevertheless some of the same issues arise such as the need for improved profiling and avoiding fragmentation between those job-seekers on benefits and those who are not.
Germany

Germany has seen a whole series of changes in its labour market and benefits policy since the placement scandal and the publication of the Hartz Commission’s proposals in 2002. It has its own rather problematic dual system caused by the large numbers of unemployed who, no longer qualifying for regular unemployment benefit, are dependent on the means-tested unemployment assistance or on the social assistance for the unemployed from the local authorities. As a response, local authorities are increasingly running their own labour market policy measures to try to get unemployed people who are dependent on their funds back into work. Although they have a long tradition of co-operation, both PES and local authorities concentrate on their own clientele thus causing a certain fragmentation or ‘evolving door effect’, in which job programmes are used to qualify social assistance beneficiaries for unemployment benefit and thus shunting them back into the responsibility of the PES.

The new unemployment benefit system and job centres are currently planned for 2005. The role of the PES and the local authorities in running the new job centres is not yet clear and there is an intense battle going on between government and opposition and between the Federal government and the local authorities regarding who should have responsibility for the planned integrated services for the unemployed.

Regarding transferability, which may be the wrong term here because both Finland and Germany have drawn on foreign models for their current reforms, most interesting for Germany would be the Finnish experience with the LAFOS. In particular, information regarding the referral of customers to the LAFOS, the management of client flows and the relationship between the regular job search centres and the LAFOS would be of interest.

Hungary

In response to the labour market situation and the requirements of the European Employment Strategy, the Hungarian PES is currently being reformed from a passive dispenser of unemployment benefits to a more ‘full-service’ institution, including an increasing number of active labour market measures in its service repertoire. In this context, the Finnish reforms are generally highly relevant to the Hungarian situation for the following reasons: 1. The traditional tools for calibrating eligibility conditions and replacement rates in order to speed up exit to employment have not produced the desired results; 2. Unemployment in Hungary is mainly structural; 3. The unemployment situation of the educated young (especially career-beginners with higher education diplomas) can be expected to worsen in the near future. However, the economic situation in Hungary makes it impossible simply to transfer the Finnish measures. The Hungarian PES lacks the necessary IT provision, trained staff and differentiated customer-oriented services. The country has a low internet and PC penetration which would make it difficult to reach the relevant low-income, low-skilled target group of hard-to-place unemployed.
On a more positive note, a new PHARE project which started at the beginning of last year is focusing on the modernisation of the PES. The main aim of the PHARE project is to develop a new service model and introduce it into 21 employment offices in a pilot scheme. The reforms proposed bear some resemblance to the Finnish reforms, and in this respect, the Finnish Surge project, the Finnish e-services and the LAFOS in particular seem highly relevant to the Hungarian PES reform. The lessons from the Finnish evaluation of the reforms will be very useful for the Hungarian project.

The Netherlands
The Dutch labour market and social policy has gone through many reforms in recent years. In January 2002, the old PES (Arbeidsvoorziening) was replaced by a new structure, the CWI (Centre for Work and Income). This happened in the framework of the SUWI (Structure Implementation, Work and Income), an integral overhaul of the employment and social security services. Responsibility for social assistance remained with the municipalities. The disability benefit system has also been reformed. CWI, UWV (social security) and the municipalities provide services for the unemployed and are located in the same building. CWI is a kind of gate-keeper for the social security system. It carries out assessments of customers and refers them either to job search, UWV or to the social services in their municipality. This task is carried out by case managers, an important aspect of the SUWI. The UWV outsources all its reintegration activities for the unemployed and people with disabilities to private providers. The municipalities are also obliged to outsource a minimum 70% of their reintegration activities.

An online data system between the partners has facilitated the effective running of the services. Within the new system, contacts with employers are made a priority, labour market platforms have been established and company visits are common.

Regarding transferability, the Finnish experience of negotiating with a wide range of parties may help the Dutch to reconcile regional and central steering. A further issue which interests the Dutch is that of the skills needed by the employees of the one-stop-shops. Typically, these need to be multi-specialists, i.e. people who know a lot about specific areas but are not generalists. The Finnish experience with e-employment services is also of interest to the Dutch as is the segmentation of customers into different categories.

Norway
There are a lot of similarities between the Finnish and Norwegian reform strategies. Both can be described as a dual strategy but, whereas in Finland, the strategy is described as having taken place in two waves, in Norway, the two waves of reform have happened in parallel. These may be called (1) the ‘holistic strategy’ integrating the services of the employment service, the benefit agency and the local social security offices administered by the Ministry of Social Affairs and (2) the ‘step-by-step’ employment service internal reform strategy administered by the Ministry of Labour and Government Administration. The former is still under discussion and it is not yet clear which of the models proposed will be chosen.
although a recent evaluation suggests that it will be the ‘new functionally divided organisation’ model (close to the British Jobcentre Plus). In the latter, the employment office has a common front desk with two departments in the back office. One department takes care of the customers’ financial matters and the other of the active employment policy measures, career guidance and job-brokering. Each client has a personal adviser.

Regarding transferability, two aspects of the Finnish reforms may be transferable to the Norwegian context: the division of functions between administrative levels and the integration of a third strand concerning relations to employers and industry.

Slovakia
The economic transition has left Slovakia with lower living standards and real wages than in 1989 and a rapid increase in unemployment from practically ‘non-existent’ to an average rate of 15.2%. Economic disparity among Slovakia’s regions is evident, but nevertheless the regional disparity figure shows a downward trend. In 2003 the unemployment rate was over 30% in 1 of the country’s 79 districts and over 20% in a further 23. There are areas where people are living under the poverty line and the Roma population poses a big labour market and social problem.

Slovakia is currently undergoing several policy reforms simultaneously, including a reform of the PES since 2004. Although efforts have been made since 2000 to introduce new measures to activate the long-term unemployed (in the framework of the VPP - a public works project providing jobs to the long-term unemployed), these have not been very successful. The overwhelming majority of labour market policy funds went into the payment of passive unemployment benefits. The New Employment Strategy 2004 together with pension and tax reforms emphasises the necessity for radical changes in welfare, child benefits, housing, and labour market to enhance employment growth. The results of the 2004 reforms cannot be evaluated due to the short period of implementation so far but first positive results can be seen. Regarding transferability, as in most CEEC transition countries, the Finnish PES reform cannot be easily applied in Slovakia. The more relevant part of the Finnish reform would be the ‘third strand’, interpreted as a job creation effort.

Spain
Spain has successfully managed to reduce unemployment and create jobs over the last decade. This has been mainly due to strong economic growth but also to changes in the unemployment benefits system towards activation. One of the greatest achievements in this period has been the coordination of the activities of the central government (INEM) and the PES of the ‘Autonomous Communities’ (regions). Due to the need to move towards the individualisation of services (known as personalised insertion itineraries in Spain), the regional PES have been given the responsibility for training, CV writing, interview skills, career guidance and placement. There are, however, big regional differences due to the autonomous administrative position of the regions. The PES has been decentralised to 16 of the 17 Autonomous communities (only the Basque Country is not yet decentralised) and not
including the North African cities of Ceuta and Melilla. Another problem of the Spanish PES is that only a small number of the vacancies are registered in the PES. Filling most vacancies takes place ‘ unofficially’ through personal contacts between employees and employers or other methods. Increasing labour market mobility within the country is also a big challenge for Spain.

Regarding transferability, it can be said that the Finnish reforms are highly relevant to Spain but difficult to apply in practice due to the decentralised nature and lack of coordination between labour market actors in Spain. However, the differentiation between customers, and the holistic approach to fulfilling the needs of the most hard-to-place customers were seen as key issues of great relevance to Spain. The Spanish independent expert saw the necessity of returning to the social dialogue among the social partners and government, visible in the Finnish reforms, as one of the key factors in developing the Spanish labour market policies.

United Kingdom
A reform of the public employment services has been taking place in the UK in recent years and there are a number of similarities between the UK situation and the Finnish situation. Both countries suffer from the co-existence of skill or labour shortages and pockets of high unemployment or inactivity. While the unemployment figures are relatively low in the UK at 4.8% of the workforce in January 2004, there are large numbers of people who are ‘economically inactive’. The employment rate in the UK was 74.8% in January 2004. The skills shortages manifest themselves in recruitment difficulties and in a reduction in firms’ competitiveness. The main policy developments in the UK have been the New Deal programme, the Neighbourhood Renewal programme and Local Strategic Partnerships, the merging of the Employment Service and the Benefits Agency to form the Jobcentre Plus, and the Skills Strategy.

In terms of transferability, the LAFOS bear a resemblance to the Jobcentre Plus model. They are interesting for the UK because they focus on the hard-to-reach which are a key target group of UK labour market policy. Their multi-agency and partnership approach is also of interest to the UK in that it reflects the different needs of the hard-to-place and the fact that the PES is only one of the many services needed by this group. While Jobcentre Plus and other programmes such as the neighbourhood renewal programme and the local strategic partnerships have been successful in developing co-operation between various actors, the establishment of LAFOS type centres may enhance such developments. However, such initiatives would have to take the complex institutional and financial context in the UK into account and be more flexible.

Further aspects of the Finnish policy which may be of interest to the UK are the full introduction of e-services for employers and the experimental net-CV service.
General discussions of transferability issues
The Peer Review on the second wave of active labour market policy reforms in Finland stimulated a lot of interest on the part of a large number of European countries, many of which are undergoing reforms themselves. The emphasis in all countries has been on a shift from passive to active measures and on a change in the benefits system. The Danish expert pointed out in his paper that, like Finland, most countries introduced the reforms in two stages: a first stage with massive investment in active labour market measures and expanding the existing framework of measures and a second stage reforming the framework of measures. Many countries are following a similar route to Finland in ‘joining up’ services (PES and social security services in particular). There is an effort to provide the client with a comprehensive offer epitomised in the one-stop-shop. As a result of the similarities in developments across Europe, the discussions were able to focus on concrete details of the reforms. The issue of what to do with the hard-to-reach end of the labour market was discussed at length, perhaps at the cost of other aspects of the reforms, and experts and officials were very interested in the LAFOS. While the dual approach was considered effective in dealing with the multiple problems of the hard-to-place, the question of its impact on employers and their perception of the different groups of unemployed was raised. This is an issue and must be carefully treated in order not to impose a stigma on those who are already in a weak position on the labour market. The question of how to classify the unemployed was also discussed.

Due to the current state of reforms in the peer countries present or to their economic situation, it was felt that the transfer of the Finnish policies would be difficult. For the new member states in particular, the Finnish solutions were often not considered transferable due to a lack of funding, infrastructure, IT technology and trained staff.

However, a number of aspects, particularly relating to the establishment of e-services, were considered potentially transferable in the long run.

A further aspect that was discussed was the difficulty of evaluating such programmes and what would constitute relevant benchmarks. This is an important aspect of the Peer Review methodology and a theme that is being addressed by different projects within the European Employment Strategy7.

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7 The EMCO Indicators Group is working on this issue and so, for example, is the ‘Performance Indicators for Public Employment Services’ project co financed by DG EMPL and the Austrian PES (AMS). Consultants to the project are ÖSB Consulting and Synthesis Forschung and the results of the project will be available at the end of 2004.
6. Concluding remarks

There was general consensus about the added-value of the holistic Finnish approach although the evaluations to date had not given clear proof of its effectiveness. More, and more thorough, evaluations were considered necessary to give greater insight into what works and what does not. Indicators and benchmarking procedures and a computer monitoring system for managers at local level are currently being developed in Finland. Benchmarking is also an issue which is being tackled by the EMCO Indicators Group. The Peer Review Programme of the European Employment Strategy was felt by all to be a useful tool in the exchange of good practice and also in providing feedback to policy makers on their initiatives.