

## Securing job-to-job transitions in the labour market

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**Securing job-to-job transitions in the labour market:  
a comparative study of employment security systems  
in European countries**

Irmgard Borghouts – van de Pas  
2012



**Securing job-to-job transitions in the labour market: a comparative study of employment security systems in European countries**

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Securing job-to-job transitions in the labour market:  
a comparative study of employment security systems  
in European countries

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## Abbreviations

AGB	Severance pay provided by the collective insurance schemes of LO members (avgångsbidrag) (SE)
AGE	Severance pay provided by the majority of the Swedish white-collar transition agreements as well as that of the state sector (avgångsersättning) (SE)
AGF	Severance pay in the municipal sector (avgångsförmåner) (SE)
AK	Chamber of Labour (Arbeiterkammer) (AT)
ALF	Statutory unemployment insurance (Lag om arbetslöshetsförsäkring) (SE)
ALMP	Active labour market policies
AIVG	Unemployment Insurance Act (Arbeitslosenversicherungsgesetz) (AT)
AMS	Labour Market Board (Arbetsmarknadsstyrelsen) (SE)
AMS	Public Employment Service Austria (Arbeitsmarktservice) (AT)
AMFG	Labour Market Promotion Act (Arbeitsmarktförderungsgesetz) (AT)
AMSG	Public Employment Service Act (Arbeitsmarktservicegesetz) (AT)
AMV	National Labour Market Administration (Arbetsmarknadsverket) (SE)
AMV	Labour Market Administration Authority (Arbeitsmarktverwaltung) (AT)
AngG	White-collar Workers act (Angestelltengesetz) (AT)
AOW	National Old Age Pension Act (Algemene Ouderdomswet) (NL)
AT	Austria
ATR	Alternative to Redundancy Scheme (UK)
AW	Average Wage
AWM	Advantage West Midlands (UK)
BFI	Vocational training institute Austria (Berufsförderungsinstitut Österreich) (AT)
BIS	Department for Business, Innovation and Skills (UK)
BZÖ	Alliance future Austria (Bündnis Zukunft Österreich) (AT)
CBI	Confederation of British Industry (CBI) (UK)
CCOO	Trade Union Confederation of Workers' Commissions (Confederación Sindical de Comisiones Obreras) (ES)
CEOE	Spanish Confederation of Employers' Organizations (Confederación Española de Organizaciones Empresariales) (ES)
CEPYME	Spanish Confederation of small and medium sized enterprises (La Confederación Española de la Pequeña y Mediana Empresa) (ES)
CIG	Galician Unions' Confederation (Confederación Intersindical Galega) (ES)
CIPD	Chartered Institute of Personnel and Development (UK)
CNT	Spanish Trade Union National Confederation of Labour (Confederación Nacional del Trabajo) (ES)

## ABBREVIATIONS

CWI	Centre for Work and Income (Centrum voor Werk en Inkomen) (NL)
DWP	Department for Work and Pensions (UK)
EC	European Commission
EGF	European Globalisation Fund (EGF)
EI	Employment Insurance
EPL	Employment protection legislation
ERA	Employment Protection Act (UK)
ES	Spain
ESF	European Social Fund
EU	European Union
FOGASA	Wage Guarantee Fund (Fondo de Garantía Salarial) (ES)
FPÖ	Freedom Party (Freiheitliche Partei Österreichs) (AT)
FTER	Fixed-term Employees Regulations 2002 (UK)
GewO	Industrial Code (Gewerbeordnung) (AT)
IAF	The Swedish Unemployment Insurance Board (SE)
IBE	Research Institute for Vocational Training and Adult Education (Institut für Berufs- und Erwachsenenbildungsforschung) (AT)
ILO	International Labour Organization
IRO	Individual Re-integration Agreement (Individuele Re-integratie-overeenkomst) (NL)
IWI	Inspection Work and Income (Inspectie Werk en Inkomen) (NL)
JSA	Jobseekers' Allowance (UK)
JTS	Job Transition Service (UK)
JVR	Job Vacancy Rate
KAS	Cash labour market assistance (Kontant arbetsmarknadsstöd) (SE)
KV	Compulsory health insurance (Krankenversicherung) (AT)
LAS	Law on Employment Protection (Lag om anställningsskydd) (SE)
LEP	Local Employment Partnership (UK)
LFS	Labour Force Study
LIFO	Last In, First Out
LLL	Lifelong learning
LK	Chamber of Agriculture (Landwirtschaftskammer) (AT)
LO	Central Organization for trade unions for the Swedish blue-collar workers (Landsorganisationen i Sverige) (SE)
LSC	Learning and Skills Council (UK)
MBL	Co-determination Act (Medbestämmandelagen) (SE)
MCA	Mobility Centre Automotive (Mobiliteitscentrum Automotive) (NL)
NL	the Netherlands
NHS	National Health Service (UK)
OAW	Open labour foundation Wien (Offene Arbeitsstiftung Wien) (AT)
OECD	Organisation for Economic Co-operation and Development

## ABBREVIATIONS

ÖGB	Austrian federation of trade unions (Österreichische Gewerkschaftsbund) (AT)
ÖVP	Austrian People's Party (Österreichische Volkspartei) (AT)
OSE	Spanish Trade Union Organisation (Organización Sindical Español) (ES)
PES	Public Employment Service
PP	People's Party (Partido Popular) (ES)
PSOE	Spanish Socialist Workers Party (Partido Socialista Obrero Español) (ES)
PTK	The Council for Negotiation and Co-operation (SE) (formerly the Negotiation Cartel for Salaried Employees in the Private Business Sector, Privattjänstemannakartellen)
R2R	Response to Redundancy (UK)
RDA	Regional Development Agencies (UK)
RIW	Regional Insolvency Foundation Vienna (Regionale Insolvenzstiftung Wien) (AT)
RRS	Rapid Response Service (UK)
RWI	Council for Work and Income (Raad voor Werk en Inkomen) (NL)
SACO	Swedish Confederation of Professional Associations (Sveriges Akademikers Centralorganisation) (SE)
SALAR	Swedish Association of Local Authorities and Regions (Sveriges Kommuner och Landsting) (SE)
SE	Sweden
SME	Micro, Small and Medium Sized Enterprises
SO	The Swedish Federation of Unemployment Insurance (Arbetslöshetskassornas Samorganisation) (SE)
SPÖ	Socialist Party of Austria (Sozialistische Partei Österreich) (AT)
STAR	Dutch Labour Foundation (Stichting van de Arbeid) (NL)
SUWI	Law Structure for Implementation of Work and Income (Wet Structuur Werk en Inkomen) (NL)
TCO	Central Organisation of Salaried Employees (Tjänstemännens Centralorganisation) (SE)
TRR	Employment security council/ transition foundation TRR (Trygghetsråden) (SE)
TSL	Employment security council/ transition foundation TSL (Trygghetsfonden) (SE)
TUC	Trade Union Confederation (UK)
TULRCA	Trade Union and Labour Relations Consolidation Act (UK)
UGT	General Union of Workers (Unión General de Trabajadores) (ES)
UI	Unemployment Insurance
UIF	Unemployment Insurance Fund
UK	United Kingdom
WAFF	Vienna Employment Promotion Fund (Wiener ArbeitnehmerInnen Förderungsfonds) (AT)

## ABBREVIATIONS

WIFI	Institute for Economic Promotion of the Austrian Federal Economic Chambers (Wirtschaftsförderungsinstitut) (AT)
WKO	Economical Chamber of Commerce (Wirtschaftskammer) (AT)
WRR	Dutch Scientific Council for Government Policy (Wetenschappelijk Raad voor het Regeringsbeleid) (NL)
WW	Unemployment Benefit Act (Werkloosheidswet) (NL)

# 1

## Introduction



## 1. Introduction

### 1.1 From job security to employment security

Welfare and social security systems aim to respond to labour market imperfections and provide income security in the event of unemployment or disability. After World War II, welfare states in Europe expanded and covered a wider range of social risks (Gerven, 2008). For many years job security was the ultimate goal, which implied that employees had the security of being employed in their current job for a long time. In 1994, the International Labour Organization (ILO) used the term 'employment security' in one of their documents. The ILO reported that "Employment security means that workers have protection against arbitrary and short-notice dismissal from employment, as well as having long-term contracts of employment and having employment relations that avoid casualisation" (Dasgupta, 2001). But, in fact, this definition refers to job security rather than employment security. In the recent literature various definitions of employment security exist, but the common feature of these definitions is that employment security focuses on the security to be employed in a suitable job, not necessarily in the same job with the same employer. In section 1.3.1 the concept of employment security will be further elaborated.

Currently, the perception is that, in the last decades, work patterns have changed and employees (have to) change jobs more frequently. Companies change their organisation in response to globalisation and increasing competition which require new skills and competencies. Not all employees fit into the new structure of the organisation and are forced to find another job. Lifetime employment has had its time. In management literature, the 'new' employee relationship was introduced and is seen as an ongoing shift 'from lifetime employment' to the "boundaryless" career (Muffels, 2008; K. Stone, 2006). Moreover, in the academic debate, and also in the policy making discourse, proposals were raised to replace traditional unemployment insurance (UI) schemes with employment insurance (EI) schemes, geared towards the prevention of unemployment and a smooth transition to a new job (Bovenberg & Wilthagen, 2009; Schmid, 2008). Schmid states in his recent book that '(..) the increasing variety of employment risks requires a move from unemployment insurance centred on income security for jobless people to a system of employment insurance centred on job-to-job security (Schmid, 2008). The shift from lifetime employment to lifetime employability is also emphasized in a recent speech by the OECD secretary-general at the Joint Vienna Institute in July

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2011.<sup>1</sup> Smooth transitions from job-to-job are necessary in a globalizing and profoundly changing economy and require rapid responses from national governments, companies and workers. Redundancy and restructuring processes take place in order to compete with (foreign) companies and to fulfil the needs of the market. The perception is that the management of companies should be free to adapt their businesses as the market develops. However, the European Commission (EC) attaches value to the social consequences of restructuring. The EC's point of departure is that greater protection should be afforded to employees in the event of collective redundancies. Differences in the Member States concerning law and legislation can have an effect on the functioning of the common market. The EC's aim is to take into account the need for balanced economic and social development within the European community. Therefore, the EC has formulated directives which counterbalance management's freedom concerning restructuring and redundancy processes (Kempen, Patmore, Ryley, & Steinau-Steinrück, 2008). The first EC Directive dates from 1975 (Directive 75/129), as a response to the oil crisis of 1973, which led to many closures and restructuring of companies. The underlying principle of the Directive is that these economic dismissals are a collective issue, to be dealt with through collective information and consultation rights. Article 2(1) states: 'Where an employer is contemplating collective redundancy, he shall begin consultations with the worker representatives in good time with a view to reaching an agreement'. Specifically, the employer is required to consider alternatives to dismissal. The consultation required 'shall, at least, cover ways and means of avoiding collective redundancy or reducing the number of workers affected, and of mitigating the consequences.'

Employment protection legislation, which provides employees with job security, is still, without doubt, an important feature which influences employment security systems. Today, all OECD countries have laws to protect employees against arbitrary dismissal. According to Allard, the reason for the introduction of these laws is that employees should be protected against the bigger corporations and against the uncertainty of changing labour market situations (Allard, 2005). Employment protection rules include, for instance, procedural requirements, notice and severance pay requirements, and prevailing standards and penalties for unfair dismissals. The employment protection of employees varies across countries and can influence the extent to which job mobility occurs. It can be hypothesized that, in countries with strict employment protection legislation (EPL), the dismissal costs are high, which ultimately will result in

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<sup>1</sup> Speech 'Skills for the 21st Century: from life time employment to life time employability', accessed via <[http://www.oecd.org/document/32/0,3746,en\\_21571361\\_44315115\\_48374880\\_1\\_1\\_1\\_1,00.html](http://www.oecd.org/document/32/0,3746,en_21571361_44315115_48374880_1_1_1_1,00.html)> on 23-8-2011.

avoiding dismissals. The Organisation for Economic Co-operation and Development (OECD) investigated a large amount of theoretical literature that looks at the impact of firing restrictions on labour flows. Strict employment protection should reduce worker flows, because companies will reduce both job creation and destruction. However, the effect on average employment levels is ambiguous (OECD, 2010b). Moreover, if the use of temporary contracts is less regulated, while strict employment regulations are maintained for open-ended contracts, employers will substitute temporary for permanent employees owing to lower costs involved with the termination of the employment relationship at the end of a temporary contract. The OECD tried to shed some light on the question as to whether strong firing restrictions influence the probability for displaced workers to find another job. Although the OECD had to work with incomplete data, they cautiously conclude that in a normal economic situation, not in a crisis, those workers who are declared to be redundant as a result of reducing the employment protection rules for regular workers, but who would not have been displaced without the reform, are likely to find another job within a relatively short period of time (OECD, 2010b). However, the OECD notes that this does not imply that employment protection reforms would not increase the number of displaced workers that experience short unemployment spells after they have been given notice. Those workers, who would have not been dismissed in the absence of amendments towards a more flexible employment protection legislation, might find a new job very quickly, but they will nonetheless suffer from an income loss during the possible unemployment spell, and in the new job associated with involuntary mobility (OECD, 2010b).

With the enlargement of the European Union with new Member States, a fresh Directive was published in 1992 (Directive 92/56) and consolidated in 1998 (Directive 98/59) (Kempen et al., 2008). A requirement in the Directive is that employee representatives must be informed about the dismissals. The written notification should include the reasons for the dismissal, the number and categories of workers to be made redundant, the number and categories of the normally employed, the period during which redundancy is to be effected, the selection criterion for those workers to be made redundant, and the method used to calculate compensation. The consultation procedure aims firstly at avoiding redundancy or reducing the number of employees affected and, secondly, at mitigating consequences and introducing social measures (Kempen et al., 2008).

In 2002, the European Union adopted the Lisbon Agenda. In this strategy the EU set itself the goal "to become the most competitive and dynamic knowledge-based economy in the world, capable of sustainable growth with more and better jobs and greater social cohesion". The EC states that "in order to achieve the Lisbon objectives new forms of flexibility and security are needed, for individuals, companies as well as for Member States and the European Union"

## INTRODUCTION

(European Commission, 2007, p.8). As of 2006, flexicurity appeared on the European policy agenda and was heavily discussed both in the policy and academic arena (Bekker, 2011). Flexicurity is a conjunction of flexibility and security and has the double goal of simultaneously enhancing labour market flexibility and labour market security both for companies and employees (Wilthagen, 2004). In July 2006, the EC appointed a number of academic experts from several Member States to be part of the flexicurity expert group. In view of the differences in countries' practices, the EU did not believe in a 'one-size-fits-all' approach. The main objective of this expert group was to advise the EC on preconditions for flexicurity, various starting positions and flexicurity pathways (Bekker, 2011). In June 2007, the Communication "Towards Common Principles of Flexicurity: more and better jobs through flexibility and security" came out. In this document the EC formulated a set of pathways on flexicurity, taking into account the preceding work of the European Expert Group on Flexicurity. In the foreword, Commissioner Špidla states that rather than job security, flexicurity focuses on 'employment security'. Employment security means staying in employment, within the same enterprise or into a new enterprise. The philosophy behind flexicurity is that workers are more prepared to make moves from one job into another if there is a good safety net (European Commission, 2007, p.7). In this Communication the following four policy components of flexicurity were addressed: flexible and reliable contractual arrangements, comprehensive lifelong learning (LLL), effective active labour market policies (ALMP) and modern social security systems. Furthermore, the EC formulated eight common principles of flexicurity which should help Member States to develop their own flexicurity strategy which fully takes into account their own challenges, opportunities and circumstances. The proposed principles are presented in table 1.1. Common principle five, which states that "Sufficient flexibility in recruitment and dismissal must be accompanied by secure transitions from job-to-job", refers to the core of this thesis.

Table 1.1: Common principles of flexicurity

Common principles	
1	Flexicurity involves flexible and reliable contractual arrangements (from the perspective of the employer and the employee, of insiders and outsiders); comprehensive lifelong learning strategies; effective active labour market policies; and modern social security systems. Its objective is to reinforce the implementation of the Growth and Jobs Strategy, create more and better jobs, and strengthen the European social models, by providing new forms of flexibility and security to increase adaptability, employment and social cohesion.
2	Flexicurity implies a balance between rights and responsibilities for employers, workers, jobseekers and public authorities.
3	Flexicurity should be adapted to the specific circumstances, labour markets and industrial relations of the Member States. Flexicurity is not about one single labour market model or a single policy strategy.
4	Flexicurity should reduce the divide between insiders and outsiders on the labour market. Current insiders need support to be prepared for and protected during job-to-job transitions. Current outsiders including those out of work, where women, the young and migrants are over-represented, need easy entry points to work and stepping-stones to enable progress into stable contractual arrangements.
5	Internal (within the enterprise) as well as external (from one enterprise to another) flexicurity should be promoted. Sufficient flexibility in recruitment and dismissal must be accompanied by secure transitions from job-to-job. Upward mobility needs to be facilitated, as well as between unemployment or inactivity and work. High-quality workplaces with capable leadership, good organisation of work, and continuous upgrading of skills are part of the objectives of flexicurity. Social protection needs to support, not inhibit, mobility.
6	Flexicurity should support gender equality by promoting equal access to quality employment for women and men, and by offering possibilities to reconcile work and family life as well as providing equal opportunities to migrants, young, disabled and older workers.
7	Flexicurity requires a climate of trust and dialogue between public authorities and social partners, where all are prepared to take responsibility for change, and produce balanced policy packages.
8	Flexicurity policies have budgetary costs and should be pursued also with a view to contribute to sound and financially sustainable budgetary policies. They should also aim at a fair distribution of costs and benefits, especially between businesses, individuals and public budgets, with particular attention to the specific situation of SMEs. At the same time, effective flexicurity policies can contribute to such an overall objective.

Source: (European Commission, 2007)

## INTRODUCTION

In June 2010, the Lisbon strategy was replaced by the EU2020 agenda: A strategy for smart, sustainable and inclusive growth. The Lisbon strategy evaluation document by the European Commission states that “Overall, the Lisbon Strategy has had a positive impact on the EU even though its main targets (i.e. 70% employment rate, and 3% of GDP spent on R&D) will not be reached. The EU employment rate reached 66% in 2008 (from 62% in 2000) before the employment rate dropped back again as a result of the crisis” (European Commission, 2010a, p.3). Between the launch of the Lisbon agenda and the introduction of the EU2020 agenda, the economic and employment situation changed drastically. In 2002, the unemployment rates in Europe were relatively low, the economy was growing, and shortages of labour occurred in several sectors in the following years. The turmoil of the global financial crisis of 2008, was a turning point, since which the economy has declined, unemployment has risen in all European countries and governments are forced to make cut backs. Implementing flexicurity principles and enabling people to acquire new skills to adapt to new conditions and potential career shifts, are at the top of the EU2020 agenda. High levels of employment, productivity and social cohesion should be reached by 2020. As previously explained, flexicurity, i.e., combining flexibility with employment security and reducing labour market segmentation, was already at the core of the Lisbon strategy (Commission of the European Communities, 2007) and it will remain so in the current times of crisis and after 2011 (European Commission, 2010). As mentioned earlier, employment security differs from job security. But what is employment security? How can employment security be provided and organized within a dynamic labour market and economy? In the next section I will present the research problem leading to the research questions of this thesis. Subsequently, several relevant theories, definitions, and the analytical framework will be fleshed out (section 1.3). The research design, including the methodological considerations behind the selection of countries, and the method of data collection, is further discussed in section 1.4. This introductory chapter concludes with an outline of this thesis (1.5).

### 1.2 Research questions

Sufficient flexibility regarding hiring and firing should go hand in hand with securing transitions from job-to-job. In the Netherlands, and in other countries, there is a growing awareness that a job for life cannot be guaranteed any longer in a globalizing world. Both in the academic and policy discourse, attention is paid to employment security rather than, or in addition to, job security. From a social point of view it is important to know what employment security is and how employment security can be implemented. This research is about employment security systems in Europe, with a specific focus on forced job-to-job transitions, i.e. workers who have to make a transition to another job, because they will lose their current job for economic reasons. Different job-to-

job systems and arrangements for redundant employees in four European countries will be analysed in-depth throughout this study and, in a second stage, compared with the Dutch system or arrangements. A similar in-depth international comparison has never been conducted before.

The exploration, description and explanation of the 'status quo' of employment security systems in four European countries and a comparison with the Dutch practice are the main purposes of this dissertation. The comparison is relevant in relationship to the lessons the Netherlands can learn from these foreign developments and experiences.

The main research question of this thesis is:

*What kind of systems or arrangements can be distinguished in European countries in order to enhance employment security for redundant employees, how can differences and similarities between those systems be explained and what lessons can possibly be learned from a Dutch policy perspective?*

The main research question requires the following operational research questions:

1. Are there systematic 'job-to-job' systems or arrangements in Europe? And, if so, what are the key characteristics of these systems?
2. Are these systems successful in practice? What are the relevant preconditions for the 'job-to-job' arrangements to be successful?

In order to answer the main and the operational research questions an empirical study has been carried out. In the following section, the concept of employment security systems and the theoretical framework of policy learning will be further elaborated (section 1.3). Definitions of these concepts are necessary in order to provide clarity as to their meaning within the framework of this study.

### **1.3 Theory, definitions and analytical model**

In this section operational definitions and the focus of this research will be further specified. First, the term 'employment security' will be operationalized (section 1.3.1). Subsequently, several relevant theories leading to a definition and an analytical framework of employment security *systems* are discussed (section 1.3.2). This section concludes with a theoretical discussion and an analytical framework of lesson drawing, policy learning and policy transfer (1.3.3).

#### **1.3.1 Employment security**

What is meant by 'employment security' in this study? Over the last years, in the literature, various kinds of employment security definitions have been used. Wilthagen and Tros combined the dimensions of flexicurity and security in a

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flexicurity matrix in order to analyse, identify, and indicate developments within both flexibility and security. Wilthagen and Tros argue that “the matrix can serve as a heuristic tool to empirically trace flexicurity policies as specific trade-offs or at least interconnections between certain types of flexibility and certain types of security” (Wilthagen & Tros, 2004). In this matrix security is divided into four types (European Foundation for the Improvement of Living and Working Conditions, 2008):

1. *job security*: this concerns the expectation of a high job tenure in relation to a specific job;
2. *employment security* refers to the degree of certainty of a worker to remain at work, even if the worker does not necessarily choose the same employer;
3. *income security* relates to the protection of income in the case of such occurrences as illness, unemployment or maternity, which can involve a break in paid work;
4. *combination security* is the possibility for workers to combine paid work with their private life and social responsibilities, such as family duties or recreational activities.

This flexicurity matrix is portrayed in figure 1.1.

*Figure 1.1: Flexibility and security modalities: examples*

Flexibility/Security	Job security	Employment security	Income security (social security)	Combination security
External numerical flexibility (hiring and firing)				
Internal numerical flexibility (working-time flexibility)				
Functional flexibility (employability)				
Labour cost/wage flexibility				

Source: (Wilthagen and Tros, 2004)

Thus, in this perspective employment security is linked to four forms of flexibility commonly distinguished in the literature, i.e., external numerical flexibility, internal numerical flexibility, functional flexibility, and labour cost or wage flexibility. In this thesis, the main focus is on employment security relating to external numerical flexibility. What kind of support is provided to redundant employees?

Evers et al., make a distinction between three types of unemployment prevention. The first type is 'primary prevention' which implies prevention of unemployment before a real threat occurs. The best prevention is a healthy business, so that the employer does not have to restructure. 'Secondary prevention' refers to a real threat of redundancy (five-to-twelve scenario). At this stage measures are taken to avoid forced dismissals. In the event of 'tertiary prevention' redundant employees have been dismissed and become unemployed. In this phase the preventative measures are geared to avoid long-term unemployment (Evers, Wilthagen, & Borghouts, 2004). The secondary prevention phase can be subdivided into two categories: the phase of threat of redundancy and the period in which employees are under notice. The former refers to the stage where the employer has not yet filed for dismissals and the measures taken are geared to avoid forced dismissals. In the latter, when forced dismissals are inevitable, the employer starts the dismissal procedure. In this stage the employees are under notice, but not yet unemployed. Figure 1.2 presents a further elaboration of the several phases in unemployment prevention.

Figure 1.2: Different phases in unemployment prevention

TIMELINE				
↓	Primary prevention		<b>PHASE 1: A HEALTHY BUSINESS</b>	
	Secondary prevention	Preventative measures taken by the employer geared to avoid forced dismissals.	<b>PHASE 2: THREAT OF REDUNDANCY</b>	
			INTERNAL MEASURES	EXTERNAL MEASURES
			Adjustment manpower/ labour volume	Adjustment manpower/ labour volume
		Adjustment labour costs	Adjustment labour costs	
		Enhancement employability staff	Enhancement employability staff	
		Curative measures geared to direct job-to-job transitions	<b>PHASE 3: UNDER NOTICE</b>	
			Active and passive job-to-job support to redundant employees	
Tertiary prevention	Preventative measures geared to avoid long-term unemployment		<b>PHASE 4: TERMINATION OF THE EMPLOYMENT CONTRACT/ UNEMPLOYMENT</b>	
			Active re-integration measures and support	

This study explicitly focuses on the curative measures geared to direct job-to-job transitions (phase 3 in figure 1.2), while the other forms can be considered as preventative measures. However, it should be emphasized that the preventative

## INTRODUCTION

measures and curative measures are interdependent. For instance, investments in education and training in order to achieve more functional flexibility in the company will subsequently also contribute to a smoother transition from job-to-job in the event of redundancy.

Wilthagen and Tros were not the first scholars to use the term 'employment security'. In the late nineties of the last century, the term generally referred to the insecurity and protection against unfair or unjustified dismissals. As mentioned in the previous section, the ILO used the term 'employment security' in 1994, stating that employment security implies that employees have protection against arbitrary and short-notice dismissal, as well as having long-term contracts of employment (Dasgupta, 2001). In the ILO definition, employment security covers only one category of the labour market, i.e. the workers, and Dasgupta argued that this definition becomes problematic when a large part of the workforce is self-employed. Another narrow definition of employment security that covers only 'the insiders' – those workers already having a job - comes from the European Foundation for the Improvement of Living and Working conditions, that states: "Employment security takes into account the degree of certainty of a worker to remain at work, even if the worker does not necessarily choose the same employer" (European Foundation for the Improvement of Living and Working Conditions, 2008). Another definition in analogy to Wilthagen (2004) is the definition used by Muffels and Lujckx. They formulate employment security as to retain secure employment over time but not necessarily in the same job with the same employer (Muffels & Lujckx, 2008). In its definition of employment security the European Commission puts the emphasis on training for people in order to develop their skills. "Security means 'employment security'- to provide people with the training they need to keep their skills up-to-date and to develop their talents as well as providing them with adequate unemployment benefits if they were to lose their job for a period of time" (European Commission, 2007). According to the EC flexicurity aims at ensuring that EU citizens can enjoy a high level of employment security and gives the following example: "the possibility to easily find a job at every stage of active life and have a good prospect for career development in a quickly changing economic environment" (European Commission, 2007).

The Dutch Scientific Council for Government Policy (WRR) defines employment security as follows<sup>2</sup> (WRR, 2007): "Employment security means that individuals have the confidence, based on their experience, that if necessary they will be able to continue their employment career, either in another job with their current employer or in another job with another employer. Furthermore,

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<sup>2</sup> In their communication the WRR translates the Dutch word for employment security (werkzekerheid) as 'job-security'.

employment security means that people currently (temporarily) outside the labour force can have the confidence of being able to enter or return to the labour market.” The WRR employment security definition covers not only people who already participate in the labour market, but also people who are (temporarily) outside the labour market. Thus, employment security differs from job security. Hence, the definition of employment security could best be described as:

*The possibility for the unemployed or inactive persons to make the transition from unemployment to employment (reintegration/activation) and the possibility for workers to remain employed not necessarily in the same job with the same employer (job-to-job transitions) (Borghouts, 2010)*

From a research point of view it is important to understand that the above mentioned definition of employment security distinguishes two target groups: persons employed (insiders) and the unemployed (outsiders). In this dissertation the focus is on the second part of the above described employment security definition: the job-to-job transitions. Specifically, the focus will be on involuntary job-to-job transitions for those employees whose jobs are at risk. The transition from inactivity to employment falls outside the scope of this thesis. Lifelong learning and the development of skills by training are key methods or conditions to *achieve* employment security and will be addressed in the following chapters, but they are not components of the employment security definition as such in this thesis. In addition to a description of job-to-job policies, this thesis deals with the explanation of employment security systems in which several actors play a crucial role.

### **1.3.2 Employment security systems**

Now that employment security has been defined and delimited to redundant employees, in this section what is meant by an employment security system is discussed. In the broadest conception, the term ‘system’ is defined as “a set of objects together with relationships between the objects and between their attributes” (Hall & Fagen, 1956). This definition is still very general, so Hall and Fagen elaborated the terms objects, relationship and attributes. In their opinion, objects are the parts or components of the system, attributes are properties of the components and relationships are those that “tie the system together”. In systems theory, the term ‘system’ connotes a complex of interacting components, together with the relationships among them, that permit the identification of a boundary-maintaining entity or process (Laszlo & Krippner, 1998). To put it briefly, a system is a collection of parts that interact with each other to function as a whole. There are different kinds of systems: mechanical systems, ecological systems, human systems. For example, the human body is made up of different organs which interact with each other. Systems are situated in an environment. In literature the term ‘environment’ is defined as ‘the

## INTRODUCTION

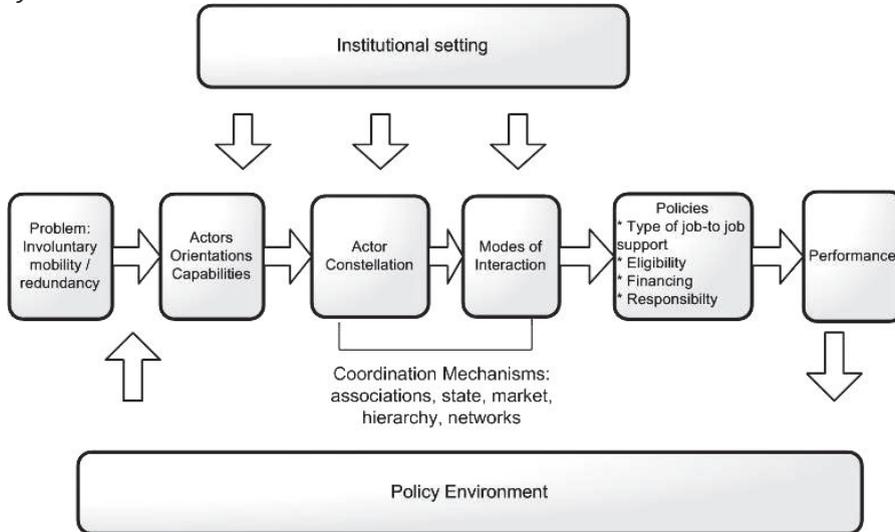
set of all objects a change in whose attributes affect the system and also those objects whose attributes are changed by the behaviour of the system' (Hall & Fagen, 1956). The environment of a system contains three levels of purpose, according to Ackoff (1981 in (Laszlo & Krippner, 1998)): "the purpose of the system, of its parts, and of the system of which it is a part, the suprasystem". In order to completely specify the environment of a specific system we need to know all the factors that affect or are affected by the system. This problem is, according to Hall and Fagen (Hall & Fagen, 1956), in general as difficult as the complete specification of the system itself. The definition of the environment raises the question as to when an object belongs to a system and when it belongs to the environment. A given system can also be further subdivided into subsystems, and every system has its own purpose. Objects can belong to one system, but can also be considered as part of the environment of another subsystem.

This thesis deals with employment security systems, i.e. the interaction between several actors within a certain institutional and environmental context leading to job-to-job policies or arrangements for redundant employees. In other words, this dissertation goes beyond a description of the developed job-to-job policies and arrangements. In the 1970s, Gilbert and Specht distinguished three analytical perspectives in their analysis regarding social welfare policy: process, product and performance. They argued that the set of policy choices (product) evolves from interactions and relationships among various political, governmental and other organized collectivities (process). The performance refers to the description and evaluation of the programmatic outcomes of policy choices. Moreover, Gilbert and Specht emphasized that these perspectives are in reality "overlapping and interrelated" (Gilbert & Specht, 1974). Thus, processes in which actors interact play an important role in the development and analysis of job-to-job arrangements. Therefore, actors form a part of the employment security system. Following on Gilbert and Specht, the actor-centered institutionalism theory developed by Mayntz and Scharpf provides a theoretical framework in which they connect the actor and the institutional perspective in relation to policy research. This analytical framework on policy research can be considered as a conceptual lens through which employment security systems can be studied. Mayntz and Scharpf argue that an analysis of structures without reference to actors is as handicapped as an analysis of actors' behaviour without reference to structures (Lieshout, 2008). As Scharpf emphasizes, the behaviour and action of primary actors is the proximate cause of policy developments and policy changes. This implies that policies and systems are to be considered in relation to the primary actors involved (Scharpf, 1997).

Derived from work by Gilbert and Specht, Scharpf and Mayntz, and Thompson et al., figure 1.3 presents the analytical model for describing and explaining employment security systems in different countries. This analytical model starts

from the assumption that several factors influence the emergence of job-to-job policies. It includes the interaction between several actors within a certain institutional and environmental context. These interactions can lead to job-to-job policies or arrangements for redundant employees. This analytical model will be used in this thesis and further clarified in the remaining part of this section.

Figure 1.3: Analytical model for describing and explaining employment security systems



Derived and adapted from Scharpf (1997), Gilbert & Specht (1974), and Thompson et al. (1991)

The *institutional setting* refers to the most important influences on actors, actor constellations and modes of interaction. Hall and Soskice define institutions as “a set of rules, formal or informal, that actors generally follow, whether for normative, cognitive, or material reasons” (Hall and Soskice, 2001). Although there are a lot of definitions of the concept of ‘institution’, Scharpf restricts it to “systems of rules that structure the courses of action that a set of actors may choose” (Scharpf, 1997). The employment protection regulation in a country is an example of an institution in this study. These rules contain the rights and duties of actors related to the dismissal procedure, and can constrain or stimulate the development of job-to-job policies.

According to Scharpf, actors are assumed to be capable of making purposeful choices among alternative courses of action. They will attempt to maximize their own self - interest; but they are not assumed to be perfectly rational. Many actors analyzed in the actor-centered institutionalism are not individuals. Although it is true that in the final analysis only individuals can act, individuals will often act in the name and in the interest of another person, a larger group or

## INTRODUCTION

organisation (Scharpf, 1997). This study focuses on composite actors such as trade unions, employers associations, Public Employment Services and the state, rather than on individuals acting on their own account. The strategies, i.e., the courses of action of different composed actors, are often interdependent: the outcomes of a particular strategy chosen by an actor will simultaneously depend upon the choices of other actors (Scharpf, 1997). Each actor has its own *capabilities*, i.e., action resources that allow an actor to influence an outcome in certain respects and to a certain degree. For example: personal qualities and competencies, physical resources, technological capability and privileged access to information.

The *orientations* are the characteristic perceptions and preferences of a particular actor. Since no single actor in an employment security system can determine the outcome unilaterally, the actor constellation is important. Actor-centered institutionalism assumes the interaction among policy actors. Scharpf emphasizes the distinction between non-cooperative and cooperative actor constellations. The latter refers to the possibility of coming to an agreement among the actors before they choose their strategy. In a non-cooperative constellation each actor must select his strategy before knowing the strategy choice of the other (simultaneous game), or one player must choose first, and the next actor will proceed in the knowledge of that choice (Scharpf, 1997). In reality, both non-cooperative games of pure conflict (one side gains what the other will lose) and of pure coordination (all actors maximize their own payoffs by agreeing on concerted strategies) are rare, while so-called mixed-motive games (preferences of the players are partly harmonious and partly in conflict) are more common. In 1950, Flood and Dresher presented a simple 'non-cooperative' game. This game became known as the 'Prisoner's Dilemma', was based on a scenario presented by Albert Tucker, and is nowadays the most famous mixed-motive game (Clements & Stephens, 1995). The two players can choose between two moves, either 'cooperate' or 'defect'. The idea is that each player gains when both cooperate, but if only one of them cooperates, the other one, who defects, will gain more. If both defect, both lose (or gain very little) but not as much as the 'cheated' cooperator whose cooperation is not returned. The 'Prisoners dilemma' is exemplified by two suspects arrested by the police. The police separate the suspects because of insufficient evidence for a conviction and visit each of them offering the same deal: a reduced sentence for confessing unilaterally. Cooperating means here not-confessing. If one testifies for the prosecution against the other (defects) and the other did not say anything (cooperates), the defector goes free and the silent suspect receives the full 10 year sentence. If both cooperate and say anything to the police, both prisoners are punished by only six months in jail for a minor charge. If each betrays the other, each receives a 5 year sentence. Jointly, they would be best off by both not confessing, which means that each suspect would choose to go for the cooperation strategy. However, at the individual level, regardless of what the

other suspect does, they would be better off by defecting, which here means confession.

As Scharpf puts it, *actor constellations* are meant to represent what we know about the set of actors that are actually involved in particular policy interactions. This involves their strategies, the outcomes associated with strategy combinations, and their preferences. This constellation of actors is rather static, while the actual interactions of these actors can vary to a large extent (Scharpf, 1997). Scharpf distinguishes four basic *modes of interaction*: 'unilateral action', 'negotiated agreements', 'majority vote', and 'hierarchical determination'. The first was the assumed mode of interaction in the Prisoner's Dilemma. The suspects could not consult each other and had to act on their own. The 'unilateral action' changes into 'negotiated agreements' when communication between the actors is allowed. Decisions can also be reached by 'majority vote'. Under the majority role the objections of a dissenting minority can be overruled (Scharpf, 1997). 'Hierarchical authority' creates a capacity to override the preferences of other actors (Scharpf, 1997).

Job-to-job policies or activities thus evolve from the actor constellation in relationship with their modes of interaction. Coordination is needed to achieve efficient job-to-job policies and activities. Without coordination actors might have different and potentially conflicting objectives which could lead to inefficiency or the absence of job-to-job policies. According to Thompson et al., "Coordination implies the bringing into a relationship otherwise disparate activities or events. Tasks and efforts can be made compatible by coordinating them. Bottlenecks and disjunctures can be eliminated, so coordination is usually discussed under a sign of efficiency. By coordinating a set of items something can be achieved which otherwise would not be. It is the positive performative consequence of coordination that makes it such an attractive social practice and objective" (Thompson, Frances, Levačić, & Mitchell, 1991).

In their work Thompson et al. distinguish three models of coordination mechanisms: the market, hierarchies and networks. In the first approach consumers or clients 'choose independently how they will deploy their spending power and in turn this will lead to the correct allocation of resources to meet those consumer needs'. A hierarchy refers to superordination and subordination in the process of coordination. "The administration of a hierarchy is by the operationalizing of a set of rules" (Thompson et al., 1991). The hierarchy approach refers to firms or organizations in which the management of the organization divides up tasks and positions and establishes an authoritative system of order (Powell, 1991). According to Thompson et al., these rules in the form of orders, statutes and the like are designed to 'govern' the organization in question, which either can be a public or private one (Thompson et al., 1991). The third mechanism of coordination distinguished by Thompson et al. is the

## INTRODUCTION

network. In contrast to the vertical organized hierarchical forms discussed above, a network is considered to be a 'flat' organizational form with informal relationships between essentially equal social agents and agencies (Thompson et al., 1991). Powell explains that networks can be complex, and many scholars apply different definitions of a network. In the literature a network is described as a form of dense interorganizational relationships, but as Powell argues networks can also evolve out of personal ties, or market relationships among various parties (Powell, 1991). Networks can exist within organisations, between similar organisations or between different organisations or actors. In essence, the central coordinating mechanism of the market is price competition, while administrative orders are the central coordination mechanism of hierarchies. Trust, loyalty and cooperation are the main preconditions for networks. In addition to the three coordination mechanisms presented thus far, a fourth model can be distinguished: the state or the government. Levačić states that "Markets are the arena where the choices of individual economic agents determine allocation and distribution; government is the prime embodiment of collective choice" (Levačić, 1991). If the market fails to allocate goods and services in an efficient way, the government can intervene, e.g. through taxes and subsidies, regulation or public sector production (Thompson et al., 1991). The state can initiate and allocate job-to-job services and there is a considerable variety of ways in which the government can provide, finance and produce or outsource these services.

In addition, Streeck and Schmitter suggest that there is another distinctive basis of coordination: the associations. The guiding principle of interaction and allocation for associations is "organizational concertation or negotiation within and among a limited and fixed set of interest organizations that recognize each other's status and entitlements and are capable of reaching and implementing relatively stable compromises (pacts) in their pursuit of their interest" (Streeck & Schmitter, 1991). Associations are organisations established by their common purpose of defending or promoting functionally defined interests, i.e. class, sectoral and professional associations (Streeck & Schmitter, 1991). Interactions involve the relationships between the associations and their members and their interlocutors, i.e. outside actors whose resources or support are necessary for the concerted compromise to take effect, e.g. state agencies (Streeck & Schmitter, 1991). Besides the above forms of coordination mechanisms, Streeck and Schmitter identified another mechanism: the community. Communities are based on spontaneous solidarity and can also provide forms of security, especially income and combination security. However, communities are less

influential in providing employment security at the workplace.<sup>3</sup> Therefore, communities will not be discussed any further in this thesis. This study focuses on job-to-job policies or activities which can be coordinated by negotiations between associations (e.g., social partners, i.e., trade unions and employers' associations), by networks (e.g., networks of firms, clients or suppliers), hierarchies (i.e., individual firms), and the state (legislation, enforcement, funding, subsidies) or by markets. Figure 1.4 presents a second matrix that entails the coordination mechanisms identified above, the crucial conditions for their operation in general and the forms of security the mechanisms can provide in particular.

Figure 1.4: Security Coordination Mechanisms Matrix

Coordination Mechanisms and the provision of flexibility and security						
Coordination mechanism	Associations (social partners collective agreements)	Networks (of firms, clients, suppliers etc)	Hierarchies (individual) firms	State (at various levels)	Markets (including sub markets)	Communities family, neighbourhood
Crucial condition for mechanism	Mutual trust Represent-ativity	Mutual interest	Stakeholder-ship, good employer-ship	Legitimacy and enforce-ability	Trans-parency and information	Inclusive-ness and respons-ibility
Type of security provided	Job Employment Combin-ation	Employ-ment	Job Employment Combin-ation	Job Income Combin-ation	Job Employment Combin-ation	Income Combin-ation

Source: (Borghouts-van de Pas & Wilthagen, 2009)

Above, the process of policy formulation in which the interrelationship between actors and their modes of actions play an important role was discussed. By coordinating this *process* policies and activities can be developed. As mentioned previously, Gilbert and Specht use the term 'product' for a set of policy choices. Gilbert and Specht distinguish four (policy) choices which are relevant for describing, analyzing and comparing social welfare policies: *allocation, provision, delivery and finance* (Gilbert & Specht, 1974). In later years other scholars applied this analytical framework in their publications (Bonoli & Palier, 1998; Gilbert & Specht, 1974; Schuyt, Groenendijk, & Sloot, 1976). Allocation and provision refer

<sup>3</sup> An exception is that in some cultures the communities do provide job security, e.g., immigrants who find their jobs within their network of friends and family and move from one job to another via the contacts of relatives and friends. The group of immigrants is so specific and I will not go into detail here in this thesis.

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to the question: "Who gets what?" Allocation refers to the 'who' question: who is eligible for the service or support offered? The 'what' refers to the question: What service or support is provided? The third choice, regarding delivery, encompasses issues pertaining to the adverb "how": "How does the support or provision get to the eligible consumers?" This includes questions as to how to structure relationships and responsibilities, connections and exchanges among distributors and consumers. Finally, the sources and types of financing of the support provided is the fourth dimension of choice (Gilbert & Specht, 1974).

Based on the previous work of different scholars in regard to the dimension of policy choices which have been discussed above, I elaborate in the remainder of this section four characteristics which are relevant for describing and analyzing employment security systems in different countries: the type of support, eligibility, financing and the responsibility, including coordination mechanisms and delivery.

### *1. Type of support*

Employment security is based on the principle that the system should actively contribute to (continuing) participation in working life when possible. The support in the employment security system may either be passive or active. Passive support refers to the contribution of financial support, e.g., benefits aimed at income maintenance or severance pay to reduce and ease the economical disadvantages of dismissed employees. Thus, features of the employment security system are closely connected to the employment protection system in a country. Active support is the provision of measures, instruments or programmes to enhance the employability of employees whose jobs are at risk. Examples of active support are: education, retraining, apprenticeships, advice from job coaches, work trials, and training in how to write a CV. The duration of the support and the type of security (internal/ external) that is provided are also aspects I will take into consideration.

### *2. Eligibility*

This principle determines who the beneficiaries of the employment security system are. Support can be given to the unemployed, people who are still employed but whose jobs are at risk, people with a fixed-term or permanent contract, the self-employed etcetera. At the company level we can distinguish small and medium sized companies and large firms. Eligibility criteria can be established at a sectoral level in collective agreements. Furthermore, participation in the scheme can be voluntarily or obligatory. The eligibility dimension is related to the aim of the employment security system or arrangement in a country. The aid can be given only to those who belong to the target group and those who meet the selection criteria.

### 3. *Financing*

While the eligibility principle determines the beneficiaries of the system, the financing principle tells us who has or is willing to pay for it: the state, the employer, the employee, citizens at large or someone else. The financing form can be tax-based or contribution-based.

### 4. *Responsibility, coordination, and delivery*

The number of possible choices in designing the delivery of job-to-job support is quite large. Distributors of job-to-job services may be individual professionals, professional groups, companies, public or private agencies or associations. In some countries social partners will take the lead, while in other countries there is a strong interference by the state in establishing job-to-job policies. Moreover, as explained previously, private parties, networks or individual firms can play a role in the employment security system. The delivery dimension is related to a large extent to the responsibility aspect. Who is responsible for the job-to-job transition and which actors are actually involved in delivering and coordinating job-to-job support to redundant employees? The responsible actor is not necessarily the same actor who carries out the job-to-job support.

#### **1.3.3 Lesson drawing, policy learning and policy transfer**

The main research question of the present study relates to policy learning. The Dutch perspective forms the basis for this study, because the present study is part of a large-scale research programme on employment security, which is financed by the Dutch organisation Stichting Instituut Gak. This research programme comprises seven separate studies on employment security. This study is one of these seven studies and aims to answer the question: What, from a Dutch policy perspective, can be learned from 'employment security' arrangements or systems in other European countries? This question is easily raised, but is difficult to answer. Countries can and do learn, but what is learned, to what effect, by whom and how, is difficult to establish. Lesson drawing could lead to policy change, but this is not always the case. Thus, *policy learning* and cross-national *policy transfer* has to be seen in the light of two separate processes. However, these concepts are immediately seen to be linked. Therefore, I would like to stress that the focus of this study is on policy learning rather than on answering the question whether or not the examined employment security systems or elements could or should be adapted or transferred (or not) to the Netherlands. The latter requires a political judgement which is outside the scope of this thesis.

Many studies focus on the process of policy transfer and what appears to have been transferred or could be transferred between countries and among political systems. Policy transfer is described as the process by which the ideas and policies in one political system are fed into (and used) in the policy-making arena of another political system (Rose, 1993; Dolowitz and Marsh, 1996, 2006;

## INTRODUCTION

Dolowitz, 2009). Few of the studies attempt to answer the preceding question: What can we learn from observations of other systems? Bennett and Howlett point out that different explanations of policy change are based on several notions of learning which have emerged in the policy literature. They conclude that quite a lot of conceptions of 'learning' are utilized by different authors. Some components of these theories are compatible, while others are not (Bennett & Howlett, 1992). More recently, Dolowitz observed: "even fewer have attempted to analyse if the learning-by-observing process (associated with much of the transfer literature) leads to the accumulation of harder forms of knowledge or reflects little more than the accumulation of softer forms of information with little (or no) knowledge updating. Part of this reason for this deficit arises out of a general disagreement about what constitutes learning and knowledge and thus how these concepts can be integrated into transfer studies" (Dolowitz, 2009, p. 317).

### *Different conceptions of learning*

Although there is an enormous amount of literature on the topic of organisational learning, there is no generally shared concept of learning. Bennett and Howlett identify five conceptions of learning in literature (Bennett & Howlett, 1992).

#### *1. Political learning*

The political learning approach is based on Heclo's theory. In his view "learning can be taken to mean a relatively enduring alteration in behavior that results from experience; usually this alteration is conceptualized as a change in response made in reaction to some perceived stimulus (Bennett & Howlett, 1992; Heclo, 1974). Heclo was one of the first who argued that public policymaking is not only an outcome of the use of power by policymaking actors but also an outcome of actors seeking and using information, which is termed 'puzzling' (Bannink, 2004).

#### *2. Social learning*

According to Hall, learning is a more conscious activity, and he defines what he calls 'social learning' as a "deliberate attempt to adjust the goals or techniques of policy in response to past experience and new information. Learning is indicated when policy changes as the result of such a process" (Bennett & Howlett, 1992; Hall, 1993; Visser & Hemerijck, 1997). Bennet and Howlett point out that both Hall and Heclo assume a relationship between policy learning and policy change, but they differ in how they approach the issue. Heclo sees 'political learning' as a response to changes in the external policy 'environment', whereas Hall sees social learning as a way of the normal public policy making process in which decision makers attempt to understand why certain initiatives may have succeeded while others failed (Bennett & Howlett, 1992). Both Heclo and Hall believe that puzzling and powering are important dimensions of social learning and policy change.

### 3) *Government learning*

Etheredge developed the concept of 'government learning' to describe the process by which governments increase their intelligence and sophistication and in this manner enhance the effectiveness of their actions (Bennett & Howlett, 1992). According to Etheredge and Short, the concept is divided into two parts: the growth of intelligence and the (related) growth of effectiveness. This means that "to say that learning occurs, then there should be evidence for increased intelligence and sophistication of thought and, linked to it, increased effectiveness of behaviour" (Etheredge & Short, 1983). They argue that the crucial criteria for effectiveness are defined by the researcher: "Anything can be deemed completely effective if its purpose is to do whatever it is already doing. Thus, to evaluate changes in effectiveness, one must first complete a criteria of 'effectiveness in doing x', and a common answer to shortfalls in effectiveness will be that the person involved was actually trying to increase or defend his or her effectiveness in doing y. But an observed increase in effectiveness in doing x does not, by itself, show increased learning. Effectiveness may increase from perseverance, money, power, changed public receptivities, or other causes; it is evidence of learning *per se* only where there is a casual link to intelligence. Nor does decreased effectiveness necessarily warrant the inference of non-learning." In the author's view the criteria for effectiveness are not only defined by researchers, but also by policymakers. Policymakers formulate policies in order to achieve a certain goal. Therefore, they implicitly define criteria for researchers to measure effectiveness.

### 4) *Policy-oriented learning*

Another learning approach comes from Sabatier (Sabatier, 1988) and has been characterised as the 'policy-oriented learning'. As he has put it, policy-oriented learning involves: 'relatively enduring alterations of thought or behavioural intentions that result from experience and that are concerned with the attainment or revisions of the precepts of one's belief system' (Bennett & Howlett, 1992). Sabatier developed a conceptual framework which borrows a great deal from Hecló, but Sabatier differs from Hecló in his emphasis on ideologically-based conditions, and in his conception of the dynamics of policy oriented learning. Within the framework of policy change, Sabatier distinguishes stable external factors, e.g., cultural values, social structure and the basic legal structure from more dynamic ones, e.g. changes in systemic governing coalitions and policy decisions and impacts from other subsystems. Furthermore, the relationship to other subsystems and to the broader political system must be taken into account (Sabatier, 1988).

### 5) *Lesson drawing*

In the early 1990s, Rose used another conception of learning: lesson drawing. Rose argued that lesson drawing is a particular type of learning in which policy-makers learn from both positive and negative experiences of others: "That the

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success or failure of past experience is important is also acknowledged in literatures in social psychology and organizational theory. People learn more from failure than from success" (Levy, 1994).<sup>4</sup>

In his study of lesson drawing Rose concludes that there are three alternatives to reduce dissatisfaction with existing policies: 1) turning to the national past, 2) speculating about the future and 3) seeking lessons from current experiences in other places. In his work Rose points out that lesson drawing helps to describe the process by which programmes and policies developed in one country are emulated by others and diffused throughout the world (Bennett & Howlett, 1992). Gaining knowledge about other European employment security systems is the starting point of lesson-drawing in this thesis. According to Rose you have to make use of what you have learned abroad and design and adjust programmes in your own country, rather than photocopying what exists in other nations. He points out that *a lesson* is the outcome of learning (Rose, 2005) and he rejects the idea of turning to a single country for lesson-drawing because no one government has a monopoly of wisdom. In his view it is important to look at other nations for lesson drawing because differences between programmes within a country are often greater than those between programmes addressing the same problem in different countries (Rose, 2005). Lesson drawing is about "getting to grips with technicalities of programmes in different countries, the adaptation of a lesson is an exercise in political judgement" (Rose, 2005). Thus, whether or not a lesson should be adopted is another fundamental question. Even if a lesson appears desirable and a country wants to adopt the lesson, this does not guarantee it can be applied at home. Conditions e.g., resources, cultural beliefs and norms, have to be met to apply lessons in practice. Thus, the desirability and the practicalities have to be taken into account for evaluating lessons.

Bennett and Howlett identified these five types of learning in 1992. Meanwhile, other authors have tackled and analysed the processes involved in lesson drawing, policy diffusion and policy transfer. For example, Hemerijck and Visser distinguish two influential perspectives in the literature of policy learning (Hemerijck & Visser, 2003): *Social learning* and *Policy mimicking*. Advocates of the first type (Bennett and Howlett, 1992; Deutsch, 1963; Etheredge, 1981; Hecl, 1974; Hall, 1993; Olsen & Peters, 1996; Sabatier and Jenkins-Smith, 1993) argue that "policy-makers 'draw lessons' from failures and apply these lessons and new knowledge when dealing with the future". Hemerijck and Visser use the term 'social learning' to indicate "learning by all public and private actors in a single (national) social system, whether inside or outside government, including the social partners, NGOs and so on" and they argue that social learning is a

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<sup>4</sup> Levy draws this conclusion based on the work of Hedberg (1981), Paul. T.P. Wong and Bernard Weiner (1981) and Sitkin (1992).

domestic process, mostly induced by failure, based on trial and error, and both inward and backward looking. The second type of policy learning is based on the imitation of successful behaviour of others, a process which is called 'mimicking' (Hemerijck & Visser, 2003). Hemerijck & Visser argue that the literature on policy transfers and mimicking (Rogers, 1962; Walker, 1969; Rose, 1993; Berry and Berry, 1999) suggests that "policy-makers examine 'best practice' and apply successful models or standards from abroad".

#### *Collective versus individual learning*

Levy defines learning as a change of beliefs at the individual cognitive level. He argues that "the reification of learning to the collective level – and the assumption that organizations or governments can be treated as organisms that have goals, beliefs and memories – is not analytically viable. Organizations do not literally learn in the same sense that individuals do. They learn only through individuals who serve in these organizations, by encoding individually learned inferences from experience into organizational routines" (Levy, 1994, p. 287). This view is widely accepted in the literature. Furthermore, Levy suggests that individuals may learn but be deterred from attempting to institutionalize their new ideas. They may try but politically fail to change organizational procedures. In other words, individual learning is necessary, but not sufficient, for organizational learning. Governmental learning is even more challenging, because it involves the aggregation of learning by multiple organizations and by multiple individuals acting either through organizations or independently from them (Levy, 1994).

It is not surprising that countries having a hard time handling specific problems look for solutions in domestic policies elsewhere. Rose distinguishes seven ways of drawing a lesson (Rose, 2005) which are summarized in table 1.2.

*Table 1.2: Rose's seven ways of drawing a lesson*

Photocopying	Producing an exact photocopy with a minimum of change in the names of institutions and places and dates
Copying	Duplicating almost all the elements of a programme already in effect in another place.
Adaptation	Altering details of the design of a programme elsewhere without removing major elements
Hybrid	Combining elements of programmes with the same objective in different jurisdictions
Synthesis	Combining in a novel way familiar elements of programmes with the same objective
Disciplined inspiration	Responding to the stimulus of a programme's inspiration elsewhere by creating a novel programme not inconsistent with foreign examples
Selective imitation	Adopting/imitating attractive, but not necessarily so, parts of other programmes while leaving out awkward but essential bits

Source: (Rose, 2005)

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The first two ways of drawing a lesson (photocopying and copying) are based on one single example: a specific programme or scheme in one single country. According to Rose, a measure or programme is a photocopy when you take over what is done elsewhere in exactly the same way. Copying means that the majority of a programme or scheme in one country is duplicated in another country, with only a minor variation in details in order to allow for differences in context and preferences of those doing the copy (Rose, 2005). The first two ways of lesson drawing, photocopying and copying, are very difficult across national boundaries, because of the differences in context, culture, institutions and legal procedures. This means that when a country wants to apply a certain model or scheme that operates in the country of origin (leader), the details of the model should be adapted by the 'follower' country: adaptation.

The other ways of lesson drawing (hybrid, synthesis, disciplined inspiration and selective imitation) are based on multiple resources: multiple programmes in one country or a comparison of elements of similar programmes in different countries. If more than two foreign schemes or models are observed a lesson can be drawn that is hybrid: "combining compatible elements of several programmes" (Rose, 2005). Another way of drawing a lesson is synthesis. Rose formulates the synthesis way of lesson drawing as follows: "A lesson can be a synthesis if it combines elements from similar programmes in different countries in a distinctive way or if it combines foreign examples with elements of its existing domestic programmes" (Rose, 2005). Foreign models, schemes and measures can inspire other countries. These foreign examples can be a starting point for a series of modifications that go beyond simple adaptation. Rose defines this as 'disciplined inspiration'. Sometimes, policymakers only "cherry pick" a few features of a foreign model that appears to be interesting, while leaving out "the hard parts that impose political costs". According to Rose this is 'selective imitation'. In my view Rose's degrees of drawing a lesson also includes a *transfer* part. Photocopying, copying and adopting refer to the way and degree in which policies, schemes or measures could be transferred (see table 1.2).

Inspired by the work of Dolowitz and Marsh (1996, 2000) the Danish researcher Ilsøe describes several dimensions of cross-national policy transfer, although the researcher does not make a clear distinction between policy *learning* and policy *transfer*. Nevertheless, these dimensions are also relevant for the policy learning process. The first dimension relates to the reason for transferability. Transfer can be a voluntary action, but also a coercive one with pressure from supranational institutions such as the European Union. The degree of transfer also interacts with the subject. What is to be transferred? Ilsøe argues that most people think about transfer of policy content, when they hear about policy transfer, but transfer on many other policy aspects takes place as well, e.g., policy goals, administrative instruments or government structures (Ilsøe, 2010). Transfer implies a process of copying a policy from one setting to another, but comprehensive reviews on policy transfer literature, e.g., Dolowitz en Marsh

(1996), show that there are more degrees of transferability. Policy learning can be a source of inspiration. A hybridisation of policies represents a mixture, where old policies are blended with new ones (Dolowitz, 2009; IIsøe, 2010). Furthermore, constraints in the setting can hinder the transfer, e.g., if the transferable policy conflicts with old institutions, structures or cultures. Policy transfer can be counterproductive if the transfer is incomplete or inappropriate, or if the policymakers are uninformed.

*Table 1.3: Dimensions of cross national policy transfer*

Why	What	Degrees	Level	Constraints	Transfer and policy failure
Voluntary	Goals	Copying	Suprana-	Complexity	Uninformed
Mixture	Structures	Hybridisation	tional	Structure	Incomplete
Coercive	Content	Inspiration	State	Institutions	Inappropriate
	Instrument		Regional	Ideology	
	Institutions		Local	Culture	
	Ideology/ideas				
	Negative lessons				

Source: IIsøe (2008) inspired by Dolowitz & March (1996, 2000)

Clearly, in the academic world there is no shortage on theorizing the concepts of policy learning, lesson drawing and policy transfer. A pitfall is the casual interchangeability of the terms. Stone argues that “Policy transfer is the broader concept encompassing ideas of diffusion and coercion as well as the voluntaristic activity of lesson drawing” (Stone, 1999).

Levy suggests that it is more useful to conceptualize a political learning model as involving a two-stage process or causal chain in which 1) the observation and interpretation of experience lead to a change in individual beliefs, and (2) belief change influences subsequent behaviour. He argues that learning is not necessary for policy change. But neither it is sufficient for policy change, because not all learning gets translated into changes in policy. Actors may learn from experience but be prevented by domestic, economic or bureaucratic constraints from implementing their preferred policies based on what they have learned (Levy, 1994).

Dolowitz emphasized that there has been a range of studies that have discussed learning in the policy-making process, including a number that have attempted to examine and develop models of rational learning, semi-rational learning, social learning, political learning, policy learning and lesson drawing (Dolowitz, 2009). However, according to Dolowitz: “the problem is that even though this set of studies discusses learning and information it tends to be less forthcoming on what is meant by learning and whether there are different types of learning involved in different instances of transfer. Despite the usefulness of all this literature, there is little address to the core issues around learning, including: how learning is differentiated from the simple spread of information; ‘what is

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meant by learning' when actors and institutions are involved in the examination or receipt of information; and how this is related (or not) to the advance process of knowledge updating that might occur when an actor comes into contact with 'new' (or newly presented) information" (Dolowitz, 2009).

The present study looks at employment security systems in other European countries, seeking to learn lessons from a cross-national perspective. In terms of Hemerijck and Visser, this is part of the policy mimicking type of learning. However, by looking at experiences in other countries lessons can be learned, but it is not possible to take what may be successful in one country and simply transplant it into another. The often long-standing interlinkage between the different forms of coordination and regulation in any given country cannot easily be undone. Three common pitfalls of cross-national mimicking are listed by Dolowitz and March (2000): 1) the borrowing country misses crucial information about the operation of the policy in the country from which it is taken; 2) crucial elements of the policy or its institutional setting are left out in the transfer; and 3) insufficient attention is being paid to the institutional or cultural conditions in which the policy or policy instruments are going to operate (Hemerijck & Visser, 2003). The countries selected for this study - Sweden, Austria, Spain and the UK - can be considered as case studies in which the lessons learned in the domestic process will also be explored. In this thesis a clear distinction is made between *policy learning* and *transferring*. Both elements are part of the concept of *lesson drawing* (see Figure 1.5).

Figure 1.5: Elements of lesson drawing

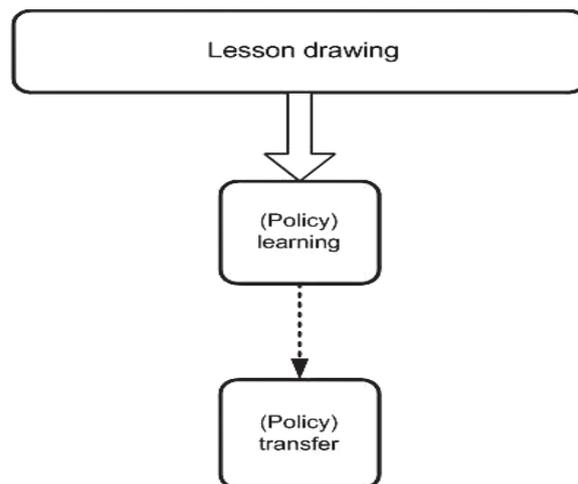
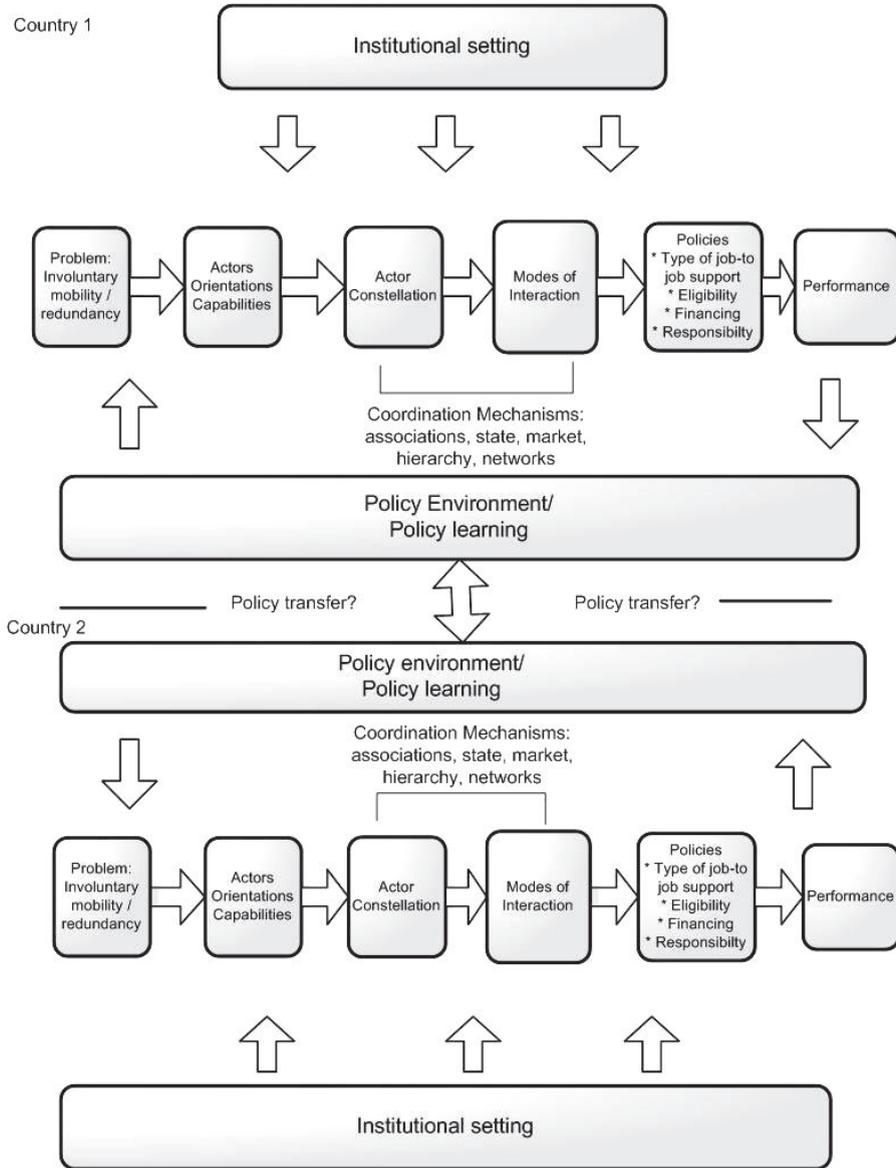


Figure 1.6 presents the analytical model of policy learning and transfer with regard to employment security systems. I have explained in this chapter that countries can and do learn from their own past experiences, and also from experiences in other countries. However, policy learning is not the same as policy transfer. It is not the aim of this thesis to provide a detailed prescription on how to implement an employment security system in a specific national context. In this thesis I study experiences in four European countries which can be a source of inspiration for the Netherlands. A better comprehension of other policies and practices can contribute to the Dutch discourse in the realm of employment security. Moreover, in this study elucidations will be given for the way job-to-job arrangements are organized in a country. Feasibility studies are necessary to answer the question as to whether or not a system, a scheme, or a policy measure can be transferred. This is outside the scope of this thesis. At the most I can and will, based on the data gathered for this study, indicate possible transfer directions.

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Figure 1.6: Analytical framework policy learning and transfer employment security systems



## 1.4 Research design

In this section, the research design of this study is presented. I will elaborate on the choice of countries, as well as the analytical framework for assessing what the Netherlands can learn from experiences in other countries. Finally, the data collection will be discussed.

### 1.4.1 Choice of countries

Not all EU Member States can be included in the research. The reason for selecting a limited number of countries is the in-depth qualitative approach of this study. Four countries were selected, examined and compared with the Netherlands (NL). The selected countries are: Sweden (SE), United Kingdom (UK), Austria (AT) and Spain (ES). The considerations behind the choice of these countries are theoretically guided but also practical. Derived from theories on policy learning we can expect to learn from countries which resemble the Netherlands. We can also be inspired by countries which differ from the Netherlands. Basically there are three ways of selecting the countries. The choice of countries is based on the typology of welfare regimes, geographical distribution and the historical reference or traditional classification of social security systems.

#### *Typologies of welfare regimes*

Esping-Andersen attempts at classifying welfare regimes in a threefold typology: 1) 'liberal' welfare regimes; 2) 'conservative corporatist' welfare regimes and 3) 'social democratic' welfare regimes (Esping-Andersen, 1990). Esping-Andersen uses the concept 'regime' because this concept is considered wider than 'Welfare state'. It implies more than a certain mix of social insurances and national provisions and regimes are mainly defined in reference to "the ways in which welfare production is allocated between state, market and households" (Esping-Andersen, 1999; Vrooman, 2009). In the liberal regime the collective provisions are limited, targeted at those in need and the eligibility criteria are strict. On the other hand levies are low compared with other welfare regimes and private provisions are relatively extensive. In the conservative corporatist welfare regime the coverage provided by collective provisions is selective and hierarchical. The eligibility criteria are fairly strict and based on the contributions paid. The level of the benefit is high and is related to the previous earned income. The schemes are financed mainly through fairly high contributions. The social-democratic welfare regime covers all inhabitants and the provisions are generous. The schemes are financed by general taxes and the level of contributions is high compared to the other welfare regime types (Esping-Andersen, 1990; Vrooman, 2009). Table 1.4 provides a summary of the specific features of Esping-Andersen's three welfare regime ideal-types. The Anglo-Saxon countries represent variants of the liberal welfare regime, countries of continental Europe are considered to be representatives of the corporatist

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welfare regime and Scandinavian countries are reckoned as variants of the social-democratic welfare regime. The Netherlands can be considered as a country with a hybrid character with both features of the corporatist and social-democratic welfare regime type.

*Table 1.4: Esping-Andersen's typology of welfare regime*

Welfare regime type			
Features	Liberal	Corporatist	Social-democratic
<i>Collective benefits</i>			
Coverage	Limited The poor without means	Selective and hierarchical professional groups	Universal All inhabitants
Entry conditions	Very strict Incapable of work and means-testing	Fairly strict (actuarial) Employment history Contributions paid	Only strict if work-related Residency for a certain number of years Job search behaviour Participation in training or workfare programmes
Limitation of duration	Strict Benefit paid only as long as recipient cannot work	(quasi-) actuarial Long benefit duration if sufficient rights accrued	Not too strict Benefit continues as long as risk is manifest
Level of benefit	Meagre Subsistence minimum	High Wage-related	High Adequate social minimum and/or wage related
Collective schemes for specific occupational groups	Few Civil servants	Many Status groups Civil servants (high level)	None
Level of Contribution	Low	Fairly high	High
Method of funding	General taxation	Mainly through contributions	General taxation
<i>Private Benefits</i>			
Coverage	High (for middle classes) Stimulated through tax benefits/credits	Low	Low

<i>Employment</i>			
Minimum Wage	Absent or very low	High	High
(dis)incentives to employment of women	No disincentives Low level of benefits  Fairly high labour participation	Many disincentives Breadwinner benefits Generous motherhood and child allowances Few childcare facilities  Low labour participation	Many incentives Individual benefit entitlement Elaborate leave arrangements for care tasks Extensive childcare facilities High contributions force both partners to work  High labour market participation
(dis)incentives to employment disabled and older people	No disincentives No collective retirement schemes  High labour market participation	Many disincentives Collectively funded schemes for early retirement, disability and unemployment  Low labour participation	Few disincentives Use of collective retirement schemes is discouraged Active reintegration of disabled  High labour participation
Collectively guaranteed employment	Virtually absent	Limited Sheltered employment for handicapped persons	Extensive
Post-industrial employment	Extensive dual structure Good jobs in professional business services Low skilled 'junk jobs'	Few Mainly industrial employment	Extensive government sector Welfare, care, social security, education Large share of middle-ranking posts occupied by women.

Sources: (Esping-Andersen, 1990; Esping-Andersen, 1999; Vrooman, 2009)

### *Geographical distribution*

On the base of Esping-Andersen's typology many others created other classifications of countries, e.g., a modified Esping-Andersen's typology with geographical instead of socio-political labels (Bonoli, 1997; Muffels, 2008). Not all welfare states fit into the traditional classification of Esping-Andersen's welfare states and in the literature a so-called modified Esping-Andersen typology consisting of four regime types can be observed: liberal or Anglo-Saxon

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countries, social democratic or Nordic countries, corporatist/ conservative or Continental countries, and Southern or Mediterranean countries.

In the 1990s, several scholars (Bonoli, 1997; Ferrera, 1996) suggested that the Mediterranean welfare regime has characteristics which distinguish it from other welfare regimes. Based on this literature, Gal attempted to sketch the contours of an extended family of Mediterranean welfare regimes, which includes Cyprus, Greece, Israel, Italy, Malta, Spain, Portugal and Turkey. Besides their geographical location they have a common historical and cultural background. These southern countries can, according to Gal, be typified by late industrialisation, a democratic system that is characterised by either discontinuity or has existed for a relatively short time period, labour market rigidity and segmentation in the labour market. Insiders are protected well within a formal economy, while outsiders form a relatively unprotected temporary or informal segment of the labour market (Gal, 2010). In addition, Gal argues that these welfare states have relatively low levels of economic production and while most Mediterranean countries “have undergone a catch-up process of growing social spending in the last years, the expenditure levels generally remain lower than in the social-democratic and corporatist countries, and higher than those in liberal welfare regimes” (Gal, 2010). Currently, the Southern countries are hit hard by the economic crisis. Furthermore, Southern countries can be characterized by low levels of welfare provision and a strong role of the state in regulating most spheres of social life and in controlling major social and economic institutions (Andreotti et al., 2001; Gal, 2010). However, the state has few resources, which can partly be explained by the emergence of shadow economies, with obvious implications for the state revenues (Gal, 2010). The proportion of the population at risk of poverty in the Southern countries is higher than most other European welfare states. Gal addresses, in his recent publication, three broad cultural features which the Mediterranean countries have in common and which distinguish them from other types of welfare regimes: religion, the family and the existence of various forms of clientelistic relationships in the political arena. Gal suggests that religion can play a role in the establishment of social welfare institutions, or religion can be a source to be opposed. The latter implies that social policy can be formulated as a reaction against religion by political actors. Furthermore, Gal argues that the separation of state and religion in the Southern countries is less clear-cut. Religious organisations and the family play a major role in the provision of welfare (Gal, 2010). The participation rates are low in the Southern countries, especially among women and young people (Bonoli, 1997; Hernanz, Origo, Lodovici, & Toharia, 2008). Gal suggests that this feature is linked to the dominance of the male-breadwinner model in these countries. Family solidarity and marriage is more institutionalised and children remain in their parents’ household until a higher age (Gal, 2010). Finally, Gal suggests that based on the previous work of, e.g. Eisenstadt and Roniger, that politics in southern countries are tainted by patron-client relations that entail the provision

of tangible resources in return for political support (Gal, 2010). As noted in the previous section, countries can and do learn from similar but also from different countries. Therefore, from the Dutch policy learning perspective, it is interesting to include a Southern country in the present study.

For different reasons, a Central or Eastern country is not included in this study. Although it can be argued that welfare states in post-communist countries differ from traditional Western welfare states, the differences between the Eastern countries are even larger. For example, Fenger suggests that post-communist countries can be subdivided into three groups: 1) former USSR countries e.g. Russia, 2) a group of rather successful Central and Eastern European countries, e.g. Poland and 3) a group of developing welfare states, e.g. Romania (Fenger, 2007). Furthermore, literature shows that scholars have different views regarding the idea of a 'new' welfare regime in addition to Esping-Andersen's typology (Fenger, 2007). Finally, because of the in-depth approach of this study and the language barrier in reading primary sources and conducting interviews in these countries, an Eastern country was not selected for this study.

#### *Historical reference/traditional classification*

The third selection criterion is based on the traditional classification of the social security system. Fairly commonly the traditional classification of social policy systems is made between Bismarckian models and Beveridgean models (Bonoli, 1997). The Bismarckian model departs from social security that is linked to employee provisions. The Beveridgean social policy model is characterised by universal provision. The focus of the Bismarckian model is on income maintenance for employees, whereas Beveridgean social policies aim at the prevention of poverty.

*Table 1.5: Bismarckian and Beveridgean model of social policy*

	<b>Bismarckian model</b>	<b>Beveridgean model</b>
Objective	Income maintenance	Prevention of poverty
Benefits	Earnings-related	Flat-rate
Eligibility	Contribution record	Residence or need
Coverage	Employees	Entire population
Financing	Contributions	Taxation

Source: (Bonoli, 1997)

As mentioned earlier, not all European countries can be selected for this study. Table 1.6 provides a summary of the selected countries classified by the above discussed selection criteria.

*Table 1.6: Tabular overview selected countries*

Country	Welfare regime	Geographical distribution	Historical Reference
United Kingdom	Liberal	Anglo-Saxon (United Kingdom/ Ireland)	Beveridge (Anglo-Saxon variant)
Sweden	Social democratic	Nordic	Beveridge (Scandinavian variant)
Austria	Conservative corporatist	Continental	Bismarck
Spain	-	Mediterranean	Bismarck
The Netherlands	Conservative corporatist/Social Democratic	Nordic	Bismarck/Beveridge

#### 1.4.2 Data collection

Several sources are used to answer the research questions: literature and policy documents, expert meetings and interviews. In the first phase of the study academic literature was consulted to elaborate the theoretical framework in regard to employment security systems and policy learning. Policy documents and literature were also studied and analyzed in order to provide a first overview of the job-to-job arrangements in the selected countries. This overview was presented at the first expert meeting held on 11 May 2009 at the Dutch Ministry of Social Affairs and Employment in The Hague. The aim of this meeting was to share knowledge and to discuss the draft interview protocol with Dutch policy actors (see appendix 2). Based on the comments and suggestions made by the policy makers, the interview protocol was adjusted and the country visits were prepared. In each country interviews were conducted with representatives of ministries, Public Employment Services, employers' associations, trade unions, private agencies and other relevant experts. Moreover, the interviewees provided additional relevant policy documents and literature suggestions. 95% of the interviews held were in-depth face-to-face interviews with an average duration of two hours. In a few cases it was not possible to arrange an interview during the visit to the country and an appointment was made for a telephone interview. Furthermore, after the country visits were held and the interviews were elaborated, interviewees were contacted by e-mail or telephone to further clarify parts of the interviews or to provide additional information. Each interview was digitally recorded and transcribed. Subsequently, parts of the interviews were coded and analyzed with the qualitative software programme ATLAS.ti. Table 1.7 shows a summary of the country visits and the number of interviewees. Appendix 1 provides an elaborate overview of visited organisations and the number of representatives that were interviewed.

*Table 1.7: Overview field work*

Year	Country	Number of interviewees
August 2009	Sweden	13
March 2010	UK	11
June 2010	Austria	12
October 2010	Spain	14
		Total interviewees: 50

It was the intention to conduct all the interviews in English. However, during the preparation of the Spanish country visit it soon became clear that it was not sensible to do the interviews in English. The language barrier stood in the way of good in-depth interviews. Furthermore, several Spanish interviewees indicated that they would prefer to do the interviews in their mother tongue. Therefore, a Spanish interpreter, who currently lives in the Netherlands and speaks Spanish, English and Dutch, was called in to attend all the Spanish interviews.

One of the research questions is whether or not the investigated employment security systems, measures or arrangements are successful in helping people from job-to-job in case of redundancy. An in-depth independent evaluation of the policies and measures taken by the government and other actors by the author is not feasible within the framework and time span of this thesis. Nevertheless, in the interviews I raised the question whether or not the policies and measures taken in the countries examined, had been evaluated by the government or other actors. Thus, the section on performance of the employment security system is based on the available secondary data provided by the interviewees and additional literature and desk research.

After the country visits, the collected data were analyzed according to the analytical framework with the qualitative software programme ATLAS.ti. Subsequently, possible lessons for the Netherlands were inferred by the author. In order to draw lessons for the Netherlands from the examined foreign cases it is necessary to understand the operation of the Dutch job-to-job transition system. The sources used for analyzing the Dutch case are based on examination of literature and policy documents, input from the expert meetings and previous research in the field of labour market issues.<sup>5</sup> Subsequently, a second expert meeting with Dutch actors was prepared and held on 28 April 2011 at the Dutch Ministry of Social Affairs and Employment (see appendix 2). Representatives of trade unions, employers, private organisations, ministries, Public Employment Service and scholars participated. The aim of this meeting was to share knowledge and validate the lessons defined by the researcher and

<sup>5</sup> See: Best practices in WW preventie (Evers et al., 2004).

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to brainstorm about possible further steps the Netherlands can take to enhance job-to-job transitions in the event of forced dismissals. By advanced technology, each attended organisation prioritized the presented lessons for the Netherlands. A network of several laptops was established. The laptops were linked and connected to a server enabling each organisation present to share his view via a laptop. Through pressing one button it was possible to provide an overview of the results on a large screen. This overview per system feature was the starting point of prioritizing these suggestions by the participants and was followed by a discussion (see Chapter 8).

### **1.5 Introduction to chapters**

This thesis is structured as follows. To set the scene, I first will present comparative labour market indicators and key labour market institutions aimed at giving the reader a fuller understanding and background of the countries examined. Chapter 2 provides a first overview and places the selected countries in a wider context. Subsequently, the employment security systems in the countries examined, Sweden, United Kingdom, Austria and Spain, will be described and analyzed in separate country chapters (Chapters 3 to 6). These four country chapters are the building blocks for the analyses conducted in the following chapters. In Chapter 7, the Dutch job-to-job system will be discussed and compared with job-to-job systems in the previous described countries. In Chapter 8 the possible lessons for the Netherlands are discussed, including proposals for the future Dutch job-to-job system. Finally, Chapter 9 summarizes the main findings, puts them into perspective, and discusses implications for both the policy and research agenda.

# 2

## **Setting the scene: facts and figures of the selected countries**



## 2. Setting the scene: facts and figures of the selected countries

In this chapter, comparative labour market indicators will be discussed with the aim of giving the reader a fuller understanding and background of general similarities and differences of the selected countries, in a wider context. This chapter will throw more light on relevant labour market figures, both from the supply and demand side. It is neither possible nor necessary to include all available labour market indicators. Therefore, the figures which are relevant concerning forced mobility and employment security systems in general, will be addressed. Furthermore, this chapter will address some of the key labour market institutions. Subsequently, Chapters 3, 4, 5, 6, and 7 elaborate upon these features and discuss the specific transition measures and systems which have emerged in the separate countries examined.

### 2.1 General features

#### *Population*

Obviously, large populated countries with fewer available jobs face more difficulties in supporting people from one job to another, than small countries with fewer employees and more job openings. The job vacancy rates will be discussed in section 2.3. Table 2.1 presents general figures regarding the population in the selected countries. The UK is the largest country with more than 60 million inhabitants, followed by Spain with a population of more than 45 million people. The least populated of the countries examined is Austria with approximately 8.2 million inhabitants. Sweden has more than 9 million inhabitants and around 16 million people live in the Netherlands. Not all inhabitants are available for the labour market. The active population (labour force) is defined as the sum of employed and unemployed persons who are looking for a job.

*Table 2.1: Total and active population (x1000), 2009*

	NL	SE	UK	AT	ES	EU27
Total population	16223,0	9296,7	60734,4	8238,4	45670,7	492221,1
Active population	8922,8	4906,8	31285,9	4282,0	23037,5	239292,6
Active population as share of the total population	55.0%	52.8%	51.4%	51.9%	50.4%	48.6%

Source: Eurostat

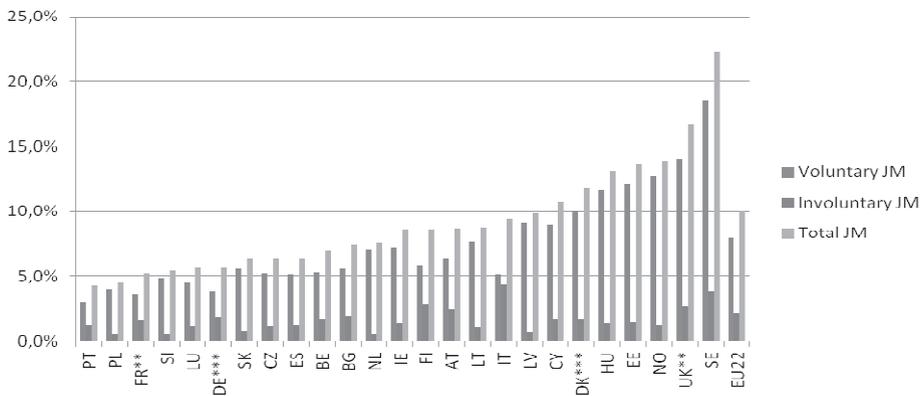
#### *Mobility*

The present study addresses job-to-job transitions with a specific focus on forced mobility. In advance of the 2006: European Year of Workers' Mobility, the EC funded a special Eurobarometer survey, which was carried out at the end of 2005 (European Foundation for the Improvement of Living and Working

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Conditions, 2006a). The Eurobarometer revealed that 81% of the labour force in Europe had not changed employment status within the previous five year period, 6.6% had been forced to leave the company, while 8.5% had changed jobs voluntarily. The remaining 3.9% had left their previous employer because of retirement or gave no reasons for their transition (Andersen, Haahr, Hansen, & Holm-Pedersen, 2008). Figure 2.1 presents more recent job mobility figures and shows the percentage of employees aged 16-64 with a permanent contract who have changed jobs since last year, divided by the reasons for the job change: voluntary or involuntary. Those persons could have had a fixed-term contract in 2007. Involuntary mobility comprises: collective dismissals, individual dismissals for economic reasons, and fixed-term contracts which have not been extended. This figure is composed of SILC<sup>6</sup> data and includes mobility within and between companies.

*Figure 2.1: Self-reported job change since last year, people aged 16-64 with permanent contract in 2008, SILC Longitudinal Data (weighted with cross sectional weights), 2007-2008*



Source: Muffels, Wilhagen en Dekker (2011), updated figures.

\* Calculated for EU22, Germany, Denmark and France not included

\*\*Figures for the UK and France from SILC 2006-2007

\*\*\*Figures for Denmark and Germany derived from cross-sectional SILC data for 2008

Figure 2.1 shows that among the countries examined, Sweden has the highest mobility rate among people aged 16-64 with a permanent contract in 2008 and a self-reported job change since last year (22.3%). It is important that employees feel safe enough to take the risk of making a transition to another job. If the welfare state provides a safety net and supports the transition, job mobility will be more likely. This is typical for social democratic welfare states. Therefore, it is

<sup>6</sup> European Union Statistics on Income and Living Conditions.

not surprising that Sweden also has a relatively high voluntary mobility rate (18.5%). Compared with the other countries selected for this study, the UK has also a relatively high mobility rate (16.7%, from which 14.0% voluntary and 2.7% involuntary). The employment protection regulation is relatively low in this liberal country. This makes it relatively easy for British employers to fire employees. The mobility rates in Austria (8.7%, from which 6.3% voluntary and involuntary 2.4%), the Netherlands (7.6%: from which 7.1% voluntary and 0.5% involuntary) and Spain (6.4% from which 5.1% voluntary and 1.3% involuntary) are below the EU22 average (10%: from which 7.9% voluntary and 2.1% involuntary). Figure 2.1 shows that the number of voluntary job changes is higher than the involuntary job-to-job transitions. Theeuwes argues that the number of Dutch employees who change jobs depends on the business cycle. In prosperous periods the number of job changes is higher than in periods of recession. When the economy is booming, there are more job openings and more opportunities for an employee to find another job which is more attractive than the current job. In a period of economic downturn there are fewer vacancies leading to fewer people voluntarily changing their jobs (Theeuwes, 2007).

#### *Employment protection*

Employment protection legislation (EPL) is an institutional factor which varies across countries and can influence the extent to which job mobility occurs. It can be hypothesized that in countries with strict EPL the dismissal costs are high, which ultimately will result in the avoidance of dismissals. As previously discussed in Chapter 1, the Organisation for Economic Co-operation and Development (OECD) investigated a large amount of theoretical literature that looks at the impact of firing restrictions on labour flows. Strict employment protection should reduce worker flows, because companies will reduce both job creation and destruction. However, the effect on average employment levels is ambiguous (OECD, 2010b). Moreover, if the use of temporary contracts is less regulated, while strict employment regulations are maintained for open-ended contracts, employers will substitute permanent by temporary employees owing to lower costs involved with the termination of the employment relationship at the end of a temporary contract. The OECD developed an Employment Protection Indicator which measures the procedure and costs in dismissing employees, and the procedure in hiring workers on fixed-term or temporary work agency contracts.

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Table 2.2: *Employment protection legislation (EPL), 2008*

	Overall EPL indicator	EPL Regular employment	EPL Temporary Jobs	EPL collective dismissals
Austria	1.9	2.37	1.5	3.25
The Netherlands	2.0	2.72	1.19	3
Spain	3.0	2.46	3.5	3.13
Sweden	1.9	2.86	0.88	3.75
UK	0.8	1.12	0.38	2.88

Source: OECD<sup>7</sup>

Table 2.2 shows that the overall employment protection is the least strict in the UK. It is relatively easy to fire British employees. Spain has the highest indicator of overall employment protection legislation. During the last decade, Spain tightened the restrictions on the use of fixed-term contracts. This will be addressed more deeply in Chapter 6. In all countries examined, with the exception of Spain, the employment protection for collective dismissals is stricter than for regular employment and temporary jobs in 2008.

### *Trade union density, power and number of strikes*

Trade unions can play an important role in the bargaining process to provide new employment opportunities in case of (collective) redundancy. Representativity is a relevant precondition for the power of trade unions. In the countries examined, employees can become a member of a trade union. However, the trade union density and the power of trade unions vary across the selected countries. Table 2.3 shows the development of the trade union density. This rate corresponds to the ratio of wage and salary earners that are trade union members, divided by the total number of wage and salary earners (OECD Labour Force Statistics<sup>8</sup>). Although Sweden has faced declining union density since the mid 1990s, the figure (68.4%) is in 2009 rather high, compared with that of the other countries examined (AT: 28.6, NL: 19.23, ES: 15.9 and the UK: 27.2).

<sup>7</sup> <[http://stats.oecd.org/Index.aspx?DataSetCode=EPL\\_R](http://stats.oecd.org/Index.aspx?DataSetCode=EPL_R)>, accessed 27 July 2011.

<sup>8</sup> <[http://stats.oecd.org/Index.aspx?DataSetCode=UN\\_DEN](http://stats.oecd.org/Index.aspx?DataSetCode=UN_DEN)>, accessed 27 November 2011.

*Table 2.3: Trade union density, 1999-2009 in percentages*

	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Austria	37.4	36.6	35.7	35.2	34.4	34.1	33.3	31.0	29.9	29.1	28.6
Netherlands	24.6	22.9	21.9	21.7	21.2	21.3	21.0	20.4	19.3	18.9	19.3
Spain	16.0	16.7	15.9	16.0	15.8	15.5	15.2	15.0	14.9	15.0	15.9
Sweden	80.6	79.1	78.0	78.0	78.0	78.1	76.5	75.1	70.8	68.3	68.4
United Kingdom	30.1	30.2	29.6	29.3	29.6	29.4	28.4	28.1	27.9	27.1	27.2

Source: OECD, Labour Force Statistics

Derived from the actor-centered institutionalism theory, it can be argued that countries in which the typical mode of interaction leads to successful agreements between trade unions and employers' associations, are characterized by stability and peace in the labour market (Avdagic, Rhodes, & Visser, 2011). However, if trade unions are not satisfied with the course of events, they may enforce strikes and lock outs. In some countries redundancy processes go hand in hand with industrial actions. Table 2.4 shows the number of strikes and lockouts in Sweden, Spain, the UK and The Netherlands between 1999 and 2008. The ILO<sup>9</sup> defines a strike as a temporary work stoppage affected by one or more groups of workers with a view to enforcing or resisting demands or expressing grievances, or supporting other workers in their demands or grievances. A lockout is a total or partial temporary closure of one or more places of employment, or the hindering of the normal work activities of employees, by one or more employers with a view to enforcing or resisting demands or expressing grievances, or supporting other employers in their demands or grievances. A large number of strikes is observed in Spain, whereas in Sweden strikes and lockouts are rare.

*Table 2.4: Number of strikes and lockouts, 1999-2008*

	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Spain	749	750	737	688	678	708	685	783	752	811
United Kingdom	205	226	207	162	138	135	116	158	152	144
The Netherlands	24	23	16	16	14	12	28	31	20	21
Sweden	10	2	20	10	11	9	14	9	14	5

Source: ILO <http://laborsta.ilo.org/STP/guest>, Austria no data available

<sup>9</sup> ILO <<http://laborsta.ilo.org/applv8/data/cge.html>>, accessed 6 January 2011.

## 2.2 Features of the labour market supply side

In this section background information and figures about the labour market supply side will be presented. These indicators are relevant to understanding why governments, or other labour market institutions, put in place a specific policy mix to support workers in the transition towards a new job. For example, a country with high unemployment rates might prioritize transitions from unemployment to employment, rather than investing in job-to-job transitions. Moreover, based on these indicators, policy priorities could be given to specific target groups, such as young people or the elderly. Furthermore, some indicators related to the type of contract (part-time and limited duration contracts) are included to give an idea of the degree of precariousness of the jobs in the countries examined.

### *Employment rate*

In 2009, the average employment rate in the 27 countries of the European Union was 64.6%. The data presented in this section is derived from the Labour Force Survey (LFS). The indicator of employed persons in the LFS is defined as follows: "Employed persons are persons aged 15 and over who performed work, even for just one hour per week, for pay, profit or family gain during the reference week, or were not at work but had a job or business from which they were temporarily absent because of, for instance, illness, holidays, industrial dispute, and education or training". In 2009, the EU average female employment rate was 51.7%. Compared with other selected EU member states the employment rate of Dutch and Swedish women was high, respectively 64 and 62.2%.

Table 2.5 shows that in 2009, the examined countries had high employment rates compared with the EU27 average, with the exception of Spain. The Netherlands had the highest employment rate among the countries scrutinized. However, the employment rate displayed is calculated in persons and not in FTE. This is important to notice, because part-time employment as a percentage of the total employment, was in the Netherlands, the highest among European countries. The Spanish unemployment rate was considerably higher than the EU average. The LFS defines unemployed persons as 'persons aged 15-74 who were without work during the reference week, were currently available for work and were either actively seeking work in the past four weeks or had already found a job to start within the next three months'. The unemployment rate comprises unemployment persons as a percentage of the active population.

Table 2.5: Labour market rates, 2009

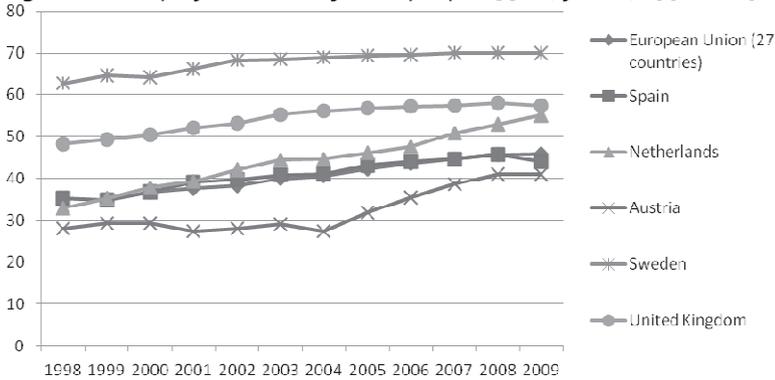
	NL	SE	UK	AT	ES	EU27
Employment rate total	77	72.2	69.9	71.6	59.8	64.6
Employment rate female	64.0	62.2	58.8	58.5	46.9	51.7
Employment rate male	75.2	67.2	68.4	69.2	60.5	63.9
Employment rate older people (55-64)	55.1	70.0	57.5	41.1	44.1	46.0
Employment rate older female (55-64)	44.7	66.7	49.2	31.7	32.3	37.8
Employment rate older male (55-64)	65.4	73.2	66.2	51.0	56.7	54.8
Unemployment rate	3.7	8.3	7.6	4.8	18.0	8.9
Youth unemployment rate (< 25 year)	7.7	25	19.1	10	37.8	19.7
Share of long-term unemployment (>12 months, 15-75 years)	24.8	13.3	24.5	21.3	23.7	33.2
Part-time employment as percentage of total employment	48.3	27	26.1	24.6	12.8	18.8
Share of employees with limited duration contract (%)	18.2	15.3	5.7	9.1	25.4	13.5

Source: Eurostat, Labour Force Survey

The employment rate of older people (55-64 years) was the highest in Sweden. In 2009, 70% of the Swedish people aged 55-64 had a job, while the EU average for this group in 2009 was 46%. Also the participation rate of older women (55-64) was significantly higher in Sweden compared with the other countries. The employment rate of the elderly in Austria was the lowest compared with the other selected countries. However, from 2004 this rate increased sharply from 27.4% to 41.1%. The sharpest rise can be observed in the Netherlands. The participation rate of Dutch elderly people increased from 34% in 1998 to 55% in 2009 (see Figure 2.2).

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Figure 2.2: Employment rate of older people (55-64 years), 1998-2009

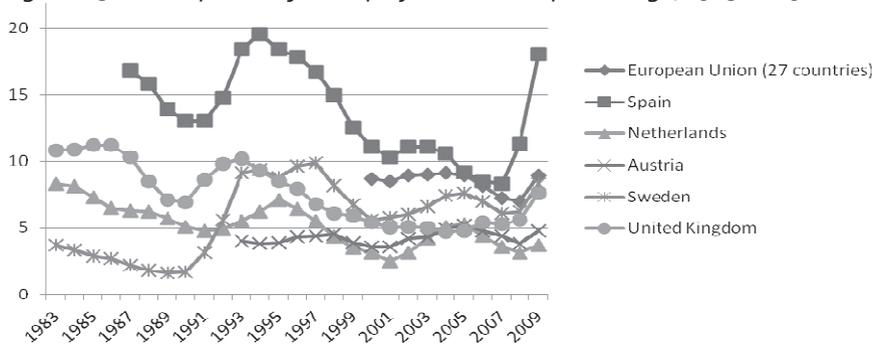


Source: Eurostat

### Unemployment rate

Figure 2.3 shows the development of the unemployment rate for the selected countries during the period 1983-2009. The crisis of 2008-2009, resulted for the countries examined in an increase of the unemployment rate, although in some countries the increase was sharper than in others. In Spain, the unemployment rate decreased from 19.5% in 1995 to 8.3% in 2007, but has more than doubled over the last two years (18% in 2010). The unemployment rate in Sweden has fluctuated during the last decades. In the 1990s, Sweden was confronted with a sharp increase in the unemployment rate due to the economic crisis. The Swedish economy recovered, but the unemployment rate did not decrease to the 1.6% rate of 1989. After the financial crisis of 2008, the Swedish unemployment rate rose from 6.2% in 2008 to 8.3% in 2009. Since 1993, the unemployment trend in Austria seems to have been quite stable varying between 3.6% and 5.2%. The Dutch unemployment rate decreased from 8.3% in 1983 to 3.7% in 2009, the lowest rate in the EU. The UK unemployment rate gradually decreased during the period 1993 to 2004, since when it increased from 4.7% in 2004 to 7.6% in 2009.

Figure 2.3: Development of unemployment rate in percentage, 1983-2009



Source: Eurostat Labour Force Study

Viewed in the light of forced job-to-job transitions, it is interesting to compare figures regarding the unemployment spell after redundancy. How quickly do redundant employees find another job? Unfortunately, there are no comparable data available to answer this question. Eurostat has data with regard to the duration of unemployment in the countries examined (see table 2.6), but these data are static, i.e. the division of the current unemployment population broken down by the unemployment duration. In 2009, 1.3% of the Swedish unemployed were unemployed for 4 years or longer, which is the lowest percentage of long-term unemployment compared with the other countries examined. The Netherlands has the highest share (6.02%) of long-term unemployment (> 48 months) among the countries scrutinized, but this figure is still below the EU average.

*Table 2.6: Duration unemployment in percentages of the unemployment population, 2009*

	NL	SE	UK	AT	ES	EU27
< 1 month	7.53	19.3	11.72	11.22	9.56	8.84
1-2 months	27.11	24.11	22.44	25.97	21.75	18.86
3-5 months	21.82	22.64	20.3	23.22	22.23	18.39
6-11 months	18.21	19.49	20.19	18.18	22.77	19.75
12-17 months	8.53	5.75	10.35	8.57	11.21	11.23
18-23 months	2.61	2.8	4.07	2.89	4.57	4.7
24-47 months	6.69	3.17	6.28	6.37	5.11	8.95
48 months>	6.02	1.3	3.72	3.43	2.81	8.11

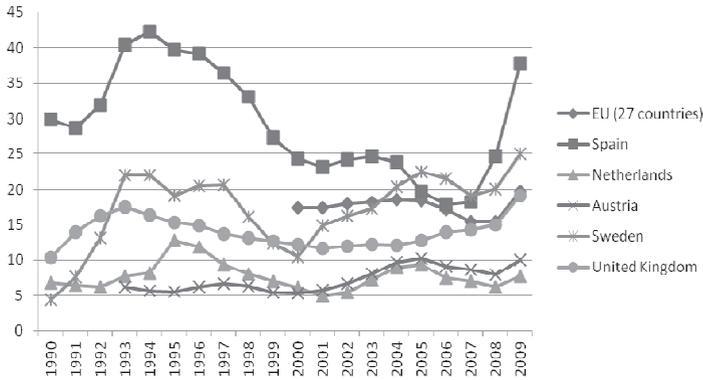
Source: Eurostat

### *Youth unemployment*

Youth unemployment rates always tend to be relatively high, but in some countries young people have been hit very hard by the 2008-09 recession (OECD, 2010b). This is also confirmed by the data from the Labour Force Study. The operational definition of youth is here defined as people aged 15-25 years. For example, Spain (37.8%) and Sweden (25%) had relatively high youth unemployment rates in 2009. During the last decade, the Swedish youth unemployment rate increased, doubling from 10.5% in 2000 to 25.2% in 2009. The Netherlands and Austria had youth unemployment rates which were lower than the EU average. In 2009, the Dutch youth unemployment rate was 7.7%, which was the lowest youth unemployment rate in the EU, and the Austrian youth unemployment rate was 10%, while the UK had a youth unemployment rate around the EU average (19.7%). Since 2001, youth unemployment rose gradually in the UK from 11.7% in 2001 to 19.1% in 2009.

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Figure 2.4: Development of youth unemployment rate, 1990-2009

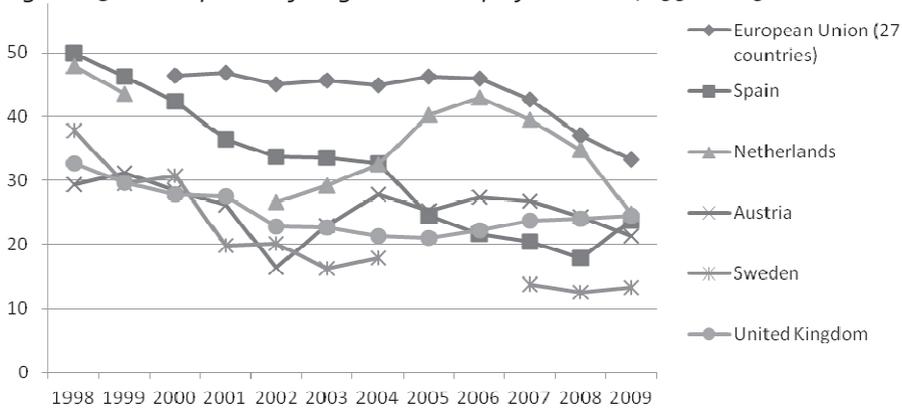


Source: Eurostat

Long-term unemployment

According to the Labour Force Study, long-term unemployment refers to persons who have been unemployed for one year or more. Table 2.6 shows the rates for 2009 and figure 2.5 presents the development of long-term unemployment in the last decade. Overall the share of long-term unemployment has decreased in Europe. In 2009, Sweden had the lowest share of long-term unemployment (13.3%) of the countries examined. The question is whether this can be explained by active policies regarding job-to-job transitions. The percentage of long-term unemployment in the Netherlands increased between 2001 and 2006 from 26.7% to 43.0%, but after this peak the rate declined to 24.8% in 2009, which is the highest rate among the examined countries. Nevertheless, in 2009 all countries studied had a lower percentage of long-term unemployment compared with the EU average (33.2%).

Figure 2.5: Development of long-term unemployment rate, 1998-2009

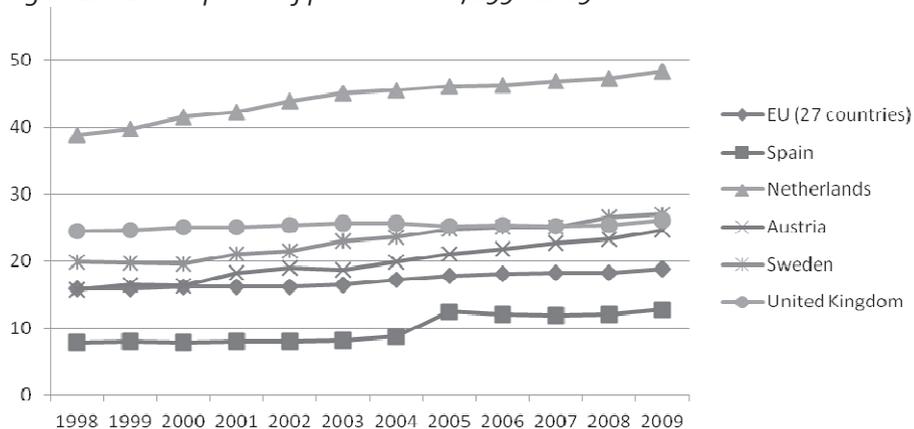


Source: Eurostat

### Part-time work

The Netherlands is champion in part-time work. A decade ago, the Dutch part-time rate was 38.9% (see figure 2.6). Today, almost half of the Dutch workforce (48.3%) has a part-time job. Moreover, the Dutch workforce does not consider these part-time jobs as precarious. Most Dutch employees prefer working part-time. In the European flexicurity discourse the Netherlands is often referred to as a flexicurity example. Dutch flexicurity policies have been developed rather deliberately and can generally be reconstructed as the normalisation of atypical work while preserving flexibility in the labour market (Commission of the European Communities, 2006). This approach, combined with the relatively good labour market results over the past years, has served as an example at the European level in the early stage of the flexicurity policy-making process. In Sweden, the UK and Austria about one quarter has a part-time job. Figure 2.6 shows that part-time work has increased gradually in Sweden and in Austria. In the UK, the rate remained stable. In Spain working part-time is less usual but the rate has increased from 7.8% in 1998 to 12.8% in 2009.

Figure 2.6: Development of part-time rate, 1998-2009



Source: Eurostat

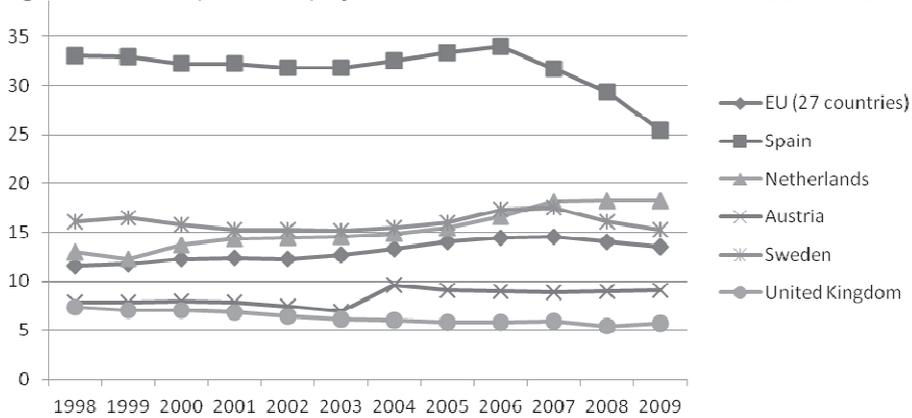
### Fixed-term employment

The termination of a limited duration employment contract can be considered as forced mobility. The question is whether employees with a limited duration contract receive the same support as those workers with a permanent contract whose jobs are at risk. The Spanish labour market is characterized by a high share of employees with a limited duration contract. However, since 2007, there has been a declining trend in Spain of employees with a limited duration contract. Nevertheless, more than one quarter of the Spanish employees has a limited duration contract, whereas the EU average lies at 13.5%. Figure 2.7 shows that in the Netherlands the percentage of employees with a limited duration contract increased during the last decade. In Austria, an increase can be

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observed of temporary contracts in 2003, which remained stable in the years following. In the UK it is less common to have a limited duration contract. In 2009, only 5.7% of the British employees had a limited duration contract.

Figure 2.7: Development employees with a limited duration contract, 1998-2009



Source: Eurostat

### 2.3 Features of the labour market demand side

The labour market supply side was discussed in the previous section, now the comparative figures of the labour demand side will be explored.

#### *Company size*

Obviously, large companies can offer more opportunities to support redundant employees than small companies, owing to more internal mobility possibilities and more financial means to contribute to job-to-job transitions outside the company. However, table 2.7 shows that the majority of the EU workforce in 2006 was employed in small and medium sized companies. This table displays the EU27 non-financial business<sup>10</sup> population and comprises around 20 million enterprises.

<sup>10</sup> The financial services are excluded in the Eurostat Data because of their specific nature and the limited availability of most types of standard business statistics in this area.

Table 2.7: Number of enterprises and employees of the non-financial business economy by size-classes, 2006 (% of total)

		NL <sup>(a)</sup>	SE	UK	AT	ES	EU27 <sup>(a)</sup>
Number of Enterprises	SME	99.7	99.8	99.6	99.7	99.9	99.8
	• Micro	89.5	94.2	87.5	87.5	92.2	91.8
	• Small	8.7	4.8	10.5	10.5	6.8	6.9
	• Medium	1.5	0.8	1.7	1.6	0.8	1.1
	Large	0.3	0.2	0.4	0.3	0.1	0.2
Number of Employed persons	SME	67.3	63.7	54.8	-	78.0	67.4
	• Micro	29.2	24.7	21.5	-	37.7	29.7
	• Small	21.1	20.9	17.9	23.2	25.5	20.7
	• Medium	17.0	18.1	15.4	-	14.8	17.0
	Large	32.7	36.3	45.2	-	22.0	32.6

Source: Eurostat (Eurostat European Commission, 2009) / <sup>(a)</sup> Figures from 2005

The overwhelming majority (99.8%) of the firms were small and medium sized companies. The following size classes are used in the Eurostat SBS statistics:

- Micro enterprises are companies with less than 10 persons employed;
- Small enterprises are companies with 10 to 49 persons employed;
- Medium-sized enterprises are companies with 50 to 249 persons employed;
- Large enterprises are companies with 250 or more persons employed.

The first three categories (micro-, small- and medium-sized) are collectively referred to as SMEs. From table 2.7 it can be concluded that in 2006 large companies provided approximately one third of the employment in the non-financial business economy, including industry, construction and distributive trades and services. In proportion to the other examined countries, Spain had a large share of the workforce employed in small and medium sized companies (78%). Moreover, Spain had the highest share of the workforce employed in micro enterprises (37.7%) compared with the other selected countries. In the UK almost half of the workforce in the non-financial business (45.2%) was employed in a large firm.

### Vacancy rate

In order to make successful transitions from job-to-job, theoretically, it is necessary that other jobs are available. Therefore, the job vacancy rate in the countries studied will now be addressed. Table 2.8 presents the job vacancy rate measured by Eurostat, which defines a job vacancy as a newly created, unoccupied, or about to become vacant, post:

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- (i) for which the employer is taking active steps to find a suitable candidate from outside the enterprise concerned and is prepared to take more steps; and
- (ii) which the employer intends to fill either immediately or in the near future.

Under this definition, a job vacancy should be open to candidates from outside the enterprise. However, this does not exclude the possibility of the employer appointing an internal candidate to the post. A vacant post that is open only to internal candidates should not be treated as a job vacancy. In table 2.8 the figures for the Netherlands and Spain deviate slightly from this definition. Dutch job vacancies intended for internal candidates are included. The Spanish figures comprise only posts to be filled immediately, and job vacancies intended for internal candidates are also included. The job vacancy rate (JVR) is calculated as follows:  $JVR = \text{number of job vacancies} / (\text{number of occupied posts} + \text{number of job vacancies}) * 100$ . Obviously, Spain had the fewest job openings. The Netherlands had the most available job opportunities, followed by the UK.

Table 2.8: Job vacancy rate, 2001-2008

	2001	2002	2003	2004	2005	2006	2007	2008
EU27	:	:	1.5	1.6	1.8	2.1	2.2	1.9
ES	0.6	0.6	0.6	0.7	0.7	0.8	0.8	0.6
NL	2.4	1.6	1.1	1.5	2.2	2.8	3.2	2.9
AT	:	:	:	1.5	1.4	:	:	:
SE	1.8	1.4	1.2	1	1.1	1.2	1.3	1.2
UK	2.4	2.3	2.2	2.3	2.3	2.2	2.4	2.2

Source: Eurostat

### *Lifelong learning*

Continuous investments in knowledge and skills will contribute to more employment security for employees and is therefore relevant for this study. Eurostat introduced a lifelong learning indicator which refers 'to persons aged 25 to 64 who stated that they received training or education in the four weeks preceding the survey. The information collected includes all education and training whether or not relevant to the respondent's current or possible future job'. Table 2.9 shows the results and reveals that the percentage of persons that received training or education is the highest in Sweden and the lowest in Spain. One out of four Swedish persons aged 25 to 64 received training or education in the four weeks preceding the survey held in 2010, while one out of nine Spanish persons aged 25 to 64 received education or training.

*Table 2.9: Life-long learning in percentages*

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
EU27	7.1	7.1	7.2	8.5	9.3	9.8	9.6	9.4	9.4	9.3	9.1
ES	4.5	4.4	4.4	4.7	4.7	10.5	10.4	10.4	10.4	10.4	10.8
NL	15.5	15.9	15.8	16.4	16.4	15.9	15.6	16.6	17	17	16.5
AT	8.3	8.2	7.5	8.6	11.6	12.9	13.1	12.8	13.2	13.8	13.7
SE	21.6	17.5	18.4	:	:	17.4	18.4	18.6	22.2	22.2	24.5
UK	20.5	20.9	21.3	27.2	29	27.6	26.7	20	19.9	20.1	19.4

Source: Eurostat

Table 2.10 shows the participation rate in education and training by permanency of the employment contracts for employees aged 25 to 64 years, for the year 2009. In all the countries examined it appears that the percentage of employees that participated in education and training was higher for those with a temporary contract compared with those with a permanent job. The largest difference can be observed in Austria. In 2009, 28.8% of the Austrian employees with a temporary job participated in education or training, while 14.6% of the employees with a permanent contract participated in training or education.

*Table 2.10: Participation in education and training by permanency of job in percentages, 2009*

	Permanent jobs	Temporary jobs	Total permanent+ temporary jobs
European Union (27 countries)	10.1	14.2	10.6
Spain	10.7	14.0	11.5
Netherlands	18.8	24.4	19.5
Austria	14.6	28.8	15.2
Sweden	22.1	27.4	27.4
United Kingdom	22.7	31.4	23.1

Source: Eurostat

## 2.4 Concluding remarks

In this chapter, general labour market indicators and key labour market institutions of the examined countries have been described. These indicators are relevant, because they provide background information in order to understand why governments, or other labour market institutions, put in place specific policies to support workers in the transition towards a new job, give priority to certain target groups or why they do not stimulate job-to-job transitions at all.

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Sweden belongs to the social democratic welfare type. The generous benefits are available for all citizens. This implies high collective costs that can only be afforded through effective activating labour market policies. Therefore, the participation rate is high compared with the European average. However, youth unemployment has risen in the last decade and is currently relatively high in Sweden (25%). On the other hand, the participation rate of older people is significantly higher compared with the other selected countries. Furthermore, the participation of Swedish women is considerable. The percentage of long-term unemployment (13.3%) is low in Sweden. Among the countries examined Sweden has the highest rate of employees that participated in training and education in 2009. Sweden has the highest mobility rate among people aged 16-64 with a permanent contract. Apparently, Swedish employees feel safe enough to take the risk of making a transition to another job. Sweden has a well-developed safety net and supports transitions. Another main feature of the Swedish labour market is the high trade union density. Collective bargaining, including negotiations about job-to-job transitions, is an important trait in Sweden. This will be discussed further in Chapter 3.

Austria is an example of the corporatist welfare regime. The participation rate in Austria lies above the EU average, but is low compared with Sweden and the Netherlands. In contrast to Sweden, the Austrian youth participation is relatively high (90%), while the Austrian employment rate of older people is the lowest (41.1%) of the countries scrutinized. In Austria, employees with a temporary contract participate more often in training and education compared with those with a permanent contract. This is also the case in the other countries examined, but the difference in education and training participation rate between those with a permanent job and those with a temporary job, is the largest in Austria.

Spain has been hit very hard by the financial economic crisis of 2008. The Spanish unemployment rate is significantly higher than the EU average. Both young and old people face great difficulties to (re)enter the labour market. Furthermore, Spain is characterized by a dual labour market with, on the one hand, a high percentage of employees with a limited duration contract and unemployed people and, on the other hand, the more privileged employees with a permanent contract whose jobs are strongly protected by the employment protection legislation. Spain has the lowest trade union density and, compared with the other countries examined, a large amount of strikes and lockouts. Another feature of the Spanish labour market is the relatively high proportion of workers employed in micro-enterprises.

In contrast to Spain, the UK has a less restricted employment protection regulation and high job mobility. As a consequence, limited duration contracts are not often used in the UK. Moreover, one out of three employees with a temporary contract participated in training and education in 2009. In the other

countries studied this percentage varies from 14.0 to 28.8. Furthermore, almost half of the British workers (45.2%) are employed in a large company of more than 250 employees.

The Netherlands has the highest employment rate among the countries studied, and the lowest youth unemployment rate. Both the share of part-time work and the share of limited durations contracts is higher than the EU average. The participation rate in education and training lies above the EU average, but is lower compared with Sweden and the UK, both for temporary and permanent employees.



# 3

## Sweden



### 3. Sweden

In this chapter, the Swedish policies and arrangements regarding support for job-to-job transition in case of redundancy will be discussed. Firstly, the Swedish context will be described. Attention will be paid to the political background, labour market features, and relevant law and legislation. A central feature of the Swedish labour market is the role given to collective agreements in regulating the labour market (section 3.1). Secondly, the employment security system will be discussed. The type of support that is available to help people from job-to-job, the eligibility criteria, the financing of the system, the actors involved, their responsibility, and the delivery will be addressed (sections 3.2, 3.3, 3.4, and 3.5). In these sections, the job-to-job arrangements and the coordination mechanisms will be fleshed out and the motives for cooperating in the system will be explored. The performance of the Swedish system, the relevant preconditions for success, and the results for the actors involved will be elaborated in sections 3.6 and 3.7. To conclude, section 3.8 brings together the main findings.

#### 3.1 Background

##### 3.1.1 Political background

Since World War II, the Social Democrats have dominated the political arena in Sweden. Only during the years of the deep recession in the early 1990s, did they yield power to a centre-right government. This government took office in the fall of 1991, but became a victim of the crisis between 1990 and 1993, and the Social Democrats returned to power again three years later. After the elections in 2006, which the Social Democrats (*Sveriges socialdemokratiska arbetareparti*) lost, a new right-wing government of the Moderate party (*Moderata samlingspartiet*) allied with the Centre party (*Centerpartiet*) and the Liberal People's party (*Folkpartiet liberalerna*) took office and declared changes in labour market policy as well as in the public employment service (Jonung, Kiander, & Vartia, 2008). In September 2010, elections were held and a far right-party, the Swedish Democrats, entered parliament for the first time, after winning 5.7% of the votes for twenty seats in the 349-seat legislature. The current coalition, Reinfeldt's four-party coalition, won 172 seats, three short of a majority, while the left-wing opposition achieved 157 seats.

##### 3.1.2 Economic history and labour market features

Sweden has faced economic downturns but also has experienced recoveries and golden decades in the 20<sup>th</sup> century and the first part of the 21<sup>st</sup> century. The economic crisis of 1921-1922 and the Great Depression in the early 1930s confronted Sweden with high unemployment rates which fluctuated at around 30%. Sweden remained neutral during the First and Second World Wars. The latter period was followed by an era of economic growth. In the late 1940s and

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1950s, reforms were initiated, including a more generous old-age pension scheme, child allowances, and health insurances.

During the 1950s and 1960s, the Swedish economic situation flourished and can best be described as prosperous. Unemployment went down after World War II and there was almost full employment. The social welfare state expanded substantially. This led to high income taxes, even on very low incomes. Even today, Sweden has the highest tax burden in the world: it is equivalent to 50% of the GDP. This is one of the features of the 'Swedish model' which became famous because of the way in which economic and social stability was reached (Buitendam, Dumas, & Glebbeek, 1990). Other features of this model are a large, privately owned industrial sector, a large trade union movement, the state playing an active role in labour market policies, and ambitions to achieve an even distribution of income and wealth.

Traditionally, Sweden has been an export-oriented country and was therefore seriously hit by the oil crisis in 1973-1974. Governmental subsidies, devaluation and deregulation were typical features of the 1980s. The devaluation process in 1982 led to a sharp increase in Swedish exports but also worsened the problems of inflation in the long run. Between 1983 and 1990, deregulation led to the abolishment of limits on loan amounts and interest rates. Loans increased tremendously. As a result, the banking and service sectors nearly collapsed and Sweden landed in a severe financial and economic crisis in the early 1990s. Unemployment rose from about 1.6% in 1989 to 9.9% in 1997 (see figure 2.3). After 1993, the economy stabilised and the unemployment rate decreased to 5.6% in 2000. In the first years of the 21<sup>st</sup> century, Sweden was confronted with a mild economic downturn. Following a recovery, Sweden was no worse off than other countries hit by the global financial crisis which emerged in October 2008. The unemployment rate increased from 6.2% in 2008 to 8.3% in 2009. Swedish labour demand has fluctuated in the last decades as a result of recessions and prosperous periods. In the last 20 years, production has moved to countries with lower labour costs as a result of the globalisation process. The Swedish employment rate was, in 2009, 72.2%.

The main features of the Swedish labour supply were described previously in Chapter 2. Summarizing, it may be stated that Sweden has a high employment rate among Swedish women. A second trait is the high labour market participation rate of Swedish older workers. In 2009, 70% of the Swedish people aged 55-64 still participated in the labour market. This is significantly higher than the EU average of 46%. However, Swedish employment rates are relatively high but the average hours worked are below the OECD average because of longer holidays and other leave reducing the number of weeks worked per year. Thirdly, youth unemployment is high in Sweden. Since 2004, the unemployment rate among young Swedes (< 25 years) has been higher than the EU average and

has doubled from 10.5% in 2000 to 25.2% in 2009. According to the OECD, the youth unemployment rate for 15-24 year olds is high even when Swedish full-time students are taken into account, standing at 14.3% in 2007 (OECD, 2008). Furthermore, the OECD concludes that the median age for starting higher education in Sweden is rather high.

### 3.1.3 Legal framework of redundancy and unemployment insurance

As previously discussed in Chapter 1, the institutional setting influences the choices actors make. The legal framework of redundancy is relevant for job-to-job transitions because it defines the rights and obligations in the event of forced dismissals for both employers and employees. A clear insight into the unemployment insurance scheme is necessary to determine the extent of income security for redundant employees during the period 'in between' two jobs.

The Swedish labour market is regulated by both law and collective agreements. Strong restrictions on the freedom of employers to fire employees hamper external flexibility for the employers. Strong employment protection provides employees with job security, i.e., protecting jobs rather than stimulating job-to-job transitions, and income security rather than employment security. In this section, the Swedish legal framework in the case of redundancy will be briefly introduced.

#### *The Employment Protection Act*

In 1974, the Law on Employment Protection (*Lag om anställningsskydd* – LAS) came into force. Prior to the enactment of this law employment protection was regulated via contractual solutions based on collective bargaining. The aim of the law was mainly to protect older workers and therefore a period of notice was introduced which provided income security for a certain period in which the older workers could look for new employment. To be eligible for this statutory employment protection, the employee had to be at least 45 years old and had to have been in employment for a minimum period of two years during the three years immediately before dismissal (Sebardt, 2006). The 1982 Employment Protection Act represents a further development of the 1974 law and regulates the protection of employees against arbitrary or unjustified dismissal. It applies to all employees except for employees classified as managerial executives; workers who are family members of the employer; employees who work in their employer's personal household, and individuals who are given a job which is funded by government subsidies to combat unemployment, including protected workplaces. The Employment Protection Act applies from the first day of employment and holds for all employers including small companies.

Two main categories of reasons for dismissal with a notice period can be distinguished: redundancy and individual causes. The focus will be on the reasons relating to redundancy, meaning shortage of work or dismissals motivated by

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the employers' right to manage the business in an appropriate way. During the notice period the employee is fully paid and has the right to time off in order to look for new employment. The statutory notice period for employment contracts concluded after January 1997 is at least one month. Each two-year period of employment increases the notice period by one month, with a maximum of six month's notice. Section 11 of the LAS specifies the minimum period of notice if the employer wishes to terminate the employment contract.

*Table 3.1: Duration statutory notice period in Sweden*

<b>Period of employment</b>	<b>Statutory notice period</b>
< 2 years	1 month
Between 2 – 4 years	2 months
Between 4 – 6 years	3 months
Between 6 – 8 years	4 months
Between 8 – 10 years	5 months
>10 years	6 months

However, collective agreements can deviate from the statutory notice period and in practice longer periods of notice are often agreed (Sebardt, 2006).

In the case of redundancy, the order of selection has to be determined. One selection criterion is the seniority principle, also referred to as the 'Last In First Out' (LIFO) principle, which is regulated in the LAS. Since 2001, small companies with ten or fewer employees may deviate from these seniority rules by exempting a maximum of two employees who are of key importance to the business. Sebardt notes that this rule was first introduced in 1994 and abolished in 1995 because of a governmental change, but then brought back again in 2001 owing to a shift in the parliamentary composition (Sebardt, 2006). Although the LIFO procedure is regulated by law, the legislation allows the making of collective agreements that deviate from the seniority rules. It is quite common for main collective agreements to leave room for deviations in agreements concluded at a local level. This means that trade unions and employers can bargain about the selection criteria for dismissal and may deviate from the legal 'LIFO' path. The employers want to choose the employees who they want to keep in their company on the basis of competences and qualifications. Most of the Swedish interviewees, representing different organisations, declare that these negotiations are quite common.

The Danish Flexicurity system has been a role model for many European countries for ways to create a flexible labour market. Van de Berg states that "not the Danes or the Dutch, but the Swedes were the first to formulate the basic ideas underlying the notion of 'flexicurity'" (Berg, 2008). In his work, Van de Berg explained that in 1951, two young union economists, Rehn and Meidner,

proposed a plan of “policies that would serve to control both inflation and unemployment while simultaneously promoting rapid economic growth and preserving the LO’s<sup>11</sup> position of strength” (Berg, 2008). Rehn and Meidner proposed rigorous fiscal restraints combined with a ‘solidaristic’ wage policy, and a complementary package of active policies geared to facilitate the smooth and rapid flow of labour from declining to expanding industries, including retraining programmes and mobility allowances (Berg, 2008). Van de Berg stresses that Rehn and Meidner intended to provide employment protection as a substitute for job protection. Initially, the LO supported this plan, but in the early 1970s, in response to the economic downturn, the LO felt forced to support a series of laws, that supported job security rather than employment security. The economic circumstances of that time hindered the implementation of the theoretical plan designed by Rehn and Meidner. Van de Berg argues that the Danish flexicurity model actually ‘does implement the Rehn-Meidner plan more or less consistently, but ironically *without* any pre-conceived overall plan at all’ (Berg, 2008). Denmark does not have transition agreements which in Sweden are quite common (see section 3.2). An interviewee from the Central Organisation of Salaried Employees (TCO) argued that the Swedish system is even more flexible than the Danish system, when it comes to collective dismissals, because of these collective agreements. In the Danish system it is easier to dismiss people for an individual reason, which is quite problematic in Sweden, but closing down an entire factory or laying off 50 people is easier in Sweden because of these collective negotiations. In practice, local agreements differ considerably and statistics and figures on how often unions and employers’ associations negotiate about other selection criteria are missing. In practice, it seems to be very difficult to research this topic because there are many agreements. Usually the negotiations are secret. In times of recession, an employer can negotiate with the trade union and make a specific agreement to handle the poor economic situation.

In Sweden, a debate is going on about changing the employment protection legislation. The TCO interviewee mentioned that the employment protection legislation is not as valuable for employment protection as competence and education. The Swedish legislation is flexible in the sense that employers can deviate from the legislation by reaching agreements with the trade unions. Employers who want to downsize can choose among their staff, because they are able to negotiate on this issue in a successful way. However, the employment protection legislation is very important for trade unions because it gives them leverage to negotiate for price. In practice, this power is often used to focus on education and competence development for those who are to be

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<sup>11</sup> LO is the central organization for trade unions for the blue-collar workers.

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dismissed. This will give them a better labour market position once they have left the company.

The order of selection is also important for re-employment after redundancy. The 1982 Employment Protection Act provides the right for re-employment for employees who have been given notice on the grounds of redundancy, including those whose fixed-term contract has not been continued for the same reason. The re-employment right is valid for the following nine months and is a preferential right to re-employment in the company in which they were formerly employed. If there are many former employees, the general rule is that the length of the employment determines the order of re-employment. The employer has to declare whether an employee has a priority right to re-employment in the event of redundancy dismissal.

### *The Employment Promotion Act*

Simultaneously with the Employment Protection Act, the Employment Promotion Act (*Främjandelagen*) came into force in 1974. This Act contains rules on promoting the employment of older workers and those experiencing reduced working capacities, and facilitating the necessary transitions in the labour market. It must be noted that the termination of an employment contract must be of an economic nature. The Act obliges employers to notify the County Labour Board (*Länsarbetsnämnden*) if the dismissal affects more than five employees. If a maximum of 25 employees are affected, the employer must notify the County Labour Board at least two months before the dismissal, at least four months if 26-100 employees are going to be dismissed and at least six months if more than 100 employees are affected (Bergström & Diedrich, 2008). The notification should include relevant information regarding the number of redundant employees, the cause of the redundancy and, later in the process, the names of those to be dismissed and the consultation entered into. In 1995, the Employment Promotion Act was amended to meet the requirements of the amended EU Directive relating to collective dismissals.<sup>12</sup>

### *Co-determination Act*

Another important law is the Co-determination Act (*Medbestämmandelagen, MBL*) which came into force in 1976. This Act obliges employers bound by collective agreements to consult with the trade unions on all important changes in their organizations or in the labour relations with their workers (Diedrich & Bergström, 2006). The aim of this obligation is to make consultations with the unions a normal component of the employer's decision-making process (Sebardt, 2006).

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<sup>12</sup> EU Directive 75/129, 92/56 en 98/59/EC.

### *Statutory unemployment insurance*

In the late 19<sup>th</sup> century, the first unemployment insurance fund was established by the Swedish Typographers Association, because there was no compulsory unemployment insurance available. Many other trade unions followed and started similar funds, which provided cash benefits to unemployed members who met certain conditions. These payments were financed through membership fees (The Swedish Unemployment Insurance Board (IAF), 2007). This is also known as the Ghent system<sup>13</sup>, in which trade unions are responsible for paying unemployment benefits rather than the government. The first Unemployment Insurance Act came into effect on the first of January 1935. As from this date, unemployment insurance funds could receive government registration and a state grant for the payment of benefits. In 1974, an additional system was introduced for those who were not covered by the existing unemployment insurance scheme: the cash labour market assistance (*KAS, Kontant arbetsmarknadsstöd*). In 1998, a new law on unemployment insurance came into force which integrated the cash labour market assistance with the existing unemployment insurance scheme. The payment of unemployment benefit is administered by 32 unemployment insurance funds (September 2010).<sup>14</sup> Historically, these funds have been affiliated with trade unions, but today these organisations have to be completely independent from other organisations.

The statutory unemployment insurance (*Lag om arbetslöshetsförsäkring – ALF*) consists of a basic benefit and an income-related benefit. The unemployment insurance covers both employees and self-employed. For the latter, the compensation is based on the most recent taxed income or, if this is to the advantage of the self-employed, on the average of the taxed income over the previous two years (Confederation of Swedish Enterprise, 2011). Membership of the unemployment insurance fund is voluntary, but it is necessary to be a member of an unemployment insurance fund to receive the income-related benefit. This means that a person must have been a member of the unemployment fund for a minimum period of twelve months prior to the first day of unemployment. Working within the sector covered by the unemployment fund is required in order to become a member of that fund. Individuals who are not employed in the sector at the time of the application are entitled to admission if their most recent job was within the sector covered by the unemployment insurance fund. Besides the membership condition other conditions have to be fulfilled to receive benefits from the unemployment

<sup>13</sup> The name of the system derives from the Belgian town Ghent where it was first introduced.

<sup>14</sup> <<http://www.iaf.se/English/List-of-the-Swedish-Unemployment-Insurance-Funds-com-potent-institutions/>>, accessed 27 July 2011.

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insurance. The person must:

- have worked for at least six calendar months during the last twelve-month period, with a minimum of 80 hours worked in each month, or have worked for at least 480 hours during a continuous six-month period, with a minimum of 50 hours in each month;
- be fit for work and otherwise not impeded from undertaking employment;
- be prepared to accept offers of suitable employment;
- be registered as a jobseeker with the employment service;
- be unable to obtain suitable employment (Confederation of Swedish Enterprise Insurance Information, 2010).

The basic benefit is paid to the individual who meets these conditions, but who does not fulfil the membership condition. The Unemployment Insurance Fund (UIF) of which the person is a member, pays the benefit which amounts SEK 320 (EUR 35.37 euro) per day calculated on a full-time basis. The basic benefit is paid out for a maximum period of 300 days. The highest daily payment for the income-related component is SEK 680 (EUR 74.95). The benefit level, which decreases as time elapses, is presented in table 3.2.

*Table 3.2: Duration and compensation level Swedish unemployment insurance benefit and the organisation responsible for paying the benefit*

Number of compensation days	Compensation level (%) of the previous earnings	Paid by
On days 1-200	80	Unemployment Insurance Fund
On days 201-300	70	Unemployment Insurance Fund
After 300 days jobseekers are invited to participate in the work and development guarantee programme, where activity support is paid	65	Social Insurance Office

Source: (Confederation of Swedish Enterprise Insurance Information, 2010).

In addition, after 300 compensation days, parents with children under 18 years of age may choose between having an extended period of 150 compensation days or participating in the work and development guarantee programme. Benefit during this extended period of 150 days is 70%. After this, the work and development guarantee programme applies at a compensation level of 65% (Confederation of Swedish Enterprise Insurance Information, 2010). In July 2007, the Swedish centre-right government introduced the work and development guarantee programme for people who have been out of work for 300 days and

have used up their time on unemployment insurance.<sup>15</sup> In cases of up to 450 days of unemployment preparatory measures such as job coaching, career guidance and working training is provided by the Public Employment Service. The person will be offered a job and receives a basic state benefit from the Social Insurance Agency after 450 days of unemployment. This is also known as 'phase three'. Employers receive SEK 5,000 (EUR 551) a month in compensation from the state. However, participants are not allowed to perform tasks normally carried out by permanent employees. In 2010, only one percent of the 'phase three' employees moved on to permanent employment. Trade unions and the opposition criticise this measure and they argue that employers can effectively make use of free labour. In 2011, the Public Employment Service will investigate all 'phase three' employment and, where employers fail to comply with current regulatory frameworks, contracts will be terminated.<sup>16</sup>

The first seven days of unemployment are so-called 'waiting days' in which there is no entitlement to unemployment benefits (The Swedish Federation of Unemployment Insurance Funds (SO), 2009). The Swedish unemployment insurance system is not a completely public, state-based system, because the statutory basic protection is topped up by supplementary insurances provided under collective agreements and private schemes.

The replacement rate (RR) is an indicator for comparing benefit levels between countries. The OECD indicator measures the proportion of expected income from work which is replaced by unemployment and related welfare benefits. The OECD net replacement rates during the initial phase of unemployment for Sweden are presented in table 3.3.

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<sup>15</sup> <<http://www.eurofound.europa.eu/eiro/2011/03/articles/se1103019i.htm>>, accessed 27 July 2011.

<sup>16</sup> <<http://www.eurofound.europa.eu/eiro/2011/03/articles/se1103019i.htm>>, accessed 27 July 2011.

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Table 3.3: Net Replacement Rates in Sweden in percentages for six family types: initial phase of unemployment, 2009, by earning level of average wage (AW)

Earning level	Family type						Overall Average
	No children			Two children			
	Single Person	One-earner married couple	Two-earner married couple	Lone Parent	One-earner married couple	Two-earner married couple	
67% of AW	69	69	85	83	80	86	79
100% of AW	48	48	69	65	58	71	60

Source: OECD<sup>17</sup>

### *No statutory right to severance pay*

In contrast to many other European countries, there is no *statutory* right to receive severance pay in the case of redundancy in Sweden. However, in collective agreements, severance pay can be guaranteed in the event of redundancy. The conditions for entitlement to severance pay will be further discussed in section 3.2.

### *Collective agreements*

A central feature of the Swedish labour market is the role given to collective agreements in regulating the labour market. For example, wages are regulated by the collective agreements and the government takes no responsibility for ensuring that the collective agreements are enforced (Bergström & Diedrich, 2008). The collective agreements have a special status in Sweden as they may replace certain legislation as binding law (semi-compulsory). This means that the law contains rules on, for example, bargaining procedures, industrial action, and intervention of mediators in industrial conflicts. By registering agreements, the parties in the sector may follow the agreed rules instead of the statutory rules.

## 3.2 Type of support to find work after redundancy

In Sweden, job-to-job transition is the subject of voluntary regulation between the trade unions and employers. As described previously, the collective agreements have a special status in the sense that they may replace certain statutory provisions as binding law and can be referred to as semi-compulsory (Sebardt, 2006). Foundations were set up for the collection of funds and the administration of the activities stipulated by the corresponding agreements. The first agreements emerged in the 1970s and were called 'job security'

<sup>17</sup> <[http://www.oecd.org/document/3/0,3343,en\\_2649\\_34637\\_39617987\\_1\\_1\\_1\\_1,00.html](http://www.oecd.org/document/3/0,3343,en_2649_34637_39617987_1_1_1_1,00.html)>, accessed 12 July 2011.

agreements. It was LO's idea that workers should not leave the companies and that companies should get support to prevent redundancy. There was a shift in focus during the 1990s and the name was changed to transition or adjustment agreements. The aim of these agreements is to help people getting another job in the event of redundancy and this reflects employment security rather than job security. The first foundations were called, for example, Job Security Council (*Trygghetsråden*) or Job Security Foundation (*Trygghetsstiftelser*). The Swedish Trade Unions and employers in the Trade and Industry sector believed that the public agency could not help white-collar workers with job matching in a satisfactory way and therefore they introduced the transition foundation TRR in 1974. At that time, the LO, the trade union for the blue-collar workers, was satisfied with the activities of the Public Employment Service and was not interested in the idea of a transition foundation like the TRR, but the LO changed its mind during the 1990s. The different unions affiliated to the LO worked with companies or in sectors competing in the international market. It was not always possible to keep the company intact, so the workers would lose their jobs anyway. Another reason was that the blue-collar side saw that the working method of the TRR, helping employed people whose jobs were at risk, was much more effective than the working method of the public employment service. The white-collar workers received better help and coaching compared with the blue-collar workers. Therefore, at the beginning of the new millennium, the LO asked the Confederation of Swedish Enterprise to take part in negotiations for a new agreement in the Trade and Industry sector. In 2004, the agreement was concluded and the foundation TSL (*Trygghetsfonden*) was established. Bäckström has listed the collective adjustment agreements and the corresponding transition foundation (Bäckström, 2008).

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Table 3.4: Collective agreements on Job Transitions in Sweden

Sector	No. of employees	Transition Foundation/ Job Security Council/Job Security Foundation	Collective Agreements (latest version until 2008)	Signatories
State	Approximately 250,000	TSN, Job Security Foundation 1990	The State Sector Employment Security Agreement 1998	Agency for Government Employers, Public Employees' Negotiation Council, Confederation of Professional Associations, Union of Service and Communications Employees
Banking	Approximately 45,000	BAO Employment Security Fund 1992	The Accord on Employment Security Issues 1997	Employers' Association of the Banking Institutions, Financial Sector Union
Municipality	Approximately 50,000	-	Agreement on Redundancy 2006	City of Stockholm; 22 unions within the city of Stockholm
Trade and Industry	Approximately 700,000	TRR Employment security council 1974	Agreement on Outplacement, 1998	Confederation of Swedish Enterprise – Federation of Salaried Employees in Industry and Services
Trade and Industry	Approximately 950,000	TSL Employment Security Fund 2004	Agreement on fee-based Outplacement Insurance 2004	Confederation of Swedish Enterprise, Trade Union Confederation
Real Estate	Approximately 9,000	TRF Employment Security Council 1973	Employment Security Agreement 2001	Employer Association of Real-Estate Trade – Union of Clerical and Technical Employees in Industry, Association of Managerial and Professional Staff, Association of Architects, Association of Graduated Engineers, Union of Local Government Officers
Real Estate	Approximately 13,000	TFL Employment Security Fund 1983	Agreement on Outplacement 2005	Employer Association of Real Estate Trade – Trade Union Confederation
Cooperative	Approximately 35,000	KFO-Trade Employment Security Agreement for Salaried Employees 1974	Employment Security Agreement 1977	Cooperative Employers' Association, Commercial Employees' Union

Sector	No. of employees	Transition Foundation/ Job Security Council/Job Security Foundation	Collective Agreements (latest version until 2008)	Signatories
Cooperative	(Included in the above mentioned 35,000)	KFO-Trade Employment Security Fund for shop assistants, warehouse workers, hairdressers in 1982	Agreement on Employment Security Fund 1982	The Cooperative Employers' Association – The commercial Employees' Union
Municipal related companies	Approximately 30,000	KFS Companies' Employment Security Fund 1994	Employment Security Agreement 1994	Organization for Local Enterprises – Municipal Workers Union, Union of Commercial Employees, Union for Service and Communications Employees, Association of Health Professionals, Teachers' Union, Union of Local Government Officers, Association of Graduated Engineers, Associations of Managerial and Professional Staff
Culture and some small companies	Approximately 30,000	TRS Employment Security Council	Agreement on Outplacement 2004	Employer Alliance, Swedish Performing Arts – Federation of Salaried Employees in Industry and Services
The Church	Approximately 7,500	Employment Security Fund for Parishes and Church Communities 2005	Agreement on Outplacement 2005	Association of Parishes in the Church of Sweden – Municipal Workers' Union, Union of Local Government Officers, Teachers' Union, Association of Graduates in Social Sciences, Personnel and Public Administration, Economics and Social Work, Association of Church Employees

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Sector	No. of employees	Transition Foundation/ Job Security Council/Job Security Foundation	Collective Agreements (latest version until 2008)	Signatories
Blue-collar and non-governmental organizations	Approximately 7,500	Four small funds founded in the 1990s for union officials and administrative officials at unions	Agreement on Employment Security ABFF-Handels Agreement on Employment Security AFO-Handels Employment Security Fund of Metal Union Officials Employment Security Fund of Commercial Employees' Union Officials	Some of the blue-collar and non-governmental organizations, Commercial Employees' Union

Source: (Bäckström, 2008)

The aim of the adjustment agreement is to deal with redundancy problems for companies when a work shortage arises. The agreement consists of two components: financial support and practical support.

### *Financial support in transition agreements*

Financial support in the transition agreements refers to the financial compensation supplementing the unemployment benefit, e.g., severance pay. There are three types of severance pay: 1) *avgångsersättning* – AGE for most white-collar workers and the state sector, 2) *avgångsbidrag* – AGB for most blue-collar workers and, 3) *avgångsförmåner* – AGF for municipal workers.

AGE, provided by most *white-collar* employment security agreements as well as that of the *state sector*, is supplementary to the general income-dependent unemployment benefit. The objective of this periodic severance pay is to provide an income level corresponding to 70% of the previous salary (including the compensation from an Unemployment Insurance Fund (UIF)). After six months, the compensation level is decreased to 50%. Table 3.5 shows that the duration of AGE varies with the age of the salaried employee at the end of the notice period. Solely persons who have reached the age of 40, and have had at least five years' of continuous employment in the company, who file for redundancy are entitled to AGE. Furthermore, the employee should have worked at least five hours a week and the redundancy is filed on the grounds of lack of work (Confederation of Swedish Enterprise, 2011).

Table 3.5: Payment of severance compensation (AGE)

Age	Paid for a period of	Compensation level % previous salary including the benefit of the Unemployment Insurance Fund (UIF)
40-44 years	6 months	70
45-59 years	6 months	70
	after 6 months	50
60-65 years	6 months	70
	after 12 months	50

The AGB was negotiated as part of the *blue-collar agreements*, with LO as the signing party. It is a lump sum that is paid on termination of the contract and irrespective of whether the person has found a new job (Confederation of Swedish Enterprise Insurance Information, 2010). The AGB, amounts to SEK 27,900 (EUR 3,075) in 2011 and is paid out as a lump sum by the AFA Insurance.<sup>18</sup> Persons who have been made redundant and who are over 50 receive an extra amount of SEK 1,200 (EUR 132) per extra year; thus, those over 51 receive 2,400 (EUR 264), those over 52 receive SEK 3,600 (EUR 396) and so on up to the age of 60, and hence the highest AGB sum payable is SEK 41,100 (EUR 4,530) (Confederation of Swedish Enterprise, 2011).

When the interviews were conducted in 2009, the *municipal sector* did not yet have a transition agreement. However, on 7 December 2010, the Swedish Association of Local Authorities and Regions (SALAR, *Sveriges Kommuner och Landsting*) and all the trade unions representing employees in the local Authorities, County Councils and Regions, reached a transition agreement. The agreement will be published when it has been accepted by all social partners and will supposedly come into force on 1 January 2012.<sup>19</sup> Until then, financial support is regulated in the Agreement on Severance Benefit for Employees of Local Authorities, County Councils and Parishes, also referred to as AGF-KL. As of 1 January 2012, the AGF-KL will be abolished and replaced by the new transition agreement (Sveriges Kommuner och Landsting, 2010b). This AGF-KL agreement regulates severance pay for redundant employees in the sector and is referred to as the severance benefit AGF. It is a national agreement concluded between the Swedish Federation of County Councils (*Landstingsförbundet*), the Swedish Association of Local Authorities (*Svenska Kommunförbundet*), and the Association of Parishes within the Church of Sweden (*Svenska Kyrkans*

<sup>18</sup> AFA Insurance is the collective name for the following insurance companies: AFA Livförsäkring, AFA Sjukförsäkring, AFA Trygghetsförsäkring.

<sup>19</sup> <[http://www.resourcecentre.etuc.org/linked\\_files/documents/Panel%203%20Flexicurity%20Lisbon%20SALAR.pdf](http://www.resourcecentre.etuc.org/linked_files/documents/Panel%203%20Flexicurity%20Lisbon%20SALAR.pdf)>, accessed 27 July 2011.

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*Församlingsförbund*) as the employers' associations, on the one hand, and the Swedish Municipal Workers' Union (*Kommunal*) and a constellation of bargaining bodies, consisting of the Central Organisation of Salaried Employees (TCO) and the Swedish Confederation of Professional Associations (*Sveriges Akademikers Centralorganisation SACO*), on the other hand.

Severance benefit AGF-KL may be given out as a single lump sum or in the form of a periodic payment (Sebardt, 2006). The level of the lump sum is equivalent to  $\frac{1}{3}$  of the employee's normal monthly wage immediately prior to termination of the employment multiplied by the number of full employment years within the whole local government sector (Lindquist & Wadensjö, 2007). The maximum lump sum severance benefit corresponds to six monthly wages. The periodic severance benefit is based on the length of service and age: the minimum age of eligibility is 45 years and the minimum employment period required is 210 months. Periodic severance pay, AGF-KL, is computed in a similar way as pension benefit: the same time and earnings measures are used, i.e., the pensionable years of employment up to the date of termination and the annual earning points acquired in the years prior to the termination. Up to retirement the periodic severance amount paid is reduced by possible incomes. For example, if a person receives unemployment benefit, the AGF-KL will top this payment so that the total amount received will be 80% of the individual's former monthly wage during the first 200 days and 70% during the following 100 days; 250 days for parents (Lindquist & Wadensjö, 2007). When the benefit from the unemployment insurance ends, the periodic severance benefit continues to be paid if the employee is still unemployed and available for work. In addition to severance benefit, wage supplements can be provided for a certain period of time, for instance, compensation for retirement pension contributions and commuting allowance, if the unemployed person obtains a new job with a lower wage (Bäckström, 2008). Table 3.6 summarizes the type of passive support provided by the various Swedish transition foundations.

*Table 3.6: Type of passive support provided by the Swedish transition foundations*

Name transition foundation and agreement	Date latest agreement	Passive (financial) support provided
TRS	2004	Severance compensation (AGE) Moving expenses Commuting expenses Compensation training costs Compensation for retirement pension contributions Return guarantee by the TRS fund for those who found a new job, but lost the new job within 5 years from the last termination

Name transition foundation and agreement	Date latest agreement	Passive (financial) support provided
TRF Fastigo	2001	Severance compensation (AGE) Compensation for retirement pension contributions Wage supplements if an unemployed person obtains a new job with a lower wage (max. 6 months) Compensation for training costs Grants for starting own business Introduction support for new employers Grants to severance pensions Extended period of notice
TRR	1998	Severance compensation (AGE) Temporary wage supplements if an unemployed obtains a new job with a lower wage Compensation for extended period of notice Financial support for training costs, starting own business Return guarantee for those who found a new job with a TRR-affiliated company, but lost it within 5 years from the last termination
KFO Trade Employment Security Agreement for Salaried Employees 1974	1974	Severance compensation (AGE) Temporary wage supplements if an unemployed person obtains a new job with lower wage (max. 6 months) Extended period of notice Grant to start own business if the public employment service does not provide any support. Grant of SEK 30,000 for bookkeeping support for one year. Retraining wage paid to the new employer in another sector/branch (max. 6 months) Grants for training: SEK 30,000 for training costs and SEK 7,000 for literature
KFO Trade Employment Security Fund for shop assistants, warehouse workers, hairdressers	1982	Severance grant (AGE) Temporary wage supplements if unemployed obtains a new job with lower wage (max 6 months) Grant to start own business if the public employment service does not provide any support. Grant SEK 30,000 for book-keeping support for one year Retraining wage paid to the new employer in another sector/branch (max 6 months) Grants for training: SEK 30,000 for training costs and SEK 7,000 for literature
TFL Fastigo LO	2005	Severance grant (AGB) Compensation for retirement pension contributions Temporary wage supplements if an unemployed person obtains a new job with lower wage (max. 6 months) Introduction support for the new employer Grants for training Support for starting own business

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Name transition foundation and agreement	Date latest agreement	Passive (financial) support provided
TSn	2008	Extended period of notice Paid leave of absence for those taking part in activities approved by the Transition Foundation, for example, practical training, acclimatization period or education Job security income supplements for those who find a new job that pays a lower salary Supplementary unemployment benefit Early retirement and pension Preventive measures, e.g., training and other activities, to ensure continued employment with the same employer
BAO	1992	Severance compensation Grants for training Grants for starting own business
KFS Companies' Employment Security Fund	1994	Severance compensation Temporary wage supplements if an unemployed person obtains a new job with lower wage (max. 6 months) Compensation commuting expenses Compensation for rent Grants for training Education (50% of course and literature expenses) Support for starting own business Wage compensation for new employer Compensation for retirement pension contributions Return security/guarantee to the KFS foundation within 5 years
TSL	2004	Severance grant (AGB) Adjustment support
Employment Security Fund for Parishes and Church Communities	2005	Severance compensation (AGF) Temporary wage supplements if an unemployed person obtains a new job with lower wage Extended period of notice

Source: Bäckström, 2006 modified and updated: [www.tsn.se](http://www.tsn.se) (accessed Sept 2010), <http://www.tsn.se/stod-till-enskilda/trygghetsavtalet.aspx>, [www.fastigo.nl](http://www.fastigo.nl)

### *Active support in transition agreements*

The active support refers to advice to companies, personal consultation, and measures to help the dismissed person to find a new job or to start a new business. Transition foundations can offer this support. The support provided depends on the transition foundation concerned. For example, the TRR, the foundation for white-collar workers or salaried employees in the trade and industry sector, can provide companies with suggestions regarding redundancy and dismissal procedures based on previous experiences. The TRR advisor can help a company by:

- explaining different options for handling changes relating to a shortage of work;
- giving advice on how to handle the transition process;
- discussing the company's situation and the need to act;
- providing training for managers and union representatives about their role during a downsizing operation.<sup>20</sup>

Furthermore, career adjustment support is provided for dismissed employees including personal contact for consultation and guidance throughout the process leading up to a new job or business start-up. In addition to individual guidance, the TRR offers methods and group activities to meet the job applicant's various needs. The way the active support is organised varies between the transition foundations. The TRR works with 'in-house' job coaches and consultants. Each redundant employee visits a TRR location and has a personal advisor who will coach him until he gets a new job. The coaching time is fixed: the upper limit is two years, but in some cases it can be prolonged. The amount spent on transition support is different for each person. The TRR can, for example, spend SEK 50,000 (EUR 5,511) on transition support for someone who has great difficulties in finding a new job and SEK 5,000 (EUR 551) on someone who can find a new job easily.

A company in the private white-collar sector can decide to choose an outplacement agency rather than relying on the TRR. Trade unions and employers on a local level can make an agreement to do so. This happens in a small number of cases. The TRR then provides money directly to the employer who has to pay the outplacement agency for active support. The amount paid by TRR is an average based on the average costs.

Thus, transition foundations work differently in practice. The TSL, the Transition foundation in the private sector for blue-collar workers, is much smaller and outsources the coaching activities to private service suppliers. The employer who has to lay off employees receives SEK 20,000 (EUR 2,204) for each dismissed person from TSL. This is a fixed amount. The local partners (the employer and trade unions) determine the programme and negotiate about the outplacement supplier which will be contracted. In other words, the decisions on the way in which the downsizing process is conducted and on which activities will be carried out are made on a local level via local agreements. The TSL foundation aims to help private-sector blue-collar workers who have been given notice to find another job as quickly as possible or to start their own business. The TSL support does not include a change in the individual's level of competence. The help from the TSL is intended for coaching activities and does not cover the costs of education. In exceptional cases, TSL pays for a training or

<sup>20</sup> <<http://www.trr.se/English/English/Services-in-brief/>>, accessed 27 July 2011.

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course if the person involved can prove that he needs it to get a specific job, i.e., if it is the last obstacle to re-entering the labour market. Broadly speaking, the TSL's task is to help the individual to find a new job within existing conditions. The adjustment procedure starts with an assessment of the individual's level of competence. Next the individual's wishes and aims are clarified, followed by a study of the individual's personal market. Furthermore, the support consists of helping the individual with formulating letters of application and writing a good CV. An action plan is then devised and the job coach helps the individual with the implementation of this plan. On average, an adjustment programme financed by the TSL runs for three or four months (TSL, 2009).

The aim of various transition foundations is to provide help as quickly as possible. For example, transition foundation TRS tries to provide preventative support in order to develop employees' capabilities based on the need of the organization. TSN, the transition foundation for state employees, covers about 270 governmental bodies employing around 250,000 people. They have about 40 advisors and administrative personnel who take care of around 3,500 clients per year. Besides the normal services to redundant personnel, TSN also offers so-called 'early measures'. If there is a risk of redundancy, TSN can undertake redeployment activities, on a voluntary basis. Such activities, normally financed by the employer and the foundation, can prepare the employees for new tasks with the same employer and thus focus on internal employment security (Gazier, Paucard, & Bruggeman, 2010).

In a study by Voss et al., the social partners noted that the transition agreements complement the public employment service, provide for additional resources in order to support transitions between jobs and are based on the principle of sharing costs between employees and employers (Voss, Dornelas, Wild, & Kwiatkiewicz, 2011). Employees who have been given notice and who are not covered by an adjustment agreement can decide to register at the public employment service which mediates between jobseekers and employers. Generally, the public employment service does not initiate support for a person who has been given notice during the first 100 days of unemployment.

### 3.3 Eligibility

In 2009, when the interviews were conducted, almost half of the Swedish workforce was covered by a transition agreement, i.e., collective agreements on practical and financial support for job-to-job transitions. At that time, the municipal sector did not have a transition agreement, but a similar agreement was under negotiation. The Swedish Municipal Workers' Union was in favour of such an agreement, but the employers in the municipal sector did not foresee many redundancies in this specific sector at that time. On the contrary, they argued that employers would have a recruiting problem in the future when there

is a generation shift in the labour market. During the economic crisis, there may be some redundancy problems, but this is nothing compared with the problems of redundancy encountered in the metal and car industries. Finally, in December 2010, the trade unions and the employers' association reached a transition agreement which will come into force on 1 January 2012. This is one of the largest transition agreements in the Swedish labour market, covering around 1.1 million employees, approximately 25% of the workforce (Sveriges Kommuner och Landsting, 2010a; Voss et al., 2011). Thus, as from 1 January 2012, the majority of all permanent employees will be covered by a transition agreement.

Only people with an open-ended or a so-called 'permanent' contract have the right to support from the transition foundation. This means that people with a fixed-term contract are excluded. As mentioned previously in Chapter 2, 15.3% of the Swedish workforce had a limited duration contract in 2009. When a fixed-term contract is changed into a permanent contract, the employee will be covered by the adjustment agreement and the period worked on a fixed-term contract will be included for the eligibility criteria. For example, an employee who used to work at a company affiliated to the TSL foundation has to meet the following criteria to receive support from the TSL foundation: the employee had an open-ended contract for at least twelve months prior to the end of the employment and during this period the individual concerned was continuously employed for at least 16 hours a week (TSL, 2009). The period of employment with several employers may be taken into account, on the condition that the period of work has been uninterrupted. People who have not yet entered the labour market, those who have a temporary contract, and those who are given notice for personal reasons are excluded from the TSL transition support.

In Sweden there is an ongoing debate between trade unions and employers' associations on whether people with a fixed-term contract should be eligible for support from the transition foundations. Employees can receive TSL support up to and including the month before which they reach the age of 65 if they plan to continue working beyond the age of 65. The support will only be granted to an individual who intends to complete the entire programme, or until he or she finds a new job or starts his or her own business. The financial means for adjustment support are granted to the companies who are affiliated with TSL through an insurance agreement. Individuals cannot apply for adjustment support themselves. Applications for TSL adjustment support have to be submitted within one year after the employment contract is terminated. Both the company and the trade union should sign the application for transition support. Furthermore, the application should include a supplement with personal information, signed by the person who has been given notice. After TSL has granted adjustment support, the programme must be started within twelve months.

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### *Small and large companies*

Companies that are covered by a transition agreement are also part of other agreements on wage, working-time arrangements, etcetera. Companies cannot opt for only the adjustment agreement. They have to accept all the agreements or stay out of the system of collective bargaining. Both small and large companies are represented in the adjustment agreements. Many small companies have joined the system, but the ones that are not part of the collective adjustment system are mostly small companies. An explanation for this is that small and newly started enterprises are not able or willing to pay a certain percentage over the gross salary to a foundation.

### **3.4 Financing**

Employers pay a certain percentage of the wage bill, which is not deducted from the wage, to a mutual fund: the transition foundation. By way of illustration, in 2011, TRR and TSL employers who are member of an employers' association within the Confederation of Swedish Enterprise, pay 0.3%<sup>21</sup> of the wage bill, including the wages for fixed-term contracts, to the foundation. These are fixed contributions and a pay roll charge. It is not deducted from the employee's salary. The percentage is the same in economic recession or in times of economic boom. In the good years, the foundations saved money, which is now used during the crisis. The interviews revealed that a commonly heard argument from the employers' side is that Swedish employers pay twice for the employment security of their employees. Firstly, they pay their contribution to the transition fund. Furthermore, it happens in practice that employers pay for support on the basis of local negotiations with the unions. In the case of redundancy, support is provided by the transition foundation, but on top of that unions can bargain about lump sums or possibilities for further education. Secondly, employers argue that they pay for the public employment system via payroll taxes. A counterargument from the employees' perspective is that employers indeed pay for both, but not at the same time for the same individual. Those people who receive support from the transition foundation do not

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<sup>21</sup> Companies with local collective agreements will pay 0.60% to the TSL foundation in 2011 and companies that are members of employers' associations outside of the Confederation of Swedish Enterprise pay 0.32%. Companies that are not members of an employer's association within the Confederation of Swedish Enterprise can affiliate separately to the TRR provided that the company has signed a collective agreement (local collective agreement) with, normally, a PTK-affiliated association. PTK=the Council for Negotiation and Co-operation). Local collective agreement companies pay 0.70% to the TRR foundation compared to member companies in employers' associations within the Confederation of Swedish Enterprise which pay 0.30% (Confederation of Swedish Enterprise, 2011).

necessarily need, at the same time, the help from the public employment service. In one of the interviews, it is argued that many people within the TRR system will have a new job at a new company before they even have to register at the public employment agency. At first glance, it seems that the employee does not contribute financially to the transition agreement system. However, various Swedish interviewees mentioned that the adjustment agreements are part of the collective agreements and financing these agreements has been taken from money for pay rise.

### 3.5 Responsibility, coordination, and delivery

Based on the coordination mechanisms discussed in Chapter 1, different ways of providing employment security in situations of redundancy can be distinguished. In this section, the Swedish system regarding job-to-job transitions and the roles of different institutions and actors in providing support to those who are at risk of becoming unemployed will be described.

#### 3.5.1 Associations

As explained previously, in Sweden, trade unions, employers associations, and individual employers play an important role in guaranteeing new employment opportunities for workers who have been given notice. They negotiate about, for example, the selection criteria and the support provided which result in collective adjustment agreements and agreements at the local level. A relevant precondition for reaching an agreement is trust and a good relationship amongst the actors. Although the Swedish trade union density has declined in the last few years, the figure is still rather high compared with other countries: 68.4% in October 2009 (see Table 2.3 in the previous chapter). According to the LO, this fall in membership can be explained by the recent amendments of the unemployment insurance system introduced by the new right-wing government. Coupled with trade union density the Swedish collective agreements have an almost statutory nature (Sebardt, 2006).

The Swedish Confederation of Enterprise (*Svenskt Näringsliv*) is the signing party for white and blue-collar adjustment agreements and is Sweden's largest business federation representing 50 member organizations and 54,000 member companies with some 1.5 million employees. Close to 70% of the Confederation's member companies have fewer than 10 employees, only 1.5% has 250 employees or more, while virtually all of Sweden's multinationals are members. Companies can also sign collective agreements directly with trade unions and those companies who do this in practice are almost all small companies. Thus, an estimated 80% of companies covered by an adjustment agreement in the private sector are small companies with fewer than 10 employees.

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### *Motivation of employers*

In the interviews, the question was asked why employers and trade unions want to reach an adjustment agreement. The strongest incentive for employers to sign the agreement is the possibility of deviating from the LIFO principle. Severance pay is very expensive for a company. The trade unions took the initiative to introduce the transition agreement. Employers benefit from a settlement with the trade unions, because it provides the employers' confederation bargaining power, which could lead to a trade-off, for example, lower wage increases. The agreement could also make the adjustment process in the company easier. Employers who have to announce that some of the employees have to be dismissed can immediately add that good help will be provided for those who are made redundant and thus soften the blow. Employers have an interest in keeping the workforce skilled and in the branch. Although an employer may have to dismiss people at a certain moment for economic reasons, he might need these employees in the future in times of economic upswing. It is better that these redundant people continue working with another employer and keep their skills up to date rather than being unemployed. The transition agreements also bring stability, predictability, and industrial peace for the employer. If an employer and trade unions have agreed beforehand how to deal with redundancy, then the employer will have more security in his business operations. If the financial situation becomes really bad, an employer knows that a standard procedure is available to tackle the situation. If a company has to lay off employees and the company has to start from scratch this could result in a chaotic and costly process, which could harm relations and business operations in different ways. Thus, from the company perspective, the system can be seen as a solution to the problem of facing a cut-down in personnel. It enables the company to include employment security in their personnel policy. Another motive that has been put forward in the interviews is that some employers have a sense of corporate social responsibility.

### *Motivation of employees/trade unions*

An incentive for the trade unions to support and collaborate with employers in the job-to-job transitions system is to maintain the strength of the union. People unite because they have a common interest and that has traditionally been working conditions and raising salaries for the employed. The unions finance their activities via fees from their members, and their main concern is related to those who are actually employed. It is not in the unions' interest that members become unemployed, because this will result in a less powerful union. Therefore, unions will do their utmost to prevent unemployment for their members. As discussed before, the unions were not satisfied with the way the public employment service supported people from one job to another and introduced the first transition foundations in close cooperation with the employers' association.

### 3.5.2 The state: Government and the Public Employment Service

A key feature of the Swedish labour market is that the social partners traditionally deal with many issues by means of collective agreements. The central government does not interfere in these adjustment agreements. This does not mean that the government does not provide support to employees who run the risk of becoming unemployed. Employees who have been given notice and those who are not covered by an adjustment agreement can decide to register at the public employment service, which mediates between job-seekers and employers. As mentioned earlier, the trade unions and employers were not satisfied with the way the governmental agency was helping white-collar workers with job matching, so they introduced the job transition insurance foundation, TRR, in 1974. The *legitimacy and enforceability* of the state regarding job-to-job transitions was very low, and there are still hardly any laws and legislation on this subject. Thus, the Swedish state plays no active role in the adjustment agreements. However, in the Swedish model, there is a long tradition focusing on active labour market policies. A government priority is 'to enable all men and women to participate in the labour market' (Regeringskansliet, 2005). The Swedish Public Employment Service (*Arbetsförmedlingen*) is commissioned by Parliament and the government to translate the labour market policy into practice, aiming to improve the functioning of the labour market by matching jobseekers and employers and contributing to stable and high employment rates. Employees who have lost their jobs can register at the Public Employment Service.

#### *Public Employment Service*

On 1 January 2008, the Swedish Public Employment Service was established as a national integrated agency. It replaced the Swedish Labour Market Administration (*Arbetsmarknadsverket*, AMV), which had two levels: at the central level, the national Labour Market Board (*Arbetsmarknadsstyrelsen*, AMS) and, on the regional level, the 20 county labour boards, which included the local public employment services. All 21 agencies making up the Swedish Labour Market Administration were separate agencies. They made governance more difficult and reduced effectiveness. The aim of the reform was therefore to achieve a more effective, uniform and fair public employment service (Regeringskansliet, 2008).

The role of PES in the employment security system can be described as mediating between jobseekers and employers. Jobseekers who register at PES Service have different backgrounds. They include school-leavers and immigrants. Nevertheless, the support provided by PES is similar to that provided to victims of redundancy. PES tries to identify the different capacities and the occupations that would suit the jobseeker and match them with the labour demand. Extra effort is put into support for individuals with a weak position in the labour market.

### 3.5.3 Market

Until 1993, private job-placement services were prohibited in Sweden. The Swedish governmental agency, the Labour Market Board (AMS), had the monopoly on job matching activities. The deregulation of the sector in 1993 led to a significant expansion of the private outplacement industry. Temporary employment agencies and a number of outplacement agencies provide services to help employers in their effort to deal with workforce adjustment. The private outplacement agencies are mostly directly subcontracted by the employers to facilitate quick transitions to new jobs. In other words, these private outplacement companies and the transition foundations operate separately. In some cases, the private outplacement companies are subcontracted by the transition foundations.

On 1 January 2008, PES replaced the AMS to achieve a more effective, uniform, and fair public employment service. Nowadays the public employment service engages private companies, for example, for coaching activities. The theory behind this is that many private suppliers have contacts and relationships with employers which PES does not have to such an extent. In Sweden, the blue-collar transition foundation, TSL, contracts out the job coaching activities to private service providers. Compared with the Netherlands, the outsourcing process to private suppliers is still in its infancy.

### 3.5.4 Hierarchy

In Sweden, companies with an adjustment agreement are eligible for support in job-to-job transitions for employees to whom they have given notice. Large companies with enough resources can manage these activities in house. They can set up internal programmes and create special units within their operations to help the workers find another job in or outside the company. Employers can also decide to subcontract a private outplacement company to provide services to help people to get another job quickly. Good employership and creating goodwill in relation to the trade unions are motives for Swedish employers to facilitate job-to-job transitions for their employees. A good relationship with the trade unions, based on mutual trust, is necessary for the future collective bargaining process.

### 3.5.5 Networks

Since the early 1990s, Swedish employers' networks (*Arbetsgivarringar*) have gained in popularity amongst private companies and public organisations. In 2004, there were about 50 local networks spread across the country. The main focus of employers' networks is human resource needs, particularly in relation to people who return to the workplace after a period of illness or unemployment.<sup>22</sup>

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<sup>22</sup> <<http://www.eurofound.europa.eu/ewco/2004/08/SE0408NU05.htm/>>, accessed 28 July 2011.

### 3.5.6 Responsibility for job-to-job transitions

In the previous sections, different actors were described that play a role in helping Swedish redundant employees into a new job. But who is responsible for this transition and who should take the lead? These questions were put to the Swedish interviewees. All respondents agreed that individuals themselves are responsible for job-to-job transitions in the first place, in the sense that people are responsible for their own lives. Furthermore, it is especially the trade unions' perspective that, besides strong unemployment insurance and good transition agreements, the role of PES is very important. According to several actors, the state has the duty of supporting the dismissed employees and, for example, providing incentives for lifelong learning and labour market training. In practice, collective job transition agreements are signed and developed by both parties: employees and employers.

A trademark of the Swedish labour market is to protect people instead of jobs. The trade unions and employers' associations negotiate these collective agreements in order to enhance mobility into new sectors. If a collective agreement is in force, both the trade unions and the employers maintain industrial peace. If there is no collective agreement, the trade union has the freedom to take industrial action, but in Sweden industrial action is rare because the trade unions realize that globalisation and restructuring is an inevitable change. They have a common interest to get people moving from sectors that are outdated. As previously mentioned in Chapter 2, in some other countries redundancy processes go hand in hand with industrial action and strikes (Table 2.4). Swedish employers' associations as well as the trade unions have a positive attitude towards new technologies and new jobs, and are involved in the transition process, in the first place via collective adjustment agreements. These 'gentlemen's agreements' result in a peaceful labour market situation, because both parties have agreed in advance how to help people from job-to-job in cases where jobs are at risk. At the time of the interviews, there was not so much a discussion about who should take the responsibility, but more who should step in first.

The actual practice is that transition foundations like the TRR and the TSL provide their service at an earlier stage. The individual draws up a CV and a plan to find a new job in close cooperation with a job coach. However, people who want to have access to the public unemployment benefit system have to register at PES and provide all the information again. Should an employee go to the job transition foundation as well as PES? And in which order? And what happens if the employee does not have a new job when the support from the transition foundation ends? At this moment these questions, about private and public responsibility, are on the Swedish policy agenda.

### 3.6 Performance

The labour market indicators presented in Chapter 2 (Table 2.5) give us a general overview of the performance of the Swedish labour market. The employment rate in Sweden is high (74.3%) compared to the average of the EU27 (65.9%). Moreover, the share of long-term unemployment is, in Sweden, the lowest of the countries examined (13.3%). This might mean that Swedish unemployed people find another job more quickly compared with employees in the other selected countries. Furthermore, it seems that insiders in the Swedish labour market have more employment security than outsiders. Young Swedish people face great difficulties entering the labour market, i.e., the unemployment rate amongst young Swedes is high (25%) and lies above the EU27 average (19.7%). In contrast with the youth, the participation rate of older people (55-64) is extremely high in Sweden (70%), certainly in comparison with the other countries examined and the EU27 average (46%).

After discussing the performance of the Swedish market on the basis of general labour market indicators, I will now turn to the performance of activities and measures to support redundant employees. However, hardly any data are available on the fate of dismissed employees. Bergström and Diedrich state that the general impression is that around 80% of the dismissed employees find new jobs within a period of nine months (Bergström & Diedrich, 2008) and they argue that there is a relatively weak relationship between redundancy and unemployment. This argument is based on previous work by Sjöberg and Tegsjö, who show that approximately twelve percent of workers who were notified about redundancy in 2002 were unemployed two years later. Figures from Statistics Sweden (*Statistiska centralbyrån*) also show that around 70% of dismissed employees find a new job within one year (Sjöberg & Tegsjö, 2007). Bergström and Diedrich's view is that, in the Swedish system, "those who have a job and lose it are often transferred into a new job within a relatively short period of time. Unemployment primarily hits those who want to enter the labour market – young people, migrants – or those who have been absent from the labour market for some time due to sick leave or parental leave, and so on" (Bergström & Diedrich, 2008).

Eliason and Storrie collected extensive information on Swedish redundant employees who lost a job in 1987 owing to a firm closure and followed them over both a pre-displacement period of four years and a post-displacement period stretching until 1999. Based on this study, they conclude that the Swedish displaced workers suffer both earnings losses and worsened labour-market position not only during a transitory period of adjustment but also in the longer run (Eliason & Storrie, 2006, 2009). Olsson and Storrie conclude that there are hardly any evaluations available with regard to measures addressed to redundant employees. They state that they are not aware of any research on the effects of policy measures in the long run and they argue that 'this is hardly

surprising as the data requirements for such research are immense' (Ohlsson & Storrie, 2007).

The transition agreements are an important feature of the Swedish labour market in helping people from job-to-job in the case of, e.g., a redundancy. In 2000, the Swedish government commissioned a study to gather and organize the knowledge and experience concerning the transition agreement (SOU, 2002). However, the committee of inquiry was not able to evaluate the adjustment agreements and transition foundation: the evidence and the time available were insufficient to meet the requirements of scientific quality. Thus, there was, and there still is, no comprehensive independent study available on the effectiveness of the adjustment agreements. One of the reasons is that it is very difficult to draw conclusions about the effectiveness of the adjustment agreements, because the prerequisites for support and the way the foundations are organised vary to a large extent. Nevertheless, the report suggests that the adjustment agreements have positive effects for those individuals covered by the agreement. The risk of unemployment decreases and most employees find a new job or start a business very quickly.

Deadweight loss means that resources have been spent on something that would have occurred anyway. According to the commission, the deadweight loss of the transition support is small, partly because the resources of the foundations are limited and partly because of the individual-oriented approach with gradual decision making. Furthermore, neither the employers' associations nor the trade unions, the parties that established the foundations, would have agreed to pay for something that is not needed.

The Swedish Agency for Public Management (*Statskontoret*) supports the government in evaluating and following up state and state-financed activities. This organisation analyzed and calculated the fiscal impact of the adjustment agreements and concluded that positive effects arise mainly through reduced costs of unemployment benefits and measures in social policy and by increased revenue in the form of income tax, social security contributions, and consumption taxes. Based on the calculated inflow to the TRR and the TSN in 1999, the positive effect on the public finances was estimated at SEK 2.2 billion (EUR 0.24 billion) in one year, assuming that the adjustment agreements shortens the average time of unemployment by 60%. These calculations date from the early 2000 made before the TSL system became effective.

Support is available for those covered by an agreement. There might be a selection effect that some clients embrace the offer of support more easily than others, but no data are available that could shed light on this possibility. The committee notes that the individual-oriented form of support should help reduce the risk of selection effects. Furthermore, the transition agreement applies in cases of redundancy. This means that the foundations do not take responsibility for upgrading the skills of the general workforce, but only for those

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whose jobs are at risk. The committee concludes that the transition foundations are important and necessary. The commission has a clear conception that the transition agreement foundation should not be subsidized by the state, because that could compromise their independence.

In the interviews, the representatives of the transition foundations TRR and TSL were asked whether evaluation reports were available. As explained previously, the various transition foundations differ in their organization. Firstly, in this section the results of the transition foundation of the blue-collar workers in the private sector will be described: the TSL system. Secondly, the results of the TRR, the foundation for white-collar or salaried employees in the trade and industry sector, will be discussed.

### *TSL system figures*

Table 3.7 presents the number of blue-collar workers in the private sector who were granted adjustment support within the TSL system between 2005 and 2009. Since the start of the financial crisis in the fourth quarter of 2008, the number of persons in the TSL system increased dramatically.

*Table 3.7: Number of persons granted adjustment support within the TSL system from the years 2005 to 2009*

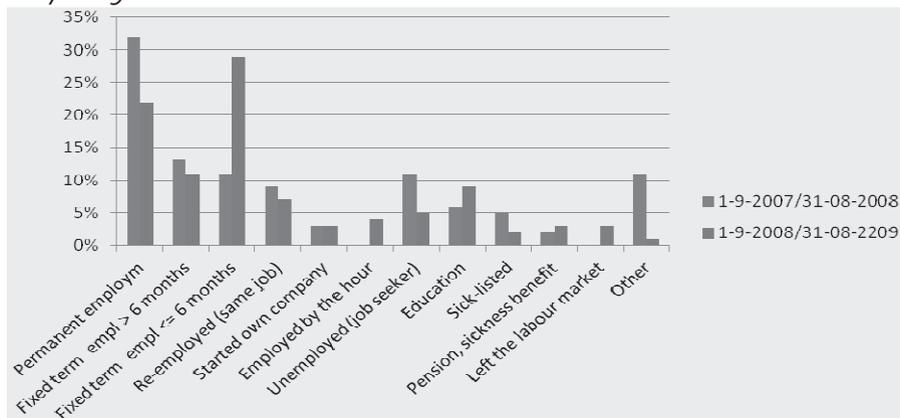
	2005	2006	2007	2008	2009	Total 2004-2009
Jan	755	1,447	1,111	986	6,459	
Feb	1,105	1,619	1,085	1,149	8,750	
March	1,376	1,480	1,160	1,010	8,807	
April	1,246	1,022	1,234	1,188	8,642	
May	1,073	1,441	658	1,152	7,835	
June	1,434	881	726	1,011	5,014	
July	1,444	480	483	1,315	3,238	
August	798	642	283	775	1,319	
Sept	1,129	1,004	919	1,493	2,724	
Oct	1,360	1,022	810	3,077	3,012	
Nov	1,523	1,227	1,122	4,130	2,801	
Dec	1,210	1,132	1,059	8,894	2,679	
Total	14,454	13,398	10,650	26,180	61,280	125,961

Source: TSL.

Figure 3.1 shows the results of the TSL adjustment programme. The graph displays the distribution of results for persons whose adjustment programme was completed between 1 September 2008 and 1 September 2009 and the corresponding previous year. Between September 2007 and August 2008, 12,496 applications for adjustment support were granted. In that period, 9,530 persons completed their adjustment programmes. In the next year, from

September 2008 until August 2009, the number of TSL applications granted increased tremendously to 67,659. In that year, 30,361 adjustment programmes were finished. Even though the crisis occurred in the fall of 2008, the number of persons who found a permanent or fixed-term job increased slightly compared with the previous year. Yet, we see a difference in types of contracts after completing the TSL programme when the crisis occurred: the number of permanent contracts decreased, while the number of fixed-term contracts (six months or less) more than doubled.

Figure 3.1: Results for persons who have completed TSL adjustment programme, 2007-2009



Source: TSL.

### TRR system figures

In the last decade, TRR has supported 158,000 redundant employees from 20,000 affiliated companies. TRR was also confronted with an increase of applicants for adjustment support owing to the current crisis. In 2009, 26,970 new TRR clients applied for support compared with 11,762 in 2008.

Table 3.8: Number of individuals applying for TRR support in the years 2005-2009

	2005	2006	2007	2008	2009
Applicants					
TRR Support	17,177	11,361	8,730	11,762	26,970

Source: TRR.

In 2009, 15,143 people left the TRR-system. 76% of them found another job, 8% started their own business and 7% started a course.

Of those persons who found a new job:

- 68% acquired a permanent contract;
- 28% were 50 years or older;
- 48% obtained a job with the same wage level and 25% found a new job with a higher wage level;

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- 14% obtained a higher function level in the new job, 74% acquired the same function level and 12% accepted a lower function level in the new job (source: TRR).

In the latest client satisfaction survey among 6,158 TRR customers, the TRR evaluated its services. 82% gave the TRR an overall assessment of good or very good. One of the questions put to the clients was the following: 'If you were once again made redundant, how likely is it that you would turn to TRR for help during this process?' 84% of the respondents gave a positive reply. Moreover, 77% of the respondents assessed the TRR's advisers as good or very good (source: TRR, SIFO, 2009).

As stated already, the transition agreements do not replace the activities of the Swedish Public Employment Service (*Arbetsförmedlingen*), but reduce the case load. The PES offers several types of support for jobseekers. Employees who have lost their job can also go to the PES and register their CV, search through available vacancies, and ask for help from the employment counsellors. However, the PES gives priority and special support to people with a weak position in the labour market, such as newly arrived immigrants, young people, people with disabilities and the long-term unemployed. In 2009, about 490,000 people registered at the PES were re-employed.

Table 3.9: Jobseekers who found work in 2009 via *Arbetsförmedlingen* (PES)

	Number of people
Young people	121,482
People born abroad	102,602
Disabled people	49,833
Long-term unemployed	41,826
Other	175,153
Total 2009	490,896

Source: PES.

### 3.7 Success and failure factors

One of the aims of the interviews was to identify success and failure factors of the Swedish system. A success factor listed by several Swedish experts is the importance of the collective transition agreements. The trust between trade unions and employers' associations can be seen as a precondition for the collective bargaining process. Both parties sign an agreement and feel responsible for a successful implementation. It is not something that the government has forced them to do. In fact, the trade unions and employers associations can control their

own goals for the future, primarily because of the limited intervention from the state. Both parties have their own intrinsic motivation to achieve good collective bargaining results. The result is a peaceful labour market without many strikes. Although one interviewee mentioned that the level of trust was higher before the crisis of the 1990s, a good relationship between unions and employers' associations is still one of the main features of the Swedish labour market model. This is reflected by the high trade union density. Moreover, Swedish employers are highly organised.

The Swedish system supports transitions, and that in itself is a success factor, according to one of the Swedish interviewees from a trade union federation. The aim is to support and protect people and not jobs. Some transition foundations have existed for a very long time. The Swedish transition foundation can be considered a structural system in which relevant parties are involved in order to help people from job-to-job in case of redundancy. In times of economic upswing, employers paid money into the fund and saved up for bad times.

According to TSL representatives, there are several key factors that are of great importance to successful re-employment. The first one is a rapid start of the adjustment programme. This means that the support should start as soon as possible after notice has been given. It is even more preferable to start the activities during the period of notice itself. Another success factor of the TSL adjustment support is that it is a tailor-made programme based on the personal needs and requirements of the worker. The TSL experience shows that, as a rule, the employees do not need so much help, but they need the right help. This means that the support must be designed at the individual level. Standardized support has to be avoided. The chance of success is also influenced by the commitment of both the individual and the job coach. The individual is responsible for the job-to-job transition. Nothing happens by itself and it is no good to just 'wait'. Yet, the job coach must motivate, support, and help the individual to take an active role.

The TRR interviewee also considered early intervention to be as one of the success factors. Furthermore, the TRR recruits its job coaches from companies within the private sector, normally HR managers, and almost all of them have a university degree. They have skills which enable them to gain trust with affiliated companies and trade unions as well as clients in transition. The job coach does not work for the company or for the trade union, but acts in the best interest of the individual who has to make a transition. The TRR coaches have a unique freedom to make immediate decisions, including financial support.

As already indicated, at the time when the interviews were conducted almost half of the workforce was covered by an adjustment agreement. It can be considered positive that also employees working in small companies who are covered by an agreement can apply for support if necessary. The other side of the coin was that the other half of the Swedish workforce is not (yet) covered by the adjustment agreements, but this will change in the near future. An inter-

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viewee of the Ministry of Employment mentioned that the adjustment agreements were concluded in sectors with the fewest redundancies. In other words, the agreements are concluded in the sectors where they are least needed. Moreover, workers employed in a sector covered by an adjustment agreement have a relatively generous transfer programme and they will find a job in a reasonable period of time. For outsiders, it was even more difficult to enter the labour market in the case of an economic downturn and, if they entered the labour market, they were offered temporary contracts instead of permanent jobs. However, in December 2010, a transition agreement was reached in the public sector. This implies that as from January 2012, the majority of the permanent employees will be covered.

### 3.8 Concluding remarks

In this chapter, the Swedish job-to-job transition arrangements have been discussed. The system can be summarized as a complex interconnecting system that actually consists of four different pathways which are coordinated by different actors.

The first and most important pathway to support redundant employees comprises the adjustment agreements and the transition foundations coordinated by trade unions and employers' associations. Several explanatory variables can be indicated for the introduction of these transition agreements. The first, and most important, reason for the emergence of the agreements is the strong role of social partners in regulating the Swedish labour market. Social partners are willing to come to an agreement and moderate their demands to reach a consensus, because in the future they will meet again around the negotiating table. Strikes are rare in Sweden and the trade union density is high. The underlying principle is mutual trust. The first transition agreement dates from the early 1970s. At that time Sweden was hit by the oil crisis, and the trade unions and employers in the Trade and Industry sector believed that the PES could not help white-collar workers with job-matching in a satisfactory way. Therefore, the TRR transition foundation was established. Another important explanation for the existence of the Swedish transition agreements is the Swedish view with regard to restructuring. Today, the Swedes, including the trade unions, realize that globalisation and restructuring are inevitable. They have a positive attitude towards new technologies and new jobs and, during the 1990s, a shift could be observed from job security to employment security. The Swedes rather protect people instead of jobs. The trade union for the blue-collar workers, the LO, was, until then, satisfied with the activities of the PES, but during the crisis in the early 1990s it became clear that job losses were inevitable and job-to-job support was necessary. This was the reason for the LO negotiating about a transition agreement for the blue-collar workers. Another reason was that the LO saw that the working method of the TRR transition

foundation was much more effective than the PES interventions.

The second pathway refers to in-house solutions, which are coordinated by individual firms. Large companies with enough financial means can set up internal programmes and create special units within the firm to support employees in finding another job in or outside the company.

The third pathway refers to the public route via the Public Employment Service, which is often not a direct transition from job-to-job, but an indirect one: from employed – to unemployment, and again to employment. Employees who have been given notices and are not covered by a transition agreement can decide to register at the Public Employment Service, which mediates between jobseekers and employers. The Swedish government commissioned the PES to find unemployed people suitable jobs as quickly as possible, but the problem is that fewer jobs are available due to the current crisis.

And finally, private market suppliers play a role in supporting redundant employees. The Public Employment Service and individual firms can outsource activities to private suppliers in order to support people from job-to-job. Until 1993, the private job-placement services were forbidden in Sweden but deregulation led to a significant expansion of the private outplacement industry.

Each pathway has its own restrictions and preconditions. For example, an adjustment agreement applies only to those employees who are working at companies that are covered by that agreement. Furthermore, the transition foundation can have eligibility criteria (see section 3.3). The in-house solution is an option for large companies. The private market route is probably the easiest way to take, provided that the employee or the individual himself pays for these private services. From past experience, Sweden learned that when the rules of the game are changed in one of the four pathways, this will have effects on the other pathways which are not necessarily predictable. For example, the Swedish government lowered the public unemployment benefit and this had a great impact on the transition funds because collective agreements top up the benefit to a certain percentage of the final wage. If the basis provided by the public government is lowered, the foundations have to compensate more. A trade union representative said that this had led to a deterioration of the power of the trade unions. The interviewee fears that if that development continues, the unions will lose legitimacy, while the government will introduce more legislation. The Swedish model with strong associations will then turn into something else. Sweden has a well-developed social security system. Most people who are unemployed are eligible for unemployment benefit. People do not have to take the first job available, but can wait to a certain extent for a 'suitable' job. A well-developed and comprehensive social security system is needed to prevent people from moving down the productivity ladder. The Swedish social security

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system has high levels of benefits and a universal coverage. This makes it an expensive system, which can only be sustained if there is a consistent commitment to full employment. Therefore, job-to-job transitions are important in the Swedish context.



## United Kingdom



## 4 United Kingdom

### 4.1 Background

#### 4.1.1 Political Background

In the 1930s, the United Kingdom (UK) had a system of social insurances against sickness and unemployment that consisted of benefits at a flat rate level, combined with residual means-tested assistance for people not covered by the insurance. In 1945, the Labour Party won the general election and defeated Winston Churchill's Conservative Party. The new government announced the introduction of a new welfare system based on the famous Beveridge report (1942). This announcement included the establishment of a compulsory system of social security and the erection of the National Health Service (NHS).<sup>23</sup> Several changes were made. Firstly, the insurance programme was made more universal and comprehensive. Secondly, although the benefit remained payable at a flat rate, the minimum levels were raised. Furthermore, the administration was unified (Gerven, 2008).

Between 1945 and 1979, Conservatives and Labour alternated in government. During the 1960s, the government introduced new provisions, e.g., the Supplementary Benefit (1966) and the social security expenditure rose. Social security expenditure on National Insurance and other non-means tested benefits increased during the 1960s and 1970s (Adler, 2004). The oil crisis in the mid 1970s, and the crisis in the early 1980s, hit the UK, resulting in low economic growth rates and a sharp increase in unemployment. In 1979, the Conservatives won the election and this heralded a new Conservative era, led by Thatcher and Major. Thatcher's ambition was to diminish the role of the state and to 'end the culture of dependency' and she aimed for more individual and private forms of social protection (Gerven, 2008). Incentives were introduced, e.g., reducing tax rates, to encourage people to enter into and remain in the labour market. In order to reduce public expenditure, earnings-related elements were removed and all benefits were made flat-rate. Furthermore, the role of means testing increased (Adler, 2004). Nevertheless, due to economic circumstances unemployment rose and expenditure on social security increased. Between 1997 and 2010, the Labour Party was in government, first led by Blair and, in 2007, succeeded by Brown. The stricter benefit regime, introduced by the former conservative governments, continued, but the government wanted to create a new balance between rights and responsibilities. The welfare reform package is based on the conception of citizenship that emphasizes equally the importance

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<sup>23</sup> The new NHS system was partly built on the National Insurance Act set up by Lloyd George in 1911.

of “entitlements” and “obligations”, especially the obligation to work. The main principle of social policy became “work for those who can; security for those who cannot” (Hyde, Dixon, & Joyner, 1999). Several new programmes were implemented at different times during the Labour government’s term of office, also referred to as the New Deal. The aim of this set of Welfare to Work policies was to get young people, long-term unemployed people, and lone parents into work. The underlying belief was that work is the best way out of poverty.

In 2002, Jobcentre Plus was established from a merger of the former Public Employment Service (PES) and the Benefits Agency. Between 2002 and 2008, a network of more than 700 modernised Jobcentre Plus Offices replaced the 1,500 jobcentres and social security offices across Great Britain (House of Commons Committee of Public Accounts, 2008). Jobcentre Plus is responsible for those who are able to work, while the Pensions Agency deals with persons who are not able to participate in the labour market. Making work pay was one of the aspirations of the Labour Government. Therefore, a minimum wage was introduced in April 1999. In addition, several tax credits were implemented.

In May 2010, a general election was held. The Conservative Party, received the largest proportion of the vote, but did not won outright, falling twenty seats short. No party was able to command a majority in the House of Commons. After 13 years of Labour government, the UK has currently a Coalition Government of Conservatives (led by Cameron) and Liberal Democrats (led by Clegg). This Coalition Government announced radical reforms stimulated by an urgent need for cost effectiveness. The intention is to transfer power from Government to individuals, employers and training providers (Department for Business Innovation and Skills, 2010a).

#### **4.1.2 Economic history and labour market features**

Early in the 20<sup>th</sup> century, the UK was involved in World War I (1914-1918). Still not totally recovered from the effects of this war, the UK was confronted with a profound economic depression in the early 1930s, which lasted until the start of World War II. This worldwide economic depression is also known as Great Depression or Great Slump (Cole & Ohanian, 2002). The unemployment rate increased from averaging 4% during the 20 years before World War I to averaging 10% even during the expansion of the late 1920s and late 1930s (Benjamin & Kochin, 1982). The British economy recovered after World War II, with economic growth in the 1950s and 1960s. In this period the unemployment rate varied from 1.1% to 2.2% (Kalachek & Westebbe, 1961). After this period of prosperity, with almost full employment, unemployment started to rise due to the oil crises in the 1970s. In the 1980s, unemployment rose further with more than 3,000,000 unemployed in 1984 (just under 12%) (ILO, Labour Force Survey). The economy recovered in the late 1980s and declined below the 2,000,000 (7%) in 1990. Subsequently, the UK was hit by another recession and unemployment

rose again to nearly 3,000,000 in 1993 (around 10%). Since then, unemployment declined during the economic upswing to 1,800,000 in the mid 2000s (5.8%) (Leaker, 2009). The boom ended in 2008, when the UK entered a new recession brought about by the global financial crisis. In 2009, the unemployment rate increased to just under 2,500,000 (7.6%).

#### 4.1.3 Legal framework on redundancy and unemployment insurance

As previously explained in section 2.1, employment protection in the UK is less strict compared to the other countries examined. This does not mean that there is no regulation regarding redundancy and dismissals. In this section the Employment Rights Act, the Trade Union and Labour Relations (Consolidation) Act and the Company Act will be described. Legislation regarding income security after dismissal will also be addressed. This legislation and regulations are part of the institutional setting which is a relevant element in the analytical framework used in this thesis.

##### *The Employment Rights Act 1996*

In 1996, the Employment Rights Act (ERA) came into force, consolidating the right not to be unfairly dismissed previously set out in the Employment Protection (Consolidation) Act 1978. This right is irrespective of whether the dismissal concerns a single employee or massive redundancy. Employer and employee agree in the employment contract on the period of notice. However, the ERA regulates, among other things, the statutory minimum period of notice.<sup>24</sup> The employee, who has been continuously employed for one month or more, has at least a one week's notice if the period of continuous employment is less than two years. If the duration of employment is two years or more, but less than twelve years, the notice period is one week's notice for each year of continuous employment in this period. The notice period is not less than twelve weeks, if the period of continuous employment is twelve years or more. Before giving notice, the employer will have to comply with the provisions of the ERA, in respect of having a fair reason for dismissal (Kempen et al., 2008). In contrast to Sweden, the UK has a statutory right to redundancy pay, which is administered under Part XI, section 135 of the ERA. The ERA states that an employer can dismiss an employee by reason of redundancy, if the dismissal is wholly or mainly attributable to the fact that:

- the employer has ceased, or intends to cease, to carry on the business for the purposes of which the employee was employed; or
- the employer has ceased, or intends to cease, to carry on the business in the place where the employee was employed; or
- the requirements of the business for employees to carry out work of a

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<sup>24</sup> Section 86 ERA.

## UNITED KINGDOM

particular kind have ceased or diminished or are expected to cease or diminish; or

- the requirements of the business for the employees to carry out work of a particular kind, in the place where they were so employed, have ceased or diminished or are expected to cease or diminish.<sup>25</sup>

Section 162 of the ERA governs the calculation of the statutory redundancy pay and is based on the length of service, the age, and the weekly pay, up to a certain limit.<sup>26</sup> The employee must have worked continuously for the employer for at least two years before being made redundant. For each complete year of service up to a maximum of 20 years, employees who are declared redundant are entitled to:

- half a week's pay for each year of service under the age of 22;
- one week's pay for each year of service where the employee is aged 22 to 40 year;
- one and a half week's pay for each year of service where the employee is aged 41 or over.

The statutory redundancy pay is also due when a fixed-term contract of at least two years runs out and is not renewed because of redundancy.<sup>27</sup> If the employer cannot pay the severance pay because of serious financial problems, the government, in the form of the Department for Business, Innovation and Skills (BIS), will pay the redundant employee directly (TUC, 2010a). The following employees have no entitlement to statutory redundancy pay:

- those who have less than two years' continuous employment;
- the self-employed;
- those not employed under contracts of employment;
- civil servants and other public employees, including NHS workers who are covered by their own collective agreements;
- foreign government employees;
- seafaring employees paid by share of the catch;
- domestic workers employed by close relatives;
- employees who are married to their employer.<sup>28</sup>

If a company intends to make an employee redundant, the company must consider whether there are other jobs available, which the redundant employee

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<sup>25</sup> Section 139 ERA.

<sup>26</sup> From 1 February 2010 GBP 380.

<sup>27</sup> <[http://www.direct.gov.uk/en/Employment/RedundancyAndLeavingYourJob/Redundancy/DG\\_10029836](http://www.direct.gov.uk/en/Employment/RedundancyAndLeavingYourJob/Redundancy/DG_10029836)>, accessed 22 December 2010.

<sup>28</sup> Section 155-161 ERA.

would be capable of doing. The dismissal is regarded as unfair if there is a suitable job available and the employer does not offer it to the redundant employee. In that event, the employee can make a claim to an employment tribunal. If an employee unreasonably refuses a suitable alternative job offer, the law removes the entitlement to have a statutory redundancy pay.<sup>29</sup> The alternative job offer must be made before the current job ends.

The employee is entitled to a four weeks' trial period<sup>30</sup>, without losing the right to statutory redundancy pay. During this trial period the employee can decide that the job is unsuitable. The employment rights, including the statutory redundancy pay, will not be affected, if the worker informs the employer that the new job is not suitable during the trial period.<sup>31</sup>

#### *Trade Union and Labour Relations (Consolidation) Act (TULRCA)*

In 1992, the British Trade Union and Labour Relation (Consolidation) Act came into force. The statutory definition of redundancy in the TULRCA is wider than the definition in the ERA. Section 195 of TULRCA, refers to dismissals as redundant as 'dismissals for a reason not related to the individual concerned or for a number of reasons all of which are not so related'. This means that the redundancy definition of TULRCA includes those within the ERA, but has also a wider application, for example, in a situation where dismissals are not related to the conduct or capability of the individuals, but are part of a reorganisation where there is no reduction in the overall numbers employed, because the employer has recruited new staff (Acas, 2010). The statutory redundancy consultation and notification provisions, which are in agreement with the EU Directive relating to redundancy (Directive 98/59), are contained in the TULRCA. An employer who is to contemplate the dismissal of twenty or more employees at one establishment over a period of 90 days or less, has a statutory duty to consult representatives of any recognised independent trade union, or if no trade union is recognised, other elected employees.<sup>32</sup> This consultation period is at least thirty days, if the employer is proposing to dismiss more than twenty but less than one hundred employees. The consultation period is at least 90 days, if the employer is proposing to dismiss one hundred or more employees (section 188 1a TULRCA). The consultation should include ways of avoiding the dismissals, reducing the number of employees to be dismissed and mitigating the consequences of dismissals and should be undertaken by the employer with a view to reaching agreement with the appropriate representatives (section 188

<sup>29</sup> Employment rights act, section 141 (2).

<sup>30</sup> Negotiators are free to sign contractual agreements which give longer (but not shorter) trial periods (Labour Research Department, 2009).

<sup>31</sup> <[http://www.direct.gov.uk/en/Employment/RedundancyAndLeavingYourJob/Redundancy/DG\\_10029844](http://www.direct.gov.uk/en/Employment/RedundancyAndLeavingYourJob/Redundancy/DG_10029844)>, accessed 22 December 2010.

<sup>32</sup> Section 188 TULRCA.

2 TULRCA).

Another requirement is that employers have a statutory duty to notify in writing the Secretary of State if they propose to make twenty or more employees redundant at one establishment over a period of 90 days or less (section 193 TULRCA). In practice, this is done by submitting a form to the Redundancy Payments Office at the Department for Business, Enterprise and Regulatory Reform (Labour Research Department, 2009). When fewer than twenty employees are made redundant, the employer is not legally obliged to carry out collective consultation with the trade union or employee representatives, but has to carry out individual consultation (Labour Research Department, 2009).

At the outset of the collective consultation process the employer has to inform the employee representatives of:

- the reasons for the redundancy proposal;
- the number and descriptions of the proposed redundant employees;
- the total number of employees of any such description employed by the employer and the establishment in question;
- the proposed method of selecting the employees who will be dismissed;
- the proposed method of carrying out the dismissals, with due regard to any agreed procedure, including the period over the course of which the dismissals are to take effect; and
- the proposed method of calculating the amount of any redundancy pay (if this is more than the statutory minimum).

Objective criteria to determine which employees are to be selected for redundancy should be defined and capable of being applied in an independent way. These criteria should be narrowed down in consultation with trade union or other employee representatives. However, before an employer can apply any selection criteria, it must decide on the group of employees from which those to be made redundant will be selected (Labour Research Department, 2009). In practice, the following selection criteria are commonly used: skills or experience (40%), attendance record (35%), performance (31%), disciplinary record (26%), length of service (22%), experience (20%), qualifications (19%), knowledge of the job (14%), flexibility (14%), last in, first out (12%) (Acas, 2010; Labour Research Department, 2009).

The employer and trade unions should take care that the selection criteria are not discriminatory on any grounds. According to the Chartered Institute of Personnel and Development (CIPD), the 'last in, first out' selection is risky because of the age discrimination legislation which came into force in 2006. Those with shorter engagement of office are likely to be younger employees and employers could lay themselves open to the risk of claims for indirect age

discrimination. Therefore, the LIFO principle should not be used as a sole method of selection but might be relevant as part of a wider range of selection criteria.<sup>33</sup> The Labour Research Department, an independent trade union-based research organisation, also suggests that LIFO agreements have been questioned, because they have the potential to discriminate (Labour Research Department, 2009). However, tribunals have mixed views as to whether the LIFO procedure is unlawful and it seems that interpretations suggest that LIFO as one criterion for selection is acceptable, but having it as the sole criterion is more open to challenge (Labour Research Department, 2009).

*Fixed-term Employees (Prevention of Less Favourable Treatment) Regulations 2002 (FTEr)*

Employees with a fixed-term contract working directly for the employer are covered by the Fixed-term Employees (Prevention of Less Favourable Treatment) Regulations 2002 (FTEr) and must be treated in the same way as permanent employees, including into redundancy rights (Labour Research Department, 2009). However, agency workers are not treated in the same way as permanent employees regarding redundancy rights, unless they can show that they are part of the workforce to such an extent that they would be considered to be an 'employee' of the company (Labour Research Department, 2009).

*Jobseeker's allowance act*

An unemployed person who is actively looking for work can apply for a Jobseeker's Allowance (JSA). The predecessors of the JSA were a compulsory Unemployment Insurance Benefit and a means-tested Supplementary Benefit or, as from 1986, Income Support. In 1995, the new JSA Act was introduced. This benefit comprises a flat rate insurance paid subject to contributions (contribution based JSA) and an income based element for those not having any entitlement under the insurance programme. The contribution based Jobseeker's Allowance is based on how much national insurance contributions a person has paid in the previous two years, and is paid up to 182 days. The maximum weekly rate for those aged 25 or over is GBP 67.50 (EUR 77.68) and for those aged 16-24 GBP 53.45 (EUR 61.51).<sup>34</sup> For the income based Jobseeker's Allowances the claimants' (household) income, pension and savings are taken into account (Jobcentre Plus, 2008). A person might be able to claim income-based JSA if he/she did not pay enough national insurance contributions or if the contribution based JSA has run out. The maximum weekly rates for the income-based JSA

<sup>33</sup> <<http://www.cipd.co.uk/subjects/emplaw/redundancy/redundancy.htm>>, accessed 29 November 2010.

<sup>34</sup> <[http://www.direct.gov.uk/en/MoneyTaxAndBenefits/BenefitsTaxCreditsAndOtherSupport/Employedorlookingforwork/DG\\_10018757](http://www.direct.gov.uk/en/MoneyTaxAndBenefits/BenefitsTaxCreditsAndOtherSupport/Employedorlookingforwork/DG_10018757)>, accessed 11 October 2011

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are, for single people, aged under 25, GBP 53.45 (EUR 61.51), for single people aged 25 or over, GBP 67.50 (EUR 77.68), and GBP 105.95 (EUR 121.94) for couples both aged 18 or over.<sup>35</sup> In order to get a JSA the claimant must fulfil several conditions. The person is unemployed or working less than 16 hours per week, and actively seeking another job. Furthermore, the claimant must be under state pension age<sup>36</sup> and over the age of 18, capable of work, living in the UK and not participating in full-time education. The claimant also needs a 'jobseekers' agreement'. This document sets out the steps the unemployed person will take to find work. Jobcentre Plus administers the JSA and a personal adviser checks the progress against the jobseeker's agreement (Jobcentre Plus, 2008). At least once every fortnight, the unemployed person has to visit the local Jobcentre to sign a declaration that states that he has been looking for work and is still available for work and that nothing has changed that could affect the Allowance (Jobcentre Plus, 2008).

The net replacement rates during the initial phase of unemployment are presented in table 4.1. The OECD net replacement indicator measures the proportion of expected income from work which is replaced by unemployment and related welfare benefits. The earning level refers to the average of replacement rates for unemployed persons who earned 67% and 100% of average working earning at the time of losing their jobs.

Table 4.1 shows that British employees who lose their jobs will be confronted with a considerable income loss during the initial phase of unemployment.

*Table 4.1: Net Replacement Rates in UK in percentages for six family types: initial phase of unemployment, 2009, by earning level of average wage (AW)*

Earning level	Family type						Overall average
	No children			Two children			
	Single Person	One-earner married couple	Two-earner married couple	Lone Parent	One-earner married couple	Two-earner married couple	
67% of AW	55	66	59	74	79	68	67
100% of AW	38	46	49	64	71	57	54

Source: OECD<sup>37</sup>

<sup>35</sup> <[http://www.direct.gov.uk/en/MoneyTaxAndBenefits/BenefitsTaxCreditsAndOtherSupport/Employedorlookingforwork/DG\\_10018757](http://www.direct.gov.uk/en/MoneyTaxAndBenefits/BenefitsTaxCreditsAndOtherSupport/Employedorlookingforwork/DG_10018757)>, accessed 11 October 2011.

<sup>36</sup> Currently, 65 for men and 60 for women. The State Pension age for women born on or after 6 April 1950 will gradually increase to 65 between 2010 and 2020. The State Pension age for both men and women born on or after 6 April 1959 will change further from 2024 to reach 68 by 2046 (Jobcenter Plus, 2008).

<sup>37</sup> <[http://www.oecd.org/document/3/0,3343,en\\_2649\\_34637\\_39617987\\_1\\_1\\_1\\_1,00.html](http://www.oecd.org/document/3/0,3343,en_2649_34637_39617987_1_1_1_1,00.html)>, accessed 12 July 2011.

*Companies Act 2006*

In 2006, the Companies Act came into effect. According to this law, company directors should consider how their business impacts on people and their environment.<sup>38</sup> Large businesses are also obliged to publish their impacts in annual reports.<sup>39</sup> One likely implication could be that companies would like to boost their corporate social responsibility image and therefore offer redundant employees trajectories through external outplacement bureaus. In 2010, the companies Act was evaluated, but unfortunately the evaluation report did not address the corporate social responsibility policies in relationship to providing job-to-job support (Fettiplace & Addis, 2010).

## 4.2 Type of support to find work after redundancy

### 4.2.1 Jobcentre Plus Rapid Response Service (RRS)

Jobcentre Plus is an executive agency of the Department of Work and Pensions and is responsible for a wide range of UK policies to support the transition from unemployment to employment. It brings job finding and benefit services together in one organisation. The UK experienced economic growth in the mid 1990s, but also, during this period of declining unemployment rate (see figure 2.3, section 2.2), a number of redundancy situations arose. In the light of closures of big companies which resulted in the loss of many jobs, the government announced, in 1998, at the TUC Congress, the creation of a Rapid Response Fund. The Employment Service, the predecessor of the Jobcentre Plus, introduced regional Rapid Response teams at regional level. The Secretary of State for Employment then established a flexible Job Transition Service (JTS) in order to tackle significant redundancy processes. This was a pilot in 2001 which was subsequently renamed the Rapid Response Service (RRS) and which became operational in 2002 (House of Commons, 2008; Johnson, 2003; TUC, 2009b). Early intervention is the main objective of the RRS. The idea is that the RRS prevents redundant employees from making a JSA claim. Unemployed people are entitled to use the services of Jobcentre Plus. However, many of these more intensive services, e.g., intensive support, guidance and training activities, were only available to people who had been unemployed for a long period of time; six or twelve months (Johnson, 2003). This was not desirable in the event of large scale redundancy, so 'fast track' access was organized by the local Jobcentre Plus offices, resulting in immediate support for people as soon as they received their

<sup>38</sup> Section 172 Business Act 2006, [http://www.imolin.org/doc/amlid/UK\\_Companies\\_Act\\_2006.pdf](http://www.imolin.org/doc/amlid/UK_Companies_Act_2006.pdf).

<sup>39</sup> Section 417 Business Act 2006 [http://www.imolin.org/doc/amlid/UK\\_Companies\\_Act\\_2006.pdf](http://www.imolin.org/doc/amlid/UK_Companies_Act_2006.pdf).

notice. As the name suggests, Jobcentre Plus helps employees and employees via the RRS by giving those facing redundancy access to the service of Jobcentre Plus and its partners before they actually lose their jobs. Originally, Jobcentre Plus provided the RRS in cases of 'significant' redundancy, which means 'a 'large scale' redundancy that is deemed to have a significant impact on the local area within which the proposed job losses are to take place' (Johnson, 2003). A redundancy that is relatively small numerically within a small village with few alternative job opportunities could also be considered as significant. In response to the recent economic downturn, the British Government extended the RRS in November 2008 and the service is now available to any employer considering dismissing redundant employees (TUC, 2009b). Formerly, the Jobcentre Plus contacted and offered support to employers who met the statutory requirement to notify the Insolvency Service when making twenty people or more redundant. With the expansion of the RRS, Jobcentre Plus currently also makes effort to identify companies making fewer than twenty people redundant. Where identified<sup>40</sup> these employers are also contacted and offered support.

In the fall of 2008, Jobcentre Plus saw that the economy was starting to slow down and some very large companies were going out of business. For example, some major retail companies such as Woolworths, a very big chain with shops employing 40 to 50 people in most towns of the country, were affected by the crisis. In the UK 807 Woolworth's stores closed between 27 December 2008 and 6 January 2009 resulting in 27,000 job losses.<sup>41</sup> Jobcentre Plus intensified the RRS. Companies have been able to contact the national Rapid Response Team and inform them how many workers will be made redundant. According to the Jobcentre Plus respondent, there is usually good partnership between Jobcentre Plus and local employers. The Jobcentre Plus account manager has regular contact with local employers to see if they are recruiting someone. The idea is that the minute the Jobcentre Rapid Response Team hears of a redundancy or a firm closing down everything is called together and Jobcentre Plus sets up the RRS. This might mean that a member of the rapid response team gives group session presentations in the company or at the local Jobcentre and informs the redundant employees about available jobs, the procedure to make a JSA claim, and additional support to find another job as quickly as possible.

The local Jobcentres receive from the regional office the notification which employers are making redundancies of twenty people or more. Jobcentre Plus contacts the employers and asks them what kind of support they would like. Subsequently, Jobcentre Plus provides information about the type of support

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<sup>40</sup> <<http://www.publications.parliament.uk/pa/cm200708/cmhansrd/cm081126/text/81126w0122.htm>>, accessed 22 December 2010.

<sup>41</sup> <<http://news.bbc.co.uk/2/hi/business/7787904.stm>>, accessed 2 December 2010.

they can actually offer in order to support the companies through this process. One interviewee of the Jobcentre Plus mentioned that what also occurs is that the Rapid Response Team gets in touch with employers who are thinking about making redundancies in due time. In the very early stage these conversations are confidential and the word 'redundancy' is not mentioned in order to prevent social unrest in the company.

A redundant employee has to make a JSA claim at the Jobcentre where he lives; this is not necessarily the place where he was employed. In practice, this could mean that only one redundant worker visits that specific local Jobcentre, because other employees of the same company live in other places. In that event, Jobcentre Plus can offer a rapid response training course that is put together for individual redundant workers from different companies. This is a Jobcentre Plus funded programme and is delivered by a training provider.

The Secretary of State for Work and Pensions was asked by Parliament by what means his Department has informed employers of the existence of the Jobcentre Plus RRS since it was established. On 12<sup>th</sup> January 2009 this question was answered in a letter to Parliament by the chief executive of Jobcentre Plus. In this letter he stated: 'Employers are made aware of the service in three main ways. First, Jobcentre Plus is informed by the Department for Business, Enterprise and Regulatory Reform when employers notify redundancy of 20 or more employees. We contact each of those employers to discuss the range of support that Jobcentre Plus is able, with its partners, to offer employees, and to decide which measures will be helpful. Second, we provide information through channels that employers use regularly, including: the Jobcentre Plus website [www.jobcentreplus.gov.uk/employers](http://www.jobcentreplus.gov.uk/employers), the websites of organisations who help to deliver the rapid response service to employers and a range of leaflets and business/trade media. Third, some employers receive an account management service from Jobcentre Plus in return for their commitment to helping our individual customers to find work. In that context, employers facing difficulties may discuss their needs directly with Jobcentre Plus and appropriate levels of support will be offered'.<sup>42</sup>

When a small company does not inform Jobcentre Plus about their closing down, the local Jobcentre Plus might not find out that employees would lose their jobs. Therefore, the Jobcentre RRS, the insolvency trade body R3<sup>43</sup> and the

<sup>42</sup> <<http://www.publications.parliament.uk/pa/cm200809/cmhansrd/cm090112/text/90112w0011.htm>>, accessed 20 December 2010.

<sup>43</sup> R3 is an association of Business Recovery professionals which provides advice concerning insolvency and business recovery to employers. For more information see: <https://www.r3.org.uk/>.

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Insolvency Service<sup>44</sup> have joined forces to develop a system of sharing information about possible job losses in struggling companies.<sup>45</sup> On 22 October 2009, this collaboration was laid down in a Memorandum of Understanding.<sup>46</sup> In the past, Jobcentre Plus was not always aware of the situation in companies who registered at the Insolvency Service, but neglected to inform Jobcentre Plus about their economic circumstances. With this agreement R3 and the Insolvency Service will inform Jobcentre Plus as soon as redundancies are made. This liaison enables Jobcentre Plus to help more companies more quickly, so that people who have lost their jobs find new positions or training courses as soon as possible.

### *Active support*

The first step in the RRS is to make employers aware of the support Jobcentre Plus and the Department of Work and Pensions can offer. The help provided by the RRS is flexible; it is not a fixed menu or model and depends on the employer's and redundant worker's needs. The service provided to employers and employees are free services. For example, one to one sessions with people being made redundant are offered. Furthermore, presentations are given in the Jobcentre Plus office or at the employer's premises. Everyone of the workforce can attend these presentations. Usually, Jobcentre Plus liaises with all kinds of organisations to get them involved on the same day and to get them into presentations as well. For example, in these sessions Jobcentre Plus promotes free training which the National Skills Academy can provide. These academies deliver specialised skills to employees and learners to help them respond to the business needs. They provide free training and employability courses to basically everyone, but their work in liaison with the Jobcentre Plus Rapid Response team concerns mostly people that have been made redundant and the recently unemployed. These Academies operate in several sectors and are established, shaped and led by employers.<sup>47</sup>

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<sup>44</sup> The Insolvency Service is an executive agency of the Department for Business, Innovation and Skills (BIS) and has four main goals: 1) to maintain and develop world class insolvency law framework, 2) to deliver key public services that support the insolvency framework, 3) to deliver and promote an effective investigation and enforcement regime, 4) to ensure an organisation devoted to continuous improvement (Insolvency service, 2010).

<sup>45</sup> <<http://www.personneltoday.com/articles/2009/10/22/52679/jobcentre-plus-r3-and-the-insolvency-service-set-up-joint-pre-redundancy-service.html>>, accessed 7 December 2010.

<sup>46</sup> See: <<http://www.insolvency.gov.uk/insolvencyprofessionandlegislation/iparea/JCP-R3-IS%20MoU%2022nd%20Oct%2009.pdf>>, accessed 7 December 2010.

<sup>47</sup> <<http://www.businesslink.gov.uk/bdotg/action/layer?en&topicId=1085744683&en&topicId=1085744683>>, accessed 7 December 2010.

Employees who are formally declared redundant can be helped through RRS interventions. However, information, advice and guidance service can be accessed before the employer has given the employee their formal notice (TUC, 2009b). A dismissed worker can make use of the regular information, advice and guidance services of Jobcentre Plus. Moreover, redundant employees can be advised about vacancies, job search, writing a CV and interview techniques.

In one of the interviews the Jobcentre Plus respondent explained that Jobcentre Plus has a database with vacancies. The Jobcentre Plus database of job vacancies is the largest in Britain and takes around 10,000 new vacancies every working day (Department for Work and Pensions, 2009b). No employer is forced to place vacancies with the Jobcentre Plus; therefore the Jobcentre Plus does not have a 100 percent market share of the vacancy market. One of the interviewees estimates the Jobcentre Plus vacancy market share at 40 percent. This corresponds with 2002 figures derived from the Vacancy Survey which suggest that the Jobcentre Plus vacancy market share lies between a third and a half (Bentley, 2005). Also, the latest report on the triennial review of the vacancy survey suggests that Jobcentre Plus has a partial share, possibly less than half, of all vacancies (Office for National Statistics, 2009). When an employer places a vacancy at Jobcentre Plus, Jobcentre Plus will put the vacancy on the Directgov employment website, on the Jobcentre Plus network of electronic touch-screen terminals in Jobcentre Plus offices and in local communities across Britain and through Jobseeker Direct. The latter is a Jobcentre Plus phone service for people applying for jobs which provides the latest job vacancies and helps people to find the right job.

The RRS can offer a wide range of existing programmes from Jobcentre Plus and its partners. Individuals who are threatened by unemployment can have their skills assessed. Another form of active support is that training can be provided for work in quality jobs that are available in the local market. It is also possible to obtain certificates for previously uncertified skills (TUC, 2009b).

An employee who has lost his job can register at a local Jobcentre office. The Jobcentre Plus advisers are able to provide the local services to the newly unemployed which are, e.g., referrals to training courses or job search activities. After about two weeks of claiming a JSA, Jobcentre Plus gives newly unemployed people the chance to come to a group session meeting. They get a presentation on the different ways they can improve their job search and the services that are offered in the Jobcentre Plus office, and what training providers can offer them. Furthermore, details of the latest vacancies are presented. These group session meetings are optional for the newly unemployed.

The members of the Rapid Response Team meet a lot of workers who will lose their jobs in the near future. If the Rapid Response Team identifies a customer as a potential employee for another employer, they inform the matching team and encourage the redundant employee to apply for the vacancy. Jobcentre Plus tries to find as many options as possible, with the view of trying to help a

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customer to find work as quickly as possible. It also depends on the job the customer has left and the qualifications he has as to how much additional training can be provided.

The Rapid Response team can put the redundant customer in touch with the national skills advisory teams, so that they can provide very early support and access to training which is available and free. Jobcentre Plus advisers spend the first thirteen weeks after the JSA claim, encouraging the customers to look for jobs that they feel they are able to do, based on their existing skills and their existing experience. When they have been unemployed for a longer period of time i.e., six months, the Jobcentre Plus adviser sits down with the customer and looks at their skills and considers what kind of jobs they would be able to do. They can identify training for a customer to help them to use their existing skills in a particular sector with a realistic view. One of the tools that is provided as part of the package is the Skills Transfer Analysis. This tool compares the skills the redundant employee has with those required to find work in the labour market. An overview of their transferable skills will be provided and advice will be given about skills that are in demand locally. Where skills gaps are identified, the RRS can offer early access to programmes. Moreover, job focused training can be followed in order to fill the skills gaps quickly. The aim of this training is to help the person to gain the necessary skills to find work quickly. This does not mean that this training leads directly to a qualification.<sup>48</sup>

Specialist Advisers can help workers identify their transferable skills and give advice about skills that are in demand locally. Where this analysis identifies a specific problem, the Rapid Response Service can offer early access to a wide range of existing programmes such as Work Based Learning for Adults or Programme Centres. Where practicable, people can be put on a programme up to three months before they become unemployed.

### *Financial support*

Jobcentre Plus is also responsible for the administration of social security in the UK. A Jobcentre Plus new claim adviser, or a personal adviser, can explain to the redundant worker how to make a claim for the JSA. The JSA provides income security for the period in-between jobs. The Jobcentre Plus respondent explains that they try to coordinate the activities. So, if Jobcentre Plus staff knows that someone is being made redundant, they try to book an appointment the day after. The Trade Union Congress argues that advice about tax issues, self-employment, benefits and pensions will be available at Jobcentre Plus or its partners, but they cannot offer the sort of advice that is better provided by an

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<sup>48</sup> <[www.publications.parliament.uk/pa/cm200809/cmhansrd/cm090223/text/90223wo019.htm#09022327001173](http://www.publications.parliament.uk/pa/cm200809/cmhansrd/cm090223/text/90223wo019.htm#09022327001173)>, accessed 22 December 2010.

independent financial adviser (TUC, 2009b). Jobcentre Plus can also offer one-off support to address individual barriers to re-employment linked to specific job offers, e.g., tools, travel costs (TUC, 2009b). As a response to the economic downturn, Jobcentre Plus provided extra help for new JSA customers, including information and support about finding work, and additional financial help with mortgage payment (Department for Work and Pensions, 2009b).

#### 4.2.2 Response to Redundancy Programme (R2R)

The Skills Funding Agency is an agency of the Department for Business, Innovation and Skills (BIS) and is one of the successors of the Learning and Skills Council (LCS), which was dissolved on 31 March 2010. In section 4.6.2, the history and the function of the LCS will be described. The Skills Funding Agency finances and regulates further education for those aged 19 and over and has several programmes.<sup>49</sup> One of the biggest national programmes is the Train to Gain programme which was introduced in April 2006 (Department for Business, 2009). This scheme aims to meet the needs of employers through on the job training to improve the skills of their workers as a route to improving their business performance.<sup>50</sup> In response to the current economic downturn, the Train to Gain programme provided additional support to help companies tackle these tougher times, including more fully funded training, and funding for shorter, focused training programmes for small and medium sized companies in the private sector.<sup>51</sup> In other words, the Train to Gain programme was set up as a service for employers which helps them to improve their productivity by developing the skills of their workforce (Skills Funding Agency, 2010b). However, in the light of the inevitable constraints on the public finances, the Government has decided that Train to Gain will be abolished (HM Treasury, 2010b). Henceforth, funding for workplaces training on SMEs will be prioritized (Department for Business Innovation and Skills, 2010a).

Moreover, the Skills Funding Agency has programmes aimed at the delivery of appropriate skills provision to the unemployed; Jobcentre Plus customers are a priority group. The Department for Work and Pensions (DWP) enters into contracts with providers to deliver support to the unemployed Jobcentre Plus customers. The Jobcentre Plus support includes job search support and employability training, but does not normally include occupational or vocational skills training. One of the interviewees argues that the service of the Jobcentre

<sup>49</sup> <[http://skillsfundingagency.bis.gov.uk/aboutus/faqs/#\\_How\\_is\\_it](http://skillsfundingagency.bis.gov.uk/aboutus/faqs/#_How_is_it)>, accessed 17 January 2011.

<sup>50</sup> <[http://www.traintogain.gov.uk/Helping\\_Your\\_Business/extrasupport/](http://www.traintogain.gov.uk/Helping_Your_Business/extrasupport/)>, accessed 15 December 2010.

<sup>51</sup> <<http://www.traintogain.gov.uk>>, accessed 15 December 2010.

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RRS is about how to get into a new job very quickly and to help with things like CV writing or letters of application, which is very basic level support. The interviewee continues with: "It is not that the RRS provides proper skills training or vocational training. The RRS now arranges funding and they can buy it in. The pot of money of the RRS has been increased to GBP 12 million (EUR 13.5 million), but the Skills Funding Agency invests more than GBP 4 billion (EUR 4.5 billion) each year to fund in training. So the skills support that the Skill Funding Agency can provide is far greater and far richer than that provided by the Rapid Response Service". The Skills Funding Agency mentions on its website that: 'Through the delivery of an Integrated Employment and Skills Service, new joint working arrangements should help to ensure that the Skills Funding Agency and Jobcentre Plus offer complementary packages of flexible and responsive provision to meet the needs of Jobcentre Plus customers and employers in the local economy'.<sup>52</sup>

The Skills Funding Agency's programme for the unemployed includes the Employability Skills Programme, Response to Redundancy Programme and the Six Month Offer.<sup>53</sup> The aim of the Employability Skills Programme is to deliver basic skills to Jobcentre Plus customers aged 18 and above with basic skills needs, such as timekeeping, communicating at work, reliability, numeracy and literacy. This provision can be accessed from Day 1 of the Jobseeker's Allowance Claim, this in contrast to the Six Month Offer programme which is targeted at jobseekers who have reached the six month stage of their Jobseeker's Allowance (JSA). The Six Month Offer Programme focuses on vocational skills required to provide a significant increase in the skills of the unemployed, making them more attractive for potential employers. The most relevant Skills Funding Agency programme for this study is the Response to Redundancy Programme (R2R), for those under consultation or notice of redundancy. The aim of the programme is to deliver the skills, not necessarily qualifications, needed by recruiting employers and therefore the R2R provides vocational training. The training may involve updating or accrediting skills in a sector where the worker has previously acquired experience, or it may mean building on a transferable skills base to make the individual more attractive to employers in different or related sectors (Skills Funding Agency, 2010b). The R2R programme is for those who need a short, job-focused intervention, not total reskilling, whilst under notice of redundancy or once they are out of work and claiming Jobseeker's Allowance.<sup>54</sup> The Skills Funding Agency allocates funding to training providers through an

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<sup>52</sup> <[pfu.skillsfundingagency.bis.gov.uk](http://pfu.skillsfundingagency.bis.gov.uk)>, accessed 17 January 2010.

<sup>53</sup> <[pfu.skillsfundingagency.bis.gov.uk](http://pfu.skillsfundingagency.bis.gov.uk)>, accessed 17 January 2010.

<sup>54</sup> <<http://pfu.skillsfundingagency.bis.gov.uk/programmes/responsetoredundancy/>>, accessed 20 January 2011.

open and competitive tender process. The interviewee mentioned that generally this would be one or two training suppliers per region of the country which are contracted to provide the training. One requirement formulated in the R2R programme guidance for suppliers is that 'Providers will be expected to develop working links with Jobcentre Plus in order to provide support and skills development activities that are relevant to both identified vacancies and forthcoming sectoral based skills demand in the local labour markets' (Skills Funding Agency, 2010a).

### 4.3 Eligibility

As previously mentioned, the RRS is now available to any company that makes Jobcentre Plus aware that they consider to lay off employees (TUC, 2009b). Jobcentre Plus will proactively make contact with companies that propose to make twenty or more people redundant, or in any area where the District Manager considers that the overall scale will have a significant impact on the (regional) labour market. Redundant employees can be supported by the RRS when 'under threat' or 'under notice' of redundancy. The TUC states that the full range of services is only provided when the company has actually given employees their formal notice of redundancy, but information, advice and guidance can be accessed before this (TUC, 2009b). The self-employed are not eligible for the RRS.

At the start of the RRS in the early 2000s, the precondition for the proposed support was that there must be a partnership approach. Each redundancy is different and therefore the composition of the partnership could vary. However, at that time the RRS could not be offered without the engagement of Jobcentre Plus, a Regional Development Agency and the Learning Skills Council.<sup>55</sup> In a more recent document these criteria became more flexible and the TUC states that, in particularly large redundancies, a partnership approach is taken to develop a proposed package of support, and that it would be surprising if Jobcentre Plus, the Regional Development Agency and the Learning Skills Council were not involved. The following organisations could be involved: Employer(s), Trade Union, outplacement agencies, local authorities, Chamber of Commerce, Members of Parliament, Business Links (TUC, 2009b).

The RRS is a voluntary service and employers are free to take it up or make their own arrangements to support their redundant staff. However, the TUC respondent underlines that the RRS can support redundant employees though much depends on the willingness of the employer. The interviewee argues that sometimes employers do not want their customers to know that they are in that

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<sup>55</sup> <<http://www.docstoc.com/docs/18388927/RAPID-RESPONSE-SERVICE>>, accessed 20 January 2011.

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poor economic position.

The Response to Redundancy Programme is a national programme 'targeted to support people under consultation or notice of redundancy, people recently made redundant and those who are close to the labour market' (Skills Funding Agency, 2010b).

### 4.4 Financing

Jobcentre Plus is financed by the Department for Work and Pensions, the Employment Ministry in the UK. The Department for Work and Pension is funded on a three year funding cycle and is audited against its aims and objectives. The public service agreements describe how targets will be achieved and how performance will be measured. Normally, several government departments will contribute to achieve the aims, with one lead department. The departmental strategic objectives are translated into departmental strategic objectives and management targets of the delivery agencies. Since the Department's three year plan for 2009-2012 was published in May 2009, the Government has significantly increased the budget for the Department. According to the Department for Work and Pensions' Business Plan 2009-2010, the additional resource totals GBP 4.6 billion (EUR 5.18 billion) over the Comprehensive Spending Review 2007. The British government's aim is to maintain the active labour market regime and ensure that all jobseekers receive the right level of support (Department for Work and Pensions, 2009b). In order to maintain its services to unemployed people, Jobcentre Plus received additional funding from HM Treasury and extra staff was recruited. Via this extra investment the government wants to ensure that the recently unemployed receive personal help and advice from day one of a Jobseeker's Allowance claim, so that everyone who needs it can get: advice on finding a new job, help to write a new CV and fill in job applications, help on retraining and skills advice and access to new vacancies (Department for Work and Pensions, 2009b). In the financial year 2010-2011 the total budget set aside to deliver employment programmes was GBP 2,432 million (EUR 2,739 million). However, the government announced cut backs and the budget was decreased by GBP 320 million (EUR 360 million). These savings resulted in a revised overall budget of GBP 2,112 million (EUR 2,378 million) for 2010-2011 (Grayling, 2010).

Owing to the economic crisis Jobcentre Plus expanded the RRS and has worked closely with employers who announce redundancy. In the financial year 2008/2009 an additional GBP 3 million (EUR 3.38 million) was available for the RRS to support the expansion of the service. In total there was GBP 6 million (EUR 6.76 million) available for RRS in 2008/2009. A further investment of GBP 6 million (EUR 6.76) was also available for the next financial year bringing the RRS total budget for 2009/2010 to GBP 12 million (EUR 13.52 million) (Groves, 2009).

In March 2009, the former Chief executive of Jobcentre Plus argued, in a letter to the House of Commons, that the additional funds for 2008/2009 were already available for direct support to individuals' redundancy rather than for recruiting extra Jobcentre Plus staffing and added that Jobcentre Plus delivers the RRS in partnership with other local agencies, for example, the Learning and Skills Council. He pointed out that the RRS was designed to ensure that support which individuals need in a specific situation, but cannot be sourced from partners' existing programmes, is delivered. The Rapid Response Managers in each Jobcentre Plus district have been financed from the resources for extra staff announced for Jobcentre Plus in the Pre-Budget Report, rather than from the additional funds for the RRS. The additional funding for the RRS has been equally been allocated between each region and a similar amount is held centrally in a contingency fund for those who need to call on any extra funds.<sup>56</sup> The intention is to retain the RRS in its current form for the 2010-2011 financial years. However, in common with all departmental programmes, the longer term future of the service will be considered as part of the forthcoming comprehensive spending review (Grayling, 2010).

The Response to Redundancy Programme (R2R) is part of a package of measures in response to the economic downturn and the Skills Funding Agency has GBP 100 million to support workers affected by redundancy; GBP 50 million (EUR 56.33 million) has been made available from the European Social Fund and GBP 50 million (EUR 56.33) through the Train to Gain budget. The total amount of GBP 100 million (EUR 112.64 million) was available from April 2009 until March 2011 (Skills Funding Agency, 2010a). The representative of the Skills Funding Agency mentioned in the interview that 'the national R2R programme was received very well and the number of persons we have helped has been significant'. The Skills Funding Agency has the intention of replacing the R2R programme with another European Social Funded Programme.

## 4.5 Responsibility, coordination, and delivery

### 4.5.1 Associations

Traditionally, the system of industrial relations in the UK consists of voluntary relationships between social partners, with a minimal level of interference from the government. Although, this relationship without intervention of the state is still the case in the non-legally binding nature of collective agreements and by the fact that trade unions and employers have little statutory involvement in

<sup>56</sup> <<http://www.publications.parliament.uk/pa/cm200809/cmhansrd/cm090303/text/90303wo032.htm>>, accessed 9 December 2010.

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public policy, legally established employment rights would now appear to be a permanent characteristic of the UK system. The collective agreements are not legally binding, but the terms of collective agreements could be incorporated into individual contracts of employment that are then legally enforceable. An important feature of the UK is single-employer bargaining (Traxler, 1996). Since the 1950s, multi-employer bargaining has declined. This decline accelerated in the 1980s, as multi-employer agreements were replaced by single employer or, in some cases, plant-level contracts (Katz, 1993).

The Trade Union Congress (TUC) is the national trade union confederation with 58 affiliated unions representing nearly seven million employees. In response to the current crisis, the trade unions called for greater state intervention in order to combat the increasing unemployment rates. In their view, the government should play a more active role in promoting the role of unions in collective bargaining (Eurofound, 2009; TUC, 2010b). As previously explained, employers have special obligations if they want to dismiss twenty or more workers. This includes consulting representatives of the workplace.

According to the TUC respondent, the role of trade unions in the redundancy process is concentrated on negotiating the best deal for the workers who are being made redundant. It tends to focus on trying to stop the redundancy happening in the first place and, if that is inevitable, most unions will campaign strongly for no compulsory redundancy and for a voluntary severance package to be put in place, to encourage those who wish to leave to go first (TUC, 2009c). The trade unions focus on redundancy pay; obtaining something better than the statutory minimum. During the last recession, there were many negotiations about pay restraints in return for job security. Especially in the manufacturing sector, many unions agreed to a pay freeze in return for no redundancies. In the past, there was talk about unions offering support for redundant people in getting new jobs, but the TUC respondent mentioned that he had not seen a lot of that actually taking place. What has been more common is that trade unions signpost and make sure that their members are aware of the RRS. As of the start of the current recession, the TUC recommended the improvement of the RRS. They argued that the Jobcentre Plus RRS was marketed only as a service to employers, while they believed that it could play a much stronger role in helping redundant employees who have not yet become unemployed (TUC, 2009a). They advised the government that Jobcentre Plus should offer advice and immediate access to benefit entitlements and advice on where job opportunities are still available. Furthermore, Jobcentre Plus should inform the claimants which skills and qualifications offer the best route to employment and help them in applying for jobs. Therefore, the TUC was tremendously pleased with the Government's decision to expand the Rapid Response Service in 2008.

Another interviewee confirms the TUC respondents' view. He said that trade union's first objective is to prevent the job transition in the first place and the

transition bid would be the second best solution for them. The role of trade unions is to press the government for intervention. They lobby for retraining initiatives and strong government support for the unemployed.

The Confederation of British Industry (CBI) is the employers' confederation. CBI represents about 3,000 individual companies, mostly large companies in the private sector, and around 150 trade associations. The British industry relations are decentralized and the role of employers' organisations in the country's industrial relations in the UK is not overtly prominent. During the 1980s, national sectoral level agreements ceased to function and companies began to negotiate with trade unions at a lower level (Eurofound, 2009). The CBI proposed, in the summer of 2009, an Alternative to Redundancy Scheme (ATR). The proposal was an alternative to the short-time working schemes that were adopted in many other European countries. The CBI explained that businesses in the UK experienced very similar challenges at the height of the recession, needing to reduce labour costs sharply as demand had fallen, but wanting to retain highly valued, and often highly skilled employees. A formal short-time working compensation scheme would have been one option, but the CBI representative mentioned that after reviewing the evidence, the CBI decided this could pose significant costs to government with no guarantee of success. The experience from the only formal scheme the UK has had – in the late 1970s/early 1980s – was that, as soon as compensation was withdrawn, many jobs were lost. The effect was merely to delay job losses rather than to avoid them altogether. With this in mind, the CBI felt that the ATR scheme would offer a cost effective and likely more successful alternative, allowing employers, employees, and government to share the burden of cost, while avoiding any possibility of propping up failing industries. In the proposed approach, the employer could place the employee on the scheme for up to six months instead of making the worker redundant. Contracts of employment would remain in force. The employee would be paid an ATR allowance to the equivalent of Jobseeker's allowance (JSA) paid by the government. An employer could make higher payments should they wish to do so (CBI, 2009). Not all parties were in favour of the ATR scheme. The TUC's argument against the scheme was that it was not desirable that the employees did not work in the meantime. The TUC general secretary said: "It is better to keep people in work and training with their employer, even if on short term working, rather than sitting at home, which is why unions and other employer groups are campaigning for the kind of wage subsidies that now is common in the rest of Europe".<sup>57</sup> The CBI representative mentioned that as recession progressed, it became clear that unemployment

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<sup>57</sup> The Guardian, 6 July 2009, <<http://www.guardian.co.uk/business/2009/jul/06/cbi-redundancy-scheme>>, accessed 17 January 2011.

was not going to reach the peaks that been forecast. The CBI's experience was that firms have made wages and hours flexible, and made other changes to working patterns to reduce cost, rather than making redundancies. As it turned out, the government decided against adopting the ATR measure. However, the CBI still thinks that the ATR scheme would be useful in anticipation of similar recessionary periods in future, when demand falls so markedly and quickly. According to the CBI respondent, the trade unions have an advisory capacity for their members, but they have no formal role in supporting people from job-to-job. He also points out that the role of the employers association is rather limited. The CBI interviewee concludes that, in the UK, predominantly individual large firms and the state are the ones that are supporting job-to-job transitions. Individual firms, mostly large companies, can outsource activities to private organisations which provide outplacement services. However, the company has to have a certain amount of financial means in order to use these kinds of services. A representative of an outplacement company argues that a normal HR-person does not have the time to really help redundant employees to find a new job. Another important motive for individual companies to outsource this job-to-job activity to an outplacement company is their reputation and a sense of corporate social responsibility.

#### 4.5.2 The state: Government and Public Employment Service

The government has an important task in supporting people to find another job, once they are unemployed. Jobcentre Plus does the case management for the unemployed normally up to twelve months. After this first year the case management is the responsibility of the private sector and they are paid on a result basis by Jobcentre Plus. However, during the first twelve months Jobcentre Plus also refers people to private provisions. In 2002, the Benefit Agency and the Employment service merged. Around 1,500 Jobcentres and social security offices across the UK were modernised and merged into a new integrated service, Jobcentre Plus (House of Commons Committee of Public Accounts, 2008). In March 2009, 741 Jobcentre Plus offices were operational.

*Table 4.2: Jobcentre Plus offices as at 30 March 2009 (by region)*

	Customer Facing Jobcentres
East of England	57
East Midlands	53
London	74
North East	45
North West	97
Scotland	99
South East	74
South West	57
Wales	63

West Midlands	63
Yorkshire and the Humber	59
Totals	741

Source: Jobcentre Plus<sup>58</sup>

The Jobcentre Plus respondent mentioned that approximately 92% of unemployed people find work in the first twelve months. As explained previously, the RRS of Jobcentre Plus goes one step further. They try to help redundant people once they have received their formal notice and information, but advice and guidance service can also be accessed before this time, although money can only be spent on training and support services (TUC, 2009b). With this early intervention Jobcentre Plus tries to prevent unemployment. Sometimes there are on-site 'jobshops,' and, in organisations with significant numbers working shifts, these have opened at times when Jobcentres and Jobcentre Plus offices will all be closed (TUC, 2009b).

Besides Jobcentre Plus, other organisations are involved in the RRS. As mentioned previously in section 4.4, the RRS' point of departure is a partnership approach. Usually, the former *Learning and Skills Council (LSC)* was represented in the RRS, particularly in large redundancies (TUC, 2009b). The LSC started their work in April 2001 and was a non-departmental public body funded by the Department for Business, Innovation and Skills and the Department for Children, Schools and Families. The main objective of LSC was to improve the skills of young people and adults to ensure the UK has a workforce of world-class standard. The LSC was planning and funding high quality education and training for everyone in England other than those in universities.<sup>59</sup> The LSC had a national office, nine regional councils and 150 local partnership teams throughout the country. The local partnerships were covering the same areas as the 150 local authorities in England. The regional councils were led by employers (Learning and Skills Council, 2009). The LSC responded to the economic downturn by introducing new flexible measures to help employees update their skills and by providing support to those at risk of redundancy. The flexibility concerns the approach to make it more responsive to real needs and to improve and develop what is on offer to ensure that it remains relevant and attractive for both employers and employees. By joining up pre- and post-employment programmes it would be easier for people to continue their training after getting a job. These measures were developed all in close cooperation with the

<sup>58</sup> <<http://www.publications.parliament.uk/pa/cm200809/cmhansrd/cm090421/text/90421wo029.htm>>, accessed 17 January 2011.

<sup>59</sup> <http://webarchive.nationalarchives.gov.uk/20100104221519> and <<http://www.lsc.gov.uk/aboutus/organisation/>>, accessed 15 December 2010.

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Department for Work and Pensions and Jobcentre Plus (Learning and Skills Council, 2009).

In March 2008, the White Paper 'Raising Expectations: Enabling the System to Deliver' was presented to the Parliament by the Secretary of State for Children, Schools and Families and the Secretary of State for Innovation, Universities and Skills, in which the abolition of the LSC and the introduction of its successor bodies were announced. In the light of the 2020 skills ambitions, the government wants to ensure that public funding for qualification and training deliver economically valuable skills: "And to do this, we must ensure that when employers and individuals go to colleges and training providers for solutions, what they get is the skills they really need, delivered in a way they need and to the highest standard" (Department for Children Schools and Families & Skills, 2008). On 1 April 2010, the LSC was disbanded and the functions were transferred to local authorities and two new agencies: The Young People's Learning Agency and the Skills Funding Agency. The first successor organisation is funded by the Department of Education and their mission is to deliver training and education to all 16-19 year olds in England.<sup>60</sup> The second successor, the Skills Funding Agency, is funded by the Department for Business, Innovation and Skills and their mission is to ensure that people and companies can access the skills training they need and to regulate adult further education.<sup>61</sup>

Usually, the Regional Development Agencies (RDA) are involved in the Rapid Response Service package, particularly in large scale redundancies (TUC, 2009b). The first RDAs were established in 1999 and they are non-departmental public bodies. At this moment, there are nine RDAs and they have five statutory purposes<sup>62</sup>:

1. To further economic development and regeneration;
2. To promote business efficiency, investment and competitiveness;
3. To promote employment;
4. To enhance development and application of skill relevant to employment;
5. To contribute to sustainable employment.

The RDAs do also make an effort to ensure that skills training matches the needs of the labour market.<sup>63</sup> However, in the June 2010 UK Budget Report, the new coalition government has announced the abolishment of these Regional

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<sup>60</sup> <<http://www.ypla.gov.uk/> retrieved>, accessed 15 December 2010.

<sup>61</sup> <<http://skillsfundingagency.bis.gov.uk/aboutus/>>, accessed 15 December 2010.

<sup>62</sup> Regional Development Agency Act 1998, section 4.

<sup>63</sup> <<http://www.bis.gov.uk/policies/regional-economic-development/englands-regional-development-agencies>>, accessed 15 December 2010.

Development Agencies by 2012 and the government intends to replace them by strong Local Enterprise Partnerships (HM Treasury, 2010a). The abolition forms part of the governments' deficit reduction plan.

#### 4.5.3 Market

According to one of the interviewees the UK has one of the most open and liberal policies towards private recruitment agencies in Europe. The government places no restrictions on them and considers them as a complementary service. An interviewee from the Department of Work and Pensions mentioned that for certain niche sectors private agencies are often the best place for people to look for work. Jobcentre Plus has a broad variety of vacancies and, particularly in the latest recession, they had a broad variety of employers. They do get highly skilled vacancies placed with them but, for certain niche occupations, Jobcentre Plus encourage people to send them to a private sector agency. Also, sometimes private agencies place vacancies with Jobcentre Plus. As discussed previously, the case management for unemployed people during the first twelve months lies with Jobcentre Plus and after this year the responsibility is handed over to the private sector. In these first twelve months, the customer is given job search support and access to other services. Jobcentre Plus can refer unemployed people to private provisions if that is necessary to help them to understand their options and, for example, to build and maintain the customer's confidence and motivation. Over the last ten years, the state has gradually outsourced job search activities and training to a mixture of public and private providers.

#### 4.5.4 Hierarchy

Several interviewees mentioned in the interviews, held in 2010, that British companies give preference to labour hoarding over dismissing employees in the current crisis. Labour hoarding is defined as the practice of keeping more workers on the payroll than are necessary for the current output. However, recent research conducted by CIPD and KPMG revealed that the number of organisations which are confronted with redundancies has arisen. In spring 2011, 56% of the public sector employers were planning to make redundancies (almost 40% in 2010) and around three in ten private sector firms intended to make redundancies (around 25% in 2010). Almost seven percent of the employees would be made redundant among those companies that were planning cuts in the workforce, and 65% of redundancies were expected to be compulsory (CIPD & KPMG, 2011). As already explained in section 4.2.2, the institutional setting requires that if a company intends to make an employee redundant, the company must consider whether there are other jobs available which the redundant employee would be capable of doing. The dismissal is regarded as unfair if there is a suitable job available, but the employer does not offer it to the

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redundant employee. In that case the employee can make a claim to an employment tribunal. If an employee unreasonably refuses a suitable alternative job offer, the law removes the entitlement to have statutory redundancy pay.<sup>64</sup>

Companies who have enough financial means can hire outplacement companies to support redundant workers to a job in another company. According to one of the interviewees, the outplacement industry has increased in the UK. Nowadays providing outplacement support to exiting employees has become standard business practice for many firms. A survey by Reed Consulting reveals that more than half of the respondents answered that support had been offered for at least 85% of those separated from the organisation. Furthermore, the survey asked employers how they provided employment support: 81% of employers engage help from external outplacement providers for some part of outplacement, whilst 50% use solely external outplacement companies (Reed Consulting, 2006). Human Capital Consultancy HDA has delivered outplacement services across the UK and internationally for over 30 years and conducts an annual outplacement survey. Key findings of the 2009 HDA outplacement survey, in which more than 100 companies participated, are:

- 90% of the organisations surveyed have been affected by the current economic climate, citing 'decreasing revenue, downsizing, cutbacks...'
- Of those organisations that have experienced a restructuring in the last twelve months, the majority (90%) offered outplacement support to employees.
- Nearly 70% of respondents offer outplacement support to maintain staff morale or to assist leavers in securing roles.
- According to 90% of the respondents outplacement support provides value for money and fosters positive post-employment relations.
- The most important considerations for organisations to choose an outplacement provider are: consultant experience, value for money, ability to support managers, staff at all levels, innovative and flexible programmes (HDA, 2009).

An interviewee mentioned that outplacement companies have evolved in the last years and they counsel generally senior people who have been made redundant. These companies charge the company a lump sum amount to counsel these, mostly high skilled, employees, e.g. through personal coaching. A representative of an outplacement agency said in the interview: "in the last years our company has experienced that it is harder to win work at the lower levels, unless you are really doing it at very low prices. In the crisis, companies have less money to spend on outplacement and why should they pay for services that also

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<sup>64</sup> Employment rights act, section 141 (2).

have been provided by the government?" The interviewee further adds that it seems that the outplacement company prefers professional career consultations and coaching and believes that if Jobcentre Plus provided a very good service at the middle level then companies would probably stop spending money at private outplacement companies.

Recruiting companies work in a different way. They provide free services for candidates looking for work. For example, a candidate who comes to register at recruitment agency Randstad – a temporary work agency of Dutch origin - can get advice and Randstad would not make any charge for that. When the candidate finds another job via Randstad, the new employer pays a fee for the recruitment services. Randstad also goes onto the company's premises and offers redundant employees support in looking for work. While other outplacement companies charge the company for the outplacement service, the interviewee of Randstad argues that they would not make any charge for that service, until the candidate has been placed in a job with another employer. The new employer will be charged for the recruitment service. The Randstad respondent's view is that it would be unethical to go and speak to redundant workers and then charge the company that has to let go a part of their skilled staff.

In 2009, Randstad introduced a new service for companies to enable them to reduce costs without having to cut headcount. As a result of the economic crisis, companies had to cut costs, but they do not want to lose skilled employees. The Randstad offsetting service offers companies the opportunity to *offset* employees. This means that Randstad is attempting to find a suitable alternative job with other local employers and pays the hourly rate for the job undertaken, so that the company who has to save costs can offset this against the employee's normal salary. The employee maintains his position with the employer and the offsetting period could be from one week to ten months. With this solution the employee would go through the normal redundancy consultation process, but would be offered the offsetting alternative as a way of staying in the employment of the company (Randstad, 2009). Particularly for small business this could be an interesting solution to survive in a downturn, when difficult decisions need to be made about reducing costs, while they do not want to lose their best employees of the team. The company still pays the national insurances and other contracted benefits, but in return for this offsetting service they will have no redundancy costs or outplacement costs and in future when the economy has recovered, they will not have recruitment costs, because the skilled employee is still a member of the workforce.

Randstad states that the *offsetting* service goes beyond the CBI's Alternative to Redundancy Scheme (ATR) which CBI proposed in July 2009 (see also section

#### 4.5.5 Networks

The interviewees are not aware of existing networks of companies that collaborate to enhance job-to-job transitions for those whose jobs are at risk. Several respondents mentioned that if there are any networks, their existence would be pretty ad hoc in the UK labour market. Some employers recruit employees who have been made redundant in another company. But this is not organised in a structural way and happens naturally. For instance, Woolworth's shops closed down in December 2008, while other retail companies, such as Wilkinson's, expanded. What tended to happen was that employees who had been made redundant were made aware that a new retail store was actually opening up in the local area and, according to one of the interviewees, they even used the same shops. However, the RRS can also be seen as a network. In this partnership approach a pluriformity of many different actors participates. The RRS network on a local level consists of more different organisations rather than solely employers. Each redundancy process will be different and the constellation of the parties involved can vary. Representatives of Jobcentre Plus, the employer(s), Trade Unions, outplacement companies, local authorities, Regional Development Agency, Learning and Skills Council/Skills Funding Agency, Chamber of Commerce can be involved. This list is not exhaustive and it depends on the local circumstances as to which parties will be involved (TUC, 2009b). As mentioned previously, since 2009, the insolvency trade body R3 and the Insolvency Service have collaborated with Jobcentre Plus to share information about possible job losses so that early intervention can take place.

In one of the interviews the NHS job service was mentioned. NHS is the National Health Service employers' organisation. The NHS job service was introduced in 2003 and is an electronic recruitment service. NHS employers place vacancies online and job seekers can look via this online service for available jobs. Currently, all NHS Trusts make use of NHS Jobs (NHS, 2010). The NHS job service can be regarded as a network of job opportunities rather than a network of employers in the health sector.

#### *Local Employment Partnership (LEP)*

In 2007, the British government proposed, in the green paper 'In work, better off', to collaborate with employers to open up opportunities for the long-term unemployed (Department for Work and Pensions, 2007; TUC, 2008). The government stated in this green paper that they 'would like employers to

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<sup>65</sup> <[http://www.randstadstaffing.co.uk/randstad\\_staff\\_offsetting.aspx](http://www.randstadstaffing.co.uk/randstad_staff_offsetting.aspx)>, accessed 22 December 2010.

consider disadvantaged customers for their vacancies and in return they will get help in identifying and preparing the right people for those vacancies. This might mean committing to work trials; providing suitable induction and technical training for individuals without the appropriate work experience; and considering employee mentoring' (Department for Work and Pensions, 2007). The Local Employment Partnerships (LEP) were introduced in 2007. In 2009, the government expanded the LEPs between Jobcentres and local employers to respond to the challenges from the economic slowdown (Department for Work and Pensions, 2009a). Alongside the original target group of those with great barriers to entering the labour market, the LEP currently also includes the newly unemployed. Through these local partnerships Jobcentre Plus can introduce unemployed people to the local employers who might not otherwise get an interview. Jobcentre Plus can offer services to employers based on their needs. Until December 2009, the LEPs helped more than 430,000 persons into work. Furthermore, the original target of 250,000 jobs achieved through LEP was increased to 750,000 by December 2010 (Department for Work and Pensions, 2009a).

#### *Task Force*

Another type of network is a Task Force. One of the interviewees mentioned the MG Rover case. Two Task Forces were set up in the West Midlands region to deal with closures and redundancies at Rover. Task Forces are set up to work on a single defined task or activity in a time limited way. The first Rover Task Force was set up in 2000 at the time when BMW divested itself of most of Rover and split the company up (Bentley, Bailey, & Ruyter, 2009). In 2005, MG Rover went into administration, with the loss of 6,300 jobs directly and the RDA, Advantage West Midlands (AWM) and the national government set up a new Rover Task Force. The AWM took the lead and different organisations and agencies were included in the Task Force: the department of Trade and Industry, local members of parliament, local authorities, Skills Agencies, employers' organisations, employers, trade unions (Bentley et al., 2009). The government announced a GBP 156 million (EUR 175.86 million) package of support in 2005 (House of Commons, 2007). This amount was later increased to GBP 176 million (EUR 198.40) through additional support of Advantage West Midlands and from Birmingham City Council (National Audit Office, 2006).

*Table 4.3: The closure of MG rover and the regional support package*

Nature of support	Amount	Sources
Training for workers made redundant at MG Rover and suppliers	Up to GBP 50 million (EUR 56.40 million)	Department of Trade and Industry, ESF, Learning and Skills Council
Redundancy pay and compensation awards	Over GBP 40 million (EUR 45.12 million)	National Insurance Fund

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Nature of support	Amount	Sources
Loans fund available to former MG Rover suppliers and dealers	GBP 25 million (EUR 28.20 million)	Advantage Transition Bridge Fund was established. Funding was provided by Department of Trade and Industry and Advantage West Midlands
Grant support to former MG rover suppliers	GBP 41.6 million (EUR 46.92 million)	Advantage West Midlands and Rover Task Force Department of Trade and Industry
Grants for technology and innovation infrastructure	GBP 9 million (EUR 10.15 million)	Department Trade and Industry
Measures to address community impact	GBP 10 million (EUR 11.28 million)	Birmingham City Council
Total	GBP million 176 (EUR 198.40 million)	

Source: (National Audit Office, 2006)

### 4.5.6 Responsibility for job-to-job transitions

In the interviews the question was asked who would be responsible for job-to-job transitions for those whose jobs are at risk. The opinions of the British interviewees differ on this matter. Some respondents state that the general view is that the employer that has to lay off employees is responsible. Other organisations argue that it is a joint responsibility and that each actor has its own task in the transition process to another job. A representative of Jobcentre Plus explains that the UK model is based on rights and responsibilities. Furthermore, it is about ensuring that individual jobseekers are aware of everything that is available to them, and then each agency should support their customers through their journey to make sure that they will get back to work. The idea is that support is provided and that the individual makes the right choices. Another respondent mentions that the basic skills training is a government responsibility, while for the intermediate and high skill level it is a function of the education sector or sometimes the employer. Furthermore, in his view the employee has to be motivated and is responsible in terms of taking advantage of job opportunities. The CBI interviewee mentioned that primarily, in the UK system the individual is responsible for their job search, supported by the state. The former employer has a responsibility with regard to redundancy pay. But he argues that, in essence, it is the responsibility of the individual and Jobcentres Plus. Another independent expert said that ideally, it should be partly the responsibility of all the actors and that it depends on the stage of the process who intervenes. In his view, some people might say that in a way it is the

responsibility of the individual to make sure that he is employable enough; that if the person were to lose his job then he could move on to another job. Another might say that an employer who is engaging a big redundancy programme should show some responsibility in helping the redundant workers to another job. He also argues that the state has a responsibility, but the problem is that it is not easy to assess the appropriate time to intervene, because if the state does so too early you might take away from the responsibility of the individuals and employers themselves.

The representative of the Skill Funding Agency answered that the government, the Learning and Skills Council and Skills Funding Agency had chosen to spend the money of the European Social Fund and the Train to Gain programme on job-to-job transition support via the Response to Redundancy Programme. Because this was agreed, the Skills Funding Agency is now responsible for spending that money in a sensible way; spending it to deliver value for money. However, the Skills Funding Agency can only do that when employers allow the training providers in to work with their candidates.

The current Coalition Government has set out an investment strategy for the further education system in which shared responsibility is a key principle. Skills are vital for Britain's future and the government emphasizes that the employers and citizens must take greater responsibility for ensuring their own skills needs are met (Department for Business Innovation and Skills, 2010b). In the near future, bold changes are expected in skills policies. The government wants to abandon a culture of bureaucratic central planning and regulator control. In the past public funds have been absorbed by regulation rather than devoted to what learners want and employers need (Department for Business Innovation and Skills, 2010b). In the new system, funding support for low skilled people will be prioritized, while there will be an expectation that learners and employers will co-invest alongside Government in meeting the costs of intermediate and higher level training courses (Department for Business Innovation and Skills, 2010b).

#### 4.6 Performance

As described before in section 2.2, the UK employment rate in 2009 was 69.9%. This is slightly above the EU27 average. Compared with the other selected countries the UK has the lowest share of employees with a limited duration contract (5.7%). Table 4.4 shows that the number of redundancies peaked in the first quarter of 2009.

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Table 4.4: Redundancy levels and rates in the UK calendar quarters, 2005-2010

		People Level (000s)	Rate*
2005	Q1	131	5.3
	Q2	132	5.3
	Q3	163	6.5
	Q4	145	5.8
2006	Q1	138	5.5
	Q2	140	5.6
	Q3	144	5.7
	Q4	133	5.3
2007	Q1	141	5.6
	Q2	121	4.8
	Q3	136	5.4
	Q4	110	4.3
2008	Q1	106	4.2
	Q2	126	5.0
	Q3	164	6.4
	Q4	263	10.3
2009	Q1	284	11.2
	Q2	272	10.8
	Q3	213	8.6
	Q4	168	6.8
2010	Q1	161	6.5
	Q2	155	6.3
	Q3	157	6.3

Source: ONS Labour Force Survey

\*The redundancy rate is the ratio of the redundancy level for the given quarter to the number of employees in the previous quarter, multiplied by 1,000.

In 2009, the Secretary of State was asked in the House of Commons debate, how the performance against objectives of the Jobcentre Plus RRS was measured. In a letter from Groves, the former CEO of Jobcentre Plus, dated 22 April 2009, he answered that Jobcentre Plus has kept an administrative record of the number of employers who take up the RRS since the service was expanded in November 2008.<sup>66</sup> Furthermore, he explained in this letter that Jobcentre Plus

<sup>66</sup> <<http://www.publications.parliament.uk/pa/cm200809/cmhansrd/cm090421/text/90421w0031.htm>>, accessed 23 December 2010.

does not attempt systematically to record other information, such as the numbers of employees who are given advice and support through RRS, or the job outcomes achieved for the former employees of particular employers, as to do so would be prohibitively expensive. Accordingly, information on the numbers of job outcomes achieved for people who access support through the RRS is not available. Groves also states that Jobcentre Plus does not record the numbers of people finding jobs during the delivery of RRS support. 'The RRS is just one part of the overall service we provide to people who lose their jobs and need help to move back into work as quickly as possible'.<sup>67</sup>

Between 2009 and 2010 Jobcentre Plus offered the RRS to more than 2,500 diverse employers (Jobcentre Plus, 2010). Upon enquiry, it appeared that over 5,000 employers have accepted RRS support since November 2008 and September 2010.

Jobcentre Plus takes around 10,000 new vacancies every working day (Department for Work and Pensions, 2009a). These job opportunities, together with the advice and support provided through Jobcentre Plus, have the result that most of those who become unemployed can find another job quickly. On 26<sup>th</sup> November 2008, in the House of Commons debate, a representative of the government who spoke on behalf of the Secretary of State for Work and Pensions, said that over half of new claimants leave jobseeker's allowance within three months and around three quarters leave within six months.<sup>68</sup> These figures still hold true for the following year. Between 2009 and 2010 Jobcentre Plus received 4 million new Jobseeker's Allowance claims. This is an increase of 600,000 compared with the previous year (Jobcentre Plus, 2010). During this period, around 50% of people ended their Jobseeker's allowance claim after three months, around 75% after six months and around 90% after twelve months (Jobcentre Plus, 2010).

In section 4.6.5, the MG Rover Task Force was discussed. The closure of MG Rover was one of the largest mass redundancy processes in British history, with the loss of 6,300 jobs. In 2008, The Coventry University Business School carried out a survey of 204 ex MG Rover workers. The main question was what had happened to the ex-MG Rover workers after the closure in 2005. Furthermore, in-depth interviews with 30 ex-workers and 30 local and regional practitioners and policy makers were conducted. The researchers concluded that, after three years, almost 90% of the ex-employees had found new employment and most

<sup>67</sup> <<http://www.publications.parliament.uk/pa/cm200809/cmhansrd/cm090421/text/90421w0029.htm>>, accessed 22 December 2010.

<sup>68</sup> <<http://www.publications.parliament.uk/pa/cm200708/cmhansrd/cm081126/text/81126w0122.htm>>, accessed 22 December 2010.

of them were in permanent jobs. However, despite all the help on offer for the ex-workers in finding another job, 70 percent said they had found a new job through their own initiative or through personal contacts rather than via formal channels (Bentley et al., 2009). The forced transition to another job resulted in significant income loss for most workers, with average pay falling by GBP 5,640 (EUR 6,355) per year (Bailey et al., 2009). The researchers concluded that 'judged against national levels, it does appear that the ex-Rover workers moved into jobs with lower levels of autonomy, challenge and skill use and fewer opportunities for progression than other workers in the UK' (Bailey et al., 2009).

In 2010, the Department for Work and Pensions commissioned research in order to monitor satisfaction with Jobcentre service delivery. The study includes all services delivered by the Jobcentre and is not specifically focussed on job-to-job support. Overall, respondents are satisfied with the services offered. 88% were satisfied, with 34% saying that they were very satisfied. 10% of the respondents were dissatisfied (Howat & Pickering, 2011). Customers actively looking for work appreciated the proactive role of the advisers, meaning that they suggested different types of work other than that which the customers were interested in. However, advisers suggesting jobs that respondents felt were unsuitable for them resulted in dissatisfaction. Thus, it is important that advisers have a clear understanding of which jobs fit the customers needs and skills (Howat & Pickering, 2011).

#### **4.7 Success and failure factors**

The interviewees were asked to name the success and failure factors of the UK system. One of the interviewees suggested that, in the UK system, there are not many constraints on the speed with which employers can make people redundant. Because of this, British employers are, compared with other foreign companies, more likely to take on people and this creates more opportunities for the unemployed. However, a shorter legal redundancy process may mean that employers spend less time in thinking about possible job-to-job transitions. In his view, there are no particular barriers that prevent employers from supporting job-to-job transitions, but the interviewee adds that voluntariness is both the weakness and strength of the UK system. Employers have wide freedom to support job-to-job transitions, but that may be precisely nothing in practice. Compared with other countries the UK system is geared around making it easier to dismiss people and then having appropriate forms of public intervention for people once they are unemployed, so that they get back into another job. According to a British expert 'there is not a great deal of emphasis on job-to-job transitions in the UK'. A representative of a British employers' organisation mentioned that in response to the crisis employees have shown themselves willing to maintain employment above other issues. This has resulted in more flexibility from both employers and employees to avoid redundancy, e.g.

through wage constraints and acceptance of temporary reduction in working hours. This view has been confirmed by another interviewee, who says that the crisis in the UK has been associated more with recruitment cutbacks than redundancies: 'Employers and employees have been sharing the costs of adjustment, but it also means that there are somewhat fewer jobs vacancies that might otherwise be the case'.

Early intervention and early access to relevant support is a success factor for job-to-job transitions, according to several respondents. This is why several interviewees, including the TUC, are satisfied with the establishment and expansion of the Jobcentre RRS and the more flexible approach. In the UK it is now possible for people to get more advice or more intensive support earlier in their claim. The representative of Jobcentre Plus adds that, for a successful transition service, 'you need to have the right groups of agents around the table, without those it does not work'. Therefore, a relevant network is very important. This is also confirmed by a representative of a staffing and recruiting agency. This company informed companies in their informal network that they had to lay off some employees and that they were looking for other jobs. This resulted in short-term and long-term contracts with other employers. Another success factor mentioned by one of the interviewees is a good relationship between managers of a company and staff of the local Jobcentre Plus offices. This is in line with the previous mentioned success factor. Furthermore, it is important that managers take the initiative to visit local Jobcentres or invite Jobcentre Plus staff into the company.

Several interviewees commented that it is important that employees invest in their skills. An employer representative mentioned that people have to be encouraged to invest in their skills to be attractive for employers. The view of another interviewee is that "it is all about having the right skills for the job that you know you are going to be in". This means that those organisations who support job-to-job transfers must understand the demands of the new employers, including the culture within these businesses. In the vast majority of business sectors, including the health sector, National Vocational Qualifications (NVQ) are available and helpful to prepare employees for their next step. These NVQs are work-related qualifications and give employees the skills employers are looking for. Related to the up-skilling and re-skilling of people, an interviewee adds the following: 'I think we do a lot of work on the skills, but I think when you work in the industry and recruit people you largely depend on behaviours. You can teach people skills, but by taking candidates with the right behaviour that fits within the company, and teaching them the skills that they will need in the new business, that puts them in a very strong position'.

In the UK lessons have been learned from the MG Rover case. The findings of the Coventry University research suggests that there is a need to let people know

and understand better what support is available. Information was in fact available to those being made redundant, but the employees losing their jobs, especially on the scale of the MG Rover closure, were in shock. They needed help in understanding the information. The researchers argue that a more tailored approach to workers is needed, not only professionally, but also psychologically. While there was a speedy response to the crisis, the interviews with the ex-workers suggested that there is a need to be more sensitive to people who have never been unemployed and do not know how to make claims for benefit or search for jobs. There is also a need to help people feel that it is not their fault that they have become unemployed (Bailey et al., 2009; Bentley et al., 2009). The researchers of the Coventry University Business School note that the British government wanted to be seen to be doing something about the impact of the MG Rover closure by setting up a Task Force, because of its 'iconic status and also because of timing-during the 2005 General Election' (Bentley et al., 2009). Although the researchers claim that the MG Rover Task Force was largely successful in displaying effective governance, they suggest that the Task Force failed in one important respect, in terms of gaining legitimacy for its role. Despite the wide range of help available, take up was variable. Surprisingly few workers felt adequately supported by government (Bailey et al., 2009; Bentley et al., 2009).

#### **4.8 Concluding remarks**

In the British job-to-job model for employees who lose their jobs because of redundancy, the state and individual companies play the most significant role in supporting people into another job as quickly as possible.

In general the liberal welfare regime is characterized by a central role for the market and a marginal role for the state, but economic downturns have urged the British government to intervene. Therefore, the state is currently involved in providing job-to-job support through the Jobcentre Plus RRS. In 2001, in the light of closures of big companies which resulted in the loss of many jobs, the Job Transition Service, was implemented. In response to the global crisis in 2008, the Department of Work and Pensions expanded the RRS. Furthermore, the Department of Business, Innovation and Skills co-financed the Skills Funding Agency's Response to Redundancy Programme (R2R) for those under consultation or notice of redundancy. The aim of the R2R-programme is to deliver skills needed by recruiting companies by providing vocational training. Ideally, the Skills Funding Agency and the Jobcentre Plus should deliver an Integrated Employment and Skills Service and offer complementary packages of flexible and responsive provision to meet the needs of Jobcentre Plus costumers and the employers in the local area. The state support has been made more flexible in the last years. In the past, Jobcentre Plus had a model which was very rigid in terms of help that could be provided for people at different times. The

longer people were unemployed, the more intense help they received. Jobcentre Plus is now moving to a more flexible approach in which people can access more help at an earlier stage.

Providing outplacement support to employees who have to leave the company has become standard business practice for many, mostly large, companies. HR-managers do not have the time to really help their redundant employees to a new job. Another motive to outsource this job-to-job activity to a private company is that companies do not want to damage their reputation. Outplacement companies tend to provide professional career coaching and counselling to the more senior level employees, whereas the lower skilled employees receive support from Jobcentre Plus.

Networks of companies that collaborate to enhance job-to-job transitions are scarce. However, in the RRS and the LEPs, different actors cooperate closely and each redundancy process will have a different constellation of parties that are involved, depending on the local circumstances.

As mentioned previously in this chapter, the role of associations in supporting redundant employees to another job is limited. This can be explained by the fact that trade unions concentrate on negotiating the best deal for the redundant employees. This tends to focus on trying to stop the redundancy happen in the first place. British employees are willing to maintain employment above other issues. This has resulted in more flexibility from both employers and employees to avoid redundancy, e.g. through wage constraints and acceptance of temporary reduction in working hours. In the event that forced dismissals are inevitable, most unions will campaign strongly for no compulsory redundancy and for a voluntary severance package to be put in place, rather than for active job-to-job support.

The role of employer's confederation CBI is also limited in the job-to-job process. This can be explained by an important feature of the UK: the lack of multi-employer bargaining.

The UK is characterized by relatively less stringent employment protection legislation. In contrast to other countries examined, it is in the UK relatively easy to dismiss employees. Because of this less strict employment protection regulation, British employers are more likely to hire people and this creates more employment opportunities for the unemployed. Moreover, the less stringent employment protection rules explain the high mobility rates in the UK. Thus, in the UK the policies and regulations are geared around making it easy to dismiss employees and having appropriate forms of public intervention to redundant employees once they are unemployed.

The conclusion can be drawn that the job-to-job transition system in the UK is not

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a structural one. Programmes have been introduced and expanded by the government in response to the crisis, but these programmes do not have a structural funding. In the event of a redundancy, local partners are called together through the RRS to support those under notice to another job as quickly as possible. Another British approach to deal with large scale redundancies in a time limited way, is the set up of a Task Force, e.g. the MG Rover task force.

One of the challenges for the British government is to build up good relationships with employers. Training and education should fit the employer's demands. Recent initiatives such as the introduction of Local Employment Partnerships are a step forward. Policymakers should be aware of the motives and willingness of employers to invest in job-to-job transitions and training. For example, the Department for Business, Innovation and Skills wanted to drive the joining up of pre-employment training and ongoing training in the workplace. Therefore, one of the requirements of the R2R programme was that training providers placed the candidates in sustainable jobs with ongoing training in the workplace in the first three months. According to the representative of the Skills Funding Agency, the reality was that employers do not want to invest in employees during their probation period. Many employers take on the employee for three months and at the end of these three months the probation period is over and the employee gets the full rights as everybody else who is employed in the company. The experience was that employers do not want to invest in people who might leave the company within three months and the government decided to drop the requirement that it has to be a job with training and just got back that it has to be a job that lasted at least four weeks.

The current government intends to change the skills and education system. The strategy document from the Department for Business Innovation and Skills describes that for too long the skills system has been micromanaged from the centre, with Government setting skills targets that ought to be delivered, and with learners and colleges following funding rather than colleges responding to the needs of employers and the choices of learners. This government is also in favour of shared responsibility and expects that learners and employers will co-invest in training courses and that they will take greater responsibility for ensuring their own skills needs are met (Department for Business Innovation and Skills, 2010b).



## **Austria**



## 5 Austria

In this chapter, the Austrian job-to-job arrangements will be discussed. Firstly, the Austrian context will be described. Attention will be paid to the political background, labour market features, and relevant law and legislation (section 5.1). Secondly, the employment security system will be explored. The following features will be addressed: the type of support that is available to help people from job-to-job, the eligibility criteria, the financing of the system and the way the support is delivered and coordinated (sections 5.2, 5.3, 5.4, and 5.5). In these sections, the job-to-job arrangements and the coordination mechanisms will be fleshed out and the motives for cooperating in the system will be explored. The performance of the Austrian system, the relevant preconditions for success, and the results for the actors involved will be elaborated in sections 5.6 and 5.7. Section 5.8 brings together the main findings.

### 5.1 Background

#### 5.1.1 Political background

Between 1945 and 1955, Austria was under the occupation of the Allies (the Russians, French, British and Americans). After World War II, Austria was divided into five zones (one zone per occupier and Vienna, which was a joint zone of the occupiers). In 1955, Austria became a sovereign state and political stability occurred. Between 1945 and 1966, Austria was governed by a grand coalition of the two major parties: the Austrian People's Party (*Österreichische Volkspartei, ÖVP*) and the Socialist Party of Austria (*Sozialistische Partei Österreich, SPÖ*<sup>69</sup>). In 1966, the ÖVP won the elections and ruled alone during the following four years. Between 1970 and 1999, the SPÖ came back into office and ruled either alone or with junior coalitions. Although the SPÖ was the strongest party in the elections in 1999, they formed the opposition together with the Greens, while the ÖVP formed a coalition with the right-wing Freedom Party (*Freiheitliche Partei Österreichs FPÖ*). The ÖVP won the elections in 2002 and, although the FPÖ lost more than half of its voters, the ÖVP renewed its coalition with FPÖ in 2003. SPÖ won the election in 2006 and led a coalition with the ÖVP, but the coalition collapsed because of disputes. In 2008, new elections were held and another grand coalition was formed between the SPÖ and ÖVP. The distribution of seats after this parliamentary election was as follows: 57 seats for the SPÖ, 51 for the ÖVP, 35 for the FPÖ, 20 for the Greens (*Grüne*) and 21 for BZÖ (Alliance future

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<sup>69</sup> Since 1991, the name of the SPÖ was changed in Social Democratic Party of Austria (Sozialdemokratische Partei Österreichs, SPÖ).

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Austria, *Bündnis Zukunft Österreich*).<sup>70</sup> The popularity of right-wing political parties has grown since 2006 and resulted in the FPÖ receiving 18% of the votes in the 2008 elections. The former leader of the FPÖ, Joerg Haider, split from the party in 2005 and formed a new party: the Alliance future Austria (BZÖ). This party gained success in the 2008 elections with 10.7% of the votes. Shortly after the elections Haider died in a car accident.<sup>71</sup>

### 5.1.2 Economic history and labour market features

After World War II, the Austrian government nationalized Austria's manufacturing, transportation and financial services and, after gaining independence in 1955, Austria has grown into one of the developed economies in Europe. Since the 1950s, Austria has carried out a comprehensive structural change and has been transformed from an agrarian society into a well-developed industrial and service economy (WKO, 2009). In the late 1980s and 1990s, the government privatised sectors. Shares of nationalized companies were sold to private businesses. Today, Austria can be characterized as a highly developed industrialised country with a high standard of living. Two important events contributed to this development: the Austrian membership of the European Union in 1995 and the adoption of the Euro in 2002 (Thomas White Global Investing, 2008). Eastern countries that entered the European Union provided a boost for the economy and Austria is among the largest investors in neighbouring EU member states (OECD, 2007).

In Austria, there is a distinction between the Federal Government and nine individual provinces (*Bundesländer*)<sup>72</sup>, in which the corporatist structure is well-developed. In a corporatist structure there is close voluntary cooperation between employers' and employees' representatives and the state. Labour relations are based upon the principles of negotiation and co-operation, rather than confrontation. The so-called 'social partners' influence the decision making process of the government. The Austrian employers' interests are represented by the Economic Chamber of Commerce (*Wirtschaftskammer, WKO*) and the Chamber of Agriculture (*Landwirtschaftskammer, LK*), while the employees are represented by the Chamber of Labour (*Arbeiterkammer, AK*) and the Industrial Trade Unions (*Austrian federation of trade unions, Österreichische Gewerkschaftsbund ÖGB*). These organisations are part of many corporatists' councils and committees and, in cases where these partners can present a united front, they

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<sup>70</sup> <<http://www.bmeia.gv.at/en/foreign-ministry/austria/government-and-politics/political-system.html>>, accessed 21 March 2011.

<sup>71</sup> <<http://www.state.gov/r/pa/ei/bgn/3165.htm#econ>>, accessed 21 March 2011.

<sup>72</sup> Burgenland, Carinthia, Lower Austria, Upper Austria, Salzburg, Styria, Tyrol, Vorarlberg, Vienna.

have a lot of power which goes beyond consultation.<sup>73</sup> According to WKO, the common goal of consensus is still one of Austria's features in helping to create stable economic conditions and confidence in Austria as a business location (WKO, 2009).

The economic downturn of 2008 led to a deep recession in Austria, but the unemployment rate is still one of the lowest in Europe (see table 2.5 in Chapter 2). This could partly be explained by the crisis measures taken by the Austrian Government and individual employers. In section 5.5, these measures will be addressed further. The Austrian labour market participation in 2009 was 71.6%, which lay above the EU average (64.6%). Compared with the other countries examined, Austria had a lower participation rate than Sweden (72.2%) and the Netherlands (77%). In contrast to Sweden, the Austrian youth participation was relatively high (90%), while the Austrian employment rate of older people was the lowest (41.1%) of the selected countries in 2009. Furthermore, in Austria the percentage of employees with a limited duration contract in 2009 was 9.1%, while the EU average was 13.5%. Only the UK had a lower percentage of employees with a limited duration contract (5.7%).

### 5.1.3 Legal framework of redundancy and unemployment insurance

In Austria several acts apply when an employment contract is terminated on the initiative of the employer. The most important laws, which in the analytical framework of this study are elements of the institutional setting, are the Civil Code (*Allgemeines Bürgerliches Gesetzbuch, ABGB*), the Labour Constitution Act (*Arbeitsverfassungsgesetz*) and the White-collar Workers Act (*Angestelltengesetz, AngG*). White-collar workers are individuals who are employed to carry out primarily commercial, senior non-commercial or office work. All other employees are considered blue-collar workers. One interviewee mentioned that the distinction has lost much of its former significance, because the rights have been aligned. However, there are still some slight differences in, e.g., notice periods. Most blue-collar workers are subject to the Industrial Code (*Gewerbeordnung, GewO*). In the case of collective dismissals the Labour Market Promotion Act (*Arbeitsmarktförderungsgesetz*) applies. The reform of the Austrian severance pay system and income security after dismissal will also be discussed in this section.

#### *Civil Code*

Besides termination of the employment contract by mutual consent, an individual contract can be terminated by the employer. There is a distinction

<sup>73</sup> <<http://www.eurofound.europa.eu/emire/AUSTRIA/ANCHOR-SOZIALPARTNER-SCHAFT-AT.htm>>, accessed 17 March 2011.

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between ordinary dismissals with notice and immediate dismissal for good cause. In general, no grounds are required for termination of the contract (Kempen et al., 2008), but notice periods must be observed. Section 1162 of the Civil Code provides that an employment contract can be terminated for 'important reasons without notice'.

### *White-collar Workers Act*

The White-collar Workers Act (*Angestelltengesetz*) regulates periods of notice for terminating an employment contract. In the event of termination of the employment contract on the initiative of the employer, a notice period of six weeks must be observed. The law extends the notice periods for longer periods of continuous employment.

*Table 5.1: Notice periods white-collar workers when the employment contract is terminated on initiative of the employer*

<b>Period of continuously employment</b>	<b>Notice period</b>
Less than 2 years	6 weeks
2-5 years	2 months
5-15 years	3 months
15-25 years	4 months
More than 25 years	5 months

Source: section 20 White-collar workers act

The notice period for blue-collar workers is in absence of any other agreement, 14 days.

### *Labour Constitution Act (Arbeitsverfassungsgesetz)*

As explained previously, no grounds or good reasons are required in the event of ordinary dismissal. However, notice can be contested in court as being socially unjustified or on the basis of certain employee activities, e.g. joining a trade union or a call-up for military service (section 105 Labour Constitution Act). Section 105 of the Labour Constitution Act regulates that the employer must inform and notify the works council of the intended termination. This procedure is required both for individual and collective dismissals. The works council has five working days to respond to the dismissal proposal.

### *Labour Market Promotion Act (Arbeitsmarktförderungsgesetz, AMFG)*

In the event of a collective redundancy within a thirty-day period, the employer has to notify the regional office of the Public Employment Service (*Arbeitsmarktservice, AMS*). This is regulated in section 45a of the Labour Market Promotion Act (AMFG) and in line with the EU directive 98/59/EC. The notification is required if a collective dismissal is planned for:

- at least five employees in a company with more than 21 and less than 100 employees;
- at least five percent of the workforce in a company with 100 to 600 employees;
- at least 30 employees in companies with more than 600 employees;
- at least five employees aged over 50.

#### *Public Employment Service Act (AMSG)*

In 1994, the Austrian labour market was reformed. The Public Employment Service Act (*Arbeitsmarktservicegesetz*) came into force on 1 July 1994. With this reform the Labour Market Administration Authority (*Arbeitsmarktverwaltung, AMV*) was outsourced from the Federal Ministry of Employment, Health und Social Affairs to become an employment service under public law. The Public Employment Service, AMS (*Arbeitsmarktservice*), was established. According to the Ministry the aims of the reform were:

1. to enable quick and flexible interventions in labour market developments through decentralisation of decision-making authority, more flexible use of resources and expanded terms of reference at regional level;
2. to relieve the public employment service of matters which do not belong to the core tasks of labour market policy (for example, parental leave benefits);
3. to achieve greater inclusion of representative bodies of employers (Economic Chamber, Federation of Austrian Industry) and of employees (Chamber of Labour, trade unions) in the decision-making structures and the implementation of labour market policy;
4. to improve active labour market policy, in particular for people disadvantaged in the labour market (women, older workers, the long-term unemployed, people with disabilities and so forth);
5. to licence private placement agencies;
6. to ensure control by the court of audit (Bundesministerium für wirtschaft und arbeit, 2005).

#### *Reform of the severance pay system (Abfertigung Neu)*

The reform of the severance pay system serves in policy documents as an interesting example of flexicurity (European Commission, 2006). Before this reform is discussed in more detail, an overview of the historical development of the Austrian severance pay will be provided. The first severance pay was introduced by the 1921 White-collar Workers Act (*Angestelltingesetz*) and applied only to white-collar employees. After 50 years, in 1979, the severance pay was extended to blue-collar workers in the Wage Earners' Severance Pay Act (*Arbeiterabfertigungsgesetz*) (Cardinale & Orszag, 2005). In the 1970s, another reform took place. Severance pay was available for those who left the company voluntarily under the precondition that the employee had worked for at least ten years in the company (Klec, 2007). During the 1990s, a reform of the old severance pay system (*Abfertigung Alt*) was debated. The first argument for a

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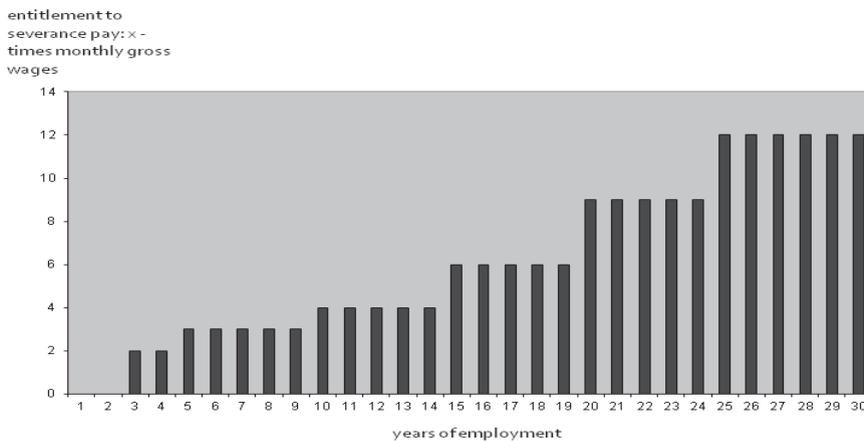
reform was the low coverage of the previous system. In the old system only one third of the workforce enjoyed entitlement to severance pay (Klec, 2007). The minimum precondition for qualifying for severance pay was that the employment relationship had lasted at least three years and was terminated by one of the following reasons:

- Dismissal by the employer;
- Termination by mutual agreement;
- Expiration of the term of a fixed-term employment contract.

The Austrian Federation of Trade Unions (ÖGB) wished to include employees who had not worked continuously for at least three years in one company. Another disadvantage of the old severance system was that employees who terminated their employment contract voluntarily, lost their entitlement to severance pay. Klec argues that this could reduce external mobility because employees, even those who could have found a better job elsewhere, frequently remained in the job in order not to lose their entitlement to severance pay (Klec, 2007). Also the ÖGB was in favour of ending the loss of acquired rights in the event of voluntary resignation.

From the employers' perspective, the reform should lead to a reduction of severance costs. The level of the severance pay increased with the duration of the employment contract. After three years of service the entitlement was a two month's severance pay, after 25 years of service the level was a twelve month's pay. Employees who were declared redundant and were entitled to severance pay received the payment as a lump sum when the contract was terminated. This could lead to cash-flow difficulties or liquidity problems for firms who have to pay simultaneous severance payments, especially for SMEs (Klec, 2007). Several interviewees mentioned that the government expected that the reform also should contribute to the expansion of the underdeveloped second pension pillar in Austria.

Figure 5.1: Entitlements severance pay in the old system



Source: Kroemer, 2010<sup>74</sup>

From 1 January 2003, the old severance pay system (*Abfertigung Alt*) was reformed into a new system by the *Betriebliches Mitarbeitervorsorgegesetz*. The underlying goals of the new law, also referred to as *Abfertigung Neu*, are to enhance job mobility, to address liquidity problems, to extend severance pay entitlements and to expand the second pension pillar. The new law introduced a contribution based system of individual saving accounts. The direct payment of severance pay from employer to employee at the end of the employment contract was abolished and replaced by a monthly employers' contribution of 1.53% of employees' gross wage in an employee provision fund (*Mitarbeitervorsorgekassen, MVKs*). The collection of the severance pay contributions starts from the second month of the employment contract. Nine privately managed companies collect the monthly contributions and distribute the severance pay to those who become eligible (Klec, 2007). The following nine MVKs have been established and licensed by the public authorities: BAWAG Allianz Mitarbeitervorsorgekasse AG, APK-Mitarbeitervorsorgekasse AG, BUAK Mitarbeitervorsorgekasse GesmbH, BONUS Mitarbeitervorsorgekasse AG, Niederösterreichische Vorsorgekasse AG, ÖVK Vorsorgekasse AG, Siemens Mitarbeitervorsorgekasse AG, VBV Mitarbeitervorsorgekasse AG, Victoria Volksbanken Mitarbeitervorsorgekasse AG (Hofer, 2006).

When an employment relationship is terminated the employees are entitled to the capital accumulated in their individual account. However, the value of the

<sup>74</sup> Presentation at the SER conference. Seven years of *Abfertigung Neu* – a Résumé, 15 June 2010, SER, The Hague.

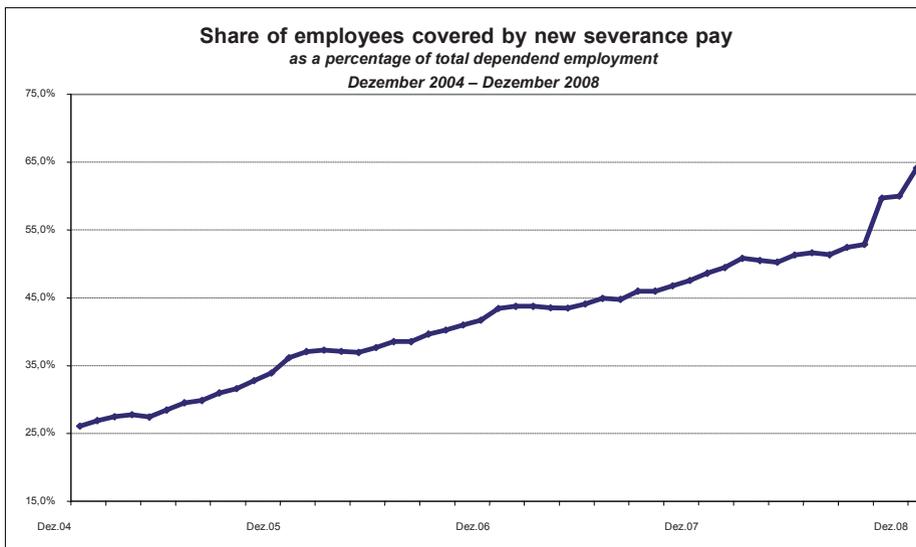
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severance pay is not guaranteed and depends on the return on investments. Furthermore, administration costs are deducted. In the event of dismissal or termination by mutual agreement, the severance pay can be left in the fund as a capital provision or be paid out as a lump sum. Two criteria have to be met in order to cash the severance pay: contributions must have been paid for at least three years by one or more employers, and the termination must not be on the initiative of the employee. If one of these conditions is not met, the severance pay stays in the fund and cannot be withdrawn or it will be moved to the new fund of the new employer (*Rucksackprinzip*). The severance pay will be paid out at the latest at the time of retirement.

The new law applies to any employment relationship commencing on or after 1 January 2003. There are three options for employment contracts already in place on this date. Employees can decide to stay with the old system, opt for a total transfer to the new system or choose a partial transfer to the new system. In practice, few contracts were transferred to the new system (Klec, 2007). This means that currently, in Austria, two different systems of severance pay are in place.

Since the introduction of the new severance pay scheme, more employees are entitled to severance pay. In December 2008, about two thirds of employees were covered. A significant increase can be observed at the end of the year 2008. Hofer explains that this could be a result of the extension of the system. Since 2008, self-employed persons are obliged to be included in the system and freelancers and farmers have been given the option of opting into the severance pay system voluntarily (Hofer, Schuh, & Walch, 2011). According to the second Austrian Reform Programme for Growth and Jobs 2008-2010, this amendment meant that 500,000 freelancers, self-employed persons and agricultural and forestry workers were also covered by the new severance pay system. Furthermore, since 2008, severance pay has been accessible after two years of contribution.

Figure 5.2: Coverage new severance pay law



Source: Hofer, Schuh, Walch, 2011

Another interesting result of Hofers' study is that in 2006 88% of all employees who had the option to withdraw money out of the system, did so. The objective of the government to extend a second pension pillar is currently not being met (Hofer et al., 2011). Several interviewees mentioned that an employee who withdraws the money out of the fund can spend the money on whatever the worker wants and this does not enhance the employability of the workers.

#### *The Unemployment Insurance Act*

In the event of becoming unemployed, the Unemployment Insurance Act (*Arbeitslosenversicherungsgesetz, AIVG*) provides regulations for income security. To be entitled to unemployment benefits (*Arbeitslosengeld*), the employee must be subject to compulsory health insurance (*Krankenversicherung, KV*). Furthermore, the applicant for the unemployment benefit should be able to work, available for job offers and willing to work. This latter requirement refers to the readiness of the unemployed person to take on an acceptable job offered by a regional AMS office (bmask, 2010). Jobseekers who claim unemployment benefit for the first time, need to have been in unemployment insurance (UI) contributory employment for at least 52 weeks during the last two years. This period is reduced to one year for claimants who have received unemployment benefit (*arbeitslosengeld*) before, whereby the claimant must prove that he/she has worked for 28 weeks within the last year. Young people under the age of 25 have only to prove 26 weeks of contributory employment within the last year before they make the claim (bmask, 2010).

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The duration of unemployment benefit depends on the period the person has been insured and his/her age, and has a duration of twenty weeks. Unemployment benefit duration is:

- 30 weeks in the event of 156 weeks of contributory employment within the preceding five years;
- 39 weeks in the event of 312 weeks of contributory employment within the preceding 10 years, if the unemployed person is at least 40 years of age ;
- 52 weeks in the event of 468 weeks of contributory employment within the preceding 15 years, if the unemployed person is at least 50 years of age.<sup>75</sup>

The benefit duration can be extended if the unemployed person participates in an AMS retraining or up skilling programme. For participants in a labour foundation the unemployment benefit duration can be extended by a maximum of 156 weeks. If the person is aged 50 or over, or the training course lasts for a longer period, unemployment benefit can be extended by 209 weeks (bmask, 2010). In section 5.2.1 the labour foundations will be further discussed. The level of the basic unemployment benefit is equivalent to 55% of the previous net earnings. Owing to family supplements and additional supplements, the actual rate was over 61% in 2009 (bmask, 2010).

In September 2010, Austria replaced the social assistance regulations, which could differ in each land, by one federal means-tested system (*Bedarfsorientierte mindestsicherung*, BMS). This system guarantees, under certain circumstances, a standardized basic income in 2011 for a single person EUR 753 and, for (married) couples EUR 1,129.<sup>76</sup>

Since 1 January 2008, employees with a non-standard employment contract are also compulsorily insured under the unemployment insurance (section 4 of the General Insurance Act, ASVG). From 1 January 2009, self-employed persons have the possibility of voluntary opting in to the unemployment insurance (bmask, 2010).

The OECD net replacement rates for Austria during the initial phase of unemployment are presented in table 5.2. This indicator refers to the income in the initial phase of unemployment relative to earnings when working. The replacement rate (RR) is an indicator for comparing benefit levels between countries. The OECD indicator measures the proportion of expected income from work which is replaced by unemployment and related welfare benefits.

The earning level refers to the average of replacement rates for unemployed persons who earned 67% and 100% of average working earning at the time of losing their jobs.

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<sup>75</sup> <<http://www.ams.or.at/english/14609.html>>, accessed 3 February 2011.

<sup>76</sup> <[http://www.ams.at/\\_docs/bms\\_basisinfo.pdf](http://www.ams.at/_docs/bms_basisinfo.pdf)>, accessed 24 March 2011.

Table 5.2: Net Replacement Rates Austria in percentages for six family types: initial phase of unemployment, 2009, by earning level of average wage

Earning level	Family type						
	No children			Two children			Overall average
	Single Person	One-earner married couple	Two-earner married couple	Lone Parent	One-earner married couple	Two-earner married couple	
67% of AW	55	57	80	71	73	85	70
100% of AW	55	56	77	67	69	81	68

Source: OECD<sup>77</sup>

## 5.2 Type of support to find work after redundancy

### 5.2.1 Labour foundations (*Arbeitsstiftung*)

In several interviews, the labour foundations (*Arbeitsstiftungen*) were mentioned as an instrument for supporting unemployed people in finding work after redundancy. In 1987, the privatization and down-sizing of nationalized steel companies led to large scale redundancies. It became clear that there would be no further legislation that would have allowed early retirement. Furthermore, there was an atmosphere of fear, helplessness and lack of personal perspective among the redundant workers. Against this background, the works council and the manager of the steel company launched a joint initiative. The first labour foundation, VOEST-Alpine Stahlstiftung, was established (Winter-Ebmer, 2001). The idea behind this Steel Foundation was that money and a social plan are valuable, but the best help is active support into another job. Therefore, the works council and the management of the steel companies negotiated about the organization and financial structure of the labour foundation. Already twelve companies were involved in the Steel Labour Foundation at the start in 1987. In 1988, this number increased to 22 firms and in 1998, 58 firms participated (Winter-Ebmer, 2001). In September 2008, 71 companies were member of the VOEST-Alpine Stahlstiftung. Seven months later, in April 2009, this number increased to 83 companies and stabilized in January 2011 with 81 member companies.<sup>78</sup> Today, the labour foundations are a common used labour market instrument in Austria. In all nine federal states (*Bundesländer*) and regions labour foundations are in place.

<sup>77</sup> <[http://www.oecd.org/document/3/0,3343,en\\_2649\\_34637\\_39617987\\_1\\_1\\_1\\_1,00.html](http://www.oecd.org/document/3/0,3343,en_2649_34637_39617987_1_1_1_1,00.html)>, accessed 12 July 2011.

<sup>78</sup> <<http://www.stahlstiftung.at/>>, accessed 18 March 2009 and 7-8 February 2011.

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In 1998, labour foundations were embedded in law.<sup>79</sup> The legal basis for the establishment of a labour foundation is regulated in section 18 of the Unemployment Insurance Act (AIVG). Furthermore, the statutory regulations regarding the financing of labour foundations are embedded in the Employment Service Act, (*Arbeitsmarktservice gesetz, AMSG*), section 32 and 34 (Jandl-Gartner, Jellasitz, Nagl, Röhrich, & Schweighofer, 2010). The Austrian Public Employment Service, AMS, has drawn up federal guidelines for the recognition, promotion and implementation of labour foundations. The first federal guideline dates from 1993.<sup>80</sup> The labour foundations evolved over the years and in the 1993 federal guideline four types of labour foundation were distinguished:

- **Company Foundation (*Unternehmensstiftung*)**  
Foundation established by a company affected by redundancy, in close cooperation with the works council;
- **Insolvency Foundation (*Insolvenzstiftung*)**  
Foundation established by a local authority or by another legal entity for one or more companies that are not able to support redundant employees to another job, because they are declared insolvent;
- **Sectoral Foundation (*Branchenstiftung*)**  
A foundation established by several companies in a specific sector in which large scale redundancies occur.
- **Regional Foundation (*Regionalstiftung*)**  
Foundation established in a region, comprising several companies that are affected by large scale redundancy in close cooperation with trade unions and local authorities. Regional foundations give small and medium sized companies the opportunity to join a regional foundation and in this way obtain access to the labour foundations' measures.

The Vienna Employment Promotion Fund (*Wiener Arbeitnehmerinnen Förderungsfonds; WAFF*) was founded in June 1995. In the beginning, the WAFF coordinated and implemented activities of already established outplacement foundations in close cooperation with the AMS, education providers and other companies. For example, the WAFF managed the AUFLEB<sup>81</sup> and AUSPED<sup>82</sup> foundations. These sectoral foundations in, respectively, the food and transport sector, are a joint initiative from social partners and they still exist. The WAFF

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<sup>79</sup> Bundesgesetzblatt (BGBl). Nr 232/1988 section 18. Abs 5 and 6 Arbeitslosenversicherungsgesetz (AIVG).

<sup>80</sup> Federal Guideline (Bundesrichtlinie) from 9 December 1993, BMAS Zl. 37.007/30-13/1993.

<sup>81</sup> AUFLEB= Arbeitsstiftung des Ausbildungs- und Unterstützungsvereines für Arbeitslose aus der Lebensmittelbranche; branch labour foundation in the food industry.

<sup>82</sup> AUSPED = Ausbildungs- und Unterstützungsverein Spedition; branch foundation in the transport sector.

also provided support to establish company foundations and introduced a regional insolvency foundation (*Regionale Insolvenzstiftung Wien*, RIW). Until the late 1990s, WAFF's aim was to 'bundle' existing foundations and to provide help to create new foundations (Weishaupt, 2009). Currently, the WAFF is in Wien and the surrounding area, the central institution for labour foundations. In close cooperation with companies, works councils and the AMS, the WAFF developed two types of labour foundations. The first one is the regional labour foundation "*Offene Arbeitsstiftung Wien*" (OAW) which was introduced in 2000. The OAW enables small and medium sized (SME) Viennese companies to join this labour foundation. The companies pay a fee per participant for a part of the training costs. The other part is financed by the federal government, Wien and the AMS. SMEs and companies with a weak financial position pay a lower fee per participant. The second type is the Regionale Insolvenzstiftung Wien (RIW). Employees of bankrupt or insolvent companies can start a new career through the RIW. The support provided is equal to that in the OAW. However, the insolvent company is not able to co-finance the RIW.

From 1998 onwards, not only redundant employees of companies weathering difficult circumstances, but also persons already unemployed, could participate in labour foundations. This was regulated in a decree<sup>83</sup> by the Ministry of Employment, Health and Social Affairs (*the Bundesministerium für Arbeit, Gesundheit und Soziales (BMAGS)* of 28 September 1998 (Jandl-Gartner et al., 2010).

The federal guideline from 15 June 2002<sup>84</sup> has made an important distinction between two main types of labour foundation: the outplacement foundation (*Outplacementstiftung*) and the implacement foundation (*Implacementstiftung*). Outplacement foundations are used in the event of expected large-scale job losses. The company foundation, the insolvency foundation and the regional foundation are examples of outplacement foundations.

An implacement foundation is used in the event of personnel shortages. The aim of the implacement foundation is to involve companies who want to recruit staff in needs-oriented qualification measures for unemployed people. Furthermore, implacement foundations can bridge the gap between the qualifications demanded by hiring companies and the non-utilisable qualifications held by unemployed people (Holzer, 2006). Holzer argues that 'implacement foundations should be seen as service providers for enterprises. In growth sectors they offer firms a chance to have the skilled labour that they are seeking, specifically trained for their needs. At the same time, they give job-seekers the opportunity to gain

<sup>83</sup> Decree BMAGS, ZI. 33.202/30-2/1998 from 28 September 1998.

<sup>84</sup> Federal Guideline (Bundesrichtlinie) from 15 June 2002, BGS/AMF/1102/9940/2002.

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qualifications that hold out the (relatively) sure promise of employment at the end of the training process.<sup>1</sup> The placement foundations provide vocational guidance and staff selection procedures, work experience programmes, support with active job searches and training (Holzer, 2006). The support, including the basic and further training, can last up to three years; and for persons aged 50 and over even up to four years (Jandl-Gartner et al., 2010).

Besides the previously mentioned labour foundations, Austria has foundation-style measures which deviate from the labour foundations in terms of financing (not based on the AIVG but AMFG or AMMSG based) and target group but not in the support provided, e.g., career guidance, active job search, training or further education, apprenticeships. These measures are called "*Stiftungsähnlichen Maßnahmen*" (SÄM) (Jandl-Gartner et al., 2010). These measures are procedurally identical to those of the labour foundations, the difference being that they are implemented by the AMS (Holzer, 2006).

The target group foundations, the so-called *Zielgruppenstiftungen*, are placement- or outplacement foundations that have been established by employers and employees' representatives (WKO and ÖGB) for specific target groups who face great difficulties in (re-) entering the labour market, e.g., the young unemployed, long-term unemployed and returners. In response to the crisis, a new reform was announced in 2009. A special youth foundation (*Jugendstiftung*) was laid down in statutory regulations.<sup>85</sup> The aim is to support 2,000 unemployed young people (aged 19-24) who have previously worked at least three months with a SME or temporary agency (bmask, 2009) by providing individual support and training programmes. These measures should open up new career prospects. A precondition for participation is that the company pays EUR 1,000 per person to the labour foundation. The unemployment benefit for the unemployed young people is extended. Furthermore, participants in the youth foundation receive, in addition to the unemployment benefit, a grant of EUR 100 per month (Jandl-Gartner et al., 2010). Some of the labour foundations have existed for a long time. As discussed previously, the Steel labour foundation which was established in 1987, is still in place. Other foundations run for a specific period and have already disappeared.

### *The aims of the labour foundations*

The aims of the labour foundations are formulated in the AMS federal guideline

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<sup>85</sup> § 18 para 6-9 AIVG, Federal Law Gazette (BGBl) I No. 12/2009, entered into force on 1 February 2009 and further elaborated in BGBl. I Nr. 90/2009, entered into force 1. June 2009 (Arbeitsmarktpaket II) and in Federal guideline AMS BGS/AMF/022/9904/2009 from 1 November 2009.

effective from July 2010.<sup>86</sup> The foundations should:

- contribute to the reorientation and higher qualification measures for the unemployed aimed at their re-integration into the labour market;
- support structural change in a region and provide purposeful qualifications measures for companies who have to lay off people and companies who want to recruit employees;
- integrate regional and local labour market policies in the event that one or more companies are affected by redundancies.

According to an interviewee of the Arbeiterkammer Wien, the outplacement foundation is “a bridge between an old and a new job”. One precondition for entering a labour foundation is that the employment contract is terminated. AK Wien advises work councils concerning the possibilities offered by labour foundations. The employee who has lost his or her job can voluntarily choose to participate in a labour foundation under the precondition that the employer is a member of a foundation and is willing to pay a fee per participant. The financing of the different labour foundations is further elaborated in section 5.4.

#### *Type of support*

The labour outplacement foundations should provide continuous support between entering and leaving the labour foundation. The support comprises: professional orientation, education and (re-)training, practical training, internships, and active job search.

The first step in the labour foundation is professional orientation. The unemployed person, together with a qualified trainer, will explore the new professional perspectives. An individual action plan will be developed. The maximum duration of the professional orientation period is six weeks. In special circumstances (e.g. owing to individual problems) this period can be extended up to twelve weeks. The concept of the labour foundation is that at least two thirds of the participants move on from the professional orientation phase to the education and training module.<sup>87</sup> The training should contribute to further qualification and fit within the maximum timeframe of three or four years. In the individual action plan, theory lessons can be combined with practical training. The practical training supports the theoretical training and may not be used exclusively to bridge the gap between theoretical training elements. Each practical training module should be preceded by a theoretical introduction. The weekly amount of practical training may not exceed the maximum legal or contractual regular working hours. In the final step, the phase of active job

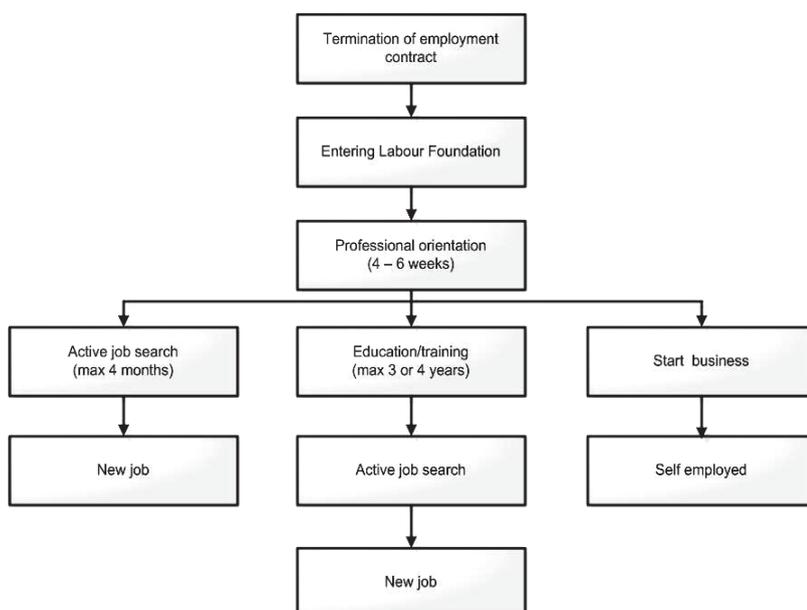
<sup>86</sup> Federal Guideline (Bundesrichtlinie) from 1 July 2010, BGS/AMF/0722/9938/2010.

<sup>87</sup> Federal guideline (bundesrichtlinie) BGS/AMF/0722/9938/2010 AMF/18-2010.

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search, the participants will receive support and advice to find a new job. Furthermore, the participants can use the job offers from the Public Employment Service. Some labour foundations provide help for them to start their own business. The weekly load of activities in the foundation must be equivalent to the previous working hours and must be at least 50% of the normal working hours regulated in collective agreements.<sup>88</sup> Figures 5.3 and 5.4 illustrate the different pathways in, respectively, the Steel Foundation and the Vienna Employment Promotion Fund (OAW).

Figure 5.3: The Steel Labour Foundation pathway



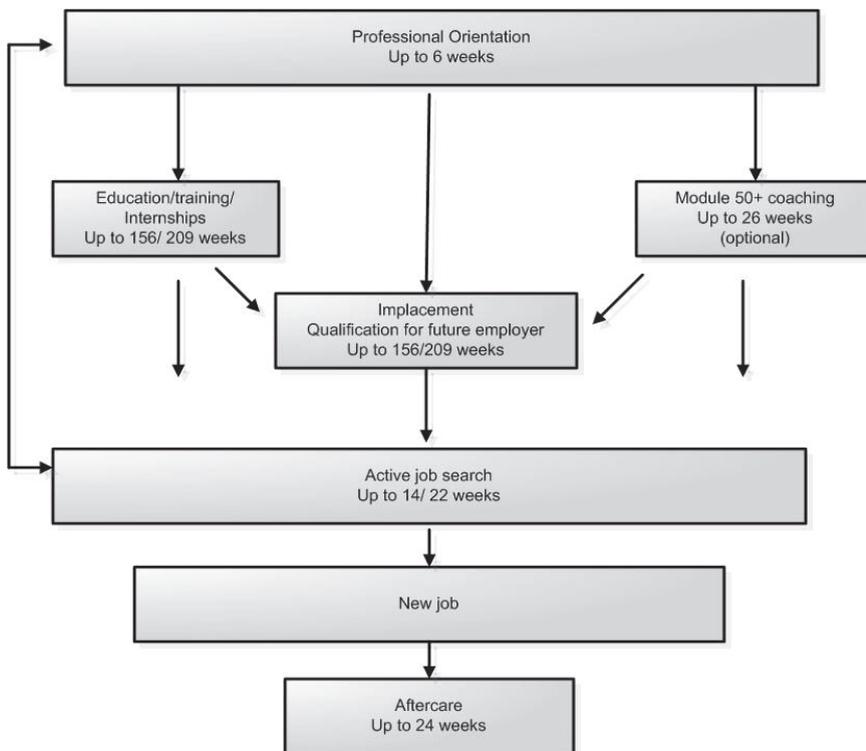
Source: Stahlstiftung

The support provided in the OAW includes several phases (see figure 5.4). The professional orientation phase comprises the assessment of the individual professional goals and the feasibility of this ambition, the training steps and the approval of a corresponding career plan. Courses, occupational experience, and also the opportunities to finish school or higher education are possible steps in the education phase. Development of individual application strategies, support application activities, provision of relevant information about the labour market, support in finding another job, and aftercare are elements of the active job

<sup>88</sup> Federal guideline (bundesrichtlinie), 1 July 2010, AMF/18-2010 and section 18 article 6 ALVG.

search. The placement phase serves to qualify for a future job with a specific employer. The training period and the practical and theoretical education needed will be negotiated with the future employer. The OAW has a special module for persons aged 50 and over, in which they can receive specific, more intensive coaching. This module can be used as an option in all phases (education, placement and internships) and comprises e.g. health training, motivation training, training in how to use the internet, communication training, self-presentation training and training in how to apply for jobs.

Figure 5.4: The OAW labour foundation pathway



The foundations provide training and courses for the unemployed with a prospect of job entry afterwards. These training measures fit the future employers' needs.

#### *Financial support*

The AMS pays the unemployment benefit to the participants for the duration of their participation in the labour foundation. The maximum period of participation in a foundation is four years, which is longer than the duration of the normal unemployment benefit, which can last for up to 52 weeks. The labour foundation can provide a monthly supplement to the unemployment benefit. For example,

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the Steel labour foundation pays a minimum grant of EUR 170 per month. The maximum grant is EUR 370 per month. An additional amount of EUR 75 can be provided for sole wage earners and EUR 40 per each dependent child.<sup>89</sup> The monthly grant for participants in the OAW is currently EUR 200. The OAW calculates that each participant on average has a training and education budget of EUR 3,860.<sup>90</sup> The labour foundation provides financial security during the period of participation. However, some interviewees mentioned that the level of unemployment benefit in Austria is very low compared with other European countries. Many Austrian unemployed people cannot afford to invest in longer phases of education or training, because of recurring expenses and their need of income. They apply for jobs with lower wages rather than investing in training and education.

### 5.2.2 Training network (Qualifizierungsverbände)

The labour foundations provide an interim period between two jobs. As explained previously, the participants in the labour foundations receive an unemployment benefit. Strictly speaking therefore, the labour foundations do not provide for direct job-to-job transition. The training networks, *Qualifizierungsverbände*, were mentioned in the interviews as being an unemployment preventive instrument. The training network is an association of at least three companies and at least 50% of these participating companies are small or medium sized companies. Their joint aim is to provide training to their employees which is based on the needs of the employers and is transferable to other companies.<sup>91</sup> The companies share the costs of the training and education. In order to qualify for a financial contribution from the AMS, the employers should outsource the training activities to external professional training providers. Training costs and staff expenses for the participants during paid working hours can be eligible for compensation (AMS, 2011).

## 5.3 Eligibility

### 5.3.1 Labour foundation (Arbeitsstiftung)

Companies can establish a labour foundation or become a member of a labour foundation if they have to lay off staff because of economic reasons. Depending on the type of foundation the erection of the foundation is a result of negotiations between the company, trade unions, works councils and municipalities. The selection criteria for who can participate in the foundation

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<sup>89</sup> These amounts apply to those who entered the Steel foundation after 1-1-2011. <[www.stahlstiftung.at](http://www.stahlstiftung.at)>, accessed 16 February 2011.

<sup>90</sup> <[www.waff.at](http://www.waff.at)>, accessed 16 February 2011.

<sup>91</sup> <<http://www.qvb.at/index.html>>, accessed 3 March 2011.

are also discussed between the company, the works council or the trade union, and the AMS. The AMS has to approve the establishment of a foundation. In general, people who have lost their jobs at these companies and who are entitled to an unemployment benefit are eligible to enter a labour foundation. Currently, also people who are unemployed can enter a regional labour foundation. One interviewee mentioned that employees with a fixed-term contract which will not be extended because of economic reasons can also enter a foundation. For example, the OAW is open to companies which have to reduce staff because of economic reasons and are located in the Vienna area. The precondition is that the companies that have to lay off people are willing to pay a fee per participant. This requirement does not apply for the RIW, i.e. the labour insolvency foundation for companies which are insolvent or bankrupt. The employees who have lost their jobs at a company which joined the OAW or RIW, can enter the foundation provided that they are entitled to an unemployment benefit and living in Vienna. Another example is the Steel foundation. Employees that are dismissed by a member company of the Steel foundation, because of economic reasons can enter the Steel foundation. Thus, as mentioned previously, participants in the labour foundations are unemployed and the foundation serves as a bridge between two jobs. The self-employed are not eligible to enter a foundation. Small companies which are not able to establish a company foundation by themselves can join a regional foundation.

Not unexpectedly, the financial crisis in 2008 did have an impact on the establishment of labour foundations. The number of outplacement foundations almost doubled between 2007 and 2009 (see table 5.3).<sup>92</sup>

*Table 5.3: Absolute numbers labour foundations in Austria between 2007-2009*

	2007	2008	2009
Outplacement foundations	79	96	141
Implacement foundations	114	147	175

Source: Bmask

### 5.3.2 Training network (Qualifizierungsverbünde)

Any employer can participate in a training network provided that at least three companies are members of the training network and more than 50% of these companies are SMEs. SMEs are companies which have less than 250 employees and an annual turnover not exceeding EUR 50 million.<sup>93</sup>

<sup>92</sup> <[http://www.parlament.gv.at/PAKT/VHG/XXIV/AB/AB\\_03590/imfname\\_177113.pdf](http://www.parlament.gv.at/PAKT/VHG/XXIV/AB/AB_03590/imfname_177113.pdf)>, accessed 5 April 2011.

<sup>93</sup> <<http://www.qv-wien.at/>>, accessed 23 March 2011.

## 5.4 Financing

### 5.4.1 Labour Foundation (Arbeitsstiftung)

The federal guideline for the recognition, promotion and implementation of labour foundations (*Bundesrichtlinie zur Anerkennung, Förderung und Durchführung von Arbeitsstiftungen*) regulates the criteria for implementing a labour foundation. One of the criteria is that the founders submit a financial plan. The AMS has to approve the establishment of a labour foundation. The financing of a labour foundation depends on the type of foundation (company, sectoral, insolvency, regional foundations) and is based on negotiations between the managers of the company, staff representatives and co-financers such as the AMS, WAFF and local authorities.

*Table 5.4: Founders and financing of the various Austrian labour foundations*

	Founders	Financing
Enterprise foundation	Companies Works Council	Company Employees AMS WAFF
Insolvency foundation	AMS Federal Land Social partners	AMS Land (if possible company)
Regional foundation/Target group foundation/Sectoral foundation	Several companies, Trade unions, Employers' associations, Regional bodies, local authorities	Company/companies Federal state Local authorities, AMS

Source: AMS

In principle, the co-financing of the AMS is limited to the provision of benefits to participants, mostly in company outplacement labour foundations. The costs of the infrastructure of the foundation should be financed by the companies or other parties. However, if the external funding is not enough, the AMS can provide extra funding, i.e., for insolvency labour foundations up to 50% of the establishment costs and for regional labour foundations up to 25% of these expenditures (Jandl-Gartner et al., 2010).

Insolvency, regional, sectoral and target group outplacement foundations can partly re-claim costs for vocational guidance measures, education and training provided by an external training provider, active job search and training-related additional costs. The AMS co-finances only training-related costs for activities in company foundations with a duration of at least 6 months. Table 5.5 presents the maximum reimbursement percentages the AMS can provide.

Table 5.5: Financial support from the AMS

	Cost	Reimbursement % by AMS	AMS duration unemployment benefit for participants in the foundation (§ 18 para 5 AIVG)
Insolvency foundation	vocational guidance measures, education and training provided by an external training provider, active job search and training-related additional costs	60%	maximum of 156 weeks, max, in justified cases 209 weeks
Regional foundation Sectoral foundation Target group foundation	vocational guidance measures, education and training provided by an external training provider, active job search and training-related additional costs	35%	maximum of 156 weeks, max, in justified cases 209 weeks
Enterprise foundation	Training related additional expenses for measures with a duration of at least 6 months	35%	maximum of 156 weeks, max, in justified cases 209 weeks

Source: AMS

In some labour foundations both redundant employees and employees who are still employed within the company contribute to the labour foundations. For example, in the Steel foundation (*Stahlstiftung*), the employees of companies affiliated to the Steel foundation pay 0.5% of their monthly gross income to the foundation. This is considered as a solidarity contribution. Furthermore, the redundant employees who will participate in the foundation deposit 50% of their statutory severance pay interest, with a maximum of EUR 7,267.<sup>94</sup> The affiliated companies contribute to the infrastructure of the foundation.

As explained previously, small companies can also send their redundant employees to a regional foundation. Companies have to pay a contribution for each participant in the foundation. The Regional Foundation in Vienna (*Offene Arbeitsstiftung Wien*) has reduced rates for Viennese employees from small and medium sized companies and for redundant employees from companies with a weak financial position.

<sup>94</sup> <[www.stahlstiftung.at](http://www.stahlstiftung.at)>, accessed 3 March 2011.

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Table 5.6 presents the expenditure from the AMS to the labour foundations. The contributions of the companies and other regional actors as well as the benefits provided by the AMS to the participants are not included in these figures.

Table 5.6: Expenditure AMS to the labour foundations in Euro's

Expenditures	2007	2008	2009
Implacement foundations	1,795,330.64	1,436,722.23	1,253,669.86
Outplacement foundations	838,171.06	82,598.71	1,732,037.82
Total labour foundations	<b>2,633,501.70</b>	<b>1,519,320.94</b>	<b>2,985,707.68</b>

Source: Bmask<sup>95</sup>

### 5.4.2 Training network (Qualifizierungsverbünde)

The training networks (*Qualifizierungsverbünde*) are an initiative from the AMS and the European Social Fund (ESF) and they partly subsidize the training costs and staff expenses. 75% of the compensation is at the expense of the ESF. The other 25% is co-financed by the AMS (AMS, 2011). In the federal guideline the level of the grant depends on the size of the company and the age of the participant (see Table 5.7).

Table 5.7: Compensation rate AMS/ESF and employers' contribution for training costs

	AMS/ESF	Employer
Participants > 50 year SMEs	80% of training costs	20% of the training cost
Participants > 50 year in large companies	70% of the training costs	30% of the training costs
Participant aged 45-50 in SMEs	70% of the training costs	30% of the training costs
Participant aged 45-50 in large companies	60% of the training costs	40% of the training costs

However, the regional AMS can deviate from this guideline. For example, in the federal state Tirol the AMS and ESF pay:

- 50% of the training costs for participants under the age of 45;
- 60% of the training costs for participants aged 45-50;
- 70% of the training costs for participants aged 50 and over (P&K Unternehmensberatung GmbH, 2011b).

<sup>95</sup> <[http://www.parlament.gv.at/PAKT/VHG/XXIV/AB/AB\\_03590/imfname\\_177113.pdf](http://www.parlament.gv.at/PAKT/VHG/XXIV/AB/AB_03590/imfname_177113.pdf)>, accessed 5 April 2011.

Furthermore, the AMS Tirol and the ESF pay a contribution of 60% of the personnel expenses during the normal working hours for participants aged 45-50 and 70% for participants aged 50 or over. In the region Oberösterreich the AMS and the ESF pay:

- 70% of the training costs for women and men aged 50 and over;
- 60% of the training costs for:
  1. women < 50 years;
  2. men aged 45-50 years;
  3. men aged < 45 years who only have high school degree or have finished an apprenticeship or who are on parental leave (P&K Unternehmensberatung GmbH, 2011a).

In June 2011, the EC approved a subsidy of EUR 9.5 million from the European Globalisation Fund (EGF). The application submitted by the Austrian authorities in Styria and Lower Austria aims to help 356 former employees in basic metal enterprises, and 74 redundant workers from a leading Printed Circuit Board manufacturer, to find new jobs.<sup>96</sup>

## 5.5 Responsibility, coordination, and delivery

### 5.5.1 Associations

Social partnership is the backbone of Austrian society and is alive at every level of governance. As described previously in section 5.1.2, the employers' interests, including labour market issues, are represented by the Economic Chambers of Commerce (*WKO*) and the Austrian Chamber of Agriculture (*LK*), whereas the employees are represented by the Chamber of Labour (*AK*), and the Austrian Federation of Trade Unions (*ÖGB*). While the Federal Ministry of Labour, Social Affairs and Consumer Protection (*BMASK*) sets the overall goals for the Austrian labour market, the tripartite governing board of the AMS develops specific targets and indicators on an annual basis. These targets are negotiated with all of Austria's regional as well as local tripartite Public Employment Service offices. Thus, social partners are strongly involved in law- and labour market policy making at all levels. The influence of the social partners is formalised in committees and boards at all levels and includes more than consultation. Details of new laws are discussed at great length before they are passed to Parliament. One interviewee mentioned that the social partners are inextricably bound up with the state and illustrated this by saying that the Public Employment Service AMS is run by social partners. Social partners are represented in the board of the AMS, but they do not at the operational level support individuals to find a new

<sup>96</sup> <<http://europa.eu/rapid/pressReleasesAction.do?reference=IP/11/696&type=HTML>>, accessed 29 September 2011.

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job. Besides the influential role of social partners in elaborating active labour market policies, employers and trade unions negotiate and conclude social plans in the event of lay offs. However, an interviewee from the AMS mentioned that in most social plans the focus is on providing extra money rather than on practical support to help redundant employees to another job. As explained previously, active support is provided in the labour foundations in which individual employers, works councils, employers' organisations and trade unions can play a role and by the Public Employment Service once the employees are unemployed.

### *Employers' representatives*

The Austrian Economic Chambers of Commerce (WKO) are public bodies and represent the interests of more than 400,000 companies.<sup>97</sup> Membership is a statutory requirement for all companies. This is in contrast to, for example, the Swedish employers' association. The foundation of the Austrian Economic Chambers of Commerce and their main activities are regulated by law (*Wirtschaftskammergesetz*). Besides representing the interests of their members, the WKO are involved in decision making and administrative procedures and fulfil an advisory role to their members about issues such as taxation, labour law, vocational training etcetera. The Chambers of Commerce are involved in law and regulation making processes, both on the federal as well as on the provincial level.

The WKO are also involved in collective bargaining with trade unions. The federal Economic Chamber of Commerce is the national umbrella organisation for the nine provincial chambers. The latter have 82 local offices to provide service near to their members.<sup>98</sup> The Chambers are established by law and their main activities are regulated by statute. This differs from an employers' association, which is established by private agreement.

### *Employees' representatives*

The Arbeiterkammer represents the workers' interests in the public policy making process, and the Austrian Trade Union Federation ÖGB takes part in the collective bargaining, which is conducted almost exclusively on the sectoral level with a high level of coordination between the actors (Afonso & Mach, 2011). The relationship between the Arbeiterkammer and ÖGB is considered to be good and is based on cooperation rather than competition. In contrast to the ÖGB, membership in the Arbeiterkammer is compulsory. The coverage of collective

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<sup>97</sup> <<http://portal.wko.at/wk/wirueberuns.wk?ftyp=4>>, accessed 14 March 2011.

<sup>98</sup> <[http://portal.wko.at/wk/format\\_detail.wk?AngID=1&StID=91445&DstID=0](http://portal.wko.at/wk/format_detail.wk?AngID=1&StID=91445&DstID=0)>, accessed 23 March 2011

agreements is high in Austria. This can be explained by the compulsory membership of all companies in the WKO. All companies are bound by the collective agreements negotiated by the umbrella organisation and this in turn extends to all employees independent of whether they are trade union members or not (Afonso & Mach, 2011).

*Motivation of employers for the establishment of labour foundations*

An interviewee of the Federal Ministry of Labour, Social Affairs and Consumer protections (*Bundesministerium für Arbeit, Soziales und Konsumentenschutz, BMASK*) argues that companies establish a labour foundation because they have certain obligations towards their former employees. These obligations are stated in a social plan. Furthermore, some big companies envisage these foundations as a kind of personnel pool. The former employees will be trained during their participation partly at the expense of the AMS. And sometimes these companies will hire them again after the former employees have left the foundation. Another employers' motive for establishing or contributing to a labour foundation is to side step the period of notice.

The Institute for Advanced Studies (IHS) in Vienna conducted a study in 2005 in which representatives of the WKO were interviewed about their labour foundation experiences. The WKO representatives were very positive about the outplacement foundations. The establishment of a labour foundation ensures social peace and maintains the motivation of employees in case of redundancies. Furthermore, the active support in the labour foundations provides a daily structure for the redundant employee and their families. When someone loses his or her job this time structure is lost. The active support in the labour foundation is important, on the one hand, for their re-integration into the labour market and, on the other hand, it also has an important psychological function both for the person involved and the family. The person leaves for the office in the morning and comes back in the evening (Wagner & Lassnigg, 2005). In the same study managers of companies with a labour foundation were also interviewed. The reasons given by the managers for the establishment of a labour foundation can be divided in the benefits for the persons who lose their jobs and the benefits for the company. The corporate social responsibility and fairness to the employees was one motive strongly emphasised in these interviews (Wagner & Lassnigg, 2005). According to the managers interviewed by researchers from IHS, the advantages for redundant employees who entered a labour foundation are: professional assistance in finding another job, an extended unemployment benefit, financing of further education and training, support to make a career shift (intersectoral mobility) (Wagner & Lassnigg, 2005).

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### *Motivation of employees for participation in a labour foundation*

The interviewee of the WAFF explained in the interview that the labour foundation is a unique chance for participants to think about their future professional life. The training and education provided can even lead to a career change. The AMS representative explained that the labour foundations provide a broad and intensive service, with a good diagnosis and orientation phase and subsequently a comparatively long qualification period. Furthermore, participation in the labour foundation is on a voluntary basis.

The study of IHS revealed that the trade union interviewees were very positive about the labour foundation. Although they emphasize that preventing redundancy is their first priority, trade unions argue that a labour foundation is a very useful tool to mitigate the consequences of a lay off (Wagner & Lassnigg, 2005). The works councils consider the active support, e.g. in how to apply for a new job, especially for those redundant employees who have been employed for many years at the company, as a very important feature of the labour foundation. Furthermore, they deem the retraining facilities and the possibility of making another step in the employee's career as very valuable.

In the IHS study several works councils elucidate that the instrument of the labour foundation is less relevant for those who want to continue their profession in the same kind of job as before and for those who have good chances of finding another job without additional training (Wagner & Lassnigg, 2005).

### **5.5.2 The state: Government and Public Employment Service**

The Austrian federal government sets out the goals for the Austrian labour market policy. This includes guidelines to:

- achieve and maintain full employment;
- increase labour market participation of older employees;
- take active measures to raise the level of qualifications;
- increase transparency in the labour market;
- re-integrate the unemployed;
- combat long-term unemployment.<sup>99</sup>

The tripartite governing board of the AMS is responsible for the implementation of these labour market policy guidelines and for the provision of unemployment benefits. The AMS develops specific performance targets on an annual basis and these targets are negotiated with the regional and local AMS offices. In 1994, the Labour Market Administration Authority (AMV) was outsourced from the Federal Ministry of Employment, Health and Social Affairs and became a legal

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<sup>99</sup> <<http://www.bmsk.gv.at/>>, accessed 30 March 2011.

public body on its own: the AMS.<sup>100</sup> Today, the AMS is structured into one federal, nine regional offices in each of the provinces and 99 local offices in nearly all municipalities. The Federal Economic Chambers of Commerce, the Federal Chamber of Labour and the Austrian Trade Union Federation are represented in the AMS and influence the labour market policies at the federal, provincial and local level. The AMS supports the (recently) unemployed to find a job as quickly as possible. Furthermore, the AMS is involved in the labour foundation which can be seen as a bridge between two jobs. As discussed in the previous section, the AMS has to approve the establishment of a labour foundation and can be involved as co-financer. One interviewee mentioned that the AMS spends a lot of money in these foundations, especially when participants stay in the foundation for the maximum of four years. However, the interviewee argues that the average participation duration is less than these four years. This is also confirmed by table 5.8 in section 5.6. The AMS contracts out services to private organisations in order to qualify the (recently) unemployed. The AMS calls for tenders mainly in the qualification and educational area. However, the biggest educational suppliers for adult education are run by social partners, e.g. the Wirtschaftsförderungsinstitut (WIFI) of the WKO.

In response to the economic downturn in 2008, the Austrian government and companies introduced several measures to tackle the crisis. These measures are summarized in a publication of the Economic Chamber of Commerce (Gleißner, 2009). Although these measures focus on internal secondary preventive measures to avoid redundancies and not on curative measures geared towards direct job-to-job transitions, the measures will be briefly described in this section and in section 5.5.4. One important measure that the Austrian government has implemented is the short-time work arrangement (*Kurzarbeit*). Companies in difficult circumstances can reduce the employees' working hours while keeping the employment relationship intact, because the Public Employment Service (*Arbeitsmarktservice*, AMS) supports companies by means of a government-subsidized special allowance in order to cover a large part of the earnings shortfall (Gleißner, 2009). To be eligible for *Kurzarbeit*, companies and individual employees or the works council should consent to the temporary reduction of working hours. *Kurzarbeit* can be implemented after other measures have not had the desired effect. The social partners negotiate and try to reach a collective agreement about the scope and the duration of the reduced working hours. The initial maximum period for *Kurzarbeit* was six months. In early 2009, the government extended the period up to 18 months because of the economic

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<sup>100</sup> The Public Employment Service Act (AMSG) from 1 July 1994 (AMSG, Federal Law Gazette No. 313/1994).

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downturn. In extreme cases the support can last up to 20 months.<sup>101</sup> Besides the normal short-time work arrangements, Austrian employers have the possibility of using the instrument of short-time work with training (*Kurzarbeit mit Qualifizierung*).<sup>102</sup> The employer can receive an allowance from the AMS which is 15% higher than the support provided during the normal short-time work period. The precondition for this extra support is that the employee is trained during the reduced working hours.

### 5.5.3 Market

Some large companies provide outplacement services to their redundant employees but, according to several interviewees, this is not a widespread phenomenon. An argument put forward by one of the interviewees is that the Austrian economy is mainly driven by SMEs which, in contrast to large employers, do not always have the financial means to outsource these activities. Another possibility for downsizing companies is to contact a non-profit temporary work agency to re-employ their workers. These non-profit temporary work agencies behave just as any commercial temporary works agency, but they do not have to make any profits. Their aim is to support unemployed people and generally they cooperate with the regional AMS (European Foundation for the Improvement of Living and Working Conditions, 2006b). Examples of non-profit temporary employment agencies are: Job-Transfair<sup>103</sup> (affiliates of the vocational training institute BFI (*Berufsförderungsinstitut Österreich*) owned by the Chambers of Labour and the Austrian Trade Union Federation), itworks Personalservice<sup>104</sup> (active in the regions of Vienna, Burgenland, Styria and Carinthia) and Trendwerk (active in the regions of Vienna and Burgenland).<sup>105</sup>

### 5.5.4 Hierarchy

As mentioned previously, the government and Austrian companies introduced preventative measures to tackle the crisis which started in 2008. The use of these measures depends on the duration and the intensity of the companies' crises. Initially, when there is lack of work, companies try to balance holiday leave, overtime credits, and abolish Sunday and night shifts. Furthermore, most

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<sup>101</sup> Companies who were granted support from the AMS for Kurzarbeit before the end of 2010 can be eligible for support for maxim 24 months (section 37b abs 4 AMMSG).

<sup>102</sup> Section 37c AMMSG.

<sup>103</sup> <<http://www.jobtransfair.at>> and < [http://www.ams.at/wien/sfa/14340\\_10223.html](http://www.ams.at/wien/sfa/14340_10223.html)>, accessed 30 March 2011.

<sup>104</sup> <<http://www.itworks.co.at/>> and < [http://www.ams.at/wien/sfa/14340\\_10222.html](http://www.ams.at/wien/sfa/14340_10222.html)>, accessed 30 March 2011.

<sup>105</sup> <<http://www.trendwerk.at/>> and < [http://www.ams.at/wien/sfa/14340\\_10224.html](http://www.ams.at/wien/sfa/14340_10224.html)>, accessed 30 March 2011.

collective agreements provide that the normal weekly hours can be extended and that these hours can be compensated by decreased hours in times of economic downturn. If the reduction of leave and overtime pay or the distribution of normal working hours is not sufficient, companies and employees can agree to reduce the working hours with a corresponding pay reduction on a temporary or permanent basis. Normally, the employees will only agree with a partial pay reduction. Furthermore, as already explained in section 5.5.2, companies can, under certain conditions, be eligible for Kurzarbeit. This is a measure implemented by the government geared towards avoiding forced dismissals.

When examining curative measures geared towards supporting direct job-to-job transition it can be concluded that the role of Austrian firms is limited to the ones that establish or participate in a labour foundation and to some large companies who provide outplacement services to their redundant employees. However, the outplacement service is not widespread in Austria. According to one interviewee the companies' existence is based on making profits and their goal is not to support people into employment. In their view the AMS is responsible for supporting people back into the labour market. The Austrian companies try to prevent redundancies in the first place by internal preventive measures to adjust the labour costs and manpower via, e.g., short-time work arrangements (Kurzarbeit).

#### 5.5.5 Networks

With the exception of the company foundations, the labour foundations can be considered as a network between social partners, the state, companies and regional partners. The sector foundations are established by several companies in a specific sector in which large scale redundancies occur. Moreover, the previously mentioned training networks (*Qualifizierungsverbände*) are worthwhile referring to here (see section 5.2.2). The aim of this network is to provide training which fits the new employers' needs (AMS, 2011).

One interviewee tried to set up a network of small and medium sized companies to support redundant people from one company to another company in another sector, but it did not work out. "The reason was that the transition between sectors meant for most employees a change in income, e.g., someone who changes jobs from the construction industry to the retail industry is confronted with a decrease in income of 30 to 35%. It was not possible to bargain about this income loss. The AMS invests a lot in retraining measures, so why would SMEs invest in schemes, while people quickly find a job anyway?"

#### 5.5.6 Responsibility for job-to-job transitions

All Austrian interviewees consider the job-to-job transition as a shared responsibility between the state and social partners. If the employee is not able to find a job by himself the general view is that AMS, in which the social partners

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are represented, should support these workers to find another job. In practice, the AMS primarily focuses on the transition from unemployment to employment. The direct transition from job-to-job, i.e. without an unemployment spell, could be more intensified.

### 5.6 Performance

The performance of job-to-job systems or activities can be measured by the unemployment duration. Ideally, in a perfect job-to-job system there would be no unemployment spell, because redundant employees would make a smooth transition from one job to another job.

In 2009, the unemployment spell for 37.3% of the unemployed was less than two months, for 23.3% three to five months and for 18.1% six to eleven months (Statistik Austria, 2010). However, these data are static, i.e. the division of the current unemployment population broken down by the unemployment duration, and tells us nothing about the job-to-job flow duration with an unemployment period in between the two jobs.

The labour foundations are an important instrument in supporting Austrian people back into work. In 2009, 141 outplacement foundations and 175 impacement foundations existed in Austria. Table 5.8 shows the number of participants in labour foundations between 2000 and 2009.

*Table 5.8: Labour foundations – number of participants, duration and expenditures (2000-2009)*

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Number of participants	3,487	3,609	4,413	5,332	5,310	4,811	4,864	4,660	4,912	7,677
Inflow	4,333	4,965	5,879	7,256	5,961	4,961	4,739	5,007	5,490	10,743
Average duration (in days)	285	269	267	727	296	350	350	349	340	295
Expenditure (x 1000) <sup>106</sup>	46,687	42,575	45,357	56,584	58,880	66,581	69,823	69,047	71,647	113,826
Expenditures per participant/benefit recipients	10,775	8,575	7,715	7,798	9,878	13,421	14,734	13,790	13,050	10,595

Source: Data Warehouse (DWH) Bmask and AMS (Jandl-Gartner et al., 2010)

<sup>106</sup> These expenditures include the unemployment benefits (AlVG) provided by the AMS to the participants. Expenditures for training costs are not included, neither are the expenditures included from companies and other regional actors.

Table 5.9 comprises data of both the outplacement and implacement foundations. Since 2005, the Data Warehouse from Bmask and AMS have made a distinction between outplacement and implacement foundations. Table 5.9 shows the inflow of participants in outplacement and implacement foundations. These figures are higher compared with the inflow figures in table 5.8. It is unclear as to how this difference can be explained. It might be that table 5.8 comprises double counting, i.e. persons who entered both an outplacement and implacement foundation.

*Table 5.9: Inflow participants in implacement and outplacement foundations between 2005 and 2009*

	2005	2006	2007	2008	2009
Inflow Implacement foundation	5,035	5,285	6,367	6,641	7,435
Inflow Outplacement foundation	1,833	1,458	1,162	1,466	5,772
Labour foundation old style	54	51	33	45	63
Total inflow labour foundations	6,922	6,794	7,563	8,157	13,270

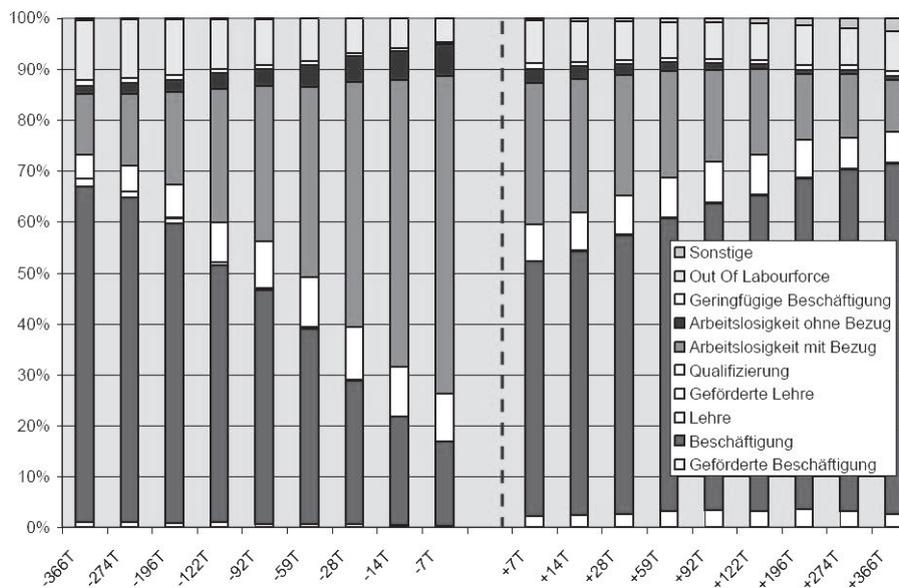
Source: Data Warehouse (DWH) Bmask and AMS (Jandl-Gartner et al., 2010)

In 2009, 2,556 participants entered a company outplacement foundation, 2,529 people a regional outplacement foundation, and 644 people an insolvency outplacement foundation.

Figure 5.5 presents the gross effects of the labour foundations in 2005. The figures are derived from the Data Warehouse Bmask (Jandl-Gartner et al., 2010) and show that 67% of the participants were employed a year before their participation in the labour foundation. This amount decreased to 17% a week before the persons were eligible to enter a labour foundation. Furthermore, the figure shows that 51% of the participants were employed immediately after they left the foundation and 31% became unemployed once again. One year after leaving the labour foundation 69% of the employees was employed and 11% was unemployed.

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Figure 5.5: Gross effects labour foundations, 2005 (persons)



Source: (Jandl-Gartner et al., 2010) Quelle: DWH mon\_vb\_ueb2.mdc

Research institute Synthesis Forschung analysed the career paths of 3,134 participants in labour foundations in Vienna between 1995 and 2002.

Table 5.10: Labour market participation one year after leaving the labour foundation

Integration labour market <sup>107</sup>	Company foundation	Sectoral foundation	Insolvency foundation	All outplacement foundations
Fully	43%	42%	43%	43%
Mostly	23%	24%	24%	24%
Insufficient	16%	15%	15%	15%
Unemployed	15%	13%	15%	14%
Inactive	3%	5%	3%	4%
	100%	100%	100%	100%
	N=345	N=1,638	N=1,151	N=3,134

Source: Synthesis (Wagner & Lassnigg, 2005)

<sup>107</sup> Synthesis considers persons who left the labour foundation and are employed for at least 35 hours a week as fully integrated. Mostly integrated are those who are employed for less than 100%, but at least for 50% of their labour market potential. Insufficient means that a person is employed for less than 50% of their labour market potential. Inactive persons are those who are not economically active, e.g., persons on maternity leave or on pension (Wagner & Lassnigg, 2005).

Table 5.10 shows that one year after leaving a labour foundation 67% are fully or mostly active in the labour market. There are no significant differences in results between the types of foundations.

However, figure 5.5 and table 5.10 do not present the net effects of labour foundation interventions. In 2008, the Research Institute for Vocational Training and Adult Education (*Institut für Berufs- und Erwachsenenbildungsforschung, IBE*) of Linz University published an evaluation report regarding the Elektra Bregenz Arbeitsstiftung. Owing to restructuring in the mother company, Arcelik, in 2003, Elektra Bregenz<sup>108</sup> had to close down the Elektra Bregenz AG and Elektra Bregenz production mbH Schwaz. This tense situation in the Tyrol labour market resulted in the lay off of 240 employees and the establishment of a labour foundation. After five years the IBE evaluated the labour foundation. The effects of the interventions for the 97 participants of the foundation (LF\_EB) were compared with the effects for a control group (CG), i.e., 97 former Elektra Bregenz employees, who did not enter the labour foundation (Kellermayr, Niederberger, & Sepp, 2008).

*Table 5.11: Employment status after participation in the Elektra Bregenz (EB) labour foundation in comparison with a control group*

Employed in months after the intervention	3 months		6 months		12 months		24 months	
	LF-EB	CG	LF-EB	CG	LF-EB	CG	LF-EB	CG
Employed	75%	49%	79%	58%	82%	62%	83%	66%
Unemployed	14%	36%	12%	27%	6%	19%	6%	17%
Out of labour force	6%	12%	6%	13%	9%	15%	11%	15%
Training/Education	6%	3%	3%	2%	2%	3%	0%	1%

Source: Institut für Berufs- und Erwachsenenbildungsforschung (IBE Linz) of Linz University (Kellermayr et al., 2008).

Table 5.11 shows that the employment rates three months after the intervention are significantly higher for participants in the Elektra Bregenz Labour Foundation (75%) compared with their control group (49%). Although the difference decreases over time, it appears that even after two years the participants of the Elektra Bregenz labour foundation have a higher employment rate compared with the control group.

<sup>108</sup> A company which manufactures household appliances.

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Table 5.12: Employment rates participants Elektra Bregenz labour foundation divided by age, level of education and duration of participation in the labour foundation

Employed in months after the intervention	3 months	6 months	12 months	24 months
<i>Age</i>				
< 34 years	97%	96%	97%	98%
35- 44 years	74%	85%	90%	95%
45 > years	62%	63%	64%	63%
<i>Level of education</i>				
Compulsory education <sup>109</sup>	68%	72%	75%	76%
Vocational secondary education <sup>110</sup>	80%	86%	88%	88%
Higher education <sup>111</sup>	80%	80%	86%	92%
<i>Duration participation in EB labour foundation</i>				
< 6 months	85%	89%	88%	88%
6 – 12 months	74%	76%	80%	83%
> 1 year	59%	71%	76%	72%

Source: Institut für Berufs- und Erwachsenenbildungsforschung (IBE Linz) of Linz University (Kellermayr et al., 2008)

The IBE Linz study also revealed (see table 5.12) that:

- The younger the participants of the EB labour foundation, the higher the employment rates after the intervention;
- The higher the education level of the participants in the EB labour foundation, the greater the chances of employment after the intervention;
- The shorter the intervention (participation in the EB labour foundation), the higher the employment rates thereafter (Kellermayr et al., 2008).

Most of the interviewees consider the labour outplacement foundations to be a successful instrument. One interviewee mentions that the results of the training in the labour foundations are better and that the success rates of the labour foundation in terms of reintegration is higher compared with the general qualification measures and interventions provided by the AMS. However, some of the interviewees comment that the success rates can vary among the labour foundations and that these foundations are rather expensive. Furthermore, one interviewee adds that in his view the participation period of a maximum of four years is too long, saying: "If a person in a labour foundation starts with an

<sup>109</sup> Pflichtschule

<sup>110</sup> Berufsbildende Mittlere Schule (BMS) + Lehre

<sup>111</sup> Allgemeinbildende Höhere Schule (AHS), Berufsbildende Höhere Schule (BHS) and University

education which last for three years, this means that the person does not participate on the labour market for three years. Furthermore, from the employers' perspective there has to be a link between the education followed and the future demands of the employers. The view from the Trade Union or Arbeiterkammer is different. They consider the labour foundation as an instrument in which the person can make his own career path". In 2009, the average duration of the participation in a labour foundation was 295 days (see table 5.8).

### 5.7 Success and failure factors

Besides some comments (see section 5.6), the majority of the interviewees consider the outplacement labour foundations as a successful instrument in supporting people from job-to-job. According to an interviewee from the Arbeiterkammer, an important factor for the establishment of a successful labour foundation is mutual trust between the several actors. The involvement of the works council or the trade union at the local level is also mentioned as a success factor. Furthermore, one interviewee adds that you need to operate fast and that you need to have money for the establishment and operation of the foundation: "If there is some additional money to spend on those who are to be dismissed, and if there is a climate of trust and dialogue between the management and the works councils and there is an infrastructure, e.g., in Vienna with the 'offene arbeitsstiftung Wien', things can go really fast. You can create an arbeitsstiftung within 14 days. People need security and local politicians need something positive to say about a bad thing. And managers have security about the follow-up for their former employees. Furthermore, the public employment service should be able to react fast". A regional network in which the public employment service, trade unions and employers are involved and pull in the same direction is another important success factor according to several interviewees.

One interviewee mentioned that the previous labour foundations' success rates are an important reason for current companies to establish a labour foundation. These success rates are not only relevant for the management of the companies, but also for the employees who stay in the company. The possible participation in a labour foundation for those whose jobs are at risk, eases the conscience of employees who are not supernumerary. It creates 'peace' on the work floor, because employees know that they are working for an enterprise which is taking care of you, even when your job will disappear. A successful labour foundation also contributes to the positive image of the company. "We know that big companies with a long tradition of these kinds of labour foundations are attractive companies for future employees".

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The involvement of the former employers in the labour foundation is also considered to be a success factor behind the labour foundations. The former employer continues to shoulder some responsibility for redundant employees by means of financial contributions to the foundations. Furthermore, the former employers can provide, free of charge, workshops, machinery and tools that might become necessary for retraining (Suschnigg, 2001).

The intensive and wide variety of services and the tailor-made approach contribute to the success rate of the labour foundation. One interviewee said: "A good diagnosis and orientation phase is the first step and from then on participants can follow training, even lengthy education, or they can participate in other activities. It is a very broad, wide range of services which is offered in the labour foundations".

Participation in the labour foundations is voluntary. Companies can set up a labour foundation and offer in this way services to their redundant staff, but it is not obligatory for these employees to participate in the foundation. This means that participants in the labour foundation are intrinsically motivated to work on their future career and this influences the success rate of the labour foundations.

### 5.8 Concluding remarks

The Austrian government, the Public Employment Service AMS, and indirectly also the social partners, play the main role in supporting people from job-to-job in the event of redundancy. The role of social partners in this corporatist structure cannot be detached from the role of the state in this process. They are strongly involved in the law and labour market policy making process. The social partners are represented in committees and boards at all levels of the AMS. For example, the reform of the severance pay system (*Abfertigung Neu*) has been developed through a process of social dialogue at national level. This reform serves in policy documents as an interesting example of flexicurity (European Commission, 2006). The aim of the new labour law measure is to support employment transitions. According to the European commission: "the Austrian reform provides an interesting example of a radical shift away from a system based on the traditional employment relationship between one worker and one firm to one based on a broader employee benefit provision fund operated at national level. The link was cut between being laid off by an employer and the payment of a once-off severance award. The new rules allow workers to leave when they find alternative employment rather than stay in a particular job for fear of losing the accompanying severance payment. The reform removed the threat to a firm's existence which could be posed by the sudden cost of redundancies, while the employer's contribution to the individual savings fund can be spread over time. From the employee's perspective, the new system reduces the cost of job mobility since workers no longer lose all of their

entitlement to severance payments when taking a new job.” (European Commission, 2006, p.9). However, as previously discussed in section 5.1.3, it appears that an employee who withdraws the severance pay out of the fund can spend the money on whatever the worker wants. This does not enhance the employability of the workers and the question presents itself as to whether this reform contributes to finding a new job quickly after employees have been given notice. The debate about the severance reform started in the 1990s. The following underlying explanations can be identified for reform: the low coverage of the previous system, the loss of entitlements when an employee voluntarily terminated the contract and, from the employers’ perspective, the high severance costs. Furthermore, the aims of the new law were to address liquidity problems, and to extend the second pension pillar which was underdeveloped in Austria.

An instrument for supporting job-to-job transitions for redundant employees mentioned in the interviews is the labour foundation. The first labour foundations were established by large companies as a result of the privatization and down-sizing of nationalized steel companies, which led to large scale redundancies in the 1980s. At that time, there was an atmosphere of fear, helplessness and lack of personal perspective and further legislation that would allow early retirement was not expected. The idea behind the first labour foundations was that money and a social plan are valuable, but the best help is active support into another job. The labour foundations evolved over time. Over the years, the target group and infrastructure enlarged with the introduction of regional and sectoral labour foundations and the distinction between outplacement and placement foundations. There are several underlying motives for establishing a labour foundation. Companies have certain responsibilities towards their former employees which are formalised in a social plan, or companies consider the foundations as a kind of personnel pool in which former employees will be trained at the expense of the public employment service. Furthermore, the success rates of other labour foundations and motives of social corporate responsibility are reasons to establish a labour foundation. The conditions for the establishment of a labour foundation are laid down in an AMS guideline (AMS, 2010), but the further implementation is based on agreements between the actors involved. This makes the instrument of labour foundation flexible, because the foundation can be adjusted to the employers, employees and regional labour market actors’ needs. Actors should pull in the same direction and that implies the need not to over regulate things, but rely on mutual trust and common interests.

In response to the question as to what can be improved with respect to the Austrian job-to-job transition system, one interviewee mentioned that Austria can implement schemes that are targeted on employed people rather than focussing on the unemployed. This implies a more preventative approach with

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retraining opportunities and facilities for the employed. Labour foundations function as a bridge 'in between jobs' and the participants of the labour foundations are unemployed, i.e., they receive an unemployment benefit from the AMS. Therefore, strictly speaking, these labour foundations are preventative measures geared towards avoiding long-term unemployment (tertiary prevention).

According to an interviewee who was involved in the establishment of different labour foundations, excessive additional payments in the agreements between the company and the trade unions or works council should be avoided, especially when the majority of the redundant employees are older workers. The interest in setting up a labour foundation faded among older workers, because they wanted extra money to tide over a period of unemployment until retirement. They did not see the importance of retraining and education, and thus in the establishment of a labour foundation. This led to tough negotiations because, for younger redundant employees, a labour foundation is a better solution. The chance for retraining in the foundation could provide them better future perspectives.

An interesting conclusion from the Austrian labour foundations is that the former employer continues to shoulder the responsibility for their redundant employees. The former employers deposit a sum of money in the labour foundation. In addition, the companies who have to lay off employees can contribute by providing tools, personnel or equipment free of charge, which might become necessary for retraining (Suschnigg, 2001).

The Austrian training networks, in which at least three companies - from which 50% are small and medium sized companies - collaborate, can be considered as primary prevention measures. The joint aim is to provide training to their employees while sharing the costs of training and education.

# 6

## Spain



## 6 Spain

### 6.1 Background

#### 6.1.1 Political Background

Between 1939 and 1975, the dictator Francisco Franco ruled over Spain. When Franco came into power, political opponents were suppressed or tightly controlled. For example, the Spanish Trade Union Organisation (*Organización Sindical Español*, OSE<sup>112</sup>) was established in 1940 and was regarded as the only legal trade union organisation in Spain, while the trade unions *Confederación Nacional del Trabajo* (CNT) and the *Unión General de Trabajadores* (UGT) were outlawed.<sup>113</sup> At that time strikes were forbidden. Under Franco's regime permanent jobs were protected by high redundancy pay and administrative authorisation procedures. Work organisation was strictly governed by labour regulations (*Ordenanzas laborales*) which were a substitute for collective bargaining (Rhodes, 1997). Franco died on the 20th November 1975 and Juan Carlos was crowned king. Spain made the transition from an authoritarian regime to a modern capitalist democracy. After Franco's death, King Juan Carlos appointed Suárez as head of the new government. Between 1976 and 1977, Suárez presented a political programme in which a new law for political reform and democratic elections were announced. In June 1977, general elections were held. The results, and how the seats of the Spanish congress (*Congreso de los Diputados*) were divided, are presented in table 6.1.

Table 6.1: Results general elections 15 June 1977, Spain

Party	Votes	%	Seats
Unión de Centro Democrático (UCD)	6,310,391	34.5	165
Partido Socialista Obrero Español (PSOE)	5,371,866	29.4	118
Partido Comunista de España (PCE)	1,709,890	9.4	20
Alianza Popular (AP)	1,504,771	8.2	16
Pacte Democràtic per Catalunya (PDC)	514,647	2.8	11
Partido Nacionalista Vasco (PNV)	296,193	1.6	8
Partido Socialista Popular-Unidad Socialista (PSP-US)	816,582	4.5	6
Unió del Centre i la Democràcia Cristiana de Catalunya (UC-DCC)	172,791	1.0	2
Esquerra de Catalunya-Front Electoral Democràtic (EC-FED)	143,954	0.8	1
Euskadiko Ezkerra-Izquierda de Euskadi (EE-IE)	61,417	0.3	1
Candidatura Aragonesa Independiente del Centro (CAIC)	37,183	0.2	1
Candidatura Independiente del Centro (CIC)	29,834	0.2	1
Others	1,308,566	7.2	0

Source: <http://electionresources.org/es/congress.php?election=1977>

<sup>112</sup> Also known as the Vertical Syndicate (Sindicato Vertical).

<sup>113</sup> <<http://www.ugt.es/ugtpordentro/cronoingles.html>>, accessed 14 June 2011.

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In 1978, the Spanish constitution was approved by a referendum and several reforms took place. One important labour market reform was the reconstruction of a democratic system of labour relations through the recognition and implementation of the rights of associations, collective bargaining and strikes (Rodríguez Piñero Royo, 2001).

In 1982, the Spanish Socialist Workers Party (*Partido Socialista Obrero Español, PSOE*), led by Felipe González Márquez, won the elections and ruled for the next 13 years. In 1996, the People's Party (*Partido Popular, PP*), led by José María Aznar, won the elections and governed with the support of the Basque Nationalist Party, the Catalan Convergence and Union, and the Canarian Coalition. In 2000, the PP gained an absolute majority. In 2004, new elections were held, only a few days after one of the bloodiest terrorist attacks ever experienced in Europe. Ten bombs exploded on three separate commuter trains in Madrid during the morning rush hour. The PP lost 35 seats, while the Spanish Socialist Workers Party (PSOE) vote rose by 8.5%, achieving a gain of 39 seats (Chari, 2004). In 2008, the Spanish Prime Minister, Jose Luis Rodriguez Apatero of the PSOE, was re-elected to a second term with 43.36% of the votes.<sup>114</sup> Since 1977, Spain has had no coalition government.

### 6.1.2 Economic history and labour market features

All parties benefited from the transition from dictatorship to democracy in the mid 1970s: the unions legitimised themselves as social actors, the employers were rewarded with wage moderation and an institutional framework for labour relations, and the state was able to promote social peace and controlled modernisation. However, the price to be paid was high.

After Franco's regime, Spain's unemployment rate increased from 5.1% in 1977 to 21% in 1985 (Rhodes, 1997). Different reform processes have taken place, beginning with the constitution of 1978. Spain was transformed into a decentralized state with strong regional governments, called "*Comunidades Autónomas*" (Rodríguez Piñero Royo, 2001). Rhodes states that the increase in unemployment between 1977 and 1985 can be explained by the rapid restructuring of the Spanish economy after its post-Franco liberalisation, the massive destruction of agricultural employment, the impact of the oil shocks in the 1970s, and the substantial increase in female workforce participation triggered by social and cultural modernisation (Rhodes, 1997). Furthermore, Rhodes argues that the heritage of the stringent institutional framework of the labour market under Franco's regime played a key role in the sharp increase in unemployment rates.

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<sup>114</sup> The real truth, 17 March 2008, Spanish election results – What next for Spain, <http://www.realtruth.org/news/080317-002-europe.html>, accessed 14 June 2011.

Several measures were taken in the 1980s aimed at introducing higher levels of flexibility in the labour market, e.g. the introduction of a wide range of fixed term contracts. In section 6.1.3, the several reforms which took place after Franco's era will be discussed in more detail. Labour reforms in which there is a shift in the balance of power and responsibility between unions, employers and the state turned out to be difficult in Spain. All attempts at reform since the mid 1980s provoked general strikes. In the second half of the 1980s, the Spanish economy recovered, but the unemployment rate itself never fell below 15% (Jimeno & Toharia, 1994). In the early 1990s, Spain was confronted with another recession and unemployment rose again, with a peak in 1994 (19.5%) (see also figure 2.3 in section 2.2). In 1994, a second wave of reforms was announced in which employers' rights were widened in the contract of employment and collective bargaining was given a wider role in the setting of working conditions (Rodríguez Piñero Royo, 2001). Between 1995 and 2007, the Spanish unemployment rate decreased from 19.5% to 8.3%, but has increased explosively since then owing to the 2008 economic crisis. In 2010, the unemployment rate rose to 18%. Spain is characterized by a dual labour market, where employees with a permanent contract are still well protected compared with people with a temporary contract.

### 6.1.3 Legal framework on redundancy and unemployment insurance

In Spain several laws are relevant in the framework of redundancy, e.g., the Workers' Statute (*Ley del Estatuto de los Trabajadores*), Royal Decrees, the collective redundancy legislation (*Expediente de Regulación de Empleo, ERE*). During the last decades, Spanish law has been reformed several times. In this section, the several legal reforms will be discussed in more detail, including the recent law 35/2010 which implements a set of urgent measures to reform the current labour market.

#### *Spanish labour market reforms in a nutshell*

In 1977, the Royal Decree of Industrial Relations came into force. The single trade union *Organización Sindical Español (OSE)*, which was established under Franco's regime, was discontinued and free trade unions were legalized (Aguirregabiria & Alonso-Borrego, 2009). The Workers' Statute dates from 1980 and its reform in 1984 established the conditions for a modern system of collective bargaining, but it should be pointed out that nothing changed regarding the legal and administrative restrictions on dismissals. Under the Franco regime the labour market was characterised by a very flexible wage-setting process, combined with a very rigid employment system which, de facto, guaranteed lifetime jobs to employees in exchange for compliance on wages and political acquiescence. Jimeno and Toharia state that the Francoist system "did allow dismissals for workforce adjustment (those related to union or political activities were considered disciplinary dismissals and hence carried no costs for the employer). However, dismissals for economic reasons were considered "unwarranted" and

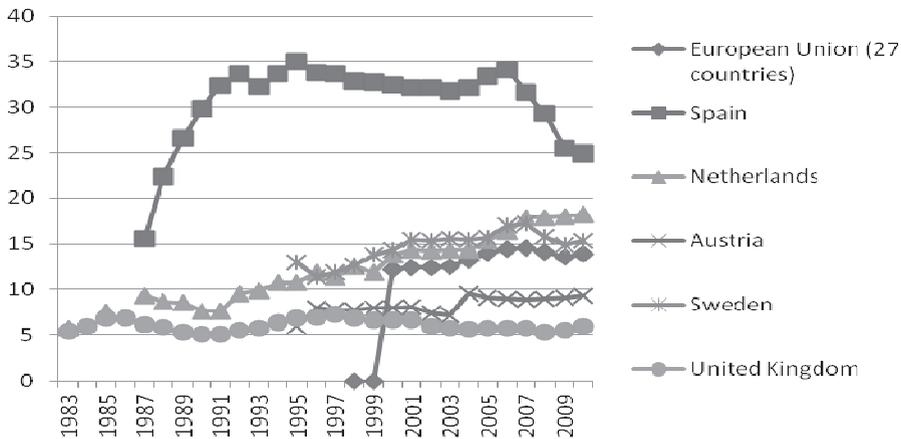
hence usually involved severance payments, the level of which was left to the discretion of the judge deciding the case. Additionally, in the case of collective dismissals, an administrative procedure had to be followed" (Jimeno & Toharia, 1994, p.92). The Workers' Statute widened the grounds for economic and technological redundancies and imposed stricter limits on the discretion previously enjoyed by the judges in settling dismissal cases. Furthermore, the Workers' Statute defined periods for the resolution of the collective dismissals (Jimeno & Toharia, 1994).

Following the introduction of the Workers' Statute, temporary or fixed-term contracts were allowed. These contracts could be terminated with much less severance pay than the 20 or 45 days per year of service for permanent contracts. Furthermore, these contracts could be terminated without court or regulatory intervention (Aguirregabiria & Alonso-Borrego, 2009). The use of temporary contracts was previously limited to jobs that were temporary in nature, e.g. seasonal work (Polavieja, 2003). The increasing unemployment rate at that time, together with employers' dissatisfaction regarding the strict employment legislation, forced the government to broaden the scope of temporary contracts aiming to boost employment (Aguirregabiria & Alonso-Borrego, 2009). The reform of 1984 did not alter the stringent dismissal regulations for permanent or indefinite duration contracts, but regulated that the use of temporary contracts was no longer limited to the principle of causality, meaning that any temporary contract could be applied to any activity, temporary or not. In the context of an economic downturn the government approved several kinds of temporary contracts, some of which already existed and some were completely new. For example, the temporary contract for employment promotion aimed to provide less costly and more flexible entries into the labour market. In order to encourage employment, in 1984 the restrictions on this type of fixed-term contract were lifted in order to provide more flexibility to employers to adjust the workforce, aiming at encouraging employment creation in a situation of economic downturn.

The dismissal costs for temporary contracts were low (12 days per year of service) and temporary contracts could be renewed for only up to three years (Aguirregabiria & Alonso-Borrego, 2009). Moreover, the employer was obliged to either convert the temporary contract into a permanent contract or to put an end to the employment relationship when the termination date expired (Polavieja, 2003). Following the 1984 reform, the number of employees with a temporary contract increased significantly in Spain to 35% in 1995. Spain stands out as having by far the highest temporary employment rate in the European Union. As pointed out by Polavieja, the 1984 reform opened up opportunities for new entrants in flexible labour, while workers on permanent contracts continued to enjoy the privileges of rigid employment security legislation, which imposes very high dismissal costs for permanent employment (Polavieja, 2003). Thus far, Spain had liberalised temporary employment contracts in the 1980s, but still

nothing had been done to relax the employment protection legislation for employees with a permanent contract. This resulted in a growing segmentation of the labour market: the temporary part of the labour market was becoming more precarious as it grew in size, while the permanent core was becoming more secure as it shrank.

Figure 6.1: Temporary employees as a percentage of the total employees



Source: Eurostat

In the early 1990s, the unemployment rate rose again and there was a strong consensus for the need for action. In 1993, the government put forward reform proposals, which were adopted in 1994. The regulation regarding severance pay remained unchanged, but the grounds for 'justified' individual and collective dismissals were expanded and clarified. Furthermore, regulations of working time were altered in an effort to allow companies greater internal flexibility and overtime pay would be set by collective bargaining instead of the 50% obligatory premium. Apprenticeship contracts were introduced. The employers did not have to pay social security contributions for these apprenticeship workers, nor were these employees entitled to unemployment benefits. Moreover, the role of collective bargaining was strengthened and decentralised in the regulation of labour relations (OECD, 2009). Until then, private employment agencies and temporary employment agencies were forbidden. The labour reforms of 1993-1994 legalised the non-private employment agencies and temporary employment agencies. All other profit-making private employment agencies were still forbidden.

In 1994, the 'temporary contract for employment promotion' was restricted to specific groups (employees aged over 45 and the long-term unemployed) in order to reduce the rate of temporary employment. However, it turned out that the restriction of this type of contract led to greater use of other types of temporary contracts. Therefore, the temporary employment contract for

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employment promotion was completely abolished in 1997 and a new contract, with the approval of lower dismissal costs (33 days per year of service with a maximum of 24 months), was introduced: the “permanent employment promotion contracts” (*contrato para el fomento de la contratación indefinida*), which is applicable only to certain categories of workers (young unemployed, long-term unemployed and unemployed aged over 45).<sup>115</sup> The payroll taxes were reduced by between 40 and 90% for newly signed permanent contracts and by 50% for conversions of temporary into permanent contracts (Kugler, Jimeno, & Hernanz, 2005). In 2001, the government aimed to reduce segmentation by the introduction of severance costs for temporary contracts which are not renewed; eight days per year of service (Dolado, García-Serrano, & Jimeno, 2002).<sup>116</sup>

In the 2001-2002 reform the target group for the use of permanent employment promotion contracts was extended. From then employees aged 16-30 years, as well as the unemployed with more than six months of registered unemployment (instead of one year), could be eligible for a permanent employment promotion contract. Furthermore, the firm’s obligation to pay interim wages when dismissed workers appealed to labour court was abolished, as long as the firm acknowledged the dismissal as being unfair and deposited the severance pay (45 days’ wages per year of service) in court within two days of the dismissal (Bentolila, Dolado, & Jimeno, 2008). However, the number of temporary employees as a percentage of the total number of employees remained high. According to Bentolila, Dolado en Jimeno, the conversion rate into open-ended contracts was around 4% of the total number of contracts. In 2006, a new reform took place. Temporary workers aged 31-45 years could be eligible for a permanent employment promotion contract. This was a temporary measure which lasted until the end of 2007. Furthermore, with this reform tax deductions were introduced for employers who converted temporary contracts into permanent employment promotion contracts, and contracts lasting for two years in the same job within the same company during a period of 30 months were automatically converted to open-ended contracts (Bentolila et al., 2008). As can be observed from figure 6.1, this reform did have an effect on the number employees with a temporary contract. There was a substantial reduction from 34.1% in 2006 to 25% in 2010.

In June 2010, the Spanish government announced measures to reform the labour market. These measures were deemed necessary as result of the severe unemployment situation, the high number of employees with a temporary

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<sup>115</sup> Royal Decree-Law 8/1997/Royal Decree-Law 9/1997.

<sup>116</sup> Act 12/2001 of 9 July 2001 on Urgent Measures Reforming the Job Market in Order to Increase and Improve the Quality of Employment.

contract, the scarce use by employers of the possibilities for internal flexibility provided by the law, the insufficient capacity of the Public Employment Service (*Servicio Público de Empleo Estatal*), and the discrimination towards women, disabled and older employed persons. For many years, Spanish employers have strived for lower severance pay and more flexibility, i.e. less rigid employment protection legislation for those with a permanent contract. In 2010, the conversation between trade unions and employers' organisations to reform the labour market reached a total deadlock and consequently the government felt forced to intervene. The government put forward the plan for the reform as a bill to Parliament, so that political parties which were not positive about the reform could propose amendments. On 19 September 2010, law 35/2010 (*ley 35/2010 de medidas urgentes para la reforma del mercado de trabajo*) entered into force.

The preamble states that the aim of the new law is to reduce unemployment and to increase the productivity of the Spanish economy. Furthermore, the objectives of the measures are described in the preamble, which are:

- to reduce the temporary/permanent duality, promoting the creation of quality, stable employment;
- to strengthen the measures for internal flexibility in employment, particularly, the reduction of hours, as a mechanism to maintain employment during crisis situations;
- to increase the opportunities for the unemployed, particularly the young unemployed.

The preamble also states that all regulations in connection with permanent employment contracts should remain unchanged because the aim of this law is to reduce unemployment and the amount of temporary contracts and all measures are focused on that. It adds that the intermediation mechanisms can be improved in order to promote opportunities for the unemployed. The aim is to preserve a central authority and to strengthen the role of the Public Employment Service. Furthermore, the new law includes the possibility for private profit employment agencies to cooperate with the Public Employment Service. This public-private cooperation was prohibited before the reform of 2010. How this cooperation will take shape and will be implemented, remains to be seen.

The law introduces urgent measures to reform the labour market and includes measures:

- to reduce duality and the number of temporary contracts;
- to promote internal flexibility and the reduction of working hours as elements in temporarily adjusting employment;
- to promote the employment of young people and the unemployed;
- to improve labour mediation and equal treatment of temporary employees assigned by temporary employment agencies;

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- to introduce a capitalisation fund (à la the Austrian Abfertigung Neu) (Guitart Carrero & Ortiz Palma, 2010).

### *Collective dismissals*

In the event of collective dismissals the employer has to request the competent Labour Authority for permission to terminate the employment contracts. This procedure is required when the collective dismissal will take place within a period of 90 days and the dismissal is planned for:

- 10 workers in a company with fewer than 100 employees;
- 10% of the number of workers, in the company in which there are at least between 100 and 300 employees;
- 30 workers in companies which employ 300 or more employees (Ministerio de Trabajo e Inmigración Spain, 2009).

For companies with more than 50 employees it is obligatory to draw up a social plan (*El plan social*) which contains measures to avoid or reduce the impact of collective dismissal. The social plan needs to be filed together with the collective dismissal request (*Expediente de Regulación de Empleo, ERE*) and further negotiated with the legal representatives of the employees, i.e., the Works Council or Trade Unions (Aragón Medina, Rocha Sánchez, & De La Fuente Sanz, 2010; Ministerio de Trabajo e Inmigración Spain, 2009).

### *Statutory severance pay*

In Spain the statutory severance pay amounts to twenty days' salary per year of service with a maximum of one years' salary.<sup>117</sup> The severance pay in the event of unfair dismissal equates to 45 days' salary per year of service up to a maximum of 3.5 years. As explained previously, the introduction of Law 35/2010<sup>118</sup> implements a set of urgent measures to reform the Spanish labour market. The severance compensation for the promotion of permanent employment contracts (*contrato para el fomento de la contratación indefinida*) is not changed if the contract is terminated on objective grounds and the termination is deemed to be unfair. In that case the severance pay is 33 days' salary per year of service with a maximum of two years, instead of 45 days' salary per year of service. One of the measures of the new reform is that the target group for this type of contract is extended (Guitart Carrero & Ortiz Palma, 2010). Since 2001, Spanish law has permitted the design of contracts to encourage indefinite employment for specific groups with a severance pay of 33 days' salary per year of service in the event of unfair dismissal, e.g. for people 16-30 years old, those over 45,

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<sup>117</sup> Workers' Statute (Estatuto de los Trabajadores), sec, 53(1) (b).

<sup>118</sup> Ley 35/2010, de medidas urgentes para la reforma del Mercado de trabajo, Boletín oficial del Estado, 18 de septiembre de 2010.

unemployed women and individuals employed for more than a half year.<sup>119</sup> The new law 35/2010 has extended the possibilities of concluding contracts for the promotion of permanent employment and now the contracts can be used in the following cases:

- Unemployed women registered at the Public Employment Service who, in the first two years following the start of labour, take care of a minor, who join the labour market after a period of unemployment of 5 years or who are victims of domestic violence or human trafficking;
- Unemployed people who have been registered at the Public Employment Service for at least one month;
- Unemployed people who in the two years prior to the signing of the contract were exclusively hired under temporary contracts, including training contracts;
- Employees working for the same company under a temporary contract (including training contracts), agreed before 18 June 2010, and whose contracts are converted into contracts for the promotion of permanent employment before 31 December 2010;
- Employees working for the same company under a temporary contract, including training contracts agreed on or after 18 June 2010, and whose contracts are converted into contracts for the promotion of permanent employment before 21 December 2011, provided that the duration of the temporary contract has not exceeded six months. This maximum will not apply to training contracts (Guitart Carrero & Ortiz Palma, 2010).

Furthermore, the employee receives a compensation for the period between the actual dismissal date and the date that the court decides that the dismissal is unlawful, usually a period of four months (Kempen et al., 2008). In the event of collective dismissals the severance pay is equal to twenty days' salary for each year of service, up to a maximum of twelve months' pay. In practice, it has turned out that it has been easier for employers to dismiss an employee by paying him the unfair dismissal indemnification of 45 days of the earned salary per year of service, than to dismiss the employee because of reasons of redundancy and pay the 20 days' per year of service. In the event of collective dismissals the trade unions and employers negotiate and try to reach a social plan. In theory two possibilities can occur:

- The trade union and the employer reach an agreement and the employer pays the negotiated severance pay which is usually higher than the statutory minimum;
- The parties do not reach an agreement and the labour authorities authorize

<sup>119</sup> <<http://www.buzzle.com/articles/labour-law-reform-in-spain.html>>, accessed 13 April 2011.

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the collective dismissal. Then the severance pay will be the statutory minimum of twenty days per year of service up to a maximum of one years' salary.

However, in practice, the labour authorities do not authorize collective dismissals if the trade union and employer do not reach an agreement. Therefore, employers try to reach an agreement as early as possible in the redundancy process, to avoid the risk of strikes. In some cases, e.g. force majeure or small companies in financial difficulties, the severance pay is covered by the Wage Guarantee Fund (*FOGASA, Fondo de Garantía Salarial*<sup>120</sup>). The Wage Guarantee Fund is a public body with a tripartite board and is wholly financed by employers' contributions. Since 2010, the Wage Guarantee Fund will pay the severance pay directly to the employee with a permanent contract, under the conditions that the contract is terminated on objective grounds, the contract started from 18<sup>th</sup> June 2010, and the agreement has been in force for at least 10 months. This is a temporary measure and will apply until the introduced capitalisation fund starts to operate. This capitalisation fund is similar to the *Abfertigung Neu* system in Austria and envisages the creation of a lifelong individual fund for workers in order to minimise the high severance costs assumed by Spanish employers. The employee will be able to make use of the fund in, e.g. dismissal or retirement. The fund should come into force on 1 January 2012. However, in the interviews, both trade unions and employers' associations wonder if and how the fund will be implemented. An interviewee from the employers' association is very doubtful about the implementation and argues that it is too expensive. The government launched a new capitalisation fund, but trade unions and employers should negotiate about the further implementation of this fund. How will it be financed is the main question, and it is clear that expectations for financial contributions from the government are out of the question, because the government is confronted with high deficits. It seems that among trade unions and employers' associations there is less support for the implementation of the capitalisation fund.

From 2001, employees with a fixed-term contract were entitled to severance pay equal to eight days' salary per worked year.<sup>121</sup> In 2010, it was decided that the statutory severance pay for the termination of a temporary contract will gradually increase from eight to twelve days' salary per worked year by 2015. With the 2010 reform, the limitation on the duration of temporary contracts for a specific job or service to three years has been maintained, but can be extended

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<sup>120</sup> <<http://www.mtin.es/fogasa/>>, accessed 13 April 2011.

<sup>121</sup> Act 12/2001 of 9 July 2001 on Urgent Measures Reforming the Job Market in Order to Increase and Improve the Quality of Employment.

for up to one year under a state collective agreement and industry-specific collective agreement. After this period has elapsed, the employees acquire the status of permanent employees (Guitart Carrero & Ortiz Palma, 2010). Furthermore, the new law continues to take the chain of temporary employment contracts into consideration. Employees who have been employed for more than two years in a period of 30 months, with or without interruption in the same or in another company within the group, will become permanent employees (Guitart Carrero & Ortiz Palma, 2010).

With the labour law reform in 2010, the definition of the economic grounds for dismissal based on objective grounds was relaxed. A situation of actual or expected losses is deemed sufficient. However, the company still has to prove that dismissals are justified in order to maintain or improve the company's competitive position in the market. The OECD concludes that the labour market reform legislation of September 2010 still leaves much room for judicial interpretation, and that it is unclear as to what extent the legislation will change the practice whereby firms prefer to pay upfront the highest severance pay in order to avoid going to court (OECD, 2010a). The notice period is reduced from 30 to 15 days.<sup>122</sup>

#### *The unemployment benefit*

Employees who lose their jobs are eligible for unemployment benefit, provided that the employee has paid social security contributions over 360 days in the six years prior to the occurrence of unemployment. The duration of an unemployment benefit depends on the work experience in the six years prior to the situation of becoming unemployed. The maximum duration of the unemployment benefit is two years.

*Table 6.2: Duration of the contribution-based unemployment benefit*

Period of work for which contributions have been made during the 6 years prior to unemployment	Duration of the unemployment benefit
360 – 539 days	120 days
540 – 719 days	180 days
720 – 899 days	240 days
900 – 1079 days	300 days
1080 – 1259 days	360 days
1260 – 1439 days	420 days
1440 – 1619 days	480 days
1620 – 1799 days	540 days

<sup>122</sup> Law 35/2010.

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1800 – 1979 days	600 days
1980 – 2159 days	660 days
2160 or more	720 days

Source: Spanish Ministry of Employment and Immigration (Ministerio de Trabajo e Inmigración Spain, 2009)

The level of unemployment benefit depends on the social security contributions paid in the 180 days prior to the date of unemployment. In the first 180 days of unemployment the benefit level equals 70% of the regulatory base and from day 181, 60% of the regulatory base. When the entitlements for the contribution-based unemployment benefit expire, the jobseeker can be eligible for a welfare benefit of EUR 421.79 per month. The duration of the welfare benefit depends on the age of the jobseeker and any possible family responsibilities and lasts for maximum of 30 months.

Table 6.3 presents the net unemployment replacement rates according to the OECD indicator for the initial phase of unemployment. The earning level refers to the average of replacement rates for unemployed persons who earned 67% and 100% of average working earning at the time of losing job.

*Table 6.3: Net Replacement Rates in Spain for six family types: initial phase of unemployment, 2009, by earning level of average wage (AW)*

Earning level	Family type						Overall average
	No children			Two children			
	Single Person	One-earner married couple	Two-earner married couple	Lone Parent	One-earner married couple	Two-earner married couple	
67% of AW	78	74	89	75	75	88	80
100% of AW	60	60	77	75	75	85	72

Source: OECD<sup>123</sup>

## 6.2 Type of support to find work after redundancy

In Spain there are no specific job-to-job measures to support redundant employees. In the event of redundancies, trade unions dedicate themselves to keeping the jobs, i.e., they strive for job security rather than employment security. Once it is clear that job losses are inevitable trade unions try to negotiate the best financial severance pay for the redundant employees, i.e. a

<sup>123</sup> <[http://www.oecd.org/document/3/0,3343,en\\_2649\\_34637\\_39617987\\_1\\_1\\_1\\_1,00.html](http://www.oecd.org/document/3/0,3343,en_2649_34637_39617987_1_1_1_1,00.html)>, accessed 12 July 2011.

severance pay which is higher than the statutory minimum (see section 6.1.3). According to several interviewees, the trade unions do not focus on active job-to-job support, but they make every effort to achieve the best financial deal for their employees (passive support). A person who loses his job can go to the Public Employment Service to register as unemployed. There are 17 regional Public Employment Services in Spain<sup>124</sup> and each regional office can develop its own active labour market policy. Furthermore, the Public Employment Service provides the unemployment benefit. The criteria for the level of the unemployment benefit is the same in each region and depends on the social security contributions paid in the period prior to unemployment (see also section 6.1.3). Several interviewees mention that the Spanish unemployment rate is currently so high that the public employment services are tied up with providing unemployment benefits. The Public Employment Services have no time to support people in finding another job. Furthermore, as already explained in section Chapter 2, Spain has fewer job openings compared with other European countries, which makes it more difficult to find another job quickly.

From the perspective of preventing unemployment, several interviewees mentioned the Tripartite Training Foundation (*Fundación Tripartita para la Formación en el Empleo*) which facilitates training possibilities for employed people to improve their skills. The foundation supports the Public Employment Service in developing programmes and in the management and control of vocational training. The board of this national foundation has a tripartite character and consists of representatives from government (Ministry of Employment and Immigration and Autonomous Communities), employers' organisations (CEOE and CEPYME) and trade unions (CCOO, UGT and CIG). According to one interviewee the tripartite foundation does not explicitly focus on job-to-job transition, but the training measures can be considered as preventative unemployment measures. The training supported by the Tripartite Training Foundation consists of two types: demand oriented training and supply oriented training. The demand oriented training comprises two versions: training activities in companies and individual training leave in order to obtain formal qualifications or professional certificates. Both types seek to address the specific training needs raised by employers and employees (Fundación Tripartita para la Formación en el Empleo, 2010a).

The credit allocated for training is provided by a reduction in the social security contribution and depends on the size of the company.<sup>125</sup> In 2008, the credit

<sup>124</sup> Andalusia, Asturias, Canary Islands, Castile and León, Catalonia, Galicia, Murcia, Basque country, Aragon, Balearic Islands, Cantabria, Castile-La Mancha, Extremadura, Madrid, Navarre, La Rioja, Community of Valencia.

<sup>125</sup> Real Decreto 395/2007.

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amounted for employers:

- With more than 100 employees: 50%;
- 50 to 249 employees: 60%;
- 10 to 49 employees: 75%;
- 6 to 9 employees: 100%;
- Less than five employees: a discount of EUR 420 per company (Fundación Tripartita para la Formación en el Empleo, 2010a).

At the beginning of each year, companies know how much credit there is available for training and education for their employees. In order to reclaim the social security contribution, companies should register themselves via a digital information system of the Public Employment Service. The Tripartite Training Foundation is responsible for the maintenance and the development of this system and provides information about the amount of the credit to be available for their employees. Companies who are registered in the internet application of the Public Employment Service can apply and manage the assigned training credit and give account of the start and the end of training courses.

### 6.3 Eligibility

As explained in previous sections, there are no specific measures in Spain to support redundant employees to find a new job quickly. Employees who lose their jobs can register at the Public Employment Service. The training credit described in the previous section can be considered as a preventative measure and not as a curative job-to-job transition instrument.

The Tripartite Training Foundation finances training and education for:

- Employees with permanent and fixed term contracts (but not temporary agency workers) and self-employed;
- Seasonal workers during the period that they are not working;
- Redundant employees;
- Employees who become unemployed while they are following an education or training.

Initially, the Tripartite Training Foundation financed only training and education for employees, but since the introduction of the Royal Decree in 2007, the Foundation also subsidizes training and education for the unemployed.<sup>126</sup>

### 6.4 Financing

The Tripartite Training Foundation provides financial support to companies and their employees who want to follow training courses and education. The

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<sup>126</sup> Real Decreto 395/2007, de 23 de marzo 2007.

Foundation is financed by the contribution of both employers and employees. From the gross salary 0.70% is deducted to be paid into the national fund for training. 0.60% is at the expense of the employers and the remaining 0.10% is paid by the employees. Furthermore, the Tripartite Training Foundation is financed by a subsidy from the European Social Fund. In 2010, the subsidy was EUR 250,000,000 and in total the Tripartite Training Foundation had at its disposal EUR 2,571,633,130. From this budget, 60% is intended for education and training for employees and the remaining 40% for training for the unemployed. Thus, in 2010 there was a budget of EUR 1,545.4 million available for training and education for Spanish employees (Fundación Tripartita para la Formación en el Empleo, 2010b).

## 6.5 Responsibility, coordination, and delivery

In Spain there is no clear division of responsibilities concerning active job-to-job support for employees whose jobs are at risk. Active support is lacking. Usually, redundant employees become unemployed and receive an unemployment benefit from the state.

### 6.5.1 Associations

Companies with 50 or more employees which initiate a redundancy procedure should add a social plan to request the competent labour authority to terminate the labour relationship (Ministerio de Trabajo e Inmigración Spain, 2009). These social plans can contain a range of measures aimed at avoiding or reducing the impact of the collective dismissal process and minimising the consequences for those eventually affected by the collective dismissal process. In a study conducted by the Ministry of Employment and Immigration (*Ministerio de Trabajo e Inmigración*) in collaboration with the 1<sup>st</sup> May Foundation (*la Fundación 1 de Mayo*), six case studies in different Spanish companies and sectors were analyzed. These case studies of restructuring companies with a social plan show that alternative support can be offered besides the financial compensation, e.g., training, internal redeployment, external outplacement or delayed relocation. Although the six case studies described can serve as good examples of alternative negotiated measures to reduce the impact of the collective dismissal, there is consensus among Spanish scholars that Spanish social plans have little impact on job-to-job transitions (Aragón Medina et al., 2010). This is also confirmed by the interviewees. Their first argument is that the Spanish labour market is based on micro and very small sized companies (see also table 2.7 in Chapter 2), which means that the majority of the dismissals are not covered by the collective redundancy legislation (*Expediente de Regulación de Empleo*, ERE) and thus are not obliged to negotiate a social plan. Micro and small sized companies have been hit hard by the economic crisis. Many companies have gone bankrupt and many jobs have been lost. Micro and small sized companies cannot file for a redundancy process and the dismissal procedure is

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individualized. This leaves much room for micro and small companies to get rid of the employees, but job-to-job support for their redundant employees is hardly ever offered. Employees who lose their job at a micro or small sized company will become unemployed and are thrown back onto the service of the Public Employment Service.

The second argument is that the content of the average negotiated social plan between trade unions and large companies is poor and is focused on financial measures (the severance pay) (Aragón Medina et al., 2010). One interviewee argues that employers' and employees' representatives negotiate the amount of the severance pay and access to early retirement rather than alternative measures to support people from job-to-job. This is confirmed by several other interviewees, including representatives from employers' organisations and trade unions. One trade union interviewee explained that trade unions try to negotiate alternative measures to minimize the impact for the employees, but that in the Spanish culture employees still choose the financial compensation. The alternative measures are less accepted by the employees. Representatives of employers' organisations confirm this in the interviews. In their view, trade unions are not really interested in training measures or reduction of working hours, but they strive for the highest severance pay.

Thirdly, to carry out a social plan is quite expensive for employers, according to a representative of the employers' organisation. They have to pay for the outplacement and training costs and eventually pay the severance pay also. Finally, during the negotiations employees' representatives very often tend to focus more on understanding the reasons for the company filing for redundancy rather than on anything else. This can be explained by the lack of transparency, but also because the consultation with the employee representatives only happens at the stage of execution of the collective dismissal plan. This implies that employees become opposed to the reasons for the collective dismissal and mistrust the company (Aragón Medina et al., 2010). An atmosphere of distrust does not contribute to finding job-to-job transition solutions supported by both employees' and employers' organisations. One interviewee mentioned that Spanish people with a permanent contract do not want to make a transition to another job, even though it is inevitable. It seems that Spanish workers prefer job security rather than employment security.

The trade unions and employers' organisation play a very important role in vocational training for the employed. As explained in section 6.2, this can be seen as a preventative measure for unemployment. Employees' (CCOO, UGT, CIG) and employers' organisations (CEOE and CEPYME) are part of the Tripartite Training Foundation board.

### 6.5.2 The state: Government and Public Employment Service

The Spanish Public Employment Service consists of one national public employment service and 17 regional public employment services. The interviewees from the Ministry of Labour and the national Public Employment Service reported that the state and the public employment service are not involved in direct job-to-job transitions for people whose jobs are at risk. The PES' priorities are targeted on the unemployed, by designing professional pathways towards the labour market, and on providing (unemployment) benefits. Some interviewees argue that the employment policies and the intervention of the Public Employment Service could be more active (Aragón Medina et al., 2010) and endorse that the 17 regional Public Employment Services have insufficient resources and skilled people to serve the high number of unemployed. One interviewee mentioned that the PES does not have the time and resources to offer actual professional pathways and guidance. Furthermore, some interviewees argue that there is no coordination between the national Public Employment Service and the 17 regional Public Employment Services, nor indeed between the 17 regional Public Employment Services.

As previously explained in section 6.1.3, in 2010, the severe labour market situation with an increasing unemployment rate and strained relations between trade unions and employers' organisations, forced the state to interfere and the Spanish government introduced plans to reform the labour market. The new law should preserve a central authority and strengthen the role of the Public Employment Service in order to promote the opportunities for the unemployed.

### 6.5.3 Market

Although the concept of outplacement is known in Spain it seems that the application of these services are scarce compared with other European countries (Kieselbach, Wagner, Mader, & Beelmann, 2001). Several explanations can be suggested for the limited use of outplacement services. Firstly, until 1993, the Public Employment Service had a monopoly on providing employment services. Since 1993, private employment agencies have been legal in Spain and allowed the incorporation of two types of private employment agencies: non-profit private employment agencies and temporary employment agencies. However, the space for private employment agencies to act on the labour market is still relatively small, because of the stringent Spanish labour law. Article 16 of the Workers' statute regulates that the private employment agencies are not allowed to make any profit. Only non-private employment agencies that are authorized by the Public Employment Service and registered in a public register are allowed to provide employment services. As Piñero points out, the state controls the employment service and private employment services which are allowed to provide employment service are under strict controls and have little possibility of developing (Rodríguez Piñero Royo, 2001). Secondly, Kieselbach et al. argue that voluntary agreement between labour unions and businesses to use

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outplacement services is lacking (Kieselbach et al., 2001). Sentmarti et al., explain that outplacement services can be part of companies' human resource policy, but that it is not obligatory to launch this support for their redundant employees (Sentmarti, Lemkow, Espluga, & Baltiérrez, 2002). The interviews revealed that the use of outplacement services is still today not widespread in Spain.

Thus, until the reform of 2010, the existence of profit-making outplacement agencies was forbidden. However, in Spain there are a few so-called Service-Sector companies which, thanks to a loophole in the Spanish constitution, provide outplacement services for companies (Arellano, Felguersoso, Vázquez, & González, 2008; Kieselbach et al., 2001). These individual outplacement services are not widespread<sup>127</sup>, are usually provided for high skilled managers, mostly male, aged between 35 and 45, and are commissioned by big multinational companies (Arellano, 2007). The company wanting to get rid of high skilled employees pays for the outplacement services. The reform of 2010 allows private employment agencies to collaborate with the Public Employment Service, which was prohibited before. However, this collaboration is still in its infancy and the future will show if the outplacement service will develop further in Spain. The development of the outplacement services in Spain will depend on whether or not the Spanish companies feel responsible for job-to-job transition, or if they envisage this transition as an individual responsibility, or if both Spanish employers and employees envisage job-to-job transition as a state responsibility. Traditionally, in Spain the predominant view was that to earn a profit on other people's work is unethical. And although the temporary employment agencies and non-profit employment agencies were legalised in the early 1990s, there still was an atmosphere of mistrust and these organisations were put under heavy controls (Rodríguez Piñero Royo, 2001). It remains to be seen how the reform of 2010 will turn out for private employment agencies. Several interviewees mention that the introduction of private employment agencies could be a solution for the current severe unemployment situation. They argue that the private employment agencies work with standardized methods, while the public employment services in the different regions have their own labour market policies. Diplomas and certificates obtained via the Public Employment Service in one region can have no value in another region. Furthermore, one interviewee from a large temporary employment agency mentioned that his organisation is willing to support the Public Employment Service to help unemployed people into the labour market, so that the Public Employment Service could focus on priority groups, i.e. people who are at the margin of the labour market. However, until recently this was not legal.

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<sup>127</sup> According to Arellano et al., in 2008, there were five important outplacement companies in Spain (Creade, Lee Hecht Harrison, MOA Groupe BIS, Right Management Consultants and Uniconsult).

#### 6.5.4 Hierarchy

Large companies are obliged by law to negotiate with trade unions about a social plan when they file for a redundancy process. Training or alternative measures can be part of the plan, but, as already seen in section 6.5.1, the social plans that integrate financial measures and alternative job-to-job measures are rare (Aragón Medina et al., 2010). As examined in the previous section, the use of outplacement service is not widespread in Spain, but might further develop because employment agencies have been allowed to provide employment services in the labour market since the 2010 reform. Kieselbach argues that individual persons are responsible for employment and that Spanish companies do not feel responsible for job-to-job transitions. This is confirmed by the interviewees who also state that the consequences of unemployment are collectivised and put aside to the state and the social security system (Kieselbach et al., 2001).

#### 6.5.5 Networks

None of the interviewees are aware of networks of companies that help each other in supporting redundant employees from job-to-job.

#### 6.5.6 Responsibility for job-to-job transitions

In the Spanish interviews the question is asked, who should be responsible for job-to-job transitions for those whose jobs are at risk. Some Spanish interviewees mention this should be a joint responsibility. The individuals themselves should be convinced that life-long learning is important during their entire career and that they should continuously invest in their skills. Furthermore, employers should be responsible for job related training and training providers should be aware of the future needs of employers. Another interviewee states that trade unions and employers should alert the Public Employment Service in the case of redundancies and that subsequently the Public Employment Service should be responsible for supporting people to another job as quickly as possible. However, in practice, no Spanish actor feels truly responsible for job-to-job transition in the case of forced dismissal. One interviewee mentioned that there is no specific institutionalised official service for job-to-job transitions. The Public Employment Service has no specific services for redundant employees, which implies that most employees who lose their jobs will go through a phase of unemployment.

### 6.6 Performance

As explained previously, in Spain there is no active job-to job support for employees whose jobs are at risk, but as several interviewees mentioned the activities financed by the Tripartite Training Foundation can be envisaged as preventive unemployment measures. The employers' association is satisfied with the way the Tripartite Training Foundation works. Many employees have

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been trained through this system, according to one interviewee. In the near future some agreements are going to be renewed to improve the system for vocational training. The employers' association underlines the necessity of good evaluations. The current evaluations focus on financial and quantitative elements, and not on qualitative data. This is confirmed in an interview with a representative from the Association of Temporary Employment Agencies. According to this interviewee the training subsidized by the Tripartite Training Foundation should be evaluated, what works and what does not work? What are the results of the training? The Tripartite Training Foundation only audits if the financial means are used for the purpose for which they have been granted. Furthermore, the training provided should fit the employers' needs, but that is not taken into account in the evaluations. Thus, data about the performance of the Tripartite Training Foundation is limited in this section to quantitative data, i.e. regarding the used training credits and the number of employees that have received training or used the individual training leave.

In 2008, 201,030 companies used the credit system to finance training for their employees and the total costs amounted to EUR 575,260,266 (Fundación Tripartita para la Formación en el Empleo, 2009). Table 6.4 shows that the amounts of the credits used increased by 24% between 2007 and 2008. The sharpest increase can be observed by the micro enterprises. The training credits used by companies with one to five employees increased by almost 70% between 2007 and 2008.

*Table 6.4: Development of the assigned and used training credits by size of companies and sector in Euro 2007-2008*

Company size (number of Employees)	Credits assigned		Credits used		Ratio	
	2007	2008	2007	2008	2007	2008
1-5	24,321,286	40,883,881	20,194,114	34,271,314	83.0	83.8
6-9	12,592,397	19,470,396	9,079,100	13,776,493	72.1	70.8
10-49	81,685,898	113,235,023	51,061,611	67,187,314	62.5	59.3
50-99	45,169,015	55,532,040	27,639,063	33,236,613	61.2	59.9
100-249	65,891,055	77,306,117	39,956,636	46,463,980	60.6	60.1
250-499	40,364,341	46,559,029	26,019,870	30,464,491	64.5	65.4
500-999	36,702,131	42,831,055	25,582,127	28,881,661	69.7	67.4
1,000-4,999	76,506,645	86,651,053	54,969,511	61,082,923	71.8	70.5
More than 4,999	80,762,185	92,737,905	61,285,174	74,509,086	75.9	80.3
<b>Sector</b>						
Agriculture	3,298,197	8,666,339	2,207,572	2,866,112	66.9	33.1
Industry	133,671,762	158,492,716	86,443,188	102,956,386	64.7	65.0

Construction	49,168,813	62,730,322	31,145,126	39,332,920	63.3	62.7
Trade	57,329,329	71,970,777	42,541,876	53,748,770	74.2	74.7
Hotel	20,138,692	26,083,389	13,591,280	18,281,226	67.5	70.1
Other	185,605,532	229,621,785	130,085,571	161,108,243	70.1	70.2
Total	464,045,175	575,260,266	315,814,799	390,036,809	68.1	67.8

Source: (Fundación Tripartita para la Formación en el Empleo, 2009)

### *Training activities in companies*

More than 200,000 registered companies reported that they conducted training for one or more employees in 2008 (see table 6.5). The number of participants increased from 1,562,710 in 2007 to 1,998,458 in 2008 (Fundación Tripartita para la Formación en el Empleo, 2009).

*Table 6.5: Companies that have conducted training and the number of participants that received training in 2008*

Company size (number of employees)	Registered companies	Companies that conducted training	Number of participants that received training
1-5	130,138	93,997	113,485
6-9	38,347	27,824	53,990
10-49	77,726	58,348	294,686
50-99	12,716	40,568	158,474
100-249	7,322	6,404	224,555
250-499	2,199	1,973	157,432
500-999	974	893	155,693
1,000-4,999	653	602	358,382
More than 4,999	117	102	481,083
Other situations*	3,214	319	678
Total	273,406	201,030	1,998,458

Source: Fundación Tripartita para la Formación en el Empleo.

\*Average is less than one employee in the previous year because of insolvency situations, mergers or takeovers.

### *Individual training leave*

The individual training leave aims to promote professional and personal development of employees. With the permission of the employer the employee can be absent for training for up to 200 hours. In 2008, 2,578 persons completed individual training leave (Fundación Tripartita para la Formación en el Empleo, 2010a).

## **6.7 Success and failure factors**

Since there is no *active* job-to-job policy and support in Spain for employees

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whose jobs are at risk, the success and failure factors discussed in the interviews are generalized to Spanish labour market issues. When Spanish employees become redundant, people generally go through a phase of unemployment. One interviewee mentioned that the active labour market policies from the Public Employment Service could be improved. According to the interviewee an estimated 12 to 15% of the job vacancies are managed by the Public Employment Service. The challenge is to make active labour market policies more efficient. The interviews revealed that this is easier said than done. Interviewees argue that the management of the Public Employment Service is in the hands of regional governments and it is difficult to coordinate labour market policy because of the different interests of regional political parties.

Furthermore, trust is an important key to success. It seems that trust is lacking at more than one level of the Spanish labour market: the employee does not trust the employer and has no faith in the government and trade unions do not trust employers' associations.

In several interviews the duality of the Spanish labour market is mentioned as a failure factor for job mobility. The trade union representative clarified in the interview that the authorisation of temporary work, which at the time everybody thought was a good idea, turned out "to be a patch that created crappy employment conditions and in the end a postponed problem". Employers' representatives believe that the dismissal regulation is still too strict and that dismissal costs are too high in Spain. Spanish employees are focussed on obtaining and retaining a permanent contract. Whether or not you like the job, the permanent job is the ultimate goal. Temporary contracts are considered to be precarious jobs. One interviewee adds that for companies it is very difficult to continue with these kinds of contracts, because this does not provide internal flexibility. In the past a lot of companies disappeared or had to lay off employees. Prior to the bankruptcy or redundancy process, the management informed employees that the company was in poor circumstances, and that the firm could follow two paths. The first path was to reduce the salaries and all employees would be kept in work. The alternative path was to maintain the salaries and the company would start a reorganisation plan. The interviewee clarifies that Spanish workers are not flexible and prefer to work in a permanent contract and, if this is no longer possible, they wait until they will be dismissed. Thus, in essence, Spanish workers prefer job security and the financial compensation, i.e., severance pay instead of employment security. One interviewee states that the challenge is to change the mindset of employees and future employees and illustrated this by an example. The interviewee recently gave a lecture to 100 students and asked which of them wanted to be an employer. Only 4 students raised their hands. Then the question was asked 'Who wants to be a civil servant?', and almost all students raised their hands. The explanation for this division is that the jobs of civil servants are jobs for life. Another interviewee mentioned that in Spain employers have a bad image inherited from the period of dictatorship that

ended in 1975. Jimeno and Toharia explained that stemming from the Franco period authoritarianism was common practice in many large firms and that a growing gap occurred between management and labour (Jimeno & Toharia, 1994). Young people have grown up with an anti-corporate approach and one interviewee from the employers' side believes that this might have killed the entrepreneurial spirit.

Another characteristic of the Spanish labour market is that the core of Spanish employees is between 25 and 45 years old. An interviewee from the employers' association explained that companies do not hire young people aged 25 or younger because they lack work experience, and persons aged 45 years and over are not hired because they are considered to be old. And with the current high youth unemployment rate (41.6% in 2010, Eurostat) the interviewee fears a lost generation. Spain urgently is looking for a mechanism for young unemployed people to enter the labour market so that they can build up work experience.

With regard to successful job-to-job transitions, one interviewee states that communication is an important precondition. If the Public Employment Service is responsible for job-to-job transitions, then it is important for it to communicate with employers that have to lay off people and with employers with vacancies. But the Public Employment Service does not have the capacities, the skills and the network with employers that is necessary to support people from job-to-job, according to several interviewees. In the current economic situation the employees of the Public Employment Service spend most of their time on administrative duties.

## 6.8 Concluding remarks

The interviews revealed that there is no active job-to-job support for Spanish workers whose jobs are at risk. The labour market policies are focussed on supporting the unemployed into work. Employees who lose their job because of redundancy will generally go through a phase of unemployment before they find a new job. Thus, instead of a direct job-to-job transition, Spanish redundant employees will make an indirect transition from employment to unemployment and, hopefully, quickly to another job. The national Tripartite Training Foundation supports employees and companies in facilitating vocational training. This can be considered as a preventative measure.

For many years, the Spanish labour market was strongly regulated, but deregulation through allowing temporary employment has generated important inequalities, with a lot of protection for permanent employees and more precarious jobs for temporary employees. For many years, Spain has fought duality in the labour market but, according to one interviewee, the discussion is always about reducing firing costs for permanent jobs and not about how labour conditions and employment security can be improved for the flexible section of

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the labour market. In this flexible section of the labour market Spain has precarious conditions, with no elements of life-long learning and career perspectives. One third of the employees are working on a flexible basis and are not fully exploited to their potential. This is damaging if Spain wants to develop as a modern economy with high value services and high productivity levels.

The importance of a constructive social dialogue is important, according to several interviewees. At the time when the interviews were conducted, the relationship between trade unions, employers' associations and the government was tense. One interviewee said: "The social dialogue is currently not broken but quite ill". Another interviewee pointed out that reforms go more smoothly when laws are supported and signed by both trade unions and employers' associations. If trade unions and employers' organisations reach collective agreements there is commitment for further implementation and a basis for influence in every company. And, although the Spanish trade union density is compared to other countries rather low (see table 2.3), the unions are politically powerful. One interviewee mentioned that it is important to have the trade unions on your side once you plan to enforce new laws or policies.

In the past Spain has struggled with several labour market issues and the country is currently challenged to combat the highest unemployment rate in Europe. In this chapter the Spanish labour market reforms have been described and explained. One interviewee mentioned that actually, these are not real reforms but alterations to the old system. The interviewee compared the Spanish labour market with a broken old bridge inherited from the Franco era with strict rules, and the general view that the government is the grandmother that looks after the employees. Spain has tried to board up the bridge by piling up new labour market measures, but the bridge remains unstable and if nothing is done the bridge will fall down. In his view Spain should build a new bridge that is more secure and future proof. A long-term strategy is needed to combat the current difficulties in the Spanish labour market.

# 7

## **The Dutch job-to-job approach compared with the Swedish, British, Austrian and Spanish national cases**



## 7 The Dutch job-to-job approach compared with the Swedish, British, Austrian and Spanish national cases

### 7.1 Introduction

This study aims, firstly, at understanding job-to-job transitions systems in four different countries (Sweden, United Kingdom, Austria and Spain) and, secondly, attempts to answer the following question: What lessons can, from a Dutch policy perspective, possibly be learned from these foreign job-to-job systems or arrangements? In order to infer lessons for the Netherlands it is important to understand how the Dutch job-to-job system is organized. Therefore, first of all, the Dutch job-to-job approach will be discussed along the various system features. Attention will be paid to the legal framework of redundancy, the type of support provided, eligibility, financing, responsibility, coordination and delivery, performance, and the success and failure factors. The research method for analyzing the Dutch job-to-job transition system deviates from the method used in the previous described countries and is solely based on the examination of policy documents and literature. Secondly, the Dutch job-to-job model will be compared with, respectively, the Swedish, the British, the Austrian and the Spanish job-to-job practices and procedures. More specifically, the similarities and differences in the job-to-job arrangements between the Netherlands and the other four countries will be discussed. These four comparisons serve as a prelude to the next chapter, in which possible lessons for the Netherlands will be addressed.

### 7.2 The Dutch job-to-job transition 'system'

#### 7.2.1 Legal framework of redundancy and unemployment insurance

In this section the institutional setting which influences the behaviour and decisions of Dutch labour market actors will be discussed. In the event of redundancy several labour law regulations apply in the Netherlands: the Dismissal Decree (*Ontslagbesluit*), the Collective Redundancy Notification Act (*Wet melding collectief ontslag*), the Dutch Civil Code (*Burgerlijk wetboek*), the Works' Council Act (*Wet op de ondernemingsraden*) and the Extraordinary Decree on Labour Relations (*Buitengewoon besluit arbeidsverhoudingen*).

Three pathways can be followed by Dutch employers to terminate an employment contract.

The first route is termination of the employment contract by mutual consent. The employers and employees can put the agreements down in writing in a so-called "*vaststellingsovereenkomst*" or "*beeindigingsovereenkomst*". From 1 October 2006, the blameworthy criterion has changed in the Unemployment Act, resulting in employees feeling less compelled than before to oppose a proposed dismissal procedure. This implies that the possibilities of terminating an employment

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contract by mutual consent have increased (Knegt & Tros, 2007). Frequently, the Cantonal Court Formula is the basis for voluntary severance pay in settlements between the employer and employee. Below, the Cantonal Court Formula will be discussed in more detail.

The second route is termination by giving notice (*opzegging*). The Extraordinary Decree on Labour Relations (*Buitengewoon Besluit Arbeidsverhoudingen*), which came into force in 1945, applies if the employer ends the labour relationship by giving notice without the employee's approval. Prior to the notice, the employer has to apply for a dismissal permit to UWV WERKbedrijf. UWV WERKbedrijf is the Public Employment Service and is responsible for administering unemployment benefits and helping the unemployed to find a new job. Permission for dismissal will be granted by UWV WERKbedrijf for different business economic reasons:

- a bad financial position of the company;
- structural decrease in turnover;
- closure of plants or a part of the business activities;
- development and changes in technology, e.g. automation;
- relocation of the company.<sup>128</sup>

The majority of the dismissal applications is approved by UWV WERKbedrijf. In 2009 UWV WERKbedrijf settled 48,011 dismissal applications, of which 76% were permitted, 8% were rejected and 16% were withdrawn (Ministerie van Sociale Zaken en Werkgelegenheid, 2010).

The employer has to comply with the appropriate notice period. Article 7:672 in the Dutch Civil Code regulates the statutory notice period. The notice period depends on the duration of the employment contract. It is possible to deviate from the statutory notice period via stipulations in collective agreements, but the notice period must be at least one month. Table 7.1 presents the statutory notice periods.

*Table 7.1: Statutory notice periods in the Netherlands*

Duration employment contract	Notice period:
Less than 5 years	1 month
5-10 years	2 months
10-15 years	3 months
15 years or over	4 months

<sup>128</sup> <[http://www.uwv.nl/Werkgevers/ik\\_wil\\_mijn\\_medewerker\\_ontslaan/ontslag\\_aanvraag/ontslag\\_om\\_\bedrijfseconomische\\_redenen.aspx](http://www.uwv.nl/Werkgevers/ik_wil_mijn_medewerker_ontslaan/ontslag_aanvraag/ontslag_om_\bedrijfseconomische_redenen.aspx)>, accessed 30 June 2011.

Article 7:681 of the Dutch Civil Code rules that if the employer or employee terminates the employment contract by giving notice in a manifestly unfair manner (*kennelijk onredelijk ontslag*), the court may grant the other party compensation. UWV tests whether termination of the employment contract is socially reasonable. Thereafter, the judge still may conclude that the notice is manifestly unfair for personal reasons.

The third dismissal route is termination by court (*ontbinding*). This is regulated in the Dutch Civil Code, article 7:685. The lower court will approve the dismissal if there are 'important reasons' for ending the employment relationship. Important reasons refer to circumstances that create an urgent cause for termination (e.g. falsified diplomas and certificates, committing fraud, deception, violation regard to requirement of confidentiality) or changes in circumstances (e.g. the employee functions badly or there is a conflict between the employer and employee which cannot be solved) that justify the termination of the employment relationship immediately or at very short notice (Kempen et al., 2008).

The cantonal judge can grant a severance pay when the dismissal is approved. Cantonal judges use the Cantonal Court Formula to determine the redundancy pay. The exact severance pay is based on multiplying three factors:

- A: the adjusted number of years of service of the employee: the years of service up to age 35 will count as 0.5, between 35 and 45 years will count as 1, between 45 and 55 will count as 1.5 and above age 55 will count as 2;
- B: the corrected monthly gross salary;
- C: a correction factor that is usually 1.0, but may be determined at a higher or lower level by court in order to come to a fair and adequate severance pay taking into account e.g. the behaviour of both employer and employee, the labour market position of the employee and the financial position of the employee.

The Dutch dismissal system has a dual and preventative character. This implies that an employer who wants to terminate the employment contract without the consent of the employee, can choose between two routes: a dismissal permit via UWV WERKbedrijf or termination by court. The UWV WERKbedrijf dismissal procedure acts as a preventative check to determine the reasonableness of any intended dismissal and is less costly than the court route, but it takes longer. If the dismissal is not sufficiently founded on reasonable grounds, the employer is denied a permit to dismiss; if dismissal nonetheless follows, the employee has legal grounds to contest its validity.

Article 25 of the Works Council Act (*adviesrecht*) regulates that collective redundancies are subject to advice of the Works Council.

The Collective Redundancy Notification Act (*Wet Melding Collectief Ontslag*) regulates that an employer who wants to dismiss at least twenty employees in a

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certain area within a three-month period, is obliged to give reasoned notice to trade unions. The notice should include the following information:

- reason for the collective redundancy;
- an estimated number of employees who will be made redundant;
- a timetable for the collective redundancy;
- selection criteria;
- methods of calculating possible severance compensation;
- information as to whether a works council is in place;
- information as to whether or not the decision is subject to the advice of the works council;
- the stage at which the works council should become involved.

The aim of the Collective Redundancy Notification is to consider whether dismissals can be prevented or mitigated and whether a social plan can be drawn up.

Before March 2006, the last-in-first-out principle applied in the Netherlands. From March 2006, new selection criteria have been introduced in the Dismissal Decree based on the reflection principle (*afspiegelingsbeginsel*). This implies that employees with similar positions are divided into age groups. Within each age group, employees with the shortest employment contract are the first to qualify for dismissal (Kempen et al., 2008).

### *Unemployment insurance benefit*

The redundant employee who becomes unemployed can, under certain conditions, qualify for an unemployment insurance benefit. Under the Unemployment Benefit Act (*Werkloosheidswet, WW*) employees who lose their jobs can be eligible for a basic unemployment benefit and possibly an extended unemployment benefit. The duration of the basic unemployment benefit lasts three months at most. The level of the unemployment benefit is, in the first two months of unemployment, 75% and, after these first two months, 70% of the last earned wage. To qualify for the basic unemployment insurance the person must have worked at least 26 weeks during the 36 weeks prior to the first unemployment day. To be eligible for the extended unemployment benefit persons must have worked four years for at least 52 days per year in the last five years prior to the first day of unemployment. The extended unemployment insurance pays 70% of the last earned wage. The duration of the extended unemployment benefit depends on the employment record of the employee. For each year of service the unemployment benefit is extended by one month, with a maximum of 35 months. The total duration of the basic and extended benefit adds up to a maximum of three years and two months. Table 7.2 shows that almost 30% of the employees who are entitled to unemployment insurance benefit are eligible for a benefit which lasts for more than two years. The average age of persons who are eligible for unemployment benefit which last for

two years or more is 50.8 years. This is unsurprising because, as explained previously, the extended unemployment insurance depends on the employment record of employees. The employment record is obviously longer for older employees.

When the first year of unemployment is taken under review from all unemployment insurance benefit recipients, the UWV data show that 51% find another job within the first year, 18% reach the maximum unemployment duration and 12% flow out because of other reasons. The remaining 19% receive at least one year of unemployment benefit (UWV, 2010).

*Table 7.2: Average age and proportion of inflow in the unemployment insurance benefit by the maximum duration for payment of the unemployment insurance benefit*

Maximum duration in months	<3	3-6	6-12	12-18	18-24	24-38	Total
Average age	34.2	29.6	30.5	36.0	41.1	50.8	40.1
Proportion inflow unemployment benefit (in %)	16	9	15	14	15	30	100

Source: (UWV, 2010)

In 2008, 46% of the unemployment benefits ended because the benefit recipients were re-employed. Furthermore, 29% of the unemployment benefit ended because the person involved reached the maximum unemployment benefit duration and was not entitled for another benefit. 16% of the benefit recipients received a welfare benefit (*Wet Werk en Bijstand*, WWB) after the unemployment benefit ended and the remaining 8% did not immediately receive a welfare benefit, but were eligible for another benefit, e.g. benefit paid under the national old age pensions act (*Algemene Ouderdomswet*, AOW). The number of unemployment benefits which ended because of reaching the maximum duration increased from 11% in 2002 to 29% in 2008 (UWV, 2009).

Table 7.3 shows the Dutch net replacement rates. The OECD indicator measures the proportion of expected income from work which is replaced by unemployment and related welfare benefits. The earning level refers to the average of replacement rates for unemployed persons who earned 67% and 100% of the average working earning at the time of losing their jobs.

The overall average of the Dutch net replacement rate is quite high during the initial phase of unemployment, which means that income security is guaranteed for a certain period of time in the event of redundancy.

Table 7.3: Net replacement rates in the Netherlands for six family types: initial phase of unemployment, 2009, by earning of average wage (AW)

Earning level	Family type						
	No children			Two children			Overall average
	Single Person	One-earner married couple	Two-earner married couple	Lone Parent	One-earner married couple	Two-earner married couple	
67% of AW	76	88	84	75	84	81	81
100% of AW	74	76	82	77	86	80	79

Source: OECD<sup>129</sup>

### 7.2.2 Type of support to find work after redundancy

The type of support provided to redundant employees varies and can include education, secondment, outplacement, support to start own business, job search activities etcetera. Several actors can be involved in supporting job-to-job transitions, e.g. individual companies can support their redundant employees, or support can be provided via public Mobility Centres or private outplacement agencies. Furthermore, employers and redundant employees can agree that it is permissible to apply for another job during working hours or work part-time. Financial arrangements that could be provided are: wage supplements, reimbursements for moving expenses or travelling expenses and severance pay. Referring to the latter, Verhulp asks the question what the (legal) foundations are of severance pay. Is it meant as compensation for damage and suffering as a result of the dismissal, or is severance pay meant to be financial support in order to find another job (prevention of unemployment)? (Verhulp et al., 2008). Companies can conclude social plans in close consultation with trade unions or the works council. It is not legally mandatory to draw up a social plan, but a social plan can be made compulsory through collective agreements. In 2008, the Council for Work and Income (*Raad voor Werk en Inkomen*, RWI) commissioned EIM Business & Policy Research to conduct research regarding job-to-job activities set up in social plans. Between 2004 and 2007, about 1,130 social plans were concluded in 1,050 different companies (Kok, Uiter, Hauw, & Grijpstra, 2008). EIM collected 729 social plans which came into effect from 1 January 2004 and took a random sample survey of 198 social plans. Table 7.4 shows the degree to which practical and financial support is regulated in the 198 social plans examined.

<sup>129</sup> [http://www.oecd.org/document/3/0,3343,en\\_2649\\_34637\\_39617987\\_1\\_1\\_1\\_1,00.html](http://www.oecd.org/document/3/0,3343,en_2649_34637_39617987_1_1_1_1,00.html), accessed 12 July 2011.

*Table 7.4: Degree to which active job-to-job activities and financial arrangements and regulations occur in social plans*

Type of activity or arrangements	Number of social plans that mention this type of activity/arrangement (in percentages of total number of social plans)*
Severance pay	67%
Education and training	65%
Applying for jobs during working hours	62%
Incentive arrangement for redundant employees who voluntarily leave the company	44%
Wage supplements	34%
Reimbursement moving expenses or increased travelling expenses	34%
Replacement arrangement: employees who are not declared redundant get a financial incentive when they leave the company voluntarily	30%
Secondment	25%
Support to set up own business	11%
External labour market pool	6%
Internal labour market pool	3%
Other arrangements (remission of study debts, compensations for negative consequences for pensions and health insurances)	73%

Source: EIM (EIM, 2010)/ \*based on a sample of 198 social plans

The active support provided to redundant employees can be organized in different ways. Employers can choose to provide support by themselves (internal support), erect Mobility Centres or contract job-to-job support out to private market suppliers. Table 7.5 presents the ways of organizing job-to-job support established in social plans taking effect between 2004 and 2007.

*Table 7.5: Ways of organizing job-to-job transitions in social plans taking effect between 2004 and 2007*

Way of organizing	Number of social plans (in % of the total 198 examined social plans)
Internal support	76%
Mobility centre	18%
Calling in or contracting out to private market suppliers (outplacement/ temporary work agencies)	74%
Calling in UWV	9%

Source: EIM (Kok et al., 2008)

Although the ways of organizing job-to-job transitions can be mentioned in social plans; this does not automatically mean that employees know what they can expect from their employers. Kok et al. argue that in the most minimal elaboration the social plan states that the employer will support the redundant employee in order to find another job quickly in or outside the company, without making explicit what this support implies and in what way the support will be organised (Kok et al., 2008). In 18% of the social plans examined the employer and employee representatives agreed to set up a Mobility Centre. A company can establish an internal Mobility Centre within the company or employers can use services provided by external suppliers.

### 7.2.3 Eligibility

In the Netherlands the majority of the job-to-job transition support derives from social plans negotiated between employers and trade unions or the works council. However, almost three-quarters of the 1,130 social plans established between 2004 and 2007 were implemented amongst large companies with more than 100 employees (EIM, 2010). A logical explanation for this is that in the event of collective redundancies with twenty or more employees involved, employers are obliged by law to give reasoned notice to trade unions. Many collective agreements oblige companies to draw up a social plan (EIM, 2010). Furthermore, the type of contract is relevant, because social plans mostly only apply to permanent employees (Kok et al., 2008). Thus, Dutch employees with permanent contracts employed in large companies who are declared redundant enjoy a privileged position in comparison with temporary employees who have lost their jobs. Dutch SMEs do not have a structural approach regarding job-to-job transitions, but this does not mean that small companies do not invest in job-to-job transition policies and activities (Borghouts-van de Pas et al., 2009). There are SMEs that invest in job-to-job policy and activities but, as table 7.6 shows, this is less common compared with large companies.

*Table 7.6: Job-to-job policy within Dutch companies and actual applied job-to-job activities in the last five years*

Company size/ number of employees	With job-to-job policy	Applied job-to-job activities in the last 5 years (in percentages)	
		Internal	External
5-9	9	14	8
10-19	16	24	14
20-49	22	36	22
50-99	16	52	34
100-499	45	77	57
500 >	69	86	67
Total economy	15	27	18

Source: OSA (Borghouts-van de Pas et al., 2009)

This is also confirmed in a research conducted by EIM in 2010. 40% of the examined SME companies were confronted with employees leaving the company. In 18% of these companies the leaving employees were affected by redundancy. Table 7.7 presents the job-to-job transition efforts made by the companies where employees were forced to find another job because of reasons of redundancy. It shows that 26% of the SME companies with redundant employees provided job-to-job transition support, and EIM estimates that 32% of redundant employees employed at SMEs received job-to-job transition support (EIM, 2010).

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Table 7.7: The number of SMEs with forced mobility and the number and type of job-to-job activities provided in the last 12 months (in percentages)

	Number SMEs (%)	Number of SMEs with forced mobility/ redundancy	Number of SMEs with forced mobility/ redundancy which provided job-to-job transition support to their redundant employees.
All examined SMEs	100% (N=943)		
Number of companies where employees left the company	40%		
Number of companies where employees left the company because of reasons of redundancy	18%	100%	
Of which redundant employees have left the company without support provided by the company		74%	
Of which redundant employees left the company with job-to-job support from the company		26%	100%
<i>The practical job-to-job support provided:</i>			
<i>Active support:</i>			
Education			57%
Secondment			48%
Support to set up own business			16%
Support through Mobility Centre or outplacement agency			9%
<i>Passive/financial support</i>			
Possibility to apply during working hours			75%
Wage supplement			9%
Compensation moving expenses or increased travelling costs			0%
Severance pay			52%
Part-time work			25%
Other arrangements			30%

Source: (EIM, 2010)

Thus, in the Netherlands the chance of receiving job-to-job support is greater for redundant employees employed in large companies than for those employed in small companies. Small and medium sized companies often neither have social plans nor the means to set up a Mobility Centre. Furthermore, the flexibility to offer redundant employees another job within the company is lacking in small companies. Redundant employees who were employed in small companies and have become unemployed must, like other jobseekers, register themselves at the Public Employment Service.

#### 7.2.4 Responsibility, coordination, and delivery

##### *Associations*

Dutch trade unions, employers and employers' associations negotiate and discuss social economic issues. In the Netherlands the common name for employers' and employees' associations is "social partners". Social partners can establish collective agreements and social plans. Before addressing the specifics of the collective agreements, it needs to be pointed out that even though new collective agreements use the term "employment security" more frequently, the meaning of the term differs and sometimes it is used to mean "job security". In September 2009, for instance, Menzies Cargo, a company that serves 60 airlines at Schiphol and Rotterdam Airports, and the trade union agreed to exchange a large part of the 'thirteenth month' for employment security, meaning that jobs are guaranteed until the end of 2010.<sup>130</sup> Hence, this was actually job security through a form of wage flexibility. Another example is the collective agreement reached by the Dutch Railway NS and the Trade Union in 2009, in which the employer tried to prevent forced dismissals until 31 December 2010. With this agreement the Dutch Railway NS wanted to invest in employment security for the employees, but in fact it was focused on job security rather than employment security.

Furthermore, there are examples of collective agreements in which social partners agree that the employer will do his utmost to help employees to another job in the case of redundancy. For instance, in April 2009 one of the largest Dutch banks, the Rabobank, and the Trade Union reached a collective agreement in which employment security was emphasized.<sup>131</sup> The bank is willing to invest in education for its employees to increase their chances in the labour market, either within or outside the company, but employees should also work

<sup>130</sup> <<http://www.penoactueel.nl/arbeidsvoorwaarden/cao-akkoord-menzies-cargo-werk-zekerheid-voor-13e-maand-4407.html>>, accessed 7 September 2009.

<sup>131</sup> <[http://www.cnvendienstenbond.nl/branches-en-bedrijven/financieel/rabobank/artikel/36442/?tx\\_ttnews%5Byear%5D=2009&tx\\_ttnews%5Bmonth%5D=04&cHash=99d336a5f1](http://www.cnvendienstenbond.nl/branches-en-bedrijven/financieel/rabobank/artikel/36442/?tx_ttnews%5Byear%5D=2009&tx_ttnews%5Bmonth%5D=04&cHash=99d336a5f1)>, accessed 7 September 2009.

on their personal development. The crucial condition for this coordination mechanism is mutual trust. Employees have to trust the employer in making efforts to help redundant employees to another job outside the company, and employers should have the faith that employees work on their employability. Yet the stipulations on employment security in the collective agreements are quite new and the question arises as to what the practical implications are regarding flexibility and employment security.

As explained previously, most collective agreements oblige employers in collective dismissal procedures to draw up a social plan in close collaboration with the trade union or works council.

### *Sectoral funds*

The Dutch sectoral training and development funds (*sectorfondsen*, or so-called *O&O fondsen*) are private foundations managed by social partners. The first sector funds were established in the 1980s owing to stipulations concerning education in collective agreements.

In mid-2007 an estimated 140 sectoral funds existed in 116 sectors (Donker van Heel et al., 2008). The objectives of the sectoral funds are formulated by the social partners and differ across sectors. The general aim is the recruitment and retention of skilled employees by means of promoting employment, stimulating training and education, and providing good working conditions (quality of labour). These funds collect premiums from employers and/or employees and subsequently distribute the means according to criteria agreed by the social partners. Currently, the Dutch sectoral funds do not have a systematic and structural role in providing transition support in the case of redundancy (Donker van Heel et al., 2008). Donker van Heel et al. conclude that sectoral funds support job-to-job transition services occasionally and on an ad hoc basis. There is no systematic job-to-job transition approach by the sectoral funds. In their view individual employers and employees are responsible for job-to-job transitions. The Dutch Labour Foundation shares this opinion.<sup>132</sup> The Dutch Labour Foundation (*Stichting van de Arbeid*, STAR) was established in 1945 and is a national consultative body organised under private law. Its members are the three trade union federations and three employers' associations in the Netherlands.<sup>133</sup>

### *The state: Government and the Public Employment Service*

In the 1990s, the Netherlands was confronted with an economic recession. At that time the Ministry of Social Affairs and Employment brainstormed ideas to prevent unemployment. In 1999, the Unemployment Benefit Act was adjusted

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<sup>132</sup> <[http://www.mkb.nl/images/20090616\\_vwnw1.pdf](http://www.mkb.nl/images/20090616_vwnw1.pdf)>, accessed 12 January 2011.

<sup>133</sup> <<http://www.stvda.nl/>>, accessed 6 October 2011.

and introduced possibilities to deviate from the existing legislation in the form of experiments. One of the experiments, which was focussed on forced job-to-job transitions, was laid down in a temporary decree (*Tijdelijk Besluit Preventieve inzet Wachtgeldfondsen*) which came into force in August 2000. This decree regulated that UWV should provide financial means to promote job-to-job support for redundant employees whose contract would be terminated within four months owing to collective redundancy. The activities should be focussed on external transitions, meaning transitions to other companies. The Inspection Work and Income (*Inspectie Werk en Inkomen, IWI*) concluded in 2004 that the experiment was not effective. The available means were used for redundant employees who could find another job on their own, while employees who needed the support were left outside the experiment (Inspectie Werk en Inkomen, 2004). The temporary decree was no longer valid as of 1 July 2005.

In response to the 2008 crisis, the Dutch government launched several measures to prevent unemployment. In November 2008, a special working time reduction scheme was introduced. This temporary scheme made it possible for employers with significant decrease in turnover, to apply for a permit which allowed for the decrease of working hours for their employees. The decreased amount of hours was compensated by the government through the use of unemployment benefit funds. Employers continued to pay the full salary to their employees. The employer received an Unemployment Benefit for the employee for whom working time reduction had been awarded and who had met the criteria for an unemployment benefit. Often the unemployment benefit was lower than the salary the employer had to pay to the employee. The temporary part-time unemployment benefit scheme could be seen as the temporary extension of a longstanding previous shorter working hours scheme which ended in March 2009. The aim of this measure was to retain professional skilled employees for companies which were sufficiently economically viable to survive the crisis, despite the lack of orders and turnover. Employers could reduce the number of working hours by a maximum of 50% and during this period employees received an unemployment benefit for the hours that they were not working. The temporary part-time unemployment scheme came to an end on 1 July 2011.

The short-time working and the part-time unemployment scheme can be considered as secondary prevention measures aimed at avoiding forced dismissals. This thesis focuses on curative measures geared towards direct job-to-job transitions for employees under threat of unemployment. In June 2009, the temporary subsidy scheme retraining employees under threat of unemployment came into effect. The aim of this scheme is to stimulate job-to-job transitions. Employers who hire an employee who is threatened by unemployment elsewhere can receive an education bonus of maximum EUR 2,500 under the condition that the company contributes at least the same amount. The scheme will come to an end on January 1<sup>st</sup>, 2013 but, in line with

the EU2020 agenda, the Dutch government's aim is to increase the labour participation, and in order to achieve this goal the Ministry of Employment and Social Affairs intends to introduce new facilities in a so-called 'vitality package'. The implementation of the vitality saving scheme is planned for 2013. Later in this section the vitality package will be further addressed.

In addition, the Dutch government established 33 *temporary* Mobility Centres throughout the Netherlands in 2008 and 2009. The aim of these centres is to prevent unemployment by helping employees faced with redundancy to find a new job as soon as possible either within the sector or outside the sector. Both public and private stakeholders (local authorities, employers and UWV WERKbedrijf) collaborate in these centres. The Mobility Coordination Centre (*Coördinatie Centrum Mobiliteit*) of UWV WERKbedrijf coordinates the Mobility Centres. This governmental initiative builds on previous experiences in the Automotive Industry. In 2006, the Dutch Public Employment Services, CWI, the predecessor of UWV WERKbedrijf, took the initiative to build a Mobility Centre Automotive (MCA), which aimed at supporting job-to-job transitions for more than 2,000 employees who had lost their jobs at the company of Nedcar or its supply companies. In the region of Limburg, in the south of the Netherlands, both public and private partners were willing to work together because there was a sense of urgency. The province of Limburg already had a platform where relevant parties met each other frequently. The platform could be considered as a network. The MCA was a successful instrument for crisis intervention in the labour market and made it possible to deviate from standard procedures and rules and is comparable to the Task Forces implemented in the UK, i.e. the MG Rover case. The aim of the MCA was achieved: 1,333 employees (85% of the inflow) found a new job in or outside the automotive sector (Andersen et al., 2009).

Currently, the 33 Mobility Centres are located at the so-called 'Werkpleinen'. Municipalities and UWV WERKbedrijf collaborate in these 'Werkpleinen' to provide integrated services to employers and the unemployed. Currently, there are 100 Werkpleinen but, as a result of the announced cutbacks for 2012-2015, this number will probably be reduced to 30 Werkpleinen. Furthermore, as from the end of 2011 there will no longer be a re-integration budget available for Unemployment Insurance benefit recipients.<sup>134</sup> Between 2012 and 2015 UWV WERKbedrijf is confronted with cutbacks in expenditure of EUR 450 million.<sup>135</sup>

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<sup>134</sup> Letter to the staff of UWV Werkbedrijf in response to the announced cutbacks, 15 March 2011 accessed from: <[http://www.samenvoordeklant.nl/uploads/media/110315\\_brief\\_aan\\_medewerkers.pdf](http://www.samenvoordeklant.nl/uploads/media/110315_brief_aan_medewerkers.pdf)>, 17 October 2011.

<sup>135</sup> <<http://www.rijksoverheid.nl/documenten-en-publicaties/kamerstukken/2011/03/14/kamerbrief-invulling-hoofdlijnen-taakstelling-szw-domein-2012-2015.html>>, accessed 17 October 2011.

This will certainly have an effect on the service provided to the unemployed and employers. Unemployment benefit recipients will receive e-coaching between the third and twelfth month of unemployment. Face to face contact will be limited to those unemployed who experience great difficulties in entering the labour market.

In 2010, the Dutch government decided to stimulate employers and trade unions to take up their responsibility to support job-to-job transition for employees whose jobs are at risk, through a temporary financial subsidy for experiments, in which employers collaborate in regions and sectors. Large companies and collaborating employers could submit a proposal before 1 November 2010 for an experiment based on the Temporary Decree from job-to-job (*Tijdelijk besluit van werk naar werk*) which came into force in September 2010. Trade unions or works councils must be involved in the realization of the project proposals. In November 2010, the Ministry of Social Affairs and Employment assessed the submitted proposals. Eventually, nine experiments were approved and the government granted a total subsidy of EURO 1,938 mln. A precondition for subsidizing the project is that employees involved will lose his or her job within the next four months. Furthermore, collaborating employers co-finance at least 50% of the project costs. A maximum subsidy is available of EUR 2,500 per employee with a maximum of EUR 500,000 per experiment.

Table 7.8 presents the nine experiments which were approved by the Dutch Ministry of Social Affairs and Employment. The nine experiments vary in content, target group, scope, sectors and actors involved. Some experiments focus on one sector and one region, while other experiments focus on one region but cover various sectors. There are also experiments which cover all sectors, but focus on one region.

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*Table 7.8: Nine experiments based on the Temporary Decree from job-to-job*

	<b>Name project/ experiment</b>	<b>Organisation</b>	<b>Region</b>	<b>Characteristics experiment</b>
1	Experimental trajectory to stimulate job-to-job transitions	Sectoral Fund for employment, training and education in the carpentry sector (SSWT)	Whole of Netherlands	In the collective agreement there is already a possibility to support job-to-job transitions, but after 2 months the employee is handed over to the Public Employment Service UWV WERKbedrijf. This experiment extends the support by SSWT to 12 months.
2	'Repositioning of skilled workers in construction'	The organisation of small-and medium-sized enterprises in the city of Eindhoven	South-east region (Eindhoven)	This experiment is part of an existing demand orientated network. The experiment goes beyond the construction sector and stimulates job carving for redundant employees. Jobs are created for low skilled employees.
3	'With knowledge a step ahead' in various sectors	Department of largest-employers association (VNO-NCW) for the middle of the Netherlands	City-triangle mid-Netherlands (city of Apeldoorn)	This experiment focuses on redundant employees aged 40 or over. In this project vouchers worth EUR 2,500 can be granted to employers who have to lay off employees and to employers who want to hire a redundant employee aged 40 or over.
4	'Plan H – from job-to-job' in various sectors	Employers' cooperation project de Rietvelden-De Vutter	City of Den Bosch (Mid-South of the Netherlands)	Development of a digital labour pool within an industrial zone where vacancies and redundant employees will be matched without interference from the Public Employment Service UWV WERKbedrijf.
5	Outline how to approach 'job-to-job' in healthcare	Regional labour market organisation in the Medical care and welfare sector, region Den Haag	Region Den Haag	This experiment focuses on redundant employees in the Medical care and welfare sector, mostly low skilled employees and employees aged 50 or over. Intensive support is provided so that behavioural change is achieved and that the employee will learn to direct his own career path.
6	'Cooperating sectors at work' in the graphical sector	Sectoral Fund for training and education in the Graphical media sector	Whole of Netherlands	This experiment focuses on intersectoral mobility. Collective agreements and funds can be used for trajectories and education towards other branches/industries. Hybrid

				financing: both the leaving sector as the receiving sector will contribute to the education and transition.
7	Transfer centre Maasland Hardenberg	Largest Christian trade union and Bono foundation	Mid-East region of the Netherlands	Combination of job-to-job support and a pilot in which the employer continues to pay the wage in case of redundancy. This is a financial incentive for employers to support job-to-job transitions for their redundant employees. In the first phase of the project it is the responsibility of employers and the employees to invest in job-to-job transitions. In the second phase this responsibility shifts to a regional cooperation
8	From job-to-job, from income to income in the construction sector	Largest trade union for construction workers	City of Woerden in the middle of the Netherlands	Employers and redundant employees direct the first phase of unemployment. Agreements regarding job-to-job transition support will be implemented in social plans in which the focus will shift from passive financial support to active support for the redundant employee.
9	'Real estate total from job-to-job transitions' in the painters sector	Collaboration of vocational training organisations and their member companies in the painters', the construction and the electrical engineering sector	City of Nijmegen (South- East of Netherlands)	Redundant employees are to be trained and educated in order to retain them for the branch of technique. Through a simulation environment employees can obtain and retain specific skills in times of recession.

Source: Ministerie van Sociale Zaken en Werkgelegenheid, 2011

It is plain that the current government stimulates social partners to take up the responsibility for job-to-job transitions in the event of redundancies and for a job-to-job budget in collective agreements.<sup>136</sup> In the national budget for 2012, the government proposes to introduce a so-called 'vitality package'. This

<sup>136</sup> <<http://www.rijksoverheid.nl/documenten-en-publicaties/kamerstukken/2011/09/30/kamp-vitaliteitspakket.html>>, accessed 6 October 2011.

package comprises the introduction of a new bonus to stimulate employees aged 62 or over to continue their labour participation, a mobility bonus for employers to hire disabled and unemployed persons aged 50 or over, and the introduction of several career facilities. The latter refers to the fact that the Dutch government wants to introduce a vitality saving scheme, which makes it more attractive for employees to save for periods when income falls occur. The savings in the vitality scheme can then be used for re-education, demotion, starting a business or to bridge a period when the person has no income or a fall in income, e.g. during forced job-to-job transitions. The implementation of the vitality saving scheme is planned for 2013. In addition, the government intends to decrease the threshold for fiscal deduction of education expenditures. Finally, the Dutch government intends to compensate social partners for the extra effort involved in introducing a job-to-job budget and intersectoral education.<sup>137</sup>

### *Market*

In 2002, the Dutch Act SUWI, short for Structure for Implementation of Work and Income, came into force. An important element of the SUWI operation was to increase efficiency in the system by introducing competition in the re-integration market. The Public Employment Service, UWV WERKbedrijf, and municipalities outsource the re-integration activities to private companies. But employers also can buy these services. Currently, over 900 suppliers which provide one or more service at the re-integration market are included in the Quality Guide of Stichting Blik op Werk.<sup>138</sup> However, not all suppliers are included in this guide. Van Gestel et al. suggest that the re-integration market has expanded from a limited number of suppliers (around 600) to a larger market with smaller suppliers (nearly 2,000) (Van Gestel et al., 2009). This is in line with a research conducted by Regioplan in which the researchers, based on UWV figures, suggest that approximately 1800 private companies conduct the Individual Re-integration Agreements (*Individuele Re-integratieovereenkomst, IRO*) (Mallee, Mevissen, Soethout, & Weening, 2006). One of the preconditions from the parliament to privatise the re-integration market was to have a transparent market for the organisations that outsource the return to work activities (municipalities and UWV) and the clients. Information about the performance of re-integration companies is necessary to let the market succeed. In the Netherlands, a re-integration quality mark has been developed, on the basis of self-regulation of the sector, which private service suppliers can obtain if they meet certain quality criteria. However, it appears that generally the performance of re-integration has not improved since the privatization (Van

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<sup>137</sup> <[http://www.rijksbegroting.nl/2012/voorbereiding/begroting,kst801043\\_8.html](http://www.rijksbegroting.nl/2012/voorbereiding/begroting,kst801043_8.html)>, accessed 19 September 2011.

<sup>138</sup> <<http://www.blikopwerk.nl/keu/Keurmerk>>, accessed 2 November 2011.

Gestel et al., 2009).

In 2007, 45% of the companies used shared services centres for outplacement and 22% outsourced the outplacement activities (Borghouts-van de Pas et al., 2009).

Stemming from the crisis approach and the erection of Mobility Centres, the Public Employment Service UWV WERKbedrijf provides financial means to private suppliers aimed at the prevention of unemployment. Permanent and temporary employees who will lose their jobs within four months, and jobseekers with an unemployment benefit who have lost their jobs in the last three months are eligible for support with a maximum duration of three months. This support comprises trajectories focussed on early acquired competencies, skills training or education. Another precondition is that the employer has no money available for transition support, e.g. there is no social plan. From the mobility fund the average amount available to jobseekers is EUR 1,750. As of October 2011, this service will cease.

#### *Hierarchies*

About 25% of the Dutch companies had an insufficient amount of work in 2009. The proportion of companies with an insufficient amount of work and which retained personnel (labour hoarding) was 19% in 2010. However, retaining personnel does not mean that companies do not have to dismiss employees. In 2009, about 10% of the companies retained personnel and had taken outflow measures at the same time (Van der Ende, Hazebroek, Wilkens, & Donker van Heel, 2010).

Firms that are in poor circumstances and have to lay off more than twenty employees are obliged to give reasoned notice to trade unions and can take the initiative to draw up a restructuring plan, which describes, among other things, the support and facilities available to find another job for those who are declared redundant. The employer decides whether or not the trade unions and the works council are consulted when fleshing out the restructuring plan. It is not obligatory to consult trade unions and works councils, but a 'social plan' to which trade unions and works councils have contributed are more valuable than those which are only established by employers. As explained previously, collective agreements can oblige companies to draw up a social plan in the event of collective dismissals.

Job-to-job trajectories can be outsourced to private suppliers, for example to outplacement agencies, temporary employment agencies or re-integration companies. From the early 1990s, some big Dutch companies laid the foundation for career centres or Mobility Centres. For instance, the Dutch Railway NS Mobility Centre was established in 1993, and is one of the first internal Mobility Centres. Other examples centres are internal Mobility Centres at TNT Post and the Rabobank (Evers et al., 2004). Only large firms with enough

financial scope are able to engage outplacement- and mobility arrangements, which is an attempt to provide employment security.

### *Networks*

On the basis of the Gatekeeper Act which came into force in 2002, Dutch employers have to continue paying the salary of the employee during the first two years of sickness or (temporary) disability; the employer and employee are obliged to cooperate in the return to work process of the employee. Many Dutch employers were not entirely satisfied with the support offered by (private) professional service providers and the help from governmental public institutions. Therefore, in some Dutch regions employers joined forces and established so called 'Gatekeepers Centres'. These centres "for and by" employers are based upon a mutual (financial) interest of the employers: finding new suitable jobs, for sick employees within a regional network of collaborating employers. In contrast to the 33 temporary Mobility Centres, the Gatekeepers Centres are private initiatives. The Dutch government appreciated these employer's initiatives and provided financial support to establish new Gatekeepers centres. The Netherlands counted 26 Gatekeepers Centres (*poortwachterscentra*) in September 2009. As a response to the economic crisis and on the basis of their experiences with the re-integration of sick and disabled employees, the Gatekeepers Centres are currently also involved in job-to-job transitions because of mass redundancy. This coordination mechanism, in which self-regulating networks of firms collaborate, is especially interesting for small and medium sized companies which are not able to provide another job within their own company. The Gatekeepers' role has extended from return to work processes for sick and disabled employees to job-to-job transitions in a more broad perspective. As mentioned, these networks exist in addition to the previously described 33 Mobility Centres which the government established. Actually, these Mobility Centres, in which several actors collaborate, can also be considered as networks. Furthermore, at the regional level branch service desks (*Branche-servicepunten*) and employers' service desks (*Werkgeversservicepunten*) have been set up. The branch service desks are established at the initiative of trade associations or sector organisations and are public-private partnerships between employers, UWV WERKbedrijf en municipalities. Other partners can be involved depending on the regional circumstances, e.g. the Chamber of Commerce, sectoral funds and centres of Expertise on Vocational Education and Training. The employers' service desks are collaborations between municipalities, the Public Employment Service UWV WERKbedrijf and educational institutes. These network organisations function as information desks initiated from the public sector for employers to ease their search for qualified employees. Furthermore, they can provide information regarding subsidy schemes and they can support job-to-job transitions.

*Responsibility for job-to-job transitions*

The Labour Foundation (*Stichting van de Arbeid*, STAR), the Council for Work and Income (*Raad voor Werk en Inkomen*, RWI), sectoral funds and various researchers state that the primary responsibility for job-to-job transitions lies with individual employers and employees, and employers' associations and trade unions (Donker van Heel et al., 2008; Kok et al., 2008; Raad voor Werk en Inkomen, 2008; Stichting van de Arbeid, 2009). During the economic crisis, the government shouldered the responsibility for forced job-to-job transitions via the establishment of the Mobility Centres. However, as addressed earlier, the current government wants to stimulate employers and trade unions taking up their responsibility to support job-to-job transition for employees whose jobs are at risk, through a temporary financial subsidy for experiments in which employers collaborate in regions and sectors. Large companies more often agree that it is the employers' responsibility to support their redundant employees to another job. In total three-quarters of the companies studied did (partly) agree with the statement that employers should support their redundant employees towards a new job within or outside the company. But only 15% of the companies examined have formulated policies regarding to job-to-job activities, though there are large difference between sectors (see table 7.6). It is particularly in the governmental and educational sector that job-to-job transition policies are drawn up. This is one of the results from the spring survey of the OSA demand panel (Borghouts-van de Pas et al., 2009). A recent study conducted by EIM among redundant employees who had been employed at a small or medium sized company in the previous two years revealed that 20% received job-to-job transition support via the employer and the other 80% did not receive any support (EIM, 2010).

In December 2007, the Dutch Minister of Social Affairs and Employment commissioned the Committee on Labour Market Participation, also known as the Bakker Committee, to formulate proposals aimed at raising the labour market participation rate to 80% by 2016 (Advies Commissie Arbeidsparticipatie, 2008; Bovenberg & Wilthagen, 2009). Independent labour market experts from the public sector, the private sector and academia were members of this committee. In June 2008, the report of the Committee on Labour Market Participation was published and comprised a three-track approach. The first track was geared towards increasing the current labour market participation and included proposals to encourage employers to hire long-term benefit recipients on the basis of temporary wage costs subsidies. In turn, benefit recipients would have a participation obligation. Furthermore, the committee proposed to stimulate part-time workers to extend the number of working hours by tax incentives and to improve facilities for combining work and care. The second track was aimed at raising the pension age gradually to 67, so that employees would be kept in the labour market for longer. The third and most important track for this study, focused on more structural employability and employment security. The

committee proposed to give employers, employees and municipalities at the decentralised level more responsibility for employability and employment security by introducing a Work Budget, transforming the unemployment insurance scheme to an employment insurance scheme, and by stating that the responsibility for those with a weak labour market position should be set down by one responsible actor. The proposed Work Budget was a personal budget and was not linked to a job, meaning that the employee could transfer the budget to another job. The Austrian severance pay system served as example for the proposed Work Budget. However, the Work Budget would aim to maintain the worker's employability level and could be used to finance the actual costs of training or education. Furthermore, the proposed Work Budget could also provide additional income in the event of forced job-to-job transitions, part-time retirement, training, unpaid leave, a new job with lower earnings, and would also be available to flexible workers (Advies Commissie Arbeidsparticipatie, 2008; Bovenberg & Wilthagen, 2009). All actors should contribute to the Work Budget: employers, employees, social partners and the state.

With the introduction of an employment insurance scheme employers would have a financial interest in preventing unemployment. The employment insurance comprises three phases which are shorter than the current maximum duration of the unemployment insurance. In the first phase the employer has to continue to pay 80 to 100% of the wage for a maximum duration of six months. In this phase the employer and employee are responsible for finding a new job quickly. In the second phase, the sector or industry has a financial responsibility and employees can enter a re-integration scheme provided by public or private suppliers. After the second phase the responsibility is shifted towards the municipalities. To this very day the Work Budget and employment insurance are not yet implemented in the Netherlands, because of dissensions between the actors involved. However, as part of the recently presented national budget 2012, the government intends to launch a 'vitality saving scheme' as of 2013. This vitality scheme comprises elements of the previously proposed Work Budget.

### **7.2.5 Financing**

The amount of costs for a social plan depends on the extent of the provisions negotiated between the employer and the trade union or works council. The employer bears the costs for outplacement, severance pay and other provisions concluded in the social plan.

The sectoral funds have had up to now a limited role in supporting job-to-job transitions, and the way the funds are financed varies. In collective agreements employers and trade unions can negotiate about levy percentages. In some sectors the government contributes financially to the fund. For example, the

Ministry of the Interior and Kingdom Relations contributes yearly an amount to the sector fund A&O in the form of a subsidy scheme.<sup>139</sup>

Gatekeepers Centres received a start subsidy from the government, but today they should be able to support themselves via membership fees or through financial contributions for provided services. The 33 Mobility Centres are in principle temporary and public-financed. The nine experiments based on the Temporary Decree from job-to-job (*Tijdelijk besluit van werk naar werk*) are financed through public and private means. The government granted a total subsidy of EUR 1,938 mln. A precondition for the subsidy is that collaborating employers should also contribute financially, implying that they have to co-finance at least 50% of the project costs. A maximum subsidy is available of EUR 2,500 per employee with a maximum of EUR 500,000 per experiment.

Until October 2011, the UWV WERKbedrijf mobility fund has provided the means for the unemployment prevention services outsourced to private suppliers, on average EUR 1,750 per jobseeker. A precondition is that the employer who has to lay off employees does not have enough financial means to support the redundant employee to a new job. The support can be offered to employees, including those with a fixed-term or temporary contract, who will become unemployed in the following four months or who have become unemployed in the last three months.

As mentioned previously, the Dutch government recently proposed a 'vitality scheme' in the national budget 2012. The aim of this scheme is to make it attractive for employees to save for periods when income falls occur. The savings in the vitality scheme can then be used for re-education, demotion, starting a business or to bridge a period when the person has no income or a fall in income, e.g. during forced job-to-job transitions.

### 7.2.6 Performance

The unemployment rate in the Netherlands is one of the lowest in Europe. In the previous sections the Dutch job-to-job arrangements and the way job-to-job support is organised in the Netherlands were described. The main instrument in organizing job-to-job support is the social plan. However, there is no representative study available regarding the effectiveness of job-to-job arrangements established in Dutch social plans. Although the general view is that individual employers and employees are responsible for job-to-job transitions, the Dutch government has facilitated the social partners during the crisis. As a response to the crisis the Dutch government commissioned the establishment of temporary Mobility Centres. As explained in the previous section, the Public Employment Service UWV WERKbedrijf collaborated with municipalities, provinces,

<sup>139</sup> <[http://www.aofondsrijk.nl/fileadmin/ao\\_data/Downloads/Over\\_A\\_O\\_fonds\\_Rijk/Beleidsplannen/beleidsplan\\_2010.pdf](http://www.aofondsrijk.nl/fileadmin/ao_data/Downloads/Over_A_O_fonds_Rijk/Beleidsplannen/beleidsplan_2010.pdf)>, accessed 2 November 2011.

employers, education and training centres and other private partners in these Mobility Centres. In 2009, the 33 Mobility Centres supported 13,000 redundant employees to another job without a spell of unemployment. Thus, these redundant employees made a direct job-to-job transition (UWV werkbedrijf, 2010). In general, 51% of unemployment benefit recipients find another job within the first year (UWV, 2009).

A recent study by UWV WERKbedrijf revealed that the unemployment duration was, on average, nine months for those jobseekers who found a job in 2010. UWV WERKbedrijf states that the chance of finding a job is highest in the initial phase of unemployment and compared the figures of these job finders with the registered jobseekers who had not yet found a job. The average nine months unemployment duration of the job finders contrasts sharply with the average duration of unemployment of jobseekers who still had not found a job. The average unemployment duration of these unemployed jobseekers was 30 months. Compared with those who were still unemployed, the job finders were relatively young and had a higher educational status (UWV Werkbedrijf, 2011).

The nine experiments based on the Temporary Decree Job-to-Job transitions (*Tijdelijk besluit van werk naar werk*) will be evaluated by an independent research institute by mid 2012.

#### **7.2.7 Success and failure factors**

De Kok et al. examined 20 case studies regarding job-to-job activities agreed in social plans. These case studies are not representative for the way social plans are manifested in the Netherlands, but they give a tentative insight into the success and failure factors. De Kok et al. start with a description of general preconditions for successful job-to-job transitions (Kok et al., 2008; RWI, 2010). The first one is that employers are willing to invest in job-to-job activities and employees should be motivated to participate in these activities. Employees should be convinced that it is an opportunity to participate in the activities, instead of seeing it as a threat. Trust and openness are key words. Secondly, trade unions or the works council should be involved throughout the whole process. Not only should they be involved in drawing up the social plan, but they should also play a role in the implementation, e.g. taking place in a board and supervising the implementation of the social plan. Thirdly, redundant employees should be given time to accept the new situation and to explore new opportunities by themselves.

De Kok et al. continue with success factors regarding the content of social plans. They conclude that the higher the quality of the social plan, the better the implementation of job-to-job transition support. Furthermore, they argue that it is difficult to determine what kind of support should be included in the social plan, because situations differ. One measure can be a solution in one case, but

that does not necessarily mean that it is effective in another case. The social plan should be tailor-made and should take into account the number and the composition of redundant employees, the financial means of the company and the regional labour market situation. Employers and employees should agree about the distribution of the costs and about performance indicators.

The following success factors relate to the implementation of social plans. In order to achieve a successful transition it is necessary that early information and advice is provided to the redundant employees regarding the social plan. The redundant employees should know what lies ahead, what can be arranged for them and what is expected from the redundant employees themselves. Another success factor is to give personal attention. This can be arranged by assigning a regular contact person who pays attention to the personal situation and supports the employee to find another job quickly. To make use of several specialized outplacement agencies can be valuable to provide tailor-made services to different target groups.

De Kok et al. reveal, in their research, failure factors in addition to the above mentioned success factors (Kok et al., 2008). The first one is that it is difficult to predict future developments. Sometimes the number of redundant employees is fewer than was anticipated. Instruments and policy arrangements are unused, while expenses have been made. Another failure factor is that social plans are not connected with HRM-policies in the companies. Performance interviews are not consequently used. This implies that employers do not always have an overview of the skills and qualification of their employees. Employees are not stimulated to look around for another job. Thirdly, some employees, especially low skilled redundant employees, are not willing to make the transition to another employer as long as they can make the most of the better employment conditions of their current employers. These employees prefer to stay in the current job as long as possible instead of long-term (re) training trajectories which might lead to a little wage increase. The sense of urgency to find another job quickly disappears when offered trajectories which last more than one year (Kok et al., 2008).

In a recent study conducted by EIM, several bottlenecks with regard to job-to-job transitions from the perspective of SMEs are discussed (EIM, 2010). The study distinguishes failure factors at different levels: micro and macro. It appears that HRM or personnel management does not have priority in most SMEs. An SME employer only invests in education and training if he receives the benefits from it in the short term. According to the interviewees in the EIM study, SMEs have short-term planning. They look ahead for a only few months and, in the event of threatened redundancy, they come into action at the very last moment, which means that it is too late to arrange job-to-job activities. An employer who finally applies for a dismissal permit often has no financial means to support his redundant employees (EIM, 2010). At the macro level the study revealed that

the aim is to improve cohesion and collaboration with regard to job-to-job activities. However, in practice it appears that organisations compete with each other and that new organisations are established which operate separately from the existing infrastructure. Furthermore, the mismatch between national policy and regional needs is mentioned as a failure factor in the EIM study.

Picchio and Van Ours concluded that company training has a positive effect on the employment security of employees. They argue that it is less likely that those employees, including older employees, who receive company training will become unemployed compared with those not receiving company training. Of those employees who did not receive company training 5.5% were unemployed one year later, whereas of those employees who received company training 1.9% were unemployed one year later. When Picchio and Van Ours controlled for personal features the difference appeared to be even larger (Picchio & Van Ours, 2011).

### **7.3 Comparison of job-to-job transitions systems across countries**

Now that the different job-to-job transitions systems in different countries have been reviewed, the empirical findings derived from the four national cases (Chapters 3, 4, 5 and 6) will be further analyzed and compared with the Dutch system in terms of type of support, eligibility, financing, responsibility, coordination, delivery, and income security. What are the main similarities and differences? Firstly, this section starts with a summarizing overview of the job-to-job modalities in the countries studied. Subsequently, the similarities and differences between the Netherlands and the other countries examined will be further discussed in sections 7.3.1, 7.3.2, 7.3.3, and 7.3.4.

As mentioned in Chapter 1, the main focus of this thesis is on the curative part, i.e. systems and measures geared towards direct job-to-job transitions in the event of redundancy (see phase three in table 7.9). However, during the interviews preventative unemployment measures were also mentioned, such as education, training, and the reduction of working hours. It should be emphasized that the preventative measures and curative measures are interdependent. For instance, investments in education and training in order to achieve more functional flexibility in the company will subsequently also contribute to more smooth transitions from job-to-job in the event of redundancy. Several phases in the prevention of unemployment can be distinguished: primary prevention, secondary prevention, and tertiary prevention (see table 7.9). The primary prevention phase refers to a healthy company, in which forced dismissals are not under discussion. In the secondary prevention phase, there is a threat of redundancy. A company in bad circumstances can take several preventative measures to avoid redundancy, e.g. measures to adjust the volume of manpower, to adjust labour costs, or measures to enhance the employability of the current staff. These measures can be targeted at the company itself (internal measures) or the company can focus on opportunities outside the company

(external measures). When there is a lack of work, companies can try to balance holiday leave, overtime credits and abolish Sunday and overtime shifts, or they can cooperate with other companies via labour pools, secondment or outplacement trajectories. In times of crisis, governments can support companies to overcome economic difficulties by implementing short time work arrangements, e.g. the Kurzarbeit regulation in Austria and the special part-time unemployment scheme in the Netherlands. When forced dismissals are inevitable, individual companies (hierarchies) can file for redundancy and introduce curative job-to-job measures for the employees who have received their notice. In the event that the contract will be terminated by mutual consent, which is attractive for employers because in this way they avoid formal dismissal procedures, the company and individual employee can negotiate about active job-to-job support and financial compensation, in the Netherlands mostly attuned in an agreed social plan. Furthermore, curative measures can be initiated and coordinated by other actors such as trade unions and employers' associations, the state or the Public Employment Service, private market suppliers or networks. The role of the various actors differs in the countries examined, which will be discussed in the next sections.

Finally, tertiary prevention refers to the phase in which the employment contract is terminated. When the curative measures geared towards direct job-to-job transitions are not effective, the redundant employee will become unemployed. When certain access conditions are met, the unemployed can receive an unemployment benefit. This is the phase in which actors, predominantly the state and the Public Employment Service, provide preventative measures and support geared to avoid long-term unemployment.

The various job-to-job intervention modalities in the event of forced dismissals observed in the countries examined and discussed in the preceding chapters are summarized in table 7.9.

THE DUTCH JOB-TO-JOB APPROACH COMPARED WITH SE, UK, AT AND ES

Table 7.9: Job-to-job intervention modalities in the event of forced dismissals

<b>Primary Prevention</b>	<b>PHASE 1: HEALTHY BUSINESS</b>					
<b>Secondary Prevention</b>	<b>PHASE 2: THREAT OF REDUNDANCY</b>					
Preventive measures taken by the employer geared to avoid forced dismissals	INTERNAL MEASURES			EXTERNAL MEASURES		
	Adjustment manpower/labour volume e.g. Reduction duration employment, reduction of working hours (individual and collective), reduction overtime, halt on vacancies/opening Adjustment labour costs e.g. Reduction of working hours (individual and collective), freeze or economize conditions of employment, merge or split functions Enhancement employability staff e.g. Employability: education and training, (early acquired competencies), functional flexibility, labour pools within the company, update/change working conditions in collective agreements and /or social plans			Adjustment manpower/labour volume e.g.: Labour pool with different companies, secondment, pre-retirement Adjustment labour costs e.g. secondment, outsourcing Enhancement employability staff e.g. Employability beyond the company's border, Update / change working conditions in collective agreements and /or social plans, external regional or sector labour pool		
Curative measures geared to direct job-to-job transitions	<b>PHASE 3: UNDER NOTICE</b>					
	'old' employer/hierarchy	Redundant employee	Associations	State/PES	Network	Market
	Agreement to terminate the contract by mutual consent. Employer and employee negotiate about job-to-job support and financial compensation. Sometimes based on social plan (NL)	Agreement to terminate the contract by mutual consent. Employer and employee negotiate about job-to-job support and financial compensation. Sometimes based on social plan	Collective agreements or social plans concerning financial and active job-to-job support (e.g. wage supplements) compensation  Transition agreements/ Transition funds (some support even accessible before the notice) (SE)	Programmes such as RRS, and R2R (UK)  Grants from a temporary mobility fund to private suppliers in order to support direct job-to-job transitions (NL)	Training networks (AT)  Network of companies which support job-to-job transitions (NL)	Job search services, job coach service, counselling and other support outsourced by company, associations, transition funds (NL, SE, UK)
	Compensation: time/financial -Extension notice period -Continuation of paying the wage -Financial incentive when employee quickly finds on own initiative	Incentives to find a new job				

	Active job-to-job support: Outplacement, education/ training						Out- placement (NL, UK, SE)
	Formal dismissal procedure: -Severance pay						
	Financial support in pool in between jobs		Labour market pools				
<b>Tertiary Prevention</b>	<b>PHASE 4: TERMINATION OF THE EMPLOYMENT CONTRACT/ UNEMPLOYMENT</b>						
Preventive measures geared to avoid long- term unem- ployment	'old' employer hierarchy	Redundant employee	New Employer	As- sociat- ions	State/PES	Network	Market
↓	Labour foundation (AT)	Financial incentives to find a job.  Labour foundation (AT)	Invest- ments in education and training future employees	Labour founda- tions (AT)	-Provide benefits -Regular job search services/ support through PES or outsourced to private suppliers -labour foundation (AT)		Provide job search and Reintegrate- ion services which are outsourced by state or associations (NL, SE)
A NEW JOB							

### 7.3.1 The Swedish and Dutch job-to-job transition system compared

Before the job-to-job systems or arrangements are compared between the Netherlands and Sweden, the labour market situation in both countries will be addressed. The unemployment rate in the Netherlands in 2009 was lower than in Sweden and was in fact one of the lowest in Europe (2.8%). On the other hand, Sweden had a lower long-term unemployment rate (12.8%) than the Netherlands (34.9%) and the EU27 (37.0%). This might mean that Swedish unemployed people find another job more quickly compared with the Dutch unemployed. However, if the lower percentage in long-term unemployment in Sweden is connected to the higher level of total Swedish unemployment and the higher percentage in long-term unemployment in the Netherlands is connected to the low Dutch total level of unemployment, the intensity of the problem is probably the same in both countries. Does the job-to-job support provided in Sweden differs from the support provided in the Netherlands? Based on the empirical findings it can be concluded that the job-to-job support provided is similar in Sweden and the Netherlands. In both countries active and financial support are available. The Swedish transition agreements and the Dutch social plans regulate which support is offered to redundant employees. However, the target group and the way the job-to-job transition 'system' is organised, differ between Sweden and the Netherlands. The differences will be addressed in this section.



*Structural Swedish job-to-job system versus Dutch ad hoc activities and initiatives*

In the Netherlands there is a growing awareness of the need to invest in job-to-job transitions. This became more urgent when the economic crisis hit the Dutch labour market and this topic was put at the top of the Dutch policy agenda. The solutions from the Dutch government, in the form of Mobility Centres, part-time unemployment schemes and experiments, are nothing more than temporary measures. Compared with Sweden there is no 'systematic' or structural approach in the Netherlands. A central feature of the Swedish system is the role given to strong adjustment agreements coordinated by employers' associations and trade unions without government involvement. A relevant precondition is that there is trust among the trade unions and employers. Social partners should be willing to collaborate. The Swedish transition foundations work like insurance companies to which the companies pay a contribution every two months. In prosperous periods money is saved in the fund and once the tide turns the means are immediately available in order to support redundant employees quickly to another job. When layoffs are deemed necessary, the employer can claim money from the transition fund. The first collective adjustment agreement already dates from 1974; nowadays transition agreements are a structural and important feature of the Swedish labour market. In the Netherlands social plans are negotiated when it becomes clear that companies have to restructure which might lead to forced redundancies. Thus, the Swedish transition agreements make it possible to take action right away when the company is in poor circumstances, while in the Netherlands time elapses to implement social plans once a company is confronted with collective dismissals.

Another feature of the Dutch case is that the government seeks solutions in times of crisis, but once the solution has been created, e.g. the job-to-job experiments, the economy has recovered and the need to take action is less urgent. It appears that some experiments currently find difficulty in finding redundant employees for the project. This failure factor of ad hoc policies and the difficulty in predicting future developments was also addressed in the study conducted by De Kok et al. in 2008.

*Limited role Dutch trade unions and employers' associations*

The Dutch social partners have been traditionally highly involved in employment and labour market policies, but currently their roles with regard to job-to-job transitions is fairly weak, certainly in comparison with the Swedish system. In the early 1990s, the Dutch tripartite Public Employment Service was criticized and a committee led by Buurmeijer concluded that radical changes were needed regarding the organisation of the social security. Eventually, with the introduction of SUWI, the tripartite governance was abolished and the role of social partners was restricted (Van Gestel et al., 2009).

*SME employees covered?*

It appears that Dutch employees who work in large companies benefit the most

from job-to-job arrangements. Large Dutch companies can draw up a 'redundancy plan', whereas small companies do not have the resources to buy outplacement services. Thus, Dutch employees working in small companies are less privileged with regard to job-to-job support than workers employed in big companies. The systematic approach of the Swedish collective agreements based on mutual trust has resulted in a peaceful labour market without strikes. Just as in Sweden the number of strikes and lockouts are rare in the Netherlands (see table 2.4 in Chapter 2). Furthermore, in Sweden many people can qualify for job-to-job support in the event of redundancy, including those employed as SMEs. Today, almost half of the Swedish workforce is covered by an adjustment agreement, and an estimated 80% of companies covered by an adjustment agreement in the private sector are small companies with fewer than 10 employees. In December 2010, the trade unions and the employers' association reached a transition agreement in the municipality sector which will come into force on 1 January 2012. This is one of the largest transition agreements in the Swedish labour market, covering around 1.1 million employees. Thus, as from 1 January 2012 the majority of all permanent employees will be covered by a transition agreement. However, temporary employees are not covered by the transition agreements. A challenge for the Netherlands is to explore a more systematic approach in which more employees working in small companies or with typical contracts can also benefit from 'systematic' job-to-job arrangements.

*Financing job-to-job support via periodic contribution to structural funds*

The Swedish transition foundation can be a source of inspiration in the Dutch quest for a more structural system to enhance job-to-job transitions for those whose jobs are at risk. The Dutch sector funds (*sectorfondsen* or so-called *O&O fondsen*) are private foundations managed by social partners. Currently, the Dutch sectoral funds do not have a systematic and structural role in providing transition support in the case of redundancy and intersectoral mobility is scarcely stimulated (Donker van Heel et al., 2008). Dutch policymakers and, in particular, the social partners could consider the use of the existing structure of the sectoral funds to collect and distribute money for transition support for people who are going to lose their jobs, and to enhance intersectoral mobility. The advantage for the employer is that there is money available to help redundant workers if their employer is in financial trouble. Moreover, the image of the company will be harmed to a lesser degree than if the employer does not provide any support to its redundant employees. In such a system, both trade unions and employers could be actively involved in using their experience and knowledge to match the right person with the right job. However, it remains to be seen if intersectoral mobility will be accomplished.

*Outsourcing re-integration activities for the unemployed to private suppliers in Sweden still in its infancy compared with the Netherlands*

Until 1993/1994 private employment services were forbidden in Sweden. The Swedish governmental agency, the Labour Market Board (AMS), had a monopoly on job matching activities. Nowadays the Public Employment Service AMS contracts private companies, for example, for coaching activities. The theory behind this is that a lot of private suppliers have contacts and relationships with employers which the Swedish PES does not have to such an extent. In Sweden the blue-collar transition foundation TSL contracts out the job coaching activities to private service providers.

Markets, as a coordination mechanism, are gaining importance in Sweden, but compared with the Netherlands the outsourcing process to private suppliers is still in its infancy. The Netherlands has more experience with contracting out services to private parties. As mentioned previously, nearly 2,000 private suppliers act on the Dutch re-integration market.

In the Netherlands, a re-integration quality mark has been developed, on the basis of self-regulation of the sector, which private service suppliers can obtain if they meet certain quality criteria. However, it appears that generally the performance of re-integration has not improved since the privatization (Van Gestel et al., 2009).

*Duration of Swedish unemployment benefit shorter and replacement rate lower, but active support provided in an earlier stage compared with the Netherlands*

The maximum duration of the Swedish unemployment benefit is one year at the most. In the Netherlands the maximum duration of the unemployment benefit can last up to three years and two months. The OECD total average unemployment replacement rate under the assumption of the earning level of 100% of the average wage is, during the initial phase of unemployment, lower in Sweden (60%) than in the Netherlands (79%). When the earning level is less, i.e. 67% of the average wage, the difference between the replacement ratios is negligible (SE: 79% and NL: 81%).

### **7.3.2 The British and Dutch job-to-job transition system compared**

Before the similarities and the differences between the British and Dutch job-to-job systems are discussed, general labour market figures will first be presented. In 2009, 77% of the Dutch labour force was employed, whereas in the UK this percentage was 69.9%. The unemployment rate in the Netherlands was 3.7% in 2009, and 7.6% in the UK. The percentages of long-term unemployment are comparable. In both countries a quarter of the unemployed were unemployed for twelve months or longer. These figures give us a general view of the labour market situation in both countries. The Netherlands seems to have had a better labour market position in 2009. However, the mobility rate in the Netherlands is lower than in the UK. The question is as to whether or not the better labour market performance in the Netherlands can be explained by more active job-to-job policies or arrangements. Therefore, the British and the Dutch job-to-job systems and arrangements will be compared.

*The job-to-job support provided in the UK is similar to the Netherlands, but both countries are heedless of psychological support after redundancy*

The support that can be provided is similar in the two countries and comprises, among others, training and education, active job search support, advice and guidance. British researchers concluded, based on the MG Rover case, that it is important that people know and understand better what support is available. Information was in fact available to those being made redundant, but the employees losing their jobs, especially on the scale of the MG Rover closure, were in shock. They needed help to understand the information. The researchers argue that a more tailored approach to workers is needed, not only professionally, but also psychologically. While there was a speedy response to the crisis, the interviews with the ex-workers suggested that there is a need to be more sensitive to people who have never been unemployed and do not know how to make claims for benefit or search for jobs. There is also a need to help people feel that it is not their fault that they have become unemployed (Bailey et al., 2009; Bentley et al., 2009). In the Netherlands more attention can be paid to psychological support for redundant employees.

*Early support: the British Rapid Response Service versus the Dutch Mobility Centres*

The Jobcentre Plus Rapid Response Service (RRS) is an executive agency of the Department of Work and Pensions and tries to prevent customers from making a Job seekers' allowance claim. The local Jobcentre Plus offices organises 'fast tracks' which means that support is offered to employees as soon as they receive their notice. The local Jobcentre is notified by the regional office which employers will dismiss twenty people or more in the short-term. The Rapid Response Service members contact these employers and ask what kind of support the employer needs. In the past, job-losses at small companies remained unnoticed, but since October 2009, Jobcentre Plus has collaborated with the Insolvency Trade Body R3 and the Insolvency Service to share information about possible job losses in struggling companies. Such an early warning system does not exist in the Netherlands.

The temporary Dutch Mobility Centres which are initiatives of the Dutch government resemble the British Rapid Response Service, because they are publicly financed organisations. Furthermore, the departure point of both initiatives is that there is a partnership approach. Several similar actors collaborate together in the Dutch Mobility Centres and the British Rapid Response Service. In the Netherlands the primary responsibility lies with the company that has to lay off employees. The company determines which actors and instruments will be brought in to achieve the job-to-job transition and who should take the lead. The Mobility Centres offer advice to the employers and support redundant employees in their job search. The Mobility Centres implement, together with other partners, the agreed approach. The British members of the Rapid Response Team seem to be more pro-active in contacting companies who are about to lay off employees and this makes it possible to

provide support at a more early stage.

*Role of British employers' associations and trade unions in job-to-job transitions is limited*

The government and individual companies play the most significant role in the British job-to-job transitions. Trade unions and employers' associations do not play a role in providing active job-to-job support. The role of trade unions in a redundancy process is concentrated on negotiating the best deal for the redundant employees. Until recently, the role of Dutch trade unions and works councils was limited to establishing social plans in case of collective dismissals. In some cases, e.g. the TNT Post restructuring case, the employer negotiated at an early stage with trade unions about mitigating the consequences of the redundancy. As mentioned previously, TNT established an internal Mobility Centre. However, the Dutch government deems it necessary that trade unions, individual employers and employers' associations take up more responsibility for job-to-job transitions and introduced the nine job-to-job experiments.

*Financing job-to-job support provided by the government results in programmes in the UK and an ad hoc approach in the Netherlands*

Both the British and the Dutch model with regard to job-to-job transitions in the event of redundancy are not organised in a structural way, such as the Swedish transition foundations. The UK works with programmes, e.g. the Rapid Response Service and the Response to Redundancy programme, which are both financed by the government. The Dutch government provides means to set up temporary Mobility Centres. Furthermore, in Dutch collective dismissal procedures, social plans are agreed between the employer and the works council or trade unions, once it is clear that a company has to lay off more than twenty employees. The negotiations start when redundancy is inevitable while, e.g. the transition agreements in Sweden have a more structural character and are in place before redundancy occurs.

*Private outplacement services are common in the UK and the Netherlands*

Both the Netherlands and the UK have an open and liberal policy towards private recruitment and outplacement agencies. Outplacement evolved in the UK and companies which have the financial means provide these services to their redundant, mostly high-skilled employees.

*Networks of companies that collaborate in the field of HRM are scarce in the UK*

In the Netherlands several company networks exist aimed at exchanging personnel, knowledge, ideas and experience in the field of HRM. This should lead to more quality, more efficiency and cost reducing measures. These kinds of company networks in a certain region are scarce in the UK. However, this does not mean that companies do not collaborate with other organisations in the event of redundancy. In the RRS and Local Employment Partnerships different

actors cooperate closely and each redundancy process will have a different constellation of actors involved depending on the local circumstances.

*Training and education is a shared responsibility and should fit the employers' needs*

The Local Employment Partnerships established in the UK are a step forward in fitting training and education to the employers' needs. However, there is room for improvement and the challenge for the British government is to build up good relationships with employers. The British government is in favour of shared responsibility and expects that employees and employers will co-invest in training courses and that they will take greater responsibility for ensuring that the employers' and employees' skills needs are met. This is also a challenge for the Netherlands.

*Less income security for redundant employees in the UK compared with the Dutch situation*

The maximum duration of the contribution based Jobseekers' Allowance in the UK is much shorter than the Dutch unemployment insurance. Furthermore, the British unemployment replacement rate (54% in 2009 by an earning level of 100% of the average wage) during the initial phase of unemployment is significantly lower than in the Netherlands (79% in 2009 by an earning level of 100% of the average wage). The British contribution based Jobseekers' Allowance is paid up to maximum of 182 days. After this period jobseekers can be eligible for an income-based Jobseekers' Allowance which is means-tested, implying that the amount of savings does matter to be qualified for this benefit. Under certain conditions, the Dutch unemployment insurance can last up to three years and two months. The unemployment insurance is not means-tested. When the Dutch unemployment benefit runs out, the unemployed can be eligible for a social security benefit from the municipality, if certain conditions are met. Moreover, the level of the unemployment benefit is determined differently. In the UK the contribution based Jobseekers' Allowance depends on the age of the redundant employee and is maximized at GBP 65.45 per week (EUR 73.75), while the Dutch unemployment benefit depends on the previously earned wage: 75% in the first two months of unemployment and 70% after that. The weekly minimum wage for a Dutch employee aged 23 and over is EUR 331.20 as of 1 July 2011, which means that the unemployment benefit for eligible redundant employees in the UK is less compared with the Dutch income security provided during the initial phase of unemployment.

### 7.3.3 The Austrian and Dutch job-to-job transition system compared

*Austrian labour foundations function as a bridge between two jobs*

The Austrian labour foundations (*Arbeitsstiftung*) vary in scale and organisation, but they are all aimed at serving as a bridge between two jobs. Strictly, the labour

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foundations do not provide for direct job-to-job transitions. The participants in the labour foundations receive an unemployment benefit from the Public Employment Service AMS. Although the type of support provided via the labour foundations (professional orientation, education and training, active job search) is also offered in the Netherlands, the infrastructure of labour foundations does not exist in the Netherlands. An interesting feature of the Austrian labour foundations is that the former employers extend the responsibility for their redundant employees by providing a fee per participant and by, for example, providing tools, personnel or equipment free of charge that might be necessary for retraining the redundant workers. The maximum duration of participation in a labour foundation is four years which is quite long envisaged from the Dutch perspective. Some labour foundations can be regarded as structural, because they exist for many years. The first labour foundation dates from 1987 and is still in operation. Other labour foundations run for a specific period and other foundations have already disappeared.

*Austrian temporary workers can enter a labour foundation, while in the Netherlands the future job-to-job support will be nil for this category of employees*

The Austrian labour foundations are open for employees with a fixed-term contract which will not be renewed because of economic reasons. Thus, not only permanent employees are eligible for job-to-job support. The Dutch UWV WERKbedrijf provides the means to private agencies for unemployment preventative services including for temporary workers and employees with a contract of limited duration which will not be renewed within 4 months; however this service will stop as of October 2011.

*Financing labour foundations based on shared responsibility*

The way labour foundations are financed depends on the type of labour foundation. Labour foundations can be co-financed by companies, redundant employees (depositing a share of the severance pay) and colleagues (solidarity contribution), the Public Employment Service and local authorities. In the Netherlands, it is not common for employees to sacrifice a part of their severance pay, in exchange for job-to-job support, nor for colleagues to pay solidarity contributions. Austrian companies pay a fee per participant in the labour foundation. Providing outplacement services to redundant employee is less common compared with the Netherlands. This can be explained by the Austrian view that job-to-job transitions are a shared responsibility between the state and social partners, while in the Netherlands they are regarded more as the responsibility of individual employers and employees.

*Training networks (Qualifizierungsverbände) as a preventative measure*

The Austrian training network is an association of at least three companies and at least 50% of the participating companies are SMEs. The joint aim is to provide training to their employees, based on the needs of the employers and

transferable to other companies. The AMS can grant subsidy for these networks. These kinds of training networks do not exist in the Netherlands.

*Role of Austrian social partners cannot be detached from the state*

The Austrian government, the Public Employment Service and, indirectly, also the social partners, play a main role in supporting redundant employees to another job. The social partners are represented in committees and boards at all levels of the Public Employment Service AMS, which is not the case in the Netherlands. During the 1990s, the Dutch Public Employment Service had a tripartite board (Sol, 2000), but even from its introduction the relationship between social partners and the government was tense. The tripartite structure was abolished when the SUWI law came into force in 2002. The social partners have a consultative role in this new structure via the Council for Work and Income (Van Gestel et al., 2009). However, the Council for Work and Income will cease as from 1 July 2012, because the government has decided to stop its contribution.

*Severance pay: national system based on the backpack principle versus a system based on the relationship between individual employers and employees*

The reform of the Austrian severance pay introduced a contribution based system of individual savings and replaced the direct payment of severance pay by the employer to the dismissed employee. When the dismissal is not at the initiative of the employee he or she can withdraw the severance pay or decide to move it to the fund of the new employer (backpack principle). However, employees who withdraw the money out of the fund can spend the money on whatever the workers want and this does not automatically mean that employability will be enhanced. The Netherlands does not have a transferable severance pay system. The severance pay system is still based on the traditional relationship between one employer and one employee, while Austria reformed this system to a broader national system through formation of funds. The Austrian new severance pay system served as example for the Work Budget proposed by the Committee on Labour Market Participation.

*The Austrian Unemployment Insurance provides less income security compared with the Dutch unemployment insurance*

The Austrian unemployment insurance scheme provides less income security compared with the Dutch scheme in terms of the level and the duration of the benefit. In 2009, the OECD overall average unemployment replacement rate during the initial phase of unemployment by an earning level of 100% of the average wage is 68% in Austria and 79% in the Netherlands. In Austria the maximum duration of the unemployment insurance benefit is 52 weeks in the event of 468 weeks of contributory employment within the preceding 15 years. In the Netherlands the maximum duration can last up to 38 months. The level of the Austrian benefit is equivalent to 55% of the previous net earnings, while in

the Netherlands the level is 75% of the previous earned wage in the first two months and 70% after that. However, if a redundant Austrian employee enters a labour foundation the unemployment benefit can be extended to almost four years.

#### **7.3.4 The Spanish and Dutch job-to-job transition system compared**

##### *No active job-to-job transition support in Spain versus ad hoc approach in the Netherlands*

The interviews revealed that there is no job-to-job support system in Spain. Spain struggles against a dual labour market and a high unemployment rate. For many years, the Spanish labour market was strongly regulated and allowing temporary employment has generated important inequalities with a lot of protection for permanent employees and more precarious jobs for temporary employees. Social dialogue and trust are important preconditions for a structural job-to-job transition approach, and this is lacking in Spain. After the negotiations between trade unions and employers' associations which reached a total deadlock in 2010, the Spanish government felt forced to intervene and announced several reforms to combat the severe labour market situation. In comparison with the Spanish situation, the Dutch labour market is rosier. The Dutch unemployment rate was the lowest in Europe in 2009. Nevertheless, the Dutch government introduced temporary Mobility Centres in response to the current crisis. Furthermore, UWV WERKbedrijf contributes financially to job-to-job support for employees who lose their jobs within four months. However, these are temporary measures which come to an end in the near future. The Dutch government takes the view that social partners should be more responsible for job-to-job transition support and has introduced experiments to stimulate both employers and employees representatives to take the lead.

##### *Social plans obliged by Spanish law, while in the Netherlands there is no statutory obligation to draw up a social plan*

In the event of collective dismissal, Spanish employers have to request the competent Labour Authority for permission to terminate the contract. This procedure is required when the collective dismissal will take place within a period of 90 days and the dismissal is planned for 10 workers in a company with fewer than 100 employees, 10% of the number of workers in a company in which there are at least between 100 and 300 employees and 30 workers in a company which occupies 300 or more employees. Companies with 50 or more employees which start a redundancy process are obliged by Spanish law to draw up a social plan. In the Netherlands there is no statutory obligation to draw up a social plan, but collective agreements can make a social plan compulsory. In that event companies establish a social plan in close consultation with trade unions and/or the works council. Until now, the social plans agreed in Spain have paid little attention to job-to-job transition support. In general, Spanish trade unions strive

for the best financial compensation for the redundant employees and there is less attention for job-to-job activities. Although the Dutch social plans also emphasize financial arrangements, e.g. severance pay, the attention for active job-to-job support in negotiations is rising. However, it remains to be seen how active support agreed in social plans and in collective agreements will be implemented in daily practice.

*Spanish redundant employees are worse off in terms of active support compared with Dutch redundant employees*

In Spain redundant employees will become unemployed and they can register at the Public Employment Service for support. As explained previously, there is no practical support available for a direct job-to-job transition and Spanish employees will mostly go through a phase of unemployment after redundancy. In the Netherlands active job-to-job support is available, but it should be noted that support established in social plans usually focuses on redundant employees employed in large companies. Furthermore, the support is limited to those employees with a permanent contract. In small and medium sized companies only 26% of the redundant employees receive support, mostly in the form of a financial contribution instead of active job-to-job support.

*Limited role for private suppliers in Spain compared with the Netherlands*

Outplacement services are scarcely used in Spain, whilst it is quite common in the Netherlands, at least in large companies. The existence of profit making outplacement was forbidden in Spain until the reforms recently announced. As explained previously, there is no direct job-to-job support in Spain. Once a redundant employee is unemployed the Public Employment Service is the key actor in helping the unemployed to another job as quickly as possible. However, several interviewees mention that the active labour market policies can be improved in Spain. Owing to the current crisis the Public Employment Service is fully stretched in providing unemployment benefits and has fewer resources and capacity to provide active support.

*National Tripartite Training Foundation in Spain versus sectoral funds in the Netherlands*

With regard to the prevention of unemployment, the National Tripartite Training Foundation was mentioned in the Spanish interviews. Both Spanish employers and employees contribute financially to this fund. In the Netherlands there is no national training foundation, but sectoral funds have been established which stimulate training and education. However, it appears that these funds scarcely invest in job-to-job support and in education and training which could lead to intersectoral mobility.

*The Spanish unemployment benefit versus the Dutch unemployment insurance*

The duration of the Spanish unemployment benefit depends on the work

experience in the six years prior to the situation of becoming unemployed and the maximum duration is two years. After that a Spanish jobseeker can be eligible for a welfare benefit which can last for a maximum of 30 months. In the first 180 days the unemployment benefit equals 70% of the regulatory base and after that 60%. In the Netherlands, the maximum unemployment benefit is 38 months. After that, Dutch redundant employees can be eligible for a means-tested welfare benefit, which can last as long as the recipients fulfil the eligibility criteria. The level of the unemployment benefit is 75% of the previous earned wage in the first two months and after that 70%. The overall average OECD unemployment replacement rate during the initial phase of unemployment is, by an earning level of 100% of the average wage, 72% in Spain and 79% in the Netherlands. When the earning level is lowered to 67% of the average wage, the difference is negligible: 80% in Spain and 81% in the Netherlands.

### 7.4 Concluding remarks

In the previous chapters, job-to-job systems and arrangements in four European countries were examined and compared with the Dutch system. The institutional setting and background of the system, the actor orientations, capabilities and motivation, the coordination mechanisms and implemented job-to-job policies were described and analyzed. One of the research questions concerns what the Netherlands can learn from these foreign examples. Before this question can be answered, it is necessary to understand what kind of job-to-job arrangements are in place in the Netherlands. Therefore, the Dutch job-to-job approach was described in the first part of this chapter. An important conclusion from these findings is that there is no structural job-to-job transition system in the Netherlands. This does not mean that redundant employees do not receive any job-to-job support, but it concerns for the most part ad hoc activities, incidental support, temporary programmes or services, and experiments. Social partners can negotiate practical job-to-job support in collective agreements and social plans, but this support is targeted at redundant permanent workers employed in large companies. In response to the current crisis, the Dutch government set up temporary Mobility Centres and the Public Employment Service provided financial means for job-to-job support for those employees, including those with a temporary contract, whose employers did not have the resources with which to provide help. However, these temporary measures will end and the government stimulates social partners to take up the responsibility for job-to-job transition support. The government's view that individual employers and employees are responsible for job-to-job transitions is shared by other Dutch organisations, e.g. the Labour Foundation (*STAR*) and the Council for Work and Income (*RWI*). The Dutch government stimulates employers and employees to take up the responsibility for a smooth job-to-job transition after redundancy, i.e. by the introduction of the vitality saving scheme, a compensation for social partners' extra effort to introduce a job-to-

job budget, by stimulating intersectoral education. However, it remains unclear if, and how, social partners will implement these measures and what the take up rate will be of the intended vitality saving scheme. Furthermore, it is noteworthy that the use of severance pay is not under consideration in this process. Although Dutch trade unions and employers' associations play a role in the development and implementation of job-to-job policies, their role is still limited, certainly in comparison with the Swedish case. There are sectoral funds managed by social partners aimed at stimulating training and education, but these funds do not have a structural role in providing transition support in the case of redundancy.

For Dutch companies with enough resources, it is quite common to outsource job-to-job support to private outplacement agencies. Furthermore, the Dutch re-integration service is completely privatised. Both UWV WERKbedrijf and municipalities contract out reintegration services to private companies. In other countries, e.g. Spain and Austria, the room for private employment agencies to act on the labour market was, until recently, very small owing to stringent law and regulations. It remains to be seen how the private market will develop in these countries in the near future.

An interesting feature of the Dutch job-to-job model is the development of company networks. Employers are obliged by law to continue paying the wage of the employee during the first two years of sickness. As a response, companies joined forces and established so called 'Gatekeepers' centres. These networks 'for and by' employers are based upon a mutual financial interest, and companies in the network help each other to find other jobs for their redundant and sick employees. These networks arose because employers were not satisfied with the way the Public Employment Service contributed to the re-integration of sick employees. However, owing to the lack of evaluations, it is difficult to assess whether or not these private networks of companies perform worse or better than the Mobility Centres or the job-to-job experiments initiated and partly financed by the government. With regard to the financing of the job-to-job support, the conclusion can be drawn that it is based on financial contribution by employers agreed in a social plan or by the government via temporary Mobility Centres, via temporary experiments or schemes. There is no structural funding.

The Netherlands has well developed unemployment insurance. Once an employee loses his job the income security is guaranteed for a certain period of time. In comparison with the other countries studied, the Netherlands has the longest maximum duration of unemployment benefit. Dutch unemployed can receive an unemployment insurance benefit for a maximum of 38 months, if all the access criteria are met. However, according to figures of UWV, in practice 40% of the employees who lose their jobs and apply for an unemployment benefit are entitled to an unemployment benefit which lasts for a maximum of 1

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year. The Dutch total average OECD unemployment replacement rate was the highest among the examined countries in 2009.

Furthermore, differences and similarities between the previously described four national cases and the Dutch job-to-job arrangements were discussed in this chapter. This comparison is necessary in order to infer possible lessons for the Netherlands. Table 7.10 provides a summarized overview of the employment security system features in the countries studied, including the Netherlands.

*Table 7.10: Summarized overview of the employment security system features of the European countries examined*

	Sweden	UK	Austria	Spain	The Netherlands
Type of support	Active and financial support negotiated in adjustment agreements	Jobcentre Rapid Response Service (RRS) Response to Redundancy Programme (R2R)	Vocational orientation, training and job-to job transition support via different kinds of Labour Foundations Training network Abfertigung Neu	Social plans Unemployed -> PES in 17 regions National Tripartite Training Foundation	Active and financial support negotiated in social plans. Support via Mobility Centres, Gatekeepers Centres or private outplacement agencies. Job-to-Job experiments
Eligibility	Permanent employees covered by an adjustment agreement. Large and small companies. Workers with a fixed-term contract are excluded.	Redundant employees and those who have recently lost their job	Redundant employees and the unemployed	Tripartite Training Foundation: employees (permanent and fixed-term, but no temporary agency workers) + self-employed, part-timers and redundant employees.	Permanent workers employed at large companies are privileged compared with employees with a fixed-term contract and those employed at SMEs.
Financing	Employers pass a certain percentage of the wage bill to a mutual fund: the transition foundation	RRS financed via Department for Work and Pensions R2R: financed via Department for Business, Innovation and Skills and ESF funding	Depending on type of Labour Foundation: Employer pays a fee per redundant employee; Redundant employee by renouncing part of severance pay Colleagues: solidarity contribution Public contributions (AMS, regional and local government)	0.70% of the gross salary is deducted to be paid into the national fund for training. 0.6% is paid by the employers and 0.10% is paid by the employees. ESF subsidy.	Employers bear the costs. Temporary subsidies from the government.
Responsibility, main coordination mechanism	Employers' organisations and trade unions: transition foundations. PES which outsources re-integration activities to private suppliers	Government/ PES Task Forces Local Employment Partnerships Limited role trade unions and employers	AMS Public Employment Service -> corporatist welfare state. Employers' organisations and trade unions are represented in committees and boards at all levels.	Is lacking. Reform in 2010. The prohibition for private and public collaboration is removed.	Social partners are primarily responsible for direct job-to- job transitions. Networks Once unemployed: Public Employment Services



# 8

## **Policy learning with respect to job-to-job transitions for the Netherlands**



## 8 Policy learning with respect to job-to-job transitions for the Netherlands

### 8.1 Introduction

One of the central questions of this thesis is: What can, from a Dutch policy perspective, be learned from the job-to-job arrangements or systems in other European countries? In this chapter the lessons for the Netherlands will be inferred based on the analysis of the empirical findings derived from the national cases and the initial comparison with the Dutch approach. As pointed out in Chapter 1, policy learning and policy transfer are two elements of the concept of lesson drawing. It is outside the scope of this thesis to analyse if and how elements of specific national employment security systems can actually be transferred to the Netherlands. A comprehensive feasibility study would be necessary for this. Nevertheless, the potential lessons which I inferred from the countries studied were tested and validated in a meeting of experts organised at the Dutch Ministry of Social Affairs and Employment on 28<sup>th</sup> April 2011. The results of this expert meeting provide an insight into possible transfer directions. In total 33 persons attended this meeting representing 14 different organisations. Among the participants were senior representatives of various ministries, trade unions, companies, the Public Employment Service, private agencies and policy advising organisations (see Appendix 2). The expert meeting started with a presentation in which I presented the findings of the country studies and the possible lessons which I have inferred from the empirical fieldwork. Using advanced technology, each organisation attended prioritized the presented lessons for the Netherlands. A network of several laptops was established. The laptops were linked and connected to a server. Each organisation present could share his view via a laptop and the results were presented on a large screen. This overview was the starting point for prioritizing these suggestions per system feature by the participants and was followed by an in-depth discussion.

Section 8.2 addresses the lessons which I inferred from the empirical findings. The assessments of the inferred lessons by the main Dutch labour market actors are presented in section 8.3. Furthermore, during the expert meeting participants were asked to enter suggestions to stimulate and to improve job-to-job transitions in the event of redundancy in the Netherlands. These suggestions were also discussed and prioritized in the meeting (see section 8.4). The debate was conducted by an independent panel chairman. This chapter concludes with an analysis of the results brought up in the brainstorm session and their implications for policy making with regard to forced job-to-job transitions.

## 8.2 Dutch lessons inferred from the empirical evidence

As mentioned previously, based on the analysis of the empirical data gathered in the country studies, I have inferred possible lessons for the Netherlands along the line of the employment security features: type of support, financing, eligibility and responsibility. More specifically, I focussed on elements observed in the countries examined, which could be linked or could be a possible solution for the weak points or omissions in the Dutch job-to-job approach.

### 8.2.1 Lessons from Sweden

The Swedish adjustment transition agreements are interesting for the Netherlands. The job-to-job transition goal is explicitly formulated in the transition agreements and support can, in some agreements, be provided even during the period of notice. Another possible lesson the Netherlands can draw from the Swedish transition agreements is the means of financing. Swedish employers pay a certain percentage of the wage bill which is not deducted from the wage to a mutual fund: the transition foundation. This makes it possible to save money in prosperous periods, while the money is available in times of economic downturn.

Although this is a more structural system than in the Netherlands, it must be noted that not all employees are covered in the Swedish system. Only permanent employees in sectors where a transition agreement is concluded are eligible for job-to-job support. However, in December 2010, a transition agreement was reached in the public sector. As from January 2012, the majority of the Swedish workforce with a permanent contract will be covered by a transition agreement. The transition agreements could be relevant for the Netherlands when the Netherlands wish to build a more structural job-to-job system in which not only permanent employees, but also employees with temporary contracts and workers employed at small companies, are entitled for job-to-job support. A weak point of the Dutch job-to-job approach is that employees with a temporary contract and those employed at small companies hardly receive job-to-job support.

Furthermore, the role of trade unions and employers' associations in supporting redundant employees from job-to-job could be interesting for the Netherlands. Dutch trade unions and employers' associations can play a more active role and negotiate about the concrete implementation and responsibility of job-to-job transitions aimed at all employees and all kinds of companies. As already pointed out in the previous chapter, the Dutch social partners could consider using the existing structure of the sector funds in order to organize structural job-to-job transitions. Table 8.1 lists the possible lessons the Netherlands can draw based on the experience of the Swedish transition agreements.

*Table 8.1: Possible lessons for the Netherlands from the Swedish job-to-job transition experiences*

		<b>Lessons for the Netherlands</b>	<b>Weak point or omission in the Netherlands</b>
Swedish transition agreements/ transition funds	Goal	Enhance job-to-job transitions for people whose jobs are at risk. This goal is formulated explicitly in the Swedish transition agreements and the transition foundation established by the social partners.	The goal of enhancing job-to-job transitions is formulated in some social plans, the nine experiments and in some collective agreements. However, the goal of job-to-job policies and the way they will be implemented can be made more specific in the Netherlands.
	Type of Support	Start support in an early stage. Some foundations provide active support even during the period of notice.	Job-to-job support can be provided after a social plan is established. The nine job-to-job experiments focus on redundant employees who will lose their job within four months. The question is if and how these experiments will be embedded in the future job-to-job approach.
	Financing	Use the structure of the sector funds to organize and support job-to-job transitions in a structural way.	There is no structural way of financing job-to-job support.
	Eligibility	Try and build a structural job-to-job system for all employees whose jobs are at risk (permanent and temporary jobs in all sectors). A disadvantage of the Swedish adjustment agreements is that they do not cover all employees.	Currently, Dutch employees employed at large companies with a permanent contract are more privileged concerning job-to-job compared to workers employed at SMEs or those with a temporary contract.
	Responsibility, coordination, delivery	The Dutch social partners could take a more active role in this transition process and use the Swedish practice as a source of inspiration.	Limited role of Dutch social partners in the job-to-job process compared with the Swedish practice.

### **8.2.2 Lessons from the UK**

The job-to-job transition system in the UK is not a structural model, but comprises programmes which have been expanded by the government in response to the crisis. For example, the Rapid Response Service of the British Jobcentre Plus office attempts to prevent customers from making a Job Seekers' Allowance claim and organizes 'fast tracks'. The support has been made more flexible in the past years and support is offered to redundant employees as soon as they receive their notice. Early intervention is one of the key features of the RRS. Jobcentre Plus collaborates with several organisations to share information about possible job losses in struggling companies. This makes it easier to contact companies and to provide support at an earlier stage. This can be a lesson for the Netherlands as such early warning system does not exist in the Netherlands.

Furthermore, the British MG Rover case shows that redundant employees need an approach tailored to their need; not only professional guidance, but also psychological support can be necessary. To become unemployed after being employed for years at the same company can come upon redundant employees with a shock. This is not only a challenge for the UK, but can also be a point of interest for the Netherlands.

Table 8.2 summarizes the lessons the Netherlands can learn from the job-to-job transition model in the UK.

*Table 8.2: Possible lessons for the Netherlands from the British job-to-job transition experiences*

		Lessons for the Netherlands	Weak point or omission in the Netherlands
UK	Goal	Need for policies to support transitions to 'good quality' jobs (lesson MG Rover case)	There are Dutch examples in which job-to-job support pays attention to a quick transition into good quality jobs. This can be considered as a point of interest for the future.
	Type of Support	Start support in an early stage (The Rapid Response Service) Provide help in understanding what help is available. Redundant employees need an approach tailored to their needs, not only professional but also psychological support (shock).	Job-to-job support is provided after a social plan is established. The nine job-to-job experiments focus on redundant employees who will lose their job within four months.
	Financing	-	
	Eligibility	Develop early interventions for those under notice or consultation of notice or have recently been made redundant. Develop a system in which temporary workers have the same rights as permanent workers.	Currently, Dutch employees employed at large companies with a permanent contract are more privileged concerning job-to-job compared with workers employed at SME or those with a temporary contract.
	Responsibility coordination, delivery	Develop a system to share information about possible job losses in struggling companies. In the UK Jobcentre Plus, the insolvency trade body R3 and the Insolvency Service have joined forces and share information so that Jobcentre Plus can quickly help more companies.	The Netherlands does not have such an early warning system.

### 8.2.3 Lessons from Austria

The Austrian labour foundations function as a bridge in between jobs. It is worth mentioning that both permanent and temporary workers can have access to the labour foundations. Another interesting feature of the Austrian labour foundation is that former employers contribute to the job-to-job transitions, not

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only by a financial contribution to the labour foundation, but also by providing tools, personnel or equipment for retraining. In some labour foundations a solidarity contribution was introduced. This implies that employees who have not been made redundant contribute financially to transition support for their redundant colleagues. Furthermore, Austrian redundant employees can sacrifice a part of the severance pay in exchange for job-to-job support via a labour foundation. These contributions are not common in the Netherlands, but can be a source of inspiration for the Dutch job-to-job transition system.

Another possible lesson that the Netherlands can learn from Austria is the introduction of a system which is based on the reform of the Austrian severance pay system. The Austrian severance pay can be transferred to another employer, while in the Netherlands the severance pay system is still based on the traditional relationship between one employer and one employee. Austria reformed this system to a broad national system through the formation of funds. In the Austrian severance pay system an employee who withdraws the money from the fund can spend the money on whatever the worker wants and this does not enhance the employability of the workers. Instead of copying this system, the Netherlands could consider a similar system and introduce an employability 'backpack'.

In addition, in Austria training networks exist in which employers share the costs of training. Their joint aim is to provide training to their employees which is based on the needs of the employers and is transferable to other companies. Apparently, Austrian employers who collaborate in these kind of networks are not afraid to invest in the education of their employees who, in the future, might be employed by competitor companies.

Table 8.3: Possible lessons for the Netherlands from the Austrian job-to-job transition experiences

		Lessons for the Netherlands	Weak point or omission in the Netherlands
Austrian labour foundations /severance pay system	Goal	Financial support and a social plan are valuable, but the best help is active support into another job.	In the Netherlands social plans and collective agreements are in place, but active job-to-job support is not always included.
	Type of support	Establish a labour foundation or a pool which functions as a bridge "in between jobs". Let former employers contribute by providing tools, personnel or equipment for retraining. Introduce an employability 'backpack'. Stimulate training networks of three or more companies of which at least 50% are small and medium sized companies. The aim is to provide training which is based on the needs of the employers and transferable to other companies. <sup>140</sup>	Until now the Netherlands does not have a portable and individual work budget (which was proposed by the Dutch committee on labour market participation in 2008).  Training networks like the Austrian Qualifizierungsverbünde do not exist in the Netherlands.
	Financing	Introduce an employability 'backpack' so that sudden costs of redundancies are covered, while the employer's contribution to an individual savings fund can be spread over time (Abfertigung Neu). Introduce a system in which, from a joint responsibility perspective, the state, the former employer, the redundant employee and the employees who stay in the company (solidarity contribution) contribute financially to support the job-to-job transitions (labour foundation). Let companies share the costs for training via a training	The Netherlands does not have a contribution based severance pay system of individual saving accounts. The Dutch severance pay system is based on the traditional relationship between one single and employer and the employee.  A jointly financed job-to-job system (state, former employer, redundant employee and colleague employees) is not in place in the Netherlands. In the Netherlands it is not common for colleague employees who are not

<sup>140</sup> <<http://www.qvb.at/index.html>>, accessed 3 March 2011.

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		network. Furthermore, let the Public Employment Service AMS and the European Social Fund (ESF) partly subsidize the training networks for the training costs and staff expenses.	declared redundant to pay a solidarity contribution. Neither is it common for a redundant employee to invest the severance pay for job-to-job activities.
	Eligibility	Include, besides redundant employees with a permanent contract, also people with a fixed-term contract in the job-to-job support system. In Austria it is possible for employees with a fixed-term contract, which will not be extended because of economic reasons, to enter a labour foundation.	Currently, Dutch employees employed at large companies with a permanent contract are more privileged concerning job-to-job compared to workers employed at SME or those with a temporary contract.
	Responsibility, coordination, delivery	Make sure that social partners are strongly involved in the law and labour market policy making process. The state, in close cooperation with social partners, should take the lead in supporting job-to-job transitions.	Role of social partners in the job-to-job transition process is limited compared with Austria and Sweden.

### 8.2.4 Lessons from Spain

As explained in section 1.3.3 past experiences are important for policy learning. Failures from the past and explanations for poor performances can also inspire countries *not* to transfer policies from other countries, or inspire countries to develop new policies and instruments. Spain is an interesting country to examine because of the currently severe labour market situation and the history of labour reforms as an attempt to make the labour market more flexible. Spain has been hit hard by the economic downturn. The unemployment rate has risen sharply in the last two years and youth unemployment is dramatically high, with almost 42% in 2010. Spain struggles with high unemployment rates and the government was forced to intervene when negotiations between trade unions and employers' associations reached a total deadlock. A lesson the Netherlands can draw from this experience is that trust and social dialogue are key factors in stimulating job-to-job transitions. The Spanish case also shows the effects of deregulation and flexibilisation of the labour market: a dual labour market with a lot of security for employees with a permanent contract and precarious jobs for those with a limited duration contract.

In Spain there is no direct job-to-job transition support and the Netherlands can wonder if a job-to-job transition agreement is necessary at all. However, as

noted before, Spain struggles with high unemployment and, according to several interviewees, the active labour market policies can be improved. Some interviewees mentioned that Spain can learn from the Netherlands, because the Netherlands has the lowest unemployment rate in Europe.

An interesting feature of the Spanish labour market is the Tripartite Training Foundation which supports employees and companies in vocational training. As explained previously, the Dutch sector funds do not tend to invest in education and training for jobs in other sectors, which implies that intersectoral mobility is hindered. The Netherlands can consider the introduction of a national training foundation or decide to open up the sector funds to other sectors in order to promote intersectoral mobility.

*Table 8.4: Possible lessons for the Netherlands from the Spanish job-to-job transition experiences*

		Lessons for the Netherlands	Weak point or omission in the Netherlands
Spanish Tripartite Training Foundation	Goal	No direct job-to-job transition support or policy. Employees whose jobs are at risk will become unemployed and can receive support from the Public Employment Service.	A point of interest is the question whether a structural job-to-job system is needed in a well functioning labour market.
	Type of Support	Do not implement a job-to-job transition system, but invest in a national training foundation which supports employees and companies in vocational training. This can be seen as a preventative measure.	The Netherlands does not have a national training foundation, but several sector funds which do not intend to invest in education and training for jobs in other sectors.
	Financing	Both employers and employees contribute to the national Tripartite Training Foundation. Furthermore, ESF funds are available.	In the Netherlands employers and employees contribute to sectoral funds, but not to a national training fund.
	Eligibility	Employees, and since 2007 also the unemployed, are entitled to support from the Tripartite Training Foundation.	
	Responsibility, coordination, delivery	Organize good relationship between trade unions and employers' associations. Trust and social dialogue are the key factors. The Public Employment Service has the leading role in supporting the unemployed to work. If necessary, private parties will be involved.	

### 8.2.5 Lessons across the countries examined

In the previous sections, I inferred possible lessons for the Netherlands based on the experiences in four foreign countries. The lessons were described for each country separately. Subsequently, I compared and analysed the lessons in order to identify differences and similarities across the countries examined and took the different system features (type of support, financing, eligibility, responsibility, coordination and delivery) into account. Based on this analysis I selected eleven lessons which were presented to the Dutch labour market experts during the expert meeting held at the Dutch Ministry of Social Affairs and Employment on 28<sup>th</sup> April 2011. When selecting the possible lessons, I focussed on elements in the countries studied which could be a possible solution for the weak points or omissions in the Dutch job-to-job approach. Table 8.5 displays the results of the analysis and summarizes the main possible lessons per system feature for the Netherlands.

*Table 8.5: Summarized overview of possible lessons for the Netherlands by system feature*

System feature	Lesson for the Netherlands	Deduced from*:
Type of Support	1. Start early intervention (as from the moment of given notice)	= UK, SE ≠ ES, AT
	2. Provide active support and take care of psychological support (shock of losing your job)	= in SE, partly in UK ≠ ES
	3. Take care of education and training with a short duration, focused on needs of the employers	= UK ≠ AT
Target Group	4. Develop a structural system for all type of employees (permanent jobs, fixed-term jobs)	= SE-> structural, but not for employees with limited duration contracts = AT -> all types of employees ≠ ES ≠ UK -> not structural, but programmes
Financing	5. Design a structural system for all employers (large companies and SMEs)	= SE = AT
	6. Let employers pay a certain percentage over the wage bill in a job-to-job fund. In the event of redundancy this fund pays for the active support (including for transitions outside the sector).	= SE = AT
	7. Provide for an employability 'backpack' (based on financing of the Austrian severance pay system).	= AT
	8. Ask colleague employees who have not been made redundant for a solidarity contribution for job-to-job support.	= AT
Responsibility, coordination, delivery	9. Trade unions and employers' associations should play a more active role by concrete agreements with regard to the implementation and responsibilities of job-to job transition support.	= SE = AT

	10. Develop a system where information is shared with regard to future job losses in struggling companies, so that early action can take place.	= UK
	11. Public organisations take the lead in job-to-job transitions, if necessary private actors will be involved.	= UK

\* = derived from the country mentioned, ≠ means does not occur in the country mentioned

### 8.3 Assessment inferred lessons by Dutch labour market actors

As mentioned previously, the eleven lessons for the Netherlands which I inferred from the countries examined were presented in the expert meeting held at the Dutch Ministry of Social Affairs and Employment on 28<sup>th</sup> April 2011. Subsequently, the Dutch stakeholder organisations were asked to assess the lessons according to the following scale:

1. Not interesting; do not transfer this lesson to the Netherlands;
2. Interesting, but the Netherlands already pays enough attention to this (not a lesson);
3. Interesting lesson, the Netherlands can use this element as a source of inspiration in the further development of job-to-job transition policy;
4. Interesting lesson, the Netherlands should adopt this element, adapted to the Dutch context;
5. Interesting lesson, the Netherlands should copy this element.

Table 8.6 presents the results of the assessment of the lessons by the 14 organisations present at the expert meeting. Almost all organisations shared the opinion that Dutch trade unions and employers' associations could play a more active role in job-to-job transition support. Eleven of the fourteen organisations present shared the view that the Netherlands should adopt this lesson. Furthermore, the majority of the participants deemed early intervention for those employees threatened by unemployment as an important lesson. However, during the discussion several participants noticed that money should not be wasted on those who in fact do not need the support and could take care of themselves. Hence, a 'break' should be inserted, so that a clear distinction can be made between redundant employees who can find a job themselves and those who really need support.

Furthermore, the idea of introducing an employability backpack, based on the new Austrian severance pay system, was regarded as appealing by almost all organisations present at the expert meeting.

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Table 8.6: Dutch lessons from foreign countries, assessment by Dutch actors

Lessons from foreign countries	Average	Standard deviation	1	2	3	4	5
1. Early intervention (as from the moment of given notice).	3.71	1.22	1	2	1	6	4
2. Active support and psychological support.	3.36	0.72	0	2	5	7	0
3. Short duration education/training targeted on future employers' needs.	3.14	1.41	3	1	4	3	3
4. Job-to-job system for all types of employees.	3.57	0.82	0	1	6	5	2
5. Job-to-job system for all types of companies/employers.	3.07	1.1	2	1	6	4	1
6. Employer contributes financially to a fund.	3.43	0.9	1	0	6	6	1
7. Backpack severance pay/ employability backpack.	3.64	0.89	1	0	3	9	1
8. Solidarity contribution by colleague employees for job-to-job support.	3	1.36	4	0	3	6	1
9. More active role by trade unions and employers' organisations regarding job-to-job support.	3.86	1.12	1	1	1	7	4
10. Information system regarding possible job losses.	2	1.13	6	4	3	0	1
11. Public actors take the lead in job-to-job transition support, if necessary private actors will be involved.	1.71	0.88	7	5	1	1	0

At the expert meeting, the Dutch organisations present were less enthusiastic regarding an information system in which data is shared about job losses in struggling companies (lesson 10). On the one hand some organisations did not consider this lesson as interesting and on the other hand some organisations held the view that the Netherlands already pays enough attention to this element.

Opinions were most divided on the lesson to introduce short duration education and training targeted on future employers' needs (lesson 3). Particularly, trade unions did not deem this lesson interesting and they do not want to transfer this lesson from the foreign countries. Private market actors and the Dutch Public Employment Service had the opposite view and they do want to adopt this lesson to the Netherlands. The majority of the organisations present did not agree with the proposition that public actors should take the lead in job-to-job

transition support and that if necessary private actors would be involved. Opinions could and did differ among the participants with regard to whether or not the presented lesson is a real lesson for the Netherlands. Table 8.7 displays the results of the assessment by the Dutch actors regarding the eleven lessons which were inferred from the empirical findings.

*Table 8.7: Assessment foreign lessons for the Netherlands by Dutch actors, by organisation type*

	'Lessons' from foreign countries										
	1	2	3	4	5	6	7	8	9	10	11
Type organisation											
Trade unions	4.00	3.25	1.50	3.25	3.00	3.75	3.50	3.75	4.25	2.25	1.75
Companies/employers	3.50	3.00	2.50	3.50	2.00	2.00	2.50	1.00	3.00	1.50	2.00
Public Employment Service	4.00	2.00	5.00	5.00	4.00	4.00	4.00	1.00	5.00	2.00	1.00
Government/policy/advice	3.50	3.75	3.50	3.50	3.25	3.25	3.75	3.00	3.00	1.25	1.50
Private market actors	3.67	3.67	4.67	3.67	3.33	4.00	4.33	4.00	4.67	3.00	2.00

The Public Employment Service holds the view that the Netherlands provides sufficient psychological support and active help to employees who are forced to change jobs (lesson 2). The opinion of the other actors is that this issue leaves room for improvement and that the Netherlands can draw inspiration from the foreign experiences. The scores regarding the lesson to provide short duration education and training which is targeted on future employers' needs (lesson 3) varied among the participants. Trade unions are not in favour of this suggested lesson, while the Public Employment Service and private actors are all for it. Private actors also advocate a solidarity contribution paid by colleagues of the redundant employees in order to finance job-to-job support for those whose jobs are at risk (lesson 8). Employers and the Public Employment Service are opposed to this suggestion.

In general, the Dutch stakeholders support the introduction of a job-to-job system in which all types of companies are included (lesson 5), although it can be observed from table 8.7 that companies envisage this as interesting, but also believe that Netherlands already pays enough attention to this element. The Public Employment Service gives the highest score for this lesson.

Employers are not willing to pay a financial contribution to a fund for job-to-job transition, because they feel that in the Netherlands employers already pay enough for job-to-job support (lesson 6). In contrast, the other actors,

particularly the private actors and the Public Employment Service, consider this as a very interesting lesson which should be adopted, adapted to the Dutch context. The introduction of an employability backpack is generally considered as an interesting lesson. The private market actors gave the highest score for this suggestion, while the employers consider this as interesting, but gave the lowest score for this element.

There is no divergence of views regarding lesson 1 (early intervention), 4 (a structural job-to-job system for all employees) and 9 (a more active role by trade unions and employers' organisations regarding job-to-job support). All participants consider that these are important lessons the Netherlands can learn from the foreign countries examined. Furthermore, all actors agreed that lesson 11 should not be adopted, which implies that Dutch actors are not in favour of public actors taking the lead in job-to-job transition support and that, if necessary, private actors will be involved. This is in line with the scores of lesson 9, which suggest that trade unions and employers should play a more active role in the Dutch job-to-job system.

#### 8.4 Proposals for the future Dutch job-to-job transition system

In the second part of the expert meeting the question was asked as to what should be done in the Netherlands regarding the promotion of job-to-job transitions in the event of redundancy. The participants entered their ideas via the laptop. Meanwhile, the suggested proposals were classified and double entries were deleted. Subsequently, the participants were invited to assess all proposed ideas via a five point scale in which '1' stands for 'absolutely not a good idea; and '5' stands for 'a very good idea'. Table 8.8 displays four proposals submitted during the brainstorm session with the highest score given by the participants. Two of the four ideas proposed with the highest score are similar to the inferred lessons which the author discussed in a presentation prior to the brainstorm session. Apparently, the stakeholders were inspired by these inferred lessons and consider these lessons as promising for future job-to-job policy in the Netherlands.

*Table 8.8: Four entered proposals with the highest scores*

Proposals	Mean	Standard deviation
Increase accessibility of job-to-job support, including workers who are not covered by a social plan or who do not work for a fixed employer	4.71	0.45
Enhance intersectoral mobility	4.71	0.59
Early intervention and support for those who need it	4.57	0.62
Possibility to do a work placement/apprenticeship at another company during the current employment contract	4.57	0.49

All participants agreed that future job-to-job support should be available for all employees and not only those who are covered by a social plan or who do not have a fixed employer. Furthermore, the organisations shared the view that intersectoral mobility should be promoted and improved. Early intervention and support should be offered on the understanding that the support is focused on those who really need it. Furthermore, the introduction of the possibility for redundant employees to do a work placement at another company during the current employment contract was assessed as an interesting idea.

In the next sections the proposals and their scores for the different employment security system features will be described.

#### 8.4.1 Proposals with regard to type of support

The fruitful brainstorm session yielded several interesting proposals with regard to the type of job-to-job support. The suggestions entered by the participants to improve the job-to-job support in the Netherlands and the corresponding scores are presented in table 8.9.

*Table 8.9: Proposals to promote job-to-job transitions with regard to type of support*

Proposal	Mean
Promotion of intersectoral mobility	4.71
Early intervention and support for those who really need it	4.57
Possibility to do a work placement/apprenticeship at another company during the current employment contract	4.57
More attention for employability	4.50
More use of portfolio, early acquired competencies, career check (diagnose)	4.36
Facilitate job-to-job policy in the regions. This requires a close collaboration between regional actors and access to labour market information concerning shortages and surpluses of labour supply	4.36
Job-to-job support should be a permanent subject of conversations in collective agreements, not only in times of crises and in redundancy procedures	4.29
More possibilities for apprenticeships and exchange of personnel	4.21
More support for SMEs - urge companies to be involved in supporting the redundant employee from job-to-job	4.21
Reduce hindrances for job-to-job support. Regulate preconditions e.g. regarding the break in pension contributions, unemployment entitlements, wage level	4.07
Stimulate short duration education and training, not only targeted at the own company/sector	4.00
Take care of good guidance and supervision by skilled coaches with knowledge of the labour market	4.00

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Proposal	Mean
Eliminate employers' risks in taking on unemployed people at the margin of the labour market	3.93
Provide income security during education/training	3.93
Career plans of employee geared with (potential) available jobs including education	3.93
Sufficient time between the notice and the actual dismissal date	3.86
More attention to obtain work experience above education and training budgets	3.86
Provide financial services so that redundant employees realize the consequences of the dismissal	3.86
Utilize private learning/work places	3.79
Companies, employers should be informed with regard to possible public and private job-to-job services/modules, so that they can choose and offer this services to their employees	3.79
Demand oriented: no general redundancy pools, but job-to-job support geared with (future) labour market demand	3.79
Short-term and long-term diagnoses of the company and sector situation	3.64
Guidance should be demand oriented (geared to employers' needs)	3.57
Stimulate networking (during working hours)	3.57
Make use of peer groups	3.50
Give redundant employees a full explanation of the social plan	3.36
Focus on the move as part of a career policy, so the emphasis is not on the grief of leaving the current job but on the possibilities provided by the next job.	3.36
Take care of psychological support	3.29
Make use of digital possibilities, e.g. apply for jobs via internet	3.29
Arrange that acquired severance rights are transferable to another employer in the event of voluntary mobility	3.21
Judge private and public actors on their results	3.14
Introduce longer terms of notice	3.14
Make a clear distinction in reorganization procedures between redundant employees and employees who dysfunction. Dysfunction is another route.	3.07
Via law and legislation: state more precisely what good employership entails with regard to employers' and employees' incentives for job-to-job transitions.	2.93
Unlink the severance pay from years +of service.	2.71
Determine at the regional level that everybody who is able to work is also obliged to work.	2.14

The participants of the expert meeting shared the opinion that intersectoral mobility is important and should not be hindered by the sector funds. Furthermore, the participants agreed that early intervention should take place, but only for those who really need support in order to quickly find another suitable job. The proposal to promote employability was also considered as important. Employability can be achieved by apprenticeships in order to obtain new work experience. Moreover, it is important to know what the skills of the redundant employees are. This can be achieved by using career checks, portfolios and looking at previously acquired competencies. The entered proposal to unlink severance pay from years of service did not fall on fertile ground, neither did the proposal to determine at regional level that everybody who is able to work is also obliged to work.

#### 8.4.2 Proposals with regard to target group

In addition to the proposals regarding the type of job-to-job service that should be provided in the future, participants were asked to answer the question: who should be eligible for job-to-job transition support in the event of redundancy? Table 8.10 displays that the participants of the expert meeting shared the view that more employees should be entitled to job-to-job support and not only those who are currently covered by a social plan. The participants also agreed on the importance of the proposal to eliminate mobility hindrances, such as non-transferable pension rights.

*Table 8.10: Proposals with regard to target group of job-to-job support*

Proposal	Mean
Increase accessibility of job-to-job support, including workers who are not covered by a social plan or who do not work for a fixed employer	4.71
Eliminate hindrances for specific target groups, such as non-transferable acquired pension rights	4.00
Introduce more projects a la Philips Employment Programme <sup>141</sup> which is targeted at people at the margin of the labour market and aims to obtain work experience combined with education and training	3.93
Support directed at large and small companies	3.79

<sup>141</sup> The Philips Employment Programme was launched in the early 1980s and provided education and training for long-term unemployed people. The education and training trajectories were linked to employers' needs in the regional labour market. It concerned dual work and training trajectories. During the 1990s, low-skilled workers employed at Philips received training and education during working hours and during this period they were replaced by long-term unemployed who could gain work experience. This is also known as 'combi-trajectories'. Other job-to-job initiatives which arose from the Philips Employment Programme are "Nieuw Vakmanschap" and "Gecertificeerd Vakmanschap". For a detailed description see (Evers et al., 2004).

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Proposal	Mean
Both full-time and part-time workers should be eligible	3.71
Introduce projects for specific target groups (the elderly, the disabled)	3.71
Support should focus on employees with insufficient skills and qualifications for the labour market	3.43
Support should be focussed on workers employed at small and medium sized companies	3.29
Everyone should be eligible for job-to-job support	3.21
Employees threatened by dismissal owing to economic reasons	3.21
International networks to support foreign employees	3.21
Support for those whose limited duration contract terminates	3.14
The employer has another responsibility for employees with many years of service than for those with a short limited duration contract	3.07
All employees should be covered by the job-to-job system. Financed by a levy on the wage bill, including those of seconded employees	3.07
Regional solutions instead of distinction between large and small companies	3.07
Only target groups who really need the job-to-job help should be supported (the elderly, the disabled and low skilled employees)	3.00
Take into account the needs and wishes of sectors and branches in a uniform way in order to promote intersectoral mobility	3.00
Target group is subject to the kind of arrangement: region? sector?, business park?, harbour? and the like	2.93
Redundant employees who have not been able to find another job within three months, not even with the support of private actors, should be eligible for (governmental) support	2.57
Employees threatened with dismissal because of dysfunction	2.36

From table 8.10 the conclusion can be drawn that the majority of the Dutch organisations present at the expert meeting wish to extend the job-to-job support to a wider group of employees than the current employees covered by a social plan. As explained previously, these are mostly workers employed by large companies. Three out of four redundant Dutch workers employed at small companies have left the company without job-to-job support provided by the company. Yet, the general view is that employees who lose their jobs because of dysfunction, rather than reasons of financial decline, should not be eligible for job-to-job assistance.

### 8.4.3 Proposals with regard to financing

The participants of the expert meeting brainstormed the way of financing job-to-job support. The results are presented in table 8.11.

Table 8.11: Proposals with regard to financing job-to-job support

Proposal	Mean
Remove the financial partition between sector funds	4.43
Regulate the financing over job-to-job support via collective agreements agreed between trade unions and employers' associations	4.36
Companies not covered by a collective agreement should contribute via a levy	4.21
Spend individual development budgets on a wide range of possibilities (apprenticeship, education, membership network, etc)	4.14
Deposit budgets for education and training which have not been used into a fund to use for job-to-job support (e.g. retraining)	3.86
Companies with enough financial means should contribute to job-to-job support, preferably these companies would be the first to pay	3.86
Sources for financing job-to-job transitions: savings on unemployment benefit, funds negotiated in a social plan, investments in employability and prevention by employers and employees can lead to lower dismissal costs (trade off)	3.86
Structural financing such as the Swedish model is preferable to incidental financing	3.86
Financing via a certain percentage over the wage bill	3.79
Public financing for employees at the margin of the labour market	3.79
Introduce an employability backpack as a trade off for severance pay, so that entitlements can be transferred to the new employers in the event of voluntary mobility	3.79
Financing depends on immediate cause: partly financed by severance pay, partly financed by a certain percentage of the wage bill, if necessary contribution by the national or local government or the region	3.71
Both employer and employee should contribute via a deduction on the wage bill	3.71
Make use of the current sector funds for intersectoral mobility	3.64
Build up outplacement entitlements during employment (e.g. ear-marked means in life course arrangements/ vitality arrangements)	3.57
Use the current financial arrangements in collective agreements or social plans for job-to-job transitions (severance pay, reduced pay)	3.57
In the event of redundancy social partners should not formulate the support as a possibility, but as a right. It is all about implementation	3.57
Link the financing to specific target groups (the elderly, low skilled employees, immigrants)	3.43
Prior to the dismissal employers should contribute to a 'dismissal fund' so that means and support are immediately available at the actual dismissal date	3.29
Reward collective use of severance pay by means of fiscal advantages or an increase through government funds	3.29

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Proposal	Mean
Introduce an individual vitality account via collective agreements with fiscal entitlements facilitated by the government	3.21
Solidarity contribution by colleague employees	2.93
Rebuild the sector funds to a national fund	2.86
Provide the opportunity to use the available means (unemployment benefit) from the ministry of Social Affairs and Employment in an early and creative way	2.86
Relate the severance pay also to the risk on (long-term) unemployment. Subsequently, the severance pay should be available for job-to-job transitions	2.64
Let the former employer pay a "dismissal tax" in case of forced dismissal to compensate external effects and settle this in a decreased severance pay	2.64
Finance job-to-job support via reduction of the unemployment contributions and other expenditures with regard to guidance to employment	2.57
Financing by social partners via law and legislation (e.g. based on risks)	2.50
Introduce sector transition funds	2.29
Set up a regional structure financed by a substantial reduction in the unemployment contribution and other expenditures on the unemployed for the guidance to employment	2.07

As table 8.11 shows, the organisations present have a preference for the removal of the financial partition between sector funds. The current barriers regarding the financing of training and education when an employee wants to make the transition to another sector should be settled. Simultaneously, trade unions and employers' organisations should regulate the financing via social plans or collective agreements. Moreover, the majority of the participants agreed that a new levy should be introduced to finance job-to-job support for workers employed at companies not covered by a collective agreements or social plans. Furthermore, the participants advocated an individual employability budget which can be spend on activities to enhance job-to-job transitions, e.g. apprenticeships, training and education and investments in networking. The majority of the experts shared the view that companies with enough financial resources should preferably be the first to invest in job-to-job support for their redundant employees. Only one organisation did not like the sound of this proposal. Almost two-thirds of the organisations gave preference to structural financing, similar to the Swedish model, instead of incidental financing. Nine out of fourteen organisations scored a '4' or '5' on this proposal.

### 8.4.4 Proposals with regard to coordination mechanism and responsibility

The final topic discussed in the expert meeting was the way job-to-job support should be coordinated. The participants were asked to brainstorm the question: what in the Netherlands should take place with regard to coordination

mechanisms and the division of responsibility?

*Table 8.12: Proposals to promote job-to-job support with regard to division of responsibility*

Proposal	Mean
Specify special responsibility for vulnerable groups (partially disabled and the like)	4.21
Stipulations in employment contracts and collective agreements regarding responsibility and financing employability	4.07
Social partners should also be responsible for flexible workforces and workers employed at SMEs not covered by a social plan. Support provided by the government should be supplementary	4.07
Sectoral collective agreements should include agreements in the field of intersectoral job-to-job transitions in the region	4.00
More involvement of former employer to support redundant employees from job-to-job. Make use of the employers' network (region/sector), including certificates of competence and validation of work experience in order to reduce or prevent severance pay	3.93
Job-to-job support is primarily social partners' responsibility. The public sector should intervene when there are 'gaps'. E.g. the Public Employment Service can play an important role in providing support for redundant workers employed at SMEs	3.86
Consider declarations of binding force of transition agreements. This can be regulated in specific regional (labour market/transition) collective agreements	3.86
Organize in the region that small companies have access to job-to-job services established by large companies in that region	3.86
Organize that workers employed at SME have access to job-to-job support so that they do not automatically fall back on the public employment service	3.57
Education entitlements and obligations (e.g. statutory right to educational leave) for employees in order to be attractive for the current but also for future employers. If necessary, let employees share in the costs. Introduce arbitration boards if employers and employees cannot reach an agreement	3.57
Shift responsibility to regions. Employers, the Public Employment Service and municipalities should collaborate in order to support redundant employees from job-to-job	3.50
Guarantee the quality of job-to-job transition support and re-integration activities when these activities are conducted or financed by the government	3.50
The employee him/herself is responsible for employability	3.36
Employers and employees are responsible (within the legal framework set by the government) for the establishment, implementation and financing in the first phase of job-to-job transitions. In the second phase the job-to-job support is implemented by regional private transfer centres. The government can be involved (tripartite) in the second phase	3.29

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Proposal	Mean
Tripartite: agreements between social partners with support from the government. The government is responsible for employees not covered by a collective agreement	3.29
Private agencies are responsible for developing quality products	3.29
Relax employment protection regulation	3.21
Individual employers and employees (at company level) are responsible for outplacement and the like	3.21
Reduce the costs of sectoral mobility in terms of acquired (pension) entitlements	3.21
Public responsibility to determine the 'distance to the labour market'	2.43
Introduce quota for employers to hire specific target groups	2.43

It can be inferred from table 8.12 that the majority of the Dutch participants agreed that trade unions, employers' associations, companies and employees are primarily responsible for job-to-job transitions and the enhancement of employee's employability. The role of the former employer should not be underestimated. If necessary the government can play a supplementary role. By means of collective agreements and individual employment contracts, social partners should negotiate specific responsibilities, division of tasks and financing of the support. Furthermore, participants shared the view that it should be clearer who should take the responsibility for the vulnerable groups (partially disabled and the like), but they do not believe in a mandatory employment quota which entails that employers are obliged to employ a certain percentage of the specific target group among their workforce. It appears that all actors have the opinion that attention should be paid to vulnerable redundant employees, but it remains unclear as to who should take the lead in helping those workers to another job. A challenge for the Dutch social partners and government is to clarify this issue and to take a particular joint stand, because if this is not declared openly, nobody feels truly responsible, with the result that no action will take place.

### 8.4.5 Different actors, different opinions?

In order to make new policies with regard to job-to-job support it is important that consensus is reached between the various actors. The Swedish and Spanish case, albeit very different, show that mutual trust and a common goal are important. However, opinions with regard to the promotion of job-to-job transition support can vary among the different actors. Therefore, the scores given to proposals were analysed by type of organisation. Table 8.13 displays the proposals with the highest scores itemized by the different actors.

Table 8.13: Proposals with the highest scores with regard to the promotion of job-to-job transitions by type of organisation

Proposals with the highest score by organisation type		
Organisation type	Proposal	Mean
Trade unions	Sufficient time between the notice and the actual dismissal date	5.00
	Enhance intersectoral mobility	4.75
	Introduce longer terms of notice	4.75
	Increase accessibility of job-to-job support, including for workers who are not covered by a social plan or who do not work for a fixed employer	4.75
Companies/ Employers	More specific attention for employability	5.00
	Increase accessibility of job-to-job support, including support for workers who are not covered by a social plan or who do not work for a fixed employer	5.00
	Make a clear distinction in reorganization procedures between redundant employees and employees who dysfunction. Dysfunction is another route	5.00
	Provide financial services so that redundant employees realize the consequences of the dismissal	5.00
	Reduce hindrances for job-to-job support. Regulate preconditions e.g. regarding the break in pension contributions, unemployment entitlements, wage level	5.00
	Possibility of doing a work placement/apprenticeship at another company during the current employment contract	5.00
	Support directed at large and small companies	5.00
	Introduce more projects a la Philips Employment Programme, which is targeted at people at the margin of the labour market and aims to obtain work experience combined with education and training.	5.00
	Regulate the financing over job-to-job support via collective agreements agreed between trade unions and employers' associations	5.00
	Public Employment Service <sup>142</sup>	Early intervention and support for those who really need it
More specific attention for employability		5.00
Increase accessibility of job-to-job support, including for workers who are not covered by a social plan or who do not work for a fixed employer		5.00
Utilize private learning/work places		5.00

<sup>142</sup> The number of proposals assessed with an average score '5' differ per actor. The Public Employment Service has many proposals with the average score '5'. This can be explained by the fact that there is only one Public Employment Service, while the other actors are compound by different organisations.

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Public Employment Service	Companies, employers should be informed regarding possible public and private job-to-job services/modules, so that they can choose and offer these services to their employees	5.00
	Stimulate short duration education and training, not only targeted at the own company/sector	5.00
	Eliminate employers' risks in taking on unemployed people at the margin of the labour market	5.00
	Remove the financial partition between sector funds	5.00
	More attention to obtain work experience above education and training budgets	5.00
	Facilitate job-to-job policy in the regions	5.00
	Reduce hindrances for job-to-job support. Regulate preconditions e.g. regarding the break in pension contributions, unemployment entitlements, wage level	5.00
	Enhance intersectoral mobility	5.00
	Demand oriented: no general redundancy pools, but job-to-job support geared with (future) labour market demand	5.00
	Arrange that acquired severance rights are transferable to another employer in the event of voluntary mobility	5.00
	Take care to ensure good guidance and supervision by skilled coaches with knowledge of the labour market	5.00
	Make use of digital possibilities, e.g. apply for jobs via the internet	5.00
	Target group: employees threatened by dismissal owing to economic reasons	5.00
	Target group: full-time and part-time employees	5.00
	Target group: employees threatened with dismissal because of dysfunction	5.00
	Target group: vulnerable groups: (the elderly, the disabled and low skilled employees)	5.00
	Target group: employees from whom the limited duration contract terminates	5.00
	Target group: low skilled employees	5.00
	Redundant employees who were not able to find another job within three months, not even with the support of private actors, should be eligible for (governmental) support	5.00
	Introduce more projects a la Philips Employment Programme which is targeted at people at the margin of the labour market and aims to obtain work experience combined with education and training.	5.00
	Reduce the costs of sectoral mobility in terms of acquired (pension) entitlements	5.00
	Deposit budgets for education and training which have not been used into a fund to use for job-to-job support (e.g. retraining)	5.00
	Regulate the financing over job-to-job support via collective agreements agreed between trade unions and employers' associations	5.00
	Rebuild the sector funds to a national fund	5.00
	Financing by social partners via law and legislation (e.g. based on risks)	5.00

Public Employment Service	Prior to the dismissal employers should contribute to a 'dismissal fund' so that means and support is immediately available at the actual dismissal date	5.00	
	Relate the severance pay also to the risk on (long-term) unemployment. Subsequently, the severance pay should be available for job-to-job transitions	5.00	
	Make use of the current sector funds for intersectoral mobility	5.00	
	Both employer and employee should contribute via a deduction in the wage bill	5.00	
	Structural financing like the Swedish model is preferable to incidental financing	5.00	
	In the event of redundancy social partners should not formulate the support as a possibility, but as a right. It is all about implementation	5.00	
	Job-to-job support is primarily social partners' responsibility. The public sector should intervene when there are 'gaps'. (E.g. the Public Employment Service can play an important role in providing support for redundant workers employed at SMEs)	5.00	
	Organize in the region that small companies have access to job-to-job services established by large companies in that region	5.00	
	Sectoral collective agreements should include agreements in the field of intersectoral job-to-job transitions in the region	5.00	
	Shift responsibility to regions. Employers, the Public Employment Service and municipalities should collaborate in order to support redundant employees from job-to-job	5.00	
Government/ Policy/ advice	Social partners should also be responsible for flexible workforces and workers employed at SMEs not covered by a social plan. Support provided by the government should be supplementary	5.00	
	More use of portfolio, early acquired competencies, career check (diagnose)	4.75	
	More support for SMEs urge companies to be involved in supporting the redundant employee from job-to-job	4.75	
	Early intervention and support for those who really need it	4.50	
	Increase accessibility of job-to-job support, including for workers who are not covered by a social plan or who do not work for a fixed employer	4.50	
	Enhance intersectoral mobility	4.50	
	Facilitate job-to-job policy in the regions. This requires a close collaboration between regional actors and access to labour market information regarding shortages and surpluses of labour supply	4.50	
	Possibility to of doing a work placement/apprenticeship at another company during the current employment contract	4.50	
	Private market actors	Early intervention and support for those who really need it	5.00
		Utilize private learning/work places	5.00
Companies, employers should be informed regarding possible public and private job-to-job services/modules, so that they can choose and offer these services to their employees		5.00	
Stimulate short duration education and training, not only targeted at the own company/sector		5.00	

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	More use of portfolio, early acquired competencies, career check (diagnose)	5.00
	Eliminate employers' risks in taking on unemployed people at the margin of the labour market	5.00
	Remove the financial partition between sector funds	5.00
	Judge private and public actors on their results	5.00
	Guidance should be demand oriented (geared with employers' needs)	5.00
	Job-to-job support should be a permanent subject of conversations in collective agreements, not only in times of crises and in redundancy procedures	5.00
	Enhance intersectoral mobility	5.00
	Facilitate job-to-job policy in the regions. This requires a close collaboration between regional actors and access to labour market information with regard to shortages and surpluses of labour supply	5.00
	Demand oriented: no general redundancy pools, but job-to-job support geared to (future) labour market demand	5.00
	Companies not covered by a collective agreement should contribute via a levy	5.00
	Private agencies are responsible for developing quality products	5.00

Based on table 8.13 the conclusion can be drawn that trade unions attach value to sufficient time between the notice and the actual dismissal date. This could be arranged by longer terms of notice. However, employers are not in favour of this proposal. They even gave the lowest score to this proposal (see table 8.14).

*Table 8.14: Proposals with the lowest scores with regard to the promotion of job-to-job transitions by type of organisation*

Organisation type	Proposal	Mean
Trade unions	Rebuild the sector funds to a national fund	1.25
	Unlink the severance pay from years of service	1.50
	Financing by social partners via law and legislation (e.g. based on risks)	1.50
	Relax employment protection regulation	1.50
Company/ Employers	Introduce longer terms of notice	1.00
	Everyone should be eligible for job-to-job support	1.00
	Redundant employees who have not been able to find another job within three months, not even with the support of private actors, should be eligible for (governmental) support	1.00
	Solidarity contribution by colleague employees	1.00

Public Employment Service	Short-term and long-term diagnoses of the company and sector situation	1.00
	Determine at the regional level that everybody who is able to work is also obliged to work	1.00
	Facilitate job-to-job policy in the regions. This requires a close collaboration between regional actors and access to labour market information regarding shortages and surpluses of labour supply	1.00
	Introduce sector transition funds	1.00
	Public financing for employees at the margin of the labour market	1.00
	Solidarity contribution by colleague employees	1.00
	Provide the opportunity to use the available means (unemployment benefit) from the ministry of Social Affairs and Employment in an early and creative way	1.00
	Introduce an individual vitality account via collective agreements with fiscal entitlements facilitated by the government	1.00
	Tripartite agreements between social partners with support from the government. The government is responsible for employees not covered by a collective agreement	1.00
	Public responsibility to determine the 'distance to the labour market'	1.00
Government/ Policy/ advice	Introduce quota for employers to hire specific target groups	1.00
	Employees threatened with dismissal because of dysfunction	1.75
	Support for those whose limited duration contract terminates	1.75
Private Actors	Introduce quota for employers to hire specific target groups	1.75
	Arrange for acquired severance rights to be transferable to another employer in the event of voluntary mobility	1.33
	Let the former employer pay a "dismissal tax" in the case of forced dismissal to compensate external effects and settle this in a decreased severance pay	1.33
	Relate the severance pay also to the risk on (long-term) unemployment. Subsequently, the severance pay should be available for job-to-job transitions	1.67
	Introduce quota for employers to hire specific target groups	1.67

Trade unions are not in favour of proposals which are targeted on relaxing employment protection regulation and unlinking severance pay from years of service. The private actors do not want to relate severance pay to the risk on (long-term) unemployment and they do not support the proposal to use severance pay for job-to-job transitions. Companies and the Public Employment Service both gave the lowest score to the idea of introducing a solidarity

contribution by colleague employees for job-to-job support. Furthermore, the Public Employment Service appears to be not in favour of an individual vitality account via collective agreements with fiscal entitlements facilitated by the government. However, as explained previously, the launch of a vitality scheme was recently published in the national budget for 2012 and its implementation is planned for 2013.

## 8.5 Concluding remarks

This chapter attempts to answer the following research question: what can the Netherlands learn with regard to job-to-job arrangements and systems for redundant employees in place in other countries? In my view the main lesson for the Netherlands is to design a structural approach to support redundant employees from job-to-job in the case of redundancy. Currently, the job-to-job activities and measures are on an ad hoc basis. They have an incidental, temporary or experimental character. Moreover, the role of social partners can be enhanced, certainly when the Dutch situation is compared with the Swedish case. The Swedish transition foundations can inspire the Dutch actors in developing a structural system for job-to-job transitions.

The Swedish and the Spanish cases, albeit very different, prove that a good relationship between trade unions and employers' associations, and between individual employers and employees, is a relevant precondition for success. The Swedish government does not force the trade unions and employers to negotiate about a transition agreement. In fact, trade unions and employers can determine the common goals with regard to job-to-job support without interference from the government. In Spain, the government had to interfere, because negotiations between trade unions and employers' associations reached a total deadlock. In the UK, the role of trade unions and employers' association with regard to job-to-job support is limited, but the government has set up programmes in order to provide early support in the event of dismissal via the Jobcentre Plus Rapid Response Service and the Response to Redundancy programme.

The Swedish system supports transitions, and that in itself is a success factor. The majority of the Swedish employees are covered by a transition agreement, while in Spain there is no active support at all regarding job-to-job transitions in cases of redundancy and Spanish redundant employees will often become unemployed. In Austria, redundant employees, including those with a limited duration contract, can enter a labour foundation as soon as they receive an unemployment benefit. These countries examined give the Dutch stakeholders food for thought. Should all employees and all companies be included in a job-to-job system? Currently, the job-to-job support in the Netherlands is limited to employees with a permanent contract employed in large companies. As

explained previously, the Public Employment Service UWV WERKbedrijf can provide financial means to private suppliers aimed at the prevention of unemployment of permanent and temporary employees, including temporary workers who will lose their jobs within four months, and jobseekers with an unemployment benefit who have lost their jobs in the last three months. The precondition for this subsidy is that the employer has no money available for transition support. However, this scheme ceases in October 2011.

Relevant labour market organisations who participated in the expert meeting agree that the access to job-to-job support could be increased in the Netherlands and social partners could play a more active role in this process. There is no divergence of view among the Dutch labour market actors with regard to the possible lessons the Netherlands can draw from the countries examined: start early intervention for those who need it, introduce a structural system for all types of employees, including for workers who are not covered by a social plan or who do not work for a fixed employer. However, money should not be wasted on those employees who can quickly find a job on their own. The introduction of an employability backpack based on the Austrian experience, is generally considered as appealing by almost all stakeholders, whereas the introduction of an information system in which data is shared about job losses in struggling countries is not underpinned by the participants of the expert meeting.

During the expert meeting the participants could propose ideas to enhance the Dutch job-to-job approach. It appears that all actors share the opinion that attention should be paid to vulnerable redundant employees, but it remains unclear as to who should take the lead in helping those workers to another job. A challenge for the Dutch social partners and government is to clarify this issue and to take a particular joint stand, because if this is not declared openly, nobody feels truly responsible, with the result that no action will take place. Another lesson that can be learned from the countries examined is that intersectoral mobility should be promoted if there are no jobs available in the current sector. This implies that barriers for intersectoral mobility should be cleared away, e.g. by removing the financial partition between the Dutch sector funds. During the expert meeting there was consensus among the Dutch actors that attention should be paid to the employability of employees, not only for redundant employees but during the entire career of employees. The possibility of doing a work placement or apprenticeship at another company during the current employment contract or while under notice is an idea introduced during the expert meeting which is supported by the Dutch labour market experts. Differences in the assessments of the proposed ideas were observed among the actors. Trade unions attach value to sufficient time between the notice and the actual dismissal date. This could be arranged by longer terms of notice, but employers are not in favour of this proposal. Trade unions are not in favour of

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proposals which are targeted at relaxing employment protection regulation and unlinking severance pay from years of service. The private actors do not want to relate severance pay to the risk on (long-term) unemployment and they do not support the proposal to use severance pay for job-to-job transitions.

# 9

## Conclusions



## 9 Conclusions

### 9.1 Introduction

In this study, employment security systems with a specific focus on forced job-to-job transitions have been examined. The main research questions of this thesis are:

*What kind of systems or arrangements can be distinguished in European countries in order to enhance employment security for redundant employees? How can differences and similarities between those systems be explained? What lessons can possibly be learned from a Dutch policy perspective?*

Literature and policy documents have been scrutinized and four country studies have been conducted in order to answer the research questions. In each country various actors were interviewed. In Chapters 3, 4, 5 and 6, the job-to-job systems in Sweden, United Kingdom, Austria and Spain were examined and discussed. The empirical findings were compared with the Dutch job-to-job arrangements in order to identify possible policy lessons for the Netherlands (Chapter 7). These lessons were inferred by the author and interactively discussed with various stakeholders in an expert meeting held at the Dutch Ministry of Social Affairs and Employment in April 2011. The results of this meeting were described in Chapter 8. In this final chapter, the theoretical and empirical findings are brought together in order to answer the research questions.

Based on the existing literature, the study set off from the observation that employment security is more than job security. Employment security is the possibility for unemployed or inactive persons to make the transitions from unemployment to employment and the possibility for workers to remain employed, not necessarily in the same job with the same employer. The present study is limited to the second part of this employment security definition and has a specific focus on forced job-to-job transitions, i.e. transitions for employees whose jobs are at risk. This can be referred to as curative measures geared towards direct job-to-to job transitions in the event of redundancy (see phase three in table 7.9).

This chapter is structured as follows. In section 9.2, the explanations for the differences and similarities of the job-to-job systems or arrangements in the four countries studied will be addressed. Subsequently, in section 9.3 policy learning in the realm of employment security will be discussed with a specific focus on lesson drawing for the Netherlands. Finally, in section 9.4 implications for both the policy agenda and research agenda will be described.

## CONCLUSIONS

### 9.2 Explaining differences and similarities in employment security systems

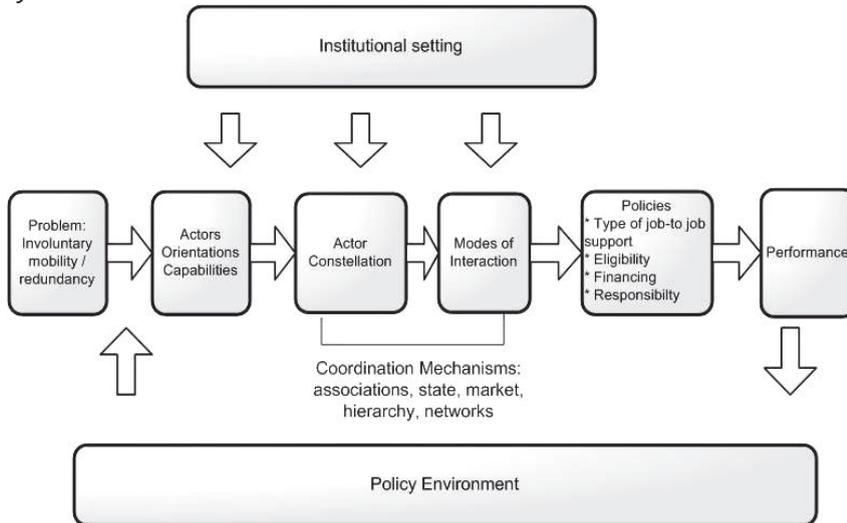
In this study an analytical model has been developed in order to describe and explain employment security systems in different countries (see figure 9.1). The analytical model starts from the assumption that several factors influence the emergence of job-to-job policies and shape their further development and performance.

Firstly, the institutional setting influences actor's behaviour and the interaction between the actors involved in the employment security system. Institutional factors, e.g. employment protection legislation, unemployment insurance regulation, statutory regulation with regard to redundancy procedures, including obliged notice periods which apply within a country, are relevant explanatory factors for the emergence, shaping or the non-existence of active job-to-job policies within countries.

Secondly, as well as the institutional setting, other factors influence the establishment of job-to-job arrangements. The actor-centered institutionalism theory makes clear that an analysis of policy development and policy change is worthless without taking into account the role of primary actors. Each actor has its own capabilities, orientations, perceptions and references. Since no single actor in an employment security system can determine the outcome unilaterally, the actor constellation is also important. The actor constellation and the modes of interaction, including the various coordination mechanisms, influence the establishment or the lack of job-to-job policies and arrangements. The actor constellation represents the set of actors that are involved in particular policy interactions, but is rather static, while the interactions of these actors can vary to a large extent. Based on the literature, several coordination mechanisms can be distinguished: associations, the state, including Public Employment Services, the individual company (hierarchy), networks, and the private market.

In addition, the job-to-job transition policies and measures explored in the countries examined will be analyzed and explained along the following four crucial dimensions: the type of support, the financing, the eligibility, and the responsibility. The performance, which refers to the evaluation of the programmatic outcomes of policy choices and practices, is also included in the analytical model of employment security systems. The performance is the result of the combination of the previous addressed variables. Figure 9.1 portrays the analytical model for explaining employment security systems.

Figure 9.1: Analytical model for describing and explaining employment security systems



Derived and adapted from Scharpf (1997), Gilbert & Specht (1974), and Thomson et al. (1991)

What kind of systems or arrangements can be distinguished in the four countries selected and how can differences and similarities with regard to the 'status quo' of these employment security systems be explained? In this section, these research questions will be answered along the explanatory elements included in the analytical model: the institutional setting (section 9.2.1), the actors involved including their modes of interaction (9.2.2), the policies (9.2.3), and the performance of the policies and arrangements (9.2.4).

### 9.2.1 Institutional setting

In this study Scharpf's definition of the institutional setting was followed. This means that the institutional setting is limited to rules and legislation that structure the course of action that a set of actors may choose. The institutional setting can both stimulate and constrain the implementation of job-to-job policies.

#### *Employment protection legislation*

It can be hypothesized that, in countries with less strict employment protection legislation, employers are more likely to hire new employees. Thus less rigid employment protection legislation might stimulate job-to-job transitions in the event of inevitable job-losses owing to economic downturns. The findings of this study show that employment protection varies across the countries scrutinized. Employment protection is the least strict in the UK, which implies that it is relatively easy to fire British employees. The vacancy rate, which gives us an

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indication for the number of job openings, is high in the UK compared with the other countries examined. Furthermore, the UK has the lowest percentage of employees with a fixed-term contract. This can also be explained by less stringent employment protection legislation. Moreover, the UK has, after Sweden, the second highest mobility rate. In 2008, 16.7% of the British people aged 16-64 with a permanent contract reported that they had changed jobs since the previous year, of which 14.0% reported that the transition was voluntary and 2.7% that they had been forced to find another job. Thus, the UK system is geared to making it easier to dismiss people and then having appropriate forms of public intervention for people, once they are unemployed, so that they can get back into another job. In Sweden, employment protection is stricter than in the UK, but the mobility rate is higher. Thus, the stricter Swedish employment protection legislation does not hold back Swedish employees from making the transition to another job. Apparently, the Swedes feel safe enough to take the risk of making a transition to another job owing to a good social safety net and active job-to-job support.

Spain has the highest indicator of overall employment protection and the lowest mobility rate. The overall OECD EPL indicator was, in 2008, the highest among the countries studied. Inherited from Franco's regime, the employment protection legislation in Spain is very strict and law regulates the minimum severance pay. Under the Franco regime the labour market was characterised by a very flexible wage-setting process, combined with a very rigid employment system, meaning that life-time jobs were guaranteed in exchange for compliance on wages and political acquiescence. In the 1980s, the deregulation process started, through allowing temporary employment and fixed-term contracts. Deregulation generated important inequalities with a lot of protection for permanent employees and more precarious jobs for temporary employees. During the last decades, Spain has tightened the restrictions on the use of fixed-term contracts. In 1984, the 'temporary contract for employment promotion' was restricted to specific groups (employees aged over 45 and the long-term unemployed) in order to reduce the rate of temporary employment. However, it turned out that the restriction of this type of contract led to greater use of other types of temporary contracts. Therefore, the temporary employment contract for employment promotion was completely abolished in 1997 and a new contract, with the approval of lower dismissal costs (33 days per year of service with a maximum of 24 months), was introduced: the 'permanent employment promotion contracts' (*contrato para el fomento de la contratación indefinida*) which was applicable only to certain categories of workers (young unemployed, long-term unemployed and unemployed aged over 45).<sup>143</sup> In later reforms of

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<sup>143</sup> Royal Decree-Law 8/1997, Royal Decree-Law 9/1997

2002 and 2006, the target group for the use of permanent employment promotion contracts was extended. With the 2006 reform, temporary workers aged 31-45 years could be eligible for a permanent employment promotion contract. This was a temporary measure which lasted until the end of 2007.

Furthermore, with the 2006 reform tax deductions were introduced for employers who converted temporary contracts into permanent employment promotion contracts, and contracts lasting for two years in the same job within the same company during a period of 30 months were automatically converted to open-ended contracts (Bentolila et al., 2008). The 2006 reform did have an effect on the number of employees with a temporary contract. There has been a substantial reduction from 34.1% in 2006 to 25% in 2010.

In Spain the statutory severance pay amounts to twenty days' salary per year of service, with a maximum of one years' salary. The severance pay in the event of unfair dismissal is equal to 45 days' salary per year of service, up to a maximum of 3.5 years. With the enactment of Law 35/2010<sup>144</sup> a set of urgent measures to reform the Spanish labour market was introduced. The severance compensation for contracts for the promotion of permanent employment for unfair redundancy has not changed, meaning that the statutory severance pay is reduced 33 days' salary per year of service, with a maximum of two years instead of 45 days' salary per year of service. One of the measures of the new reform is that the target group for this type of contract is again extended. Furthermore, with the new reform in 2010, the definition of the economic grounds for dismissals based on objective grounds was relaxed. According to several interviewees it is common practice that labour authorities do not authorize collective dismissals if the trade union and employer do not reach an agreement. Therefore, employers try to reach an agreement as early as possible in the redundancy process, to avoid the risk of strikes. In that event, the employer pays the negotiated severance pay, which is usually higher than the statutory minimum. Compared with the other countries studied, the number of strikes is considerably higher. The job vacancy rate is the lowest in Spain.

EPL in Austria and Sweden is more strict than in the UK, but less strict than in Spain. It can be hypothesized that in countries with strict employment protection legislation the dismissal costs are high, which ultimately will result in the avoidance of dismissals. However, the unemployment figures showed that, owing to the 2008 economic downturn, the Spanish unemployment rate has more than doubled, which implies that, despite the strict EPL, Spanish companies have been forced to lay off employees or not to renew temporary

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<sup>144</sup> Ley 35/2010, de medidas urgentes para la reforma del Mercado de trabajo, Boletín oficial del Estado, 18 de septiembre de 2010.

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contracts. In fact, the Spanish history shows that liberalising the use of temporary contracts without relaxing the employment protection legislation for employees with a permanent contract, has resulted in a growing segmentation of the labour market: a temporary part becoming more precarious as it grew, while the permanent core was becoming more secure as it shrank. On the other hand, in the UK, a country with a less strict employment protection regime, the interviews revealed that in response to the crisis, British trade unions, employers and employees have devoted themselves to the avoidance of dismissals. This has resulted in preventative flexible measures such as wage constraints and the acceptance of temporary reduction in working hours. Nevertheless, not all British companies did succeed in refraining from forced dismissals and the government joined in the support of redundant employees via the (expansion of) national programmes, i.e. the RRS and R2R programme.

### *Notice period*

Another feature of the institutional setting which might influence the behaviour of actors and eventually the job-to-job policies in a country is the notice period. The employer has to comply with the appropriate notice period when he intends to lay off employees. When employees are under notice, curative job-to-job measures can be applied. The longer the duration of the notice period, the longer the redundant employee has the time to find another suitable job under the current employment conditions.

The employer continues to pay the wage during the notice period, which provides the redundant employee income security during their job search. Taking on another job too quickly, which does not entirely fit the employee's skills and knowledge, may eventually lead to lower productivity. Thus, the notice period is relevant when examining job-to-job support and responsibility during the different phases in unemployment prevention. In Sweden, the statutory duration of the notice period for employers varies from one month for contracts which have lasted less than two years up to six months for contracts with a minimum duration of ten years, but in practice longer periods of notice are often agreed via collective agreements. In Austria, the notice periods differ for white-collar workers and blue-collar workers. In the absence of an agreement, the blue-collar workers have a notice period of 14 days, while the notice period for white-collar workers is comparable with Swedish notice periods. Compared with Sweden and the white-collar workers in Austria, the UK has shorter statutory notice periods. In the UK, a written contract will usually specify the notice period. However, there are statutory minimums. The employee, who has been continuously employed for one month or more, has at least one week's notice if the period of continuous employment is less than two years. If the duration of employment is two years or more, but less than twelve years, the notice period is one week for each year of continuous employment in this period. The notice period is not less than twelve weeks, if the period of continuous employment is twelve years or more.

With the labour reform in 2010, the statutory notice period in Spain has been reduced from 30 to 15 days, which makes Spain the country with the shortest statutory notice periods from the countries examined. This implies that a Spanish redundant employee has less time to find another job under the current employment conditions compared with peers in the other countries examined.

#### *Income security*

When the conditions for the termination of the employment contract have been met, and the notice period has expired, the employment contract is terminated. In this phase, redundant employees can possibly be eligible for unemployment insurance. It can be hypothesized that if the income level strongly declines when becoming unemployed, there is a great urgency to find another job as quickly as possible.

To be eligible for unemployment insurance the unemployed should meet certain criteria. In Austria, the duration of the unemployment benefit depends on the time the person has been insured and his/her age. The maximum duration is 52 weeks. However, the unemployment benefit extends to a maximum of four years in the event of participation in a labour foundation. The net overall average replacement rate during the initial phase of unemployment is 68% by an earning level of 100% of the average wage, and 70% by an earning level of 67% of the average wage.

In Spain the duration of unemployment benefit depends on the work experience in the six years prior to the situation of becoming unemployed. The maximum duration of unemployment benefit is two years. The net replacement rates are high in Spain compared with the other countries studied: 72% by an earning level of 100% of the average wage and 80% by an earning level of 67% of the average wage.

The UK has the lowest overall average net replacement rate among the countries examined (54% by an earning level of 100% of the average wage and 67% by an earning level of 67% of the average wage), which implies that on average British employees experience a greater income loss during the initial phase of unemployment compared with the other countries studied. The contribution based Jobseekers' Allowance is paid up to 182 days and is based on how much national insurance contribution a person has paid in the previous two years. It is thus important for British employees to find a new job quickly after redundancy, in order to cover daily living expenses, and this might explain the second highest mobility rate after Sweden.

Sweden has a well-developed social security system. Most people who are unemployed are eligible for unemployment benefit. Membership of an

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unemployment insurance fund is voluntary but necessary to receive an income-related benefit. Furthermore, the person must have worked for at least six calendar months during the last year with a minimum of 80 hours worked in each month, or have worked for at least 480 hours during a continuous six-month period, with a minimum of 50 hours each month. The basic unemployment benefit is paid out for a maximum period of 300 days. The overall net replacement rate is 60% by an earning level of 100% of the average wage and 79% by an earning level of 67% of the average wage. People do not have to take the first job available, but can wait to a certain extent for a 'suitable' job. A well-developed and comprehensive social security system is needed to prevent people from moving down the productivity ladder. The Swedish social security system has relatively high levels of benefits and a universal coverage. This makes it an expensive system, which can only be sustained if there is a consistent commitment to full employment. Therefore, job-to-job transitions are important and employers' associations and trade unions are aware of the need to provide employment security instead of job security. In addition to the role employers' associations and trade unions play in the employment security system, the Swedish government commissioned the PES to find unemployed people jobs as quickly as possible, but the problem is that fewer jobs are available owing to the current crisis.

### **9.2.2 Actors including their orientation, capabilities and modes of interaction**

As explained previously, various actors can play a role in the employment security system. However, the extent to which an actor is supporting job-to-job transitions varies in the countries studied. Moreover, the way actors interact influences the emergence and shaping, or the non-existence of job-to-job policies and measures. In this section the role of associations, the state, including the Public Employment Services, hierarchies, networks and the market will be further explained. Attention will be paid to the actors' orientations, capabilities and their modes of interaction.

#### *Associations*

The role of trade unions and employers' associations in job-to-job transitions in the UK and Spain is limited, in comparison with Sweden and Austria.

The Swedish unemployment prevention model is a complex interconnecting model that actually exists of four different pathways which are coordinated by different actors: the transition agreements coordinated by associations, in house solutions in companies, public interventions, and support provided through the market. As explained previously, the transition agreements negotiated between Swedish employers' organisations and trade unions are the dominant mode of interaction in relation to direct job-to-job transitions for redundant employees. The first, and most important, reason for the introduction of the Swedish transition agreements is the strong role of social partners in regulating the

Swedish labour market. The first transition agreement dates from the early 1970s. At that time, Sweden was hit by the oil crisis and employers and trade unions in the Trade and Industry sector believed that the PES could not help white-collar workers with job-matching in a satisfactory way. Therefore, the TRR transition foundation for white-collar workers was established. Collective agreements have a special status in Sweden, as they may replace certain legislation as binding law, which is common practice in Sweden. Social partners are willing to come to an agreement and moderate their demands to reach a consensus, because in the future they will meet again around the negotiating table. Strikes are rare in Sweden and the trade union density is high. The underlying principle is mutual trust.

Another important explanation for the existence of the Swedish transition agreements is the Swedish actors' orientation with regard to restructuring. Today, the Swedes, including the trade unions, realize that globalisation and restructuring are inevitable. They have a positive attitude towards new technologies and new jobs and, during the 1990s, a mental shift could be observed from job security to employment security. The Swedes rather protect people instead of jobs. The trade union for the blue-collar workers, the LO, was until then satisfied with the activities of the PES, but during the crisis of the early 1990s it became clear that job losses were inevitable and job-to-job support was necessary. This was reason for the LO to negotiate a transition agreement for the blue-collar workers. Another reason was that the LO saw that the working method of the TRR transition foundation was much more effective than the PES interventions.

As mentioned previously, the Austrian government and the social partners play a role in supporting job-to-job transitions although it can be argued that the labour foundations concern indirect job-to-job transitions. The role of social partners in this corporatist structure cannot be detached from the role of the state in this process. The first Austrian labour foundation was established in the Steel sector in 1987. The privatization and down-sizing of nationalized steel companies led to large scale redundancies. There was an atmosphere of fear, helplessness and lack of personal perspectives. Furthermore, it became clear that there would be no further legislation that would allow early retirement. The idea behind the first foundation was that money and a social plan are valuable, but the best help is active support into another job. Against this background, the works council and the manager of the steel company erected the first labour foundation: the VOEST-Alpine Stahlstiftung. The labour foundations evolved over time and are now a commonly used labour market instrument with a legal basis. The AMS is involved by authorizing the labour foundations and by providing income security for participants in the foundation.

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Although the Spanish trade unions have strong political power, they are not involved in active job-to-job transitions and they are at odds with employers' associations. In 2010, this tense relationship between trade unions and employers' associations resulted in a total deadlock in the negotiations on labour market issues and the Spanish government felt forced to intervene, proposing measures to reform the labour market in the summer of 2010. Hierarchical determination is here the observed mode of interaction. In recent years, Spain has been confronted with several labour market reforms and since the economic crisis which started in 2008, the unemployment rate has increased explosively. Spain is characterized by a dual labour market in which employees with a permanent contract are still well-protected compared with people with a temporary contract. For many years Spanish employers have striven for less rigid employment protection legislation for those with a permanent contract. The climate of trust between the social partners and employers' associations is lacking. The lack of trust can be regarded as an explanatory variable as to why social partners have not collaborated in order to develop active job-to-job arrangements, despite the urgent labour market situation.

There are a few examples of Spanish companies with a social plan that show that alternative support can be offered besides the financial compensation, but there is consensus among Spanish scholars that Spanish social plans have little impact on job-to-job transitions (Aragón Medina et al., 2010). Spanish companies with 50 or more employees are obliged by law to draw up a social plan. However, the content of the average social plan is poor and is focussed on financial compensation rather than on active job-to-job support. In contrast to the Swedish practice, it seems that Spanish employees with a permanent contract are reluctant to make a transition to another job. It is part of the Spanish actors' orientation to prefer job security rather than employment security. In general, employees' representatives try to negotiate alternative measures to minimize the impact for the employees but, if dismissals are inevitable, the main concern of the employees is a high financial compensation. Furthermore, among the countries examined, Spain has the highest proportion of the workforce employed at micro and small enterprises, which are not obliged to draw up a social plan in the case of forced dismissals. Moreover, micro and small companies have no or less financial means to support redundant employees to another job. The majority (63.2%) of the Spanish workforce is employed in a company employing fewer than 50 persons.

Traditionally, the system of industrial relations in the UK consists of voluntary relationships between social partners, with a minimal level of interference from the government. Although this relationship, without intervention of the state, is still the case in the non-legally binding nature of collective agreements, and trade unions and employers have little statutory involvement in public policy, legally established employment rights would now appear to be a permanent characteristic of the UK system. The collective agreements are not legally

binding, but the terms of collective agreements can be incorporated into individual contracts of employment that are then legally enforceable. An important feature of the UK is single-employer bargaining (Traxler, 1996). The position of trade unions was weakened during the 1980s and early 1990s. The trade union density fell from 51% in 1979 to 33% in 1995 which, according to Ebbinghaus and Visser, is the largest and longest decline in unionization in Europe of the last century (Ebbinghaus & Visser, 1999). Since the 1950s, multi-employer bargaining has declined. This decline accelerated in the 1980s, as multi-employer agreements were replaced by single employer or, in some cases, plant-level contracts (Katz, 1993). This might explain the limited role of employers' associations in supporting job-to-job transitions.

*The state: Government and Public Employment Service*

In general the liberal welfare regime is characterized by a central role for the market and a marginal role for the state, but owing to the economic downturns, the British government felt forced to intervene. As discussed previously, the role of social partners is limited in the UK. Only the state can correct labour market failures and the British government introduced the Rapid Response Service in the early 2000s and decided to expand the service in 2008. Until the introduction of the RRS, much of the intensive support provided by Jobcentre Plus was only available to people who had been unemployed for a long time. Today, the RRS provides for early intervention and early access to relevant support in order to find another job quickly. As explained previously, for British employees it is necessary to find another job as quickly as possible, owing to shorter notice periods and lower levels of income security after becoming unemployed compared with the other countries examined. Moreover, the economic downturn created a sense of urgency to invest in delivering skills, which are needed by recruiting employers, for those under notice. Therefore, the Skills Funding Agency launched the R2R programme. In the early 2000s, Task Forces were established to overcome difficulties in large companies or sectors, because actors experienced a sense of urgency. When time is at a premium actors are more willing to collaborate to find solutions and to mitigate the consequences.

As explained previously, in the Austrian corporatist structure, the role of social partners cannot be detached from the role of the state. New legislation is developed through an intensive process of social dialogue at national level. In Austria, the Public Employment Service has to approve the establishment of a labour foundation and can be involved as a co-financer, i.e. providing benefits to the participants, and, if necessary, the AMS can under certain conditions co-finance the infrastructure of the foundation. Furthermore, the Austrian Public Employment Service supports the (recently) unemployed in finding a new suitable job.

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The Swedish government does not interfere in the transition agreements concluded between social partners, but this does not mean that it does not provide support to employees who run the risk of becoming unemployed. Employees who are not covered by a transition agreement and who will become unemployed can register at the Public Employment Service which mediates between jobseekers and employers. In Sweden there is a long tradition focussing on active labour market policies.

In Spain, a clear division of responsibilities concerning active job-to-job support and coordination regard to job-to-job support is lacking. This might explain why there are no specific job-to-job policies or measures to support redundant employees in this Southern country. Also the government's capabilities are limited. The financial situation, characterized by budget deficits and the fact that Spain is a country with almost three times as many inhabitants as the Netherlands, and five times as many as Sweden and Austria, explains why it is not easy to finance new policies geared towards direct job-to-job transitions. The size of the country and the enormous numbers of unemployed, combined with the fact that Spain has the fewest job openings among the countries examined, makes it currently difficult for the Spanish government to focus on direct job-to-job transitions after redundancies. All the resources, which refer to the actors' capabilities and efforts, are targeted on helping the unemployed to find a job and not on supporting direct job-to-job transition. Thus, the Spanish government's priority is on preventing long-term unemployment rather than supporting job-to-job transitions in the event of redundancies.

### *Hierarchies*

Swedish companies with a transition agreement are eligible for support in job-to-job transitions for employees to whom they have given notice. Employers with sufficient financial means can also decide to subcontract private outplacement companies. Good employership and creating goodwill in relation to the trade unions are motives for Swedish employers to facilitate job-to-job transitions for their employees. A good relationship with the trade unions, based on mutual trust, is necessary for the future collective bargaining process. In the UK, where single employer bargaining is more common than multi-employer bargaining, individual companies can negotiate outplacement services with their redundant employees. The British outplacement companies have evolved over recent years and companies with enough resources can outsource job-to-job interventions, mostly for highly-skilled senior employees, to private outplacement agencies.

In Austria, companies can establish labour foundations in order to support redundant employees from job-to-job. The main reason why companies establish a labour foundation is that employers have certain obligations towards their redundant staff, which is agreed in a social plan. Furthermore, some large

companies envisage the labour foundation as a personnel pool. The former employees will be trained during their participation partly at the expense of the Public Employment Service. Another motive for Austrian employers to establish or contribute to a labour foundation is to side step the period of notice.

In Spain, large companies are obliged by law to negotiate with trade unions about a social plan when they file for redundancy. As explained previously, the content of the average social plan is poor and focussed on financial compensation rather than on active job-to-job support. Spanish companies do not feel responsible for job-to-job transitions and, in general, employees' representatives try to negotiate alternative measures to minimize the impact for the employees. However, Spanish employees still focus on financial compensation. The consequences of unemployment are collectivised and set aside for the state and the social security system. Moreover, the use of outplacement services by companies is not widespread in Spain, because private employment agencies were not allowed to provide employment services until the 2010 labour market reform.

#### *Networks*

Networks of individual companies which collaborate to support redundant employees from job-to-job are not noticeable in the countries studied. However, in Austria networks of firms exist which are focused on training, not specifically on job-to-job transitions. In these, so-called *Qualifizierungsverbände*, companies share the costs of training and they outsource the training activities to private suppliers. The sectoral and regional labour foundations can also be considered as networks in which different actors collaborate.

The British Rapid Response Service, the Local Employment Partnerships and the Task Forces can also be envisaged as networks. In these British partnerships a pluriformity of many different actors participates. The RRS network on a local level consists of more different organisations rather than solely employers.

#### *Market*

British companies, mostly large companies with enough financial means, outsource outplacement services to private suppliers, particularly for highly-skilled workers employed in higher positions. The UK has an open and liberal policy towards private recruitment and outplacement agencies. This liberal attitude explains why private market actors are able to provide job-to-job support. In Austria some large companies support private outplacement services to their redundant employees, but this is not a widespread phenomenon. This can be explained by the fact that companies can establish a labour foundation or become a member of an existing labour foundation. Another possibility in Austria for downsizing companies is to contact non-profit temporary work agencies to re-employ their workers. Furthermore, the Austrian Public Employment Service outsources activities to private suppliers. During the first

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twelve months of unemployment, the case management for the British unemployed lies with the Jobcentre Plus. After twelve months, the responsibility is handed over to the private sector.

For a long time, in Sweden and Spain, private employment agencies were forbidden, or were not allowed to cooperate with the Public Employment Service. Nowadays, the Public Employment Service in Sweden contracts private companies, for example for coaching activities, but this outsourcing process to private suppliers is still in its infancy. Some transition foundations outsource job-to-job support to private suppliers, while other foundations organize the support in house, e.g. with job coaches. The recent Spanish labour market reform of 2010, includes the possibility for private profit employment agencies to cooperate with the Public Employment Service, which was prohibited before. It remains to be seen how this collaboration will evolve in the near future.

### 9.2.3 Policies

As mentioned in Chapter 1, the main focus of this thesis is on the curative element, i.e. systems and measures geared towards direct job-to-job transitions in the event of redundancy (see phase three in figure 1.2 in Chapter 1). During the interviews preventative unemployment measures were also mentioned, such as education, training, and the reduction of working hours. It should be emphasized that the preventative measures and curative measures are interdependent. For instance, investments in education and training in order to achieve more functional flexibility in the company will subsequently also contribute to smoother transitions from job-to-job in the event of redundancy.

#### *Type of support*

One of the findings from the empirical research is that the active support provided to employees who have lost their jobs, is similar in the countries examined. The support offered includes e.g. professional orientation, job coaching, education and (re)-training, practical training, internships, and active job search support. However, the manner in which the support is organized, delivered, coordinated and financed differs. Furthermore, differences can be observed in the coverage and the eligibility of the job-to-job transitions support and the time at which the support is provided.

In Spain there are no specific policies or measures to support redundant employees from job-to-job. Once a redundant employee is unemployed, the Spanish Public Employment Service is the key actor in helping the unemployed to find a new job. However, during the economic crisis the Public Employment Service is fully stretched in providing unemployment benefits and has fewer resources and less capacity to offer active job-to-job support. In general, the Spanish labour market policies are focussed on supporting the unemployed to work, which currently is a big challenge because the unemployment rate has

more than doubled since 2008. The national Tripartite Training Foundation can be considered as a preventative measure. This foundation facilitates training opportunities for employees to improve their skills and provides financial support to companies and their employees, including those with a fixed-term contract, who want to follow training courses and education.

In all the countries scrutinized, severance pay is provided to redundant employees, although the duration and the level of the severance pay vary. The reform of the Austrian severance pay system is interesting to mention, because Spain wants to adopt this system. However, it remains unclear whether and how Spanish employers' associations and trade unions will implement this system which is proposed by the Spanish government. The Austrian severance system was reformed in 2003. The debate about the severance reform had already started in the 1990s and several arguments for the reform can be distinguished: the low coverage of the previous system, the loss of entitlements when an employee voluntarily terminated the employment contract and, from the employers' perspective, the high severance costs. The underlying goals of the new law were to enhance mobility, to address liquidity problems, to extend severance pay entitlements, and to extend the second pension pillar which was underdeveloped.

The Swedish system focuses on early job-to-job transition support; especially in sectors where transition agreements are established. Some Swedish transition agreements offer support even before employees have been given notice. Early support is also an important feature of the British model, which is organized through the Rapid Response Service.

#### *Eligibility*

In Sweden and Austria small companies can participate in, respectively, the transition agreements and the labour foundations. With a newly reached agreement in the Swedish municipal sector, the majority of all Swedish employees with a permanent contract will be covered by a transition agreement as from 1 January 2012. Swedish employees with a temporary contract are not eligible for job-to-job transition. Furthermore, in the past job-losses at small companies in the UK remained unnoticed but, since October 2009, the Jobcentre Plus has collaborated with the Insolvency Trade Body R3 and the Insolvency Service to share information about possible job losses in struggling companies.

#### *Financing*

The first Swedish transition agreement dates from 1974 and the transition foundations are financed via a certain percentage of the wage bill. This implies that in prosperous periods money is saved in the fund and, once the tide turns, the means are immediately available in order to support the redundant employees quickly.

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In the UK the government introduced programmes to provide early job-to-job support in the event of the market failing. The RRS and R2R programmes do not have a structural funding and are financed through the budgets of the national government and additional sources from the European Social Fund.

The way the Austrian labour foundations are financed is discussed and negotiated between the actors involved and depends on the type of foundation. Given the corporatist structure, it is not surprising that social partners and the state are involved by the establishing and financing of the labour foundations. With the severance reform of 2003, the direct payment of severance pay from employer to employee, at the end of the employment contract, was abolished and replaced by a monthly employers' contribution of employees' gross wage in an employee provision fund. When an employment relationship is terminated the employees are entitled to the capital accumulated in their individual account.

In Spain there are no active job-to-job measures. The national Tripartite Training Foundation can be considered to be a preventive measure. This foundation facilitates training opportunities for employees to improve their skills and provides financial support to companies and their employees, including those with a fixed-term contract, who want to follow training courses and education. Both Spanish employers and employees contribute financially to the national Tripartite Training Foundation.

### *Responsibility and delivery*

In Sweden job-to-job arrangements are mainly organized and coordinated through transition agreements reached by trade unions and employers' associations, but individual firms, the Public Employment Service and the private market also provide job-to-job support to redundant employees in order to find a new job quickly. Collective transition agreements have been reached without interference of the government. Thus, Swedish trade unions, employers' associations and individual employers play an important role in guaranteeing new employment opportunities for workers whose jobs are at risk. This could be expected given the strong role of trade unions and employers' associations in the Swedish labour market, which is explained by a high trade union density. Furthermore, the institutional setting leaves room for collective agreements to deviate from legislation. The transition foundations deliver the active job-to-job support, although the manner in which the active support is organised varies between the transition foundations.

Whereas trade unions and employers' association are important in the Swedish job-to-job model, in the UK the state, the Public Employment Service, and individual, mostly large, companies play a dominant role in supporting redundant employees into a new job. The role of trade unions in the redundancy process is concentrated on trying to stop the redundancy happening in the first

place and, if forced dismissals are inevitable, most unions will campaign strongly for a voluntary severance package, which should be more than the statutory minimum, to be in place. Their role with regard to job-to-job transitions is limited and they try to press the government for intervention. During the 1980s and early 1990s the role of trade unions was weakened. Compared with Sweden, the trade union density in the UK is rather low, which might explain the limited role of trade unions in the job-to-job approach. The role of employers' associations is also rather limited and can be explained by the lack of multi-employer bargaining. However, individual firms, predominantly large firms with sufficient financial means, outsource job-to-job support to private organisations which offer outplacement services. These outplacement services have evolved over recent years, but tend to be offered to senior highly skilled workers who have to leave the company. Although traditionally state intervention is limited in this liberal country, the British government introduced several programmes to support redundant employees in finding another job. The most important reason for the introduction of these programmes has been to correct labour market failures. Jobcentre Plus is an executive agency, the Public Employment Service of the Department of Work and Pensions and responsible for a wide range of policies to support the transition from unemployment to employment, including the RRS. The Skills Funding Agency is an agency of the Department for Business, Innovation and Skills and allocates funding for basic skills programmes to Jobcentre Plus customers, including redundant employees, and employers in the local economy. The Skills Funding Agency is responsible for the R2R programme, but outsources the activities to training suppliers. Generally, two training providers per region are contracted to provide the requested training.

In Austria, job-to-job support is considered to be a shared responsibility between the state and social partners. The Austrian Public Employment Service AMS supports the recently unemployed to find a new job quickly. The role of social partners in the Austrian job-to-job model cannot be detached from the role of the state in this process. As explained previously, in this corporatist structure the social partners are strongly involved in the law and labour market policy making process and are represented in committees and boards at all levels of the Public Employment Service. Thus, it can be expected that the Austrian government and the social partners share the responsibility for coordinating and delivering support in order to find a job as soon as possible.

A clear division of responsibilities concerning active job-to-job support and coordination with regard to job-to-job support is lacking in Spain. This might explain why there are no specific job-to-job policies or measures to support redundant employees in this Southern country. However, the financial situation, which is characterized by budget deficits and the fact that Spain is a country with almost three times as many inhabitants as the Netherlands and five times as many as Sweden and Austria, might also explain why it is not easy to finance

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new policies geared towards direct job-to-job transitions. Apparently, the priority of the government lies with supporting the transitions from unemployment to employment, which is a tough job already in the Spanish context.

### 9.2.4 Performance

Performance refers to the evaluation of the programmatic outcomes of policy choices and practices. To be more specific, performance is the result of the combination of the institutional setting, actors' orientations and capabilities, actors' constellation and modes of interaction and the implemented policies, including the type of support, eligibility, financing and responsibility. As explained in Chapter 1, an in-depth evaluation by the author of the policies and measures taken by the government and other actors in the countries studied is not feasible within the framework and time span of this dissertation. Nevertheless, in this study the question is asked as to whether or not the observed job-to-job systems, arrangements or measures are successful in practice. To answer this question, available secondary data and additional literature provided by the interviewees were examined.

In Sweden and the UK there are no overall comprehensive independent studies available on the effectiveness of the job-to-job system or arrangements examined. Explanations for the lack of these overall studies are the lack of time and financial resources to conduct the study.

There are hardly any overall data available on the fate of redundant Swedish employees. The general impression is that around 80% of the dismissed employees find new jobs within a period of nine months. In Sweden a committee of inquiry was installed to organize the knowledge and experience concerning the transition agreements, but the evidence available regarding the performance of these agreements was insufficient to meet the requirements of scientific quality. In this study the results of two transition foundations, TSL and TRR, were scrutinized. The figures provided by the TSL foundation show that 70% of the TSL participants who left the foundation between September 2008 and September 2009 found another job and 8% started a course of study. The figures provided by TRR show that 76% of the participants who left the TRR foundation in 2009 found a new job, 8% started their own business and 7% started a course. However, it is very difficult to generalize these findings and to draw overall conclusions about the effectiveness of the Swedish transition foundations, because the conditions for support and the way the foundations are organized vary to a large extent. The assessment of the performance of the British governmental job-to-job programmes is also difficult. More than 5,000 employers accepted RRS support from Jobcentre Plus between November 2008 and September 2010. However, Jobcentre Plus does not systematically record information on numbers of employees who are given advice or the job outcomes through the RRS. The reason for this is that it would be too expensive to gather this data.

The performance of the Austrian labour foundations was examined more closely in 2005, and revealed that 67% of the participants who left an outplacement foundation were (almost) fully employed in the labour market one year after they left the foundation. However, this study did not take into account the net effects of the labour foundations' interventions. In 2008, in a study by Linz University, the researchers evaluated the effects of the interventions for the participation in the Elektra Bregenz labour foundation and compared the results with a control group. 75% of the participants in the Elektra Bregenz labour foundation were employed three months after the intervention, whereas 49% of the control group was again employed after three months. However, the Elektra Bregenz foundation is just one of many foundations in Austria. Like the Swedish transition agreements, the organisation of the labour foundations varies to a large extent which makes it difficult to draw conclusions about their overall performance.

One interviewee explicitly mentioned that the previous Austrian labour foundations' success rates are an important reason for current companies to establish a labour foundation. These success rates are not only important for the management of the companies and the redundant employees, but also for colleagues who are not declared redundant. In restructuring phases the possible participation of redundant colleagues in a labour foundation ease the conscience of employees who are not supernumerary. It creates 'peace' on the work floor.

The lack of an employment security system in Spain also explains the lack of evaluation reports about the performance of job-to-job support.

*Summarized overview of the explanations concerning the status quo of employment security systems in the countries scrutinized*

In this section the similarities and differences in employment security systems have been explained. It can be concluded that in Sweden the negotiated transition agreements are an important mode of interaction in the Swedish job-to-job system. In general, Swedish employers' organisations and trade unions play an important role in regulating the labour market. The collective agreements may even deviate from Swedish law and regulations. Given the strong role of Swedish employers' and employees' representatives in regulating the labour market, and the high trade union density, it is not surprising that they are also involved in shaping transition agreements. Such agreements do not exist in the other countries examined. One of the main explanatory variables for the establishment of the transitions agreements relates to the actors' orientations. The Swedish view of both trade unions and employers' associations is that people should be protected rather than jobs. The modes of interaction between trade unions and employers' associations result in negotiated agreements in order to enhance job-to-job mobility in the event of redundancy. Social partners are willing to come to an agreement and moderate their demands to reach a

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consensus, because in the future they will meet again around the negotiating table. If a collective agreement is in force, both the trade unions and the employers maintain industrial peace. If there is no collective agreement, the trade union has the freedom to take industrial action, but in Sweden industrial action is rare because the trade unions realize that globalisation and restructuring is an inevitable change.

In contrast to the Swedish practice, British social partners play a limited role in the job-to-job process. The position of British trade unions weakened during the 1980s and early 1990s, and currently the British trade unions density is low, certainly in comparison with Sweden. This implies that the capabilities of British trade union are lower compared with the Swedish trade unions. The limited role of employers' associations in supporting job-to-job transitions can be explained by the decline of multi-employer bargaining. Today, an important feature of the UK is single-employer bargaining. In general the liberal welfare regime is characterized by a central role of the market and a marginal role of the state. However, owing to economic downturns and the fact that there is no similar mode of interaction between trade unions and employers' association regarding job-to-job transitions, the British government has introduced programmes to cope with labour market failures.

The Austrian government, the Public Employment Service AMS, and indirectly also the social partners, play the main role in supporting people from job-to-job in the event of redundancy, which could be expected given the corporatist structure of this country. The role of social partners cannot be detached from the role of the state in this process. The social partners are represented in committees and boards at all levels of the AMS and are strongly involved in the law and labour market policy making process. The actors' view in the Austrian labour foundation approach is that money and a social plan are valuable, but the best help is active support into another job. The first labour foundations were established by large companies as a result of the privatization and down-sizing of nationalized steel companies, which led to large scale redundancies in the 1980s. At that time, there was an atmosphere of fear, helplessness and lack of personal perspective, and further legislation that would allow early retirement was not expected. The labour foundations evolved over time and are currently a commonly used labour market instrument in Austria. However, it can be argued that the labour foundations observed concern indirect job-to-job transitions.

Spain is characterized by the absence of active job-to-job policies and support. The modes of interaction which could result in policies with regard to job-to-job is lacking between Spanish trade unions and employers' associations. The relationship between trade unions and employers' associations is tense and mutual trust is lacking, while a constructive dialogue is necessary to develop job-

to-job policies. Furthermore, the trade unions and employees' orientation is still focussed on job security rather than on employment security.

Owing to the severe economic labour market situation, the Spanish government felt forced to intervene and announced labour market reforms in the summer of 2010. Thus, instead of negotiated agreements, the main modes of interaction in Spain can be best described as hierarchical determination. Subsequently, it is up to trade unions and employers' associations to implement further the measures taken by the government. If the social partners do not pull in the same direction the question remains as to whether implementation occurs in an effective way. The Spanish government's priority is to support the unemployed to find a job, instead of supporting direct job-to-job transitions. Preventing long-term unemployment is currently quite a challenge given the severe labour market situation in Spain. For many years, the Spanish labour market was strongly regulated, but deregulation through allowing temporary employment has generated important inequalities, with a lot of protection for permanent employees and more precarious jobs for temporary employees. For many years Spain has fought duality in the labour market.

### 9.3 Policy learning in the realm of employment security systems

One of the objectives of this study is to address possible lessons the Netherlands can learn from foreign job-to-job systems or arrangements. The Dutch perspective forms the basis for this study. The reason for this choice is that the present study is part of a large-scale research programme on employment security, which is financed by the Dutch organisation Stichting Instituut Gak. This research programme comprises seven separate studies on employment security. This study is one of these seven studies and aims to answer the question: What, from a Dutch policy perspective, can be learned from 'employment security' arrangements or systems in other European countries? This question is easily raised, but is difficult to answer. Countries can and do learn, but what is learned, to what effect, by whom and how, is difficult to establish. Based on a close study of the existing literature, the conclusion can be drawn that in the academic world there is no shortage of theorizing about the concepts of policy learning, lesson drawing and policy transfer. A pitfall is the casual interchangeability of the terms. This study looks at employment security systems in other European countries, seeking to learn lessons from a cross-national perspective. There is a clear distinction between policy *learning* and policy *transfer*. Lesson drawing can lead to policy change, but this is not always the case. Thus, policy *learning* and cross-national policy *transfer* has to be seen in the light of two separate processes. However, these concepts are immediately seen to be linked. Both are elements of the concept of lesson drawing. The analysis and conclusions drawn in this dissertation are limited to the policy learning aspect. Whether or not a lesson should and could be adapted or transferred (or not) to the Netherlands is another fundamental question. Answering this

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question requires a political position and feasibility studies which are outside the scope of this thesis.

In the literature different levels of policy learning are addressed. For instance, Rose distinguishes seven ways of drawing a lesson: photocopying, copying, adaptation, hybrid, synthesis, disciplined inspiration and selective imitation (Rose, 2005). In my view Rose's degrees of drawing a lesson also include a transfer aspect. The Danish researcher, Ilsøe, describes several dimensions of cross national policy transfer and, although she does not make a clear distinction between policy learning and policy transfer, the dimensions are relevant for the policy learning process. Ilsøe argues that policy transfer includes more than policy aspects, e.g. policy goals, administrative instruments or government structures (Ilsøe, 2010).

In order to infer lessons for the Netherlands it is important to understand how the Dutch job-to-job approach is organized. Then possible omissions or weak points in the system could be identified which gives us input for possible lesson drawing.

With regard to the organisation of job-to-job support, the conclusion can be drawn that compared with Sweden the Netherlands has no 'systematic' or structural approach. Thus, the Swedish adjustment agreements make it possible to take action immediately when the company is in poor circumstances, while, in the Netherlands time elapses to establish social plans once a company is confronted with collective dismissals. The role of trade unions in the Netherlands is less powerful compared with Sweden. This can be explained by the lower trade union density.

In the Netherlands job-to-job support is provided on an ad hoc basis via social plans, experiments, or temporary measures introduced by the government. Social partners can agree collective agreements and social plans, but their role is not as strong as that of the Swedish trade unions and employers' associations. Although the methods of organising job-to-job transitions can be agreed in social plans; this does not automatically mean that Dutch employees know what they can expect from their employers. Dutch SMEs neither have social plans, nor the financial means to set up a mobility centre or to provide active job-to-job support. In the Netherlands there is a greater chance of receiving job-to-job support while working in a large company rather than being employed at a small company. Thus, in the Netherlands it tends to be that employees working in large companies are more privileged with regard to job-to-job support. Generally, when a restructuring process takes place in large firms a social plan is established, which is not common in small companies.

Moreover, in the Netherlands, networks of individual firms emerged as a response to the Gatekeeper Act which came into force in 2002. On the basis of

this law employers have to continue paying the salary of the employee during the first two years of sickness or (temporary) disability. Many employers were not entirely satisfied with the support offered by private professional service providers and the help from governmental public institutions. Therefore, in some regions employers joined forces and established the so-called Gatekeepers' Centres. These networks for and by employers came into being in order to help each other in re-integrating sick employees. The established networks are currently also used for providing smooth job-to-job transitions in the event of redundancy as a response to the economic downturn. The establishment of these networks was not foreseen, but resulted from changes in the institutional setting. These Dutch networks of firms which help each other with HRM activities are unique and based upon a mutual (financial) interest. In the other countries scrutinized, similar networks in which companies collaborate to relocate redundant employees, were not observed.

The Dutch government introduced several initiatives, e.g. the 33 temporary Mobility Centres, to support job-to-job transitions by virtue of the economic downturn which started in 2008. Both public and private stakeholders (local authorities, employers and UWV WERKbedrijf) collaborate in these centres. Furthermore, in 2010 the Dutch government allocated funding for nine job-to-job experiments in which they want to stimulate employers and employees to take up the responsibility for job-to-job transitions. Currently, an evaluation study is being conducted in the Netherlands regarding the nine job-to-job experiments and the results will be available in the summer of 2012. In 2009, the Dutch Mobility Centres supported 13,000 redundant employees to another job without a spell of unemployment. However, it is not easy to study and assess the net effects of the interventions. This requires an in-depth evaluation study with a control group.

All in all, the Netherlands has a variety of coordination mechanisms which play a role in the job-to-job system, but there is no structural approach in which the support and the financing is geared to one another. The Dutch job-to-job support can be characterized as fragmented and ambivalent. Although the participants in the expert meeting agreed that job-to-job support should be provided to those who really need it, yet no Dutch actor takes the full responsibility for coordinating this support. The role of the Dutch government can be considered as ambivalent. On the one hand, owing to the crisis, the Dutch government invested in temporary Mobility Centres and in job-to-job experiments in order to stimulate social partners and other organisations to collaborate, while on the other hand the government announced major cutbacks in the re-integration budgets for UWV WERKbedrijf. Between 2012 and 2015,

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UWV WERKbedrijf is confronted with a cutback in the expenditure of EUR 450 million.<sup>145</sup> Certainly, this will have an effect on the services provided to redundant employees, the unemployed and employers. Unemployment benefit recipients will receive e-coaching between the third and twelfth month of unemployment. Face to face contact will be limited to those unemployed who have great difficulties in entering the labour market. The government considers collaboration with employers as important. Municipalities and UWV WERKbedrijf collaborate in so-called 'Werkpleinen' to provide integrated services to employers and the unemployed. Currently, there are 100 Werkpleinen, but the result of the cutbacks will be that UWV WERKbedrijf will be present at 30 Werkpleinen in the near future. At present the 33 Mobility Centres which were introduced by the government as a response to the crisis are also located at the Werkpleinen.

The institutional setting might influence the behaviour of actors and eventually the emergence of job-to-job policies in a country. The employment protection legislation in the Netherlands is stricter than in the UK and less strict compared with Spain. The notice period which Dutch employers should take into account depends on the duration of the employment contract. The statutory notice period varies from one month for employment contracts which have lasted less than five years and four months for contracts which have lasted 15 years or longer. It is possible to deviate from the statutory notice period via stipulations in collective agreements, but the minimum duration of the notice period should at least be one month. Furthermore, the Netherlands has a well-developed unemployment insurance. The OECD replacement rate (RR) is an indicator which can be used to compare benefit levels between countries and measures the proportion of expected income from work which is replaced by unemployment and related welfare benefits. The overall average of the Dutch net replacement rate during the initial phase of unemployment is the highest among the countries examined. This means that income security is guaranteed for a certain period of time in the event of redundancy. Furthermore, the maximum duration of the Dutch extended unemployment benefit is 3 years and 2 months, while in the other countries examined the maximum duration varies from 182 days up to 2 years. However, this does not mean that all redundant employees are eligible for the maximum duration of the unemployment insurance. Thus, compared with the other countries, the Netherlands has a good safety net during the initial phase of unemployment.

Based on the data gathered in the countries examined, I inferred eleven possible lessons or inspiring elements for the Netherlands. The criteria for the selection of

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<sup>145</sup> <<http://www.rijksoverheid.nl/documenten-en-publicaties/kamerstukken/2011/03/14/kamerbrief-invulling-hoofddijnen-taakstelling-szw-domein-2012-2015.html>>, accessed 17 October 2011

these lessons are based on possible omissions or weak elements in the Dutch job-to-job system. The role of Dutch social partners in supporting job-to-job transitions is limited, certainly in comparison with the Swedish case.

In Sweden and the UK early intervention is considered as one of the success factors. In Sweden, some transition foundations provide support even during the period of notice. The UK has developed a system in which information is shared about possible job losses in struggling companies. The Netherlands does not have such an early warning system. Moreover, in March 2011, the Dutch government announced cutbacks in the UWV WERKbedrijf budget which, by the end of 2011, will result in the abolition of the re-integration budget for those who receive an unemployment insurance benefit. Furthermore, the service provided will be limited to e-coaching for those persons who are unemployed for three to twelve months. Thus, in the near future, it appears that the Dutch government will no longer invest in early intervention for the recently unemployed.

Another weak point in the Netherlands is the manner in which job-to-job support is financed. There is no structural means of financing as there is in the Swedish case. Swedish employers pay a certain percentage of the wage bill to a mutual fund: the transition foundation. In the good years money is saved, which can be used in the event of redundancies. Furthermore, we observe differences in the target group for job-to-job support in the countries examined. As mentioned previously, in the Netherlands the common practice is that employees with a permanent contract employed in large firms are more privileged regarding the chance of receiving job-to-job support. In Austria, the severance pay system was reformed and a new contribution based system of portable individual saving accounts was introduced. In the Netherlands, the severance pay system is based on the traditional relationship between a single employer and the employee. Furthermore, in some Austrian labour foundations solidarity contributions exist which are paid by colleague employees who are not made redundant. This is not common in the Netherlands.

In addition, a lesson the Netherlands can draw from the Spanish experience is that trust and social dialogue are key factors in stimulating job-to-job transitions. The Spanish case also demonstrates the effects of deregulation and flexibilisation of the labour market: a dual labour market with a lot of security for employees with a permanent contract and precarious jobs for those with a limited duration contract. Thus, the Netherlands and other countries can learn from the failures experienced in (re)-organizing the Spanish labour market.

In order to assess and validate the lessons inferred, these lessons were presented to and discussed with an expert group. Representatives of trade unions, employers, private organisations, ministries and scholars participated in the expert meeting. The Dutch organisations were asked to assess the lessons

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according to the following scale:

1. Not interesting; do not transfer this lesson to the Netherlands;
2. Interesting, but the Netherlands already pays enough attention to this (not a lesson);
3. Interesting lesson, the Netherlands can use this element as a source of inspiration in the further development of job-to-job transition policy;
4. Interesting lesson, the Netherlands should adopt this element, adapted to the Dutch context;
5. Interesting lesson, the Netherlands should copy this element.

The possible lessons inferred by the author and the assessment by the Dutch experts are summarized in table 9.1.

*Table 9.1: Summarized overview of possible lessons for the Netherlands inferred by the author from the examined countries and the assessment by the Dutch experts*

	Lessons from foreign countries	Average	Standard deviation	1	2	3	4	5
1	Start early intervention (as from the moment of given notice)	3.71	1.22	1	2	1	6	4
2	Provide active support and take care of psychological support (shock of losing your job)	3.36	0.72	0	2	5	7	0
3	Take care of short duration education/training targeted on future employers' needs	3.14	1.41	3	1	4	3	3
4	Develop a structural job-to-job system for all types of employees	3.57	0.82	0	1	6	5	2
5	Develop a structural job-to-job system for all types of companies/employers	3.07	1.1	2	1	6	4	1
6	Let employer contribute financially to a fund via a certain percentage over the wage bill in a job-to-job fund	3.43	0.9	1	0	6	6	1
7	Provide for an employability backpack severance pay	3.64	0.89	1	0	3	9	1
8	Introduce a solidarity contribution by colleague employees for job-to-job support	3	1.36	4	0	3	6	1
9	Take care of a more active role by trade unions and employers' organisations regarding job-to-job support	3.86	1.12	1	1	1	7	4
10	Develop an information system regarding possible job losses	2	1.13	6	4	3	0	1
11	Public actors take the lead in job-to-job transition support, if necessary private actors will be involved	1.71	0.88	7	5	1	1	0

In the second part of the expert meeting the Dutch experts were asked to propose ideas for enhancing job-to-job transitions in the event of redundancy.

Subsequently, the participants were asked to assess these proposals. From table 9.1 and the discussion in the second part of the expert meeting, the conclusion can be drawn that there is no divergence of view among the Dutch labour market actors with regard to the lessons the Netherlands can draw from the countries studied: begin early intervention for those who need it, introduce a structural system for all types of employees, including for workers who are not covered by a social plan or who do not work for a fixed employer, and including those employed in small companies. In 2004, the IWI had already concluded that the former job-to-job experiment was not effective, because the available means were used for redundant employees who could find a job on their own, while employees who needed the support were left outside the experiment. At that time the experiment was abolished, instead of expanded to a wider target group.

Apparently, the view to include workers employed in small companies or who are not covered by a social plan in the employment security system still holds true. Thus, the question remains as to which Dutch actor(s) will take up the responsibility for the job-to-job support for those who are yet not covered. In the future, social partners could take up this responsibility or there may be a role given for UWV WERKbedrijf.

The possibility to do a work placement or apprenticeships at another company during the current employment contract, or while under notice, is an idea introduced during the expert meeting which is supported by the Dutch labour market experts. Furthermore, a more active role by social partners concerning job-to-job support is deemed necessary and intersectoral mobility should be promoted. Specifically, the Dutch sector funds could contribute more to active job-to-job support and the financial partition between the sector funds should be removed. The current barriers regarding the financing of training and education when an employee wants to make the transition to another sector, should be settled.

It appears that all experts share the view that attention should be paid to vulnerable redundant employees, but it remains unclear as to who should take the lead in helping those employees to another job. A challenge for the Dutch social partners and the government is to clarify this issue, and to take a joint stand, because if this is not declared openly, nobody feels truly responsible and no action will take place. Finally, the Dutch trade unions would like to have sufficient time between the notice and the actual dismissal date. This could be arranged by longer terms of notice. However, the employers who participated in the expert-meeting were not in favour of this proposal.

#### 9.4 Limitations and implications

In conclusion, the limitations of this research and the policy and research

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implications will be addressed in this final section. This study was set up, first and foremost, as an exploration of employment security systems with a specific focus on forced job-to-job transitions. This thesis attempts to describe and explain job-to-job systems in four European countries. Subsequently, these findings are compared with the Dutch job-to-job arrangements in order to explore possible lessons for the Netherlands.

The effectiveness of the interventions and systems is important when comparing the various experiences of the different countries studied in order to draw lessons. However, this study shows that there are hardly any data available regarding the effectiveness of job-to-job support in the event of redundancy. Additional research is required in each of the countries examined. However, experience shows that it is difficult to conduct evaluation studies with regard to the performance of employment security systems which meet scientific standards. The Swedish case shows that it is not easy to assess the net effects of job-to-job intervention, certainly not if the preconditions for support and the way the support is organized differ within a country. Moreover, information with regard to the performance of job-to-job interventions is not systematically gathered owing to the high expenses involved or time restrictions. However, the performance of job-to-job systems or interventions is relevant when answering the question as to whether it is sensible to transfer policy measures. The Dutch government decided to invite tenders for the evaluation of the Dutch nine job-to-job experiments. The evaluation report is expected to be published in the summer of 2012. If experiments prove to be successful, the question would be how these experiences will be embedded in a more structural way.

Besides these experiments, which have received a subsidy from the government, several company networks exist in the Netherlands aimed at the exchange of personnel, knowledge, ideas and experiences in the field of HRM. Arising from the Gatekeeper Act, companies joined forces to reduce the risk of continuing to pay the salary of the employee during the first two years of sickness. As explained previously, these networks are currently also used for job-to-job transitions in the event of redundancy. These private networks are established by and for employers and do not have public funding. However, the performance and sustainability of these networks remain unclear. Could it be that these private networks perform as well as the nine job-to-job experiments which received public funding or is their performance even better? And how sustainable are these networks? Further research is required to answer these questions.

As mentioned previously, this study does not attempt to answer the question as to whether or not the observed systems, arrangements or policies in the foreign countries could or should be transferred to the Netherlands. This would require a political position, which is outside the scope of this thesis. Furthermore,

additional feasibility studies are required to answer the transfer question. Based on the knowledge acquired during the interviews the researcher inferred possible lessons for the Netherlands. These lessons were presented to representatives of important Dutch labour market actors at the expert meeting held on April 2011 at the Dutch Ministry of Social Affairs and Employment. Subsequently, the participants rated the presented lessons on a five point scale from 'Not interesting, do not transfer this lesson to the Netherlands' up to 'Interesting lesson, the Netherlands should copy this lesson'. This assessment gives us an insight into the social basis of the different Dutch labour market actors for transferring the lessons to the Netherlands, but does not tell us whether or not the transfer and implementation of the lesson is feasible in the Dutch context.

One of the main findings of this study is that social partners should play a more active role with regard to job-to-job support. The Dutch government emphasizes the taking up of this lesson in the recently presented national budget for 2012.<sup>146</sup> In line with the EU2020 agenda, the Dutch government's aim is to increase the labour participation and in order to achieve this goal the Ministry of Employment and Social Affairs intends to introduce new facilities in a so-called 'vitality package'. This package comprises the introduction of a new bonus to stimulate employees aged 62 or over to continue labour participation, a mobility bonus for employers to hire disabled and unemployed persons aged 50 or over, and the introduction of several career facilities. Referring to the latter, the government intends to introduce a vitality saving scheme, which makes it more attractive for employees to save for periods when income falls occur. The savings in the vitality scheme can then be used for re-education, demotion, starting a business or bridging a period when the person has no income or a fall in income, e.g. during forced job-to-job transitions. Thus, the Dutch government implies that the employees themselves have a responsibility to save for the event of there being a fall in income during a certain period of time. The implementation of the vitality saving scheme is planned for 2013. However, it is not clear what the take-up rate by employees will be. In addition, the government intends to decrease the threshold for fiscal deduction of education expenditures. Finally, the Dutch government urges social partners to introduce a job-to-job budget in collective agreements<sup>147</sup> and intends to compensate social partners for the extra effort needed to introduce such job-to-job budget and intersectoral education.<sup>148</sup> However, currently it is unclear whether social

<sup>146</sup> <[http://www.rijksbegroting.nl/2012/voorbereiding/begroting,kst801043\\_8.html](http://www.rijksbegroting.nl/2012/voorbereiding/begroting,kst801043_8.html)>, accessed 19 September 2011

<sup>147</sup> <<http://www.rijksoverheid.nl/documenten-en-publicaties/kamerstukken/2011/09/30/kamp-vitaliteitspakket.html>>, accessed 6 October 2011

<sup>148</sup> <[http://www.rijksbegroting.nl/2012/voorbereiding/begroting,kst801043\\_8.html](http://www.rijksbegroting.nl/2012/voorbereiding/begroting,kst801043_8.html)>, accessed 19 September 2011

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partners will introduce a job-to-job budget and how intersectoral education will be organized. Furthermore, it is noteworthy that the use of severance pay is not under consideration in this process. In 2012, the government wants to come to an agreement with social partners regarding their responsibility in job-to-job transitions. It is hoped that the lessons inferred in this study from foreign experiences can serve as important sources of inspiration for the Dutch actors.

Owing to the economic crisis, the Dutch government announced cutbacks in expenditure. The government's view is that individuals themselves, together with the employers, are responsible for job-to-job transitions. In the build-up to the last elections several political parties suggested the shortening of the maximum duration of the unemployment benefit to one year instead of the current 38 months. In addition, the political parties suggested increasing the level of the unemployment benefit. In 2008, the Committee on Labour Market Participation, also known as the Bakker Committee, formulated proposals aimed at raising the labour market participation rate to 80% by 2016, including the introduction of a Work Budget and the transformation of the unemployment insurance scheme to an employment insurance scheme. The proposed Work Budget is a personal budget and is not linked to a job, meaning that the employee can transfer the budget to another job. The Austrian severance pay system served as an example for the proposed Work Budget. With the introduction of an employment insurance scheme employers will have a financial interest in preventing unemployment. The employment insurance comprises three phases which are shorter than the current maximum duration of the unemployment insurance. In the first phase the employer has to continue to pay 80 to 100% of the wage for a maximum duration of six months. In this phase the employer and employee are responsible for finding a new job quickly. In the second phase, the sector or industry has a financial responsibility and employees can enter a re-integration scheme provided by public or private suppliers. After the second phase the responsibility is shifted towards the municipalities. To this very day the Work Budget and employment insurance have not yet been implemented in the Netherlands, because of dissensions between the actors involved. However, in the recently presented national budget 2012, the government intends to launch a 'vitality saving scheme' as of 2013. This vitality scheme comprises elements of the previously proposed Work Budget. It remains unclear what consequences these proposals will have in the future. Compared with the other countries examined, the maximum duration of the Dutch unemployment benefit is long, but thorough research is necessary to determine the possible effects if the government intends to shorten this unemployment benefit duration. This might mean that redundant employees take up the first job available and do not wait for the right job which fits their competencies and skills. In the end this could harm productivity. When adjusting the maximum duration of the unemployment benefit it is also important to consider the notice period. In countries where the duration of the notice period for redundant

employees is longer e.g. in Sweden, the employees have more time in which to find another job while retaining their current income. Thus, in Sweden the maximum duration of the unemployment benefit is one year, but on the other hand notice periods, both the statutory and those negotiated in collective agreements, are longer than the notice periods in the Netherlands. Furthermore, Sweden has a more structural system in which job-to-job transitions are actively supported. Even the UK, where the duration and level of unemployment benefit is less generous, the government invests in early intervention and organizes 'fast-tracks' for the recently unemployed. These elements should be taken into account when considering shortening the duration of the Dutch unemployment insurance. They should certainly be considered in the light of the announced cutbacks, which involve the withdrawal by UWV Werkbedrijf of early active support for the recently unemployed.

Currently, the Netherlands has no structural job-to-job system. The job-to-job support comprises ad hoc activities, temporary measures, experiments and social plans. This study has revealed several possible lessons the Netherlands can learn in order to improve future job-to-job support, but the question remains as to whether a structural employment system is necessary for all types of employees. The findings in this study make clear that Dutch actors share the view that (public) support should be provided to redundant employees who really need it, i.e. for those who, without active job-to-job support, will run the risk of being long-term unemployed. If the state provides support too early, public money might be spent needlessly and that might take away the individual responsibility of employees and employers. However, it is not easy to assess the appropriate time and criteria for those who really need it. If employees are not able to find another job quickly, the chance of becoming long-term unemployed will increase. This study also revealed that if employers and employees invest financially in a 'fund' for job-to-job support, there is money available immediately for job-to-job support when the event of redundancy occurs. Such a system avoids liquidity problems for job-to-job support in the event of economic downturn, especially for small and medium sized companies. Countries can set up new funds for job-to-job support or seek alliance with funds that are already in place in the country (e.g. the Dutch sector funds).

It is clear that in the future smooth transitions from job-to-job are necessary in a globalizing and profoundly changing economy. In order to tackle (long)-term unemployment, rapid responses are required from national governments, employers' associations, trade unions, firms and individual employees. Job-to-job support for redundant employees will remain important in the future. This is all the more important because it seems that restructuring is commonplace owing to the needs of globalisation and innovations. Restructuring no longer depends on cyclical problems. In some sectors restructuring processes take place, while in other sectors there is an urgent demand for skilled employees.

## CONCLUSIONS

Currently, Europe is on the eve of another recession, which might even be worse than the 2008 crisis. It is apparent that the functioning of the labour market is not perfect and European countries should realize that there is an urgent need to reflect on employment security systems in order to prevent long-term unemployment. By looking at experiences in other countries lessons can be learned, but it is not possible to take what may be successful in one country and simply transplant it into another. The often long-standing interlinkage between the different forms of coordination and regulation in any given country cannot easily be undone. There is not a 'one size fits all' employment security system. Path dependence explains the restrictions and limitations in learning and transferring elements from foreign countries, but what remains is the necessity for European countries to develop an employment security system which is tailored to the national context.

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### Sweden

Date/ Time	Location/ type of interview	Organisation	Noi*	Interviewee
Thur 13-8-09 10.00- 12.00	Stockholm, Sweden Face to face	TSL	1	Chairman TSL foundation founded by Confederation of Swedish Enterprise and The Swedish Trade Union Confederation.
13-8-09 13.00- 15.00	Stockholm, Sweden Face to face	LO	2	Both interviewees are Trade Union Officials. LO is Central trade Union confirmation for 15 affiliates which organise workers within both private and public sectors. The 15 affiliates together have about 1.700.000 members. The 15 affiliates have independent status and LO is primarily an organisation for co-ordination, research, signing labour market insurance scheme and creating opinion at central and regional levels.
Friday 14-8-09 9.00- 11.30	Stockholm, Sweden Face to face	Arbetsförmed- lingen	1	Senior Advisor Public Employment Service
Mon 17-8-09 10.00- 12.00	Stockholm, Sweden Face to face	Ministry of Employment	1	Deputy Director Ministry of Employment, Division for labour law and Work Environment
17-8-09 13.00- 15.00	Stockholm, Sweden Face to face	TRR	1	Chefs jurist, since 2000 employed by TRR. Prior to this position the interviewee worked for 20 years at the Swedish Employers' Organisation
Tue 18-8-09 9.30- 11.30	Stockholm, Sweden Face to face	Almega	2	Interviewee 1: Director of the association for outplacement/staffing agencies Interviewee 2: Legal counsellor and policy advisor
13.00- 15.00	Stockholm, Sweden Face to face	Trygghetsfon- den TSL	2	Interviewer 1: Communication manager Trygghetsfonden TSL Interviewee 2: analyst Trygghetsfonden TSL
Wed 19-8-09 10.00- 12.00	Stockholm, Sweden Face to face	Svenkst Näringsliv	1	Senior Advisor Labour market at the Confederation of Swedish Enterprise. This is the largest and most influential business federation representing 50 member organizations and 54,000 member companies with some 1.5 million employees
13.00- 15.00	Stockholm, Sweden Face to face	TCO	1	Head of the TCO Research department. TCO is the Confederation of Professional Employees; an association of Swedish Trade Union Organisations for salaried employees.
16.00- 17.30	Stockholm, Sweden Face to face	Kommunal	1	Chief Economist Kommunal is the Swedish Municipal Workers Union.

\* Noi = number of interviews

APPENDIX 1

**UK**

<b>Date/time</b>	<b>Location/ type of interview</b>	<b>Organisation/ Interviewee</b>	<b>Noi*</b>	<b>Interviewee</b>
<i>Mon</i> 22-03-10 10.00-12.00	London, United Kindom Face to face	Randstad	1	Director Randstad Staffing
<i>Tue</i> 23-03-10 11.00-12.00	London, United Kindom Face to face	Jobcenter Plus/DWP	1	Head of Jobcentre Plus International Relations Team, Department for Work and Pensions
14.00-15.30	Visit City Jobcentre Plus (60 Commercial Road London E1 LP) Face to face interview	Jobcentre Plus	2	Interviewee 1: Customer Service Operations Manager, Jobcentre Plus Interviewee 2: Member Rapid Response team, Jobcentre Plus
<i>Wed</i> 24-03-2010 13.30- 15.30	London, United Kindom Face to face	HDA Human Capital Consultancy	1	Chief Executive , HDA
24-03-2010 16.45-17.30	Telephone interview London - London	NHS Employers	1	Director for Core Membership Services, NHS Employers
<i>Thursday</i> 25-03-010 14.00-16.00	London, United Kindom Face to face	Chartered Institute of Personnel and Development (CIPD)	1	Chief Economist, CIPD
<i>Tuesday</i> 31-03-2010 11.00-12.00	Telephone interview Tilburg-London (Aragón Medina et al., 2010)	CBI	1	Head of Pensions, Employment & Health and Safety Policy, CBI
<i>Wed</i> 07-04-2010 10.00-11.00	Telephone interview Tilburg-London	TUC	1	Senior Policy Officer, Trades Union Congress Congress
<i>Mon</i> 19-04-2010 11.00-12.00	Telephone interview Tilburg-London	Cabinet Office,	1	Senior Policy Adviser
<i>Tue</i> 11-01-2011 9.30-10.30	Telephone interview Tilburg-Coventry	Skills Funding Agency	1	Head of Employment and Skills, Skills Funding Agency

\* Noi = number of interviews

**Austria**

Date/time	Location/ type of interview	Organisation	Noi*	Interviewee
<i>Mon</i> 7-6-2010 14.00-15.30	Austria Vienna Face to face	AK Wien	1	AK Wien/Bereich Soziales Abteilung Arbeitsmarkt und Integration
<i>Tue</i> 8-6-2010 9.30-11.00	Austria Vienna Face to face	Bmask Federal Ministry of Labour, Social Affairs and Consumer protection	2	Interviewee 1: Director General, head of the Labour Market division in Bmask  Interviewee 2: Policy advisor Division Labour Market International Coordination
11.00-12.30	Austria Vienna Face to face	Bmask Federal Ministry of Labour, Social Affairs and Consumer protection	1	Representative of the Labour Law division, Bmask
14.00 – 16.00	Austria Vienna Face to face	Bmask Federal Ministry of Labour, Social Affairs and Consumer protection  Labour Foundation WAFF	2	Interviewee 1: Representative International labour market policy department, Bmask  Interviewee 2: Representative Wiener Arbeitnehmerinnen- förderungs-fonds (WAFF)
<i>Wed</i> 9-6-2010 9.00-11.00	Austria Vienna Face to face	Arbeitsmarktservice Österreich	1	Director AMS
18.00 -20.00	Austria Vienna Face to face	Norman Consulting Private outplacement	1	Director outplacement agency
<i>Thu</i> 10-6-2010 8.30- 10.00	Austria Vienna Face to face	Trade union Federation/congress ÖGB	1	Representative ÖGB
11.30-12:45	Austria Vienna Face to face	WKO private company representative of the temporary employment agencies	1	Private company' representative of the temporary employment agencies
14.00 -15:30	Austria Vienna Face to face	Wirtschaftskammer Österreich	2	2 representatives of WKÖ, department Social politics and Health

*Noi\** = number of interviews

APPENDIX 1

**Spain**

Date	Location/ type of interview	Organisation/	Noi*	Interviewee
<i>Mon</i> 4-10-2010 10.00-12.00	Spain, Madrid Face to face	CEET	1	Senior researcher and director of the research department
<i>Tue</i> 5-10-2010 10.00-12.00	Spain, Madrid Face to face	Ministry of employment and Public Employment Service	2	Interviewee 1: representative Ministry of employment Interviewee 2: representative Public Employment Service
15.30-18.00	Spain, Madrid Face to face	Randstad	2	Interviewee 1: International Relation manager Interviewee 2: Office manager
<i>Wed</i> 6-10-2010 11.00-13.00	Spain, Madrid Face to face	CCOO Trade union	3	Representatives of CCOO
13.00-14.30	Lunch	Allen & Overy	1	Lawyer
<i>Thu</i> 7-10-2010 9.30-12.15	Spain, Madrid Face to face	CEOE CEPYME	3	Interviewee 1: Deputy Director Social Affairs Department CEOE Interviewee 2: Head of the economic department CEPYME Interviewee 3: Representative labour and social department CEPYME
<i>Fri</i> 8-10-2010 10.00 - 12.00	Spain Madrid Face to face	AGETT Asociación de grandes empresas de trabajo temporal (Association of the largest temporary work agencies)	1	President

*Noi\** = number of interviews

## Appendix 2

## Participants expert meetings

### Participants expert meeting 11 May 2009 held at the Dutch Ministry of Social Affairs and Employment in the Hague

Organisation	Number of participants
Philips (Firm)	2
TNT (Firm)	1
Ministry of Employment and Social Affairs	5
MBO-raad (Dutch association of vocational education and training and adult education)	1
AWVN (The general employers' association)	1
TNO (Dutch Organisation for Applied Scientific Research TNO)	2
HRDS Innovation Support	1
CBS Statistics Netherlands	1
Brainport (network of companies, local authorities and education in the region Eindhoven)	1
Council for Work and Income (RWI)	1
Gatekeepers centre Noord Holland Noord	1
UWV	2
Amsterdam University	2
Tilburg University, ReflecT	5
Total number of participants	26

APPENDIX 2

**Participants expert meeting 28 April 2011 held at the Dutch ministry of Social Affairs and Employment in the Hague.**

<b>Organisation</b>	<b>Number of participants</b>
European Commission/DG Employment	1
Philips (Firm)	2
Ministry of Employment and Social Affairs	4
Ministry of the Interior and Kingdom Relations	2
Trade union FNV Bondgenoten	1
Trade union FNV Bouw	1
Trade union FNV Centrale	1
CNV National Federation of Christian Trade Unions	2
Boaborea (Dutch association for re-integration companies, outplacement agencies and other private service suppliers)	2
ABU (The Federation of Private Employment Agencies )	1
CBS Statistics Netherlands	2
RWI (Council for Work and Income)	1
Gatekeepers centre Noord Holland Noord	1
UWV WERKbedrijf/ Centre of Expertise	3
Total number of participants	24
<b>Researchers/ audience</b>	
Van Oss & Partners	1
Amsterdam University	2
Tilburg University, ReflecT	5
TeamSupport	2

## Samenvatting (Summary in Dutch)

### Aanleiding van deze studie

Als gevolg van de globalisering en toenemende concurrentie zijn veel bedrijven genoodzaakt te reorganiseren. Niet alle werknemers passen in de nieuwe structuur van de organisatie. Daarnaast zorgt de economische crisis voor gedwongen baanmobiliteit. De zekerheid van een baan voor het leven, bestaat niet meer. Soepele overgangen Van Werk Naar Werk (VWNW) zijn noodzakelijk wanneer mensen hun baan dreigen te verliezen. Dit vraagt om snelle interventies van overheden, bedrijven en werknemers zelf.

Rond 2006 verscheen 'Flexicurity' op de Europese beleidsagenda. Dit concept is hevig bediscussieerd en bekritiseerd zowel in de beleids- als in de academische wereld. Flexicurity is een samentrekking van de Engelse woorden 'Flexibility' en 'Security'. Het doel van Flexicurity is om de flexibiliteit op de arbeidsmarkt te vergroten en gelijktijdig werkzekerheid te bieden aan werknemers (Wilthagen, 2004). Flexicurity werd onderdeel van de Lissabon Agenda en is onlangs wederom bevestigd als een sleutelconcept in de EU2020 agenda. Het verkennen, beschrijven en verklaren van werkzekerheidssystemen in vier Europese landen staat centraal in deze studie. Bovendien wordt in dit onderzoek een vergelijking gemaakt met de Nederlandse praktijk met het oog op het beleidsmatig kunnen leren van de buitenlandse ervaringen.

De onderzoeksvragen van deze dissertatie luiden als volgt:

*Welke systemen of arrangementen kunnen in Europese landen worden onderscheiden die tot doel hebben de werkzekerheid voor werknemers die met ontslag worden bedreigd te verbeteren? Hoe kunnen verschillen en overeenkomsten tussen deze systemen worden verklaard? Wat kan Nederland vanuit beleidsperspectief mogelijk leren van deze buitenlandse ervaringen?*

### Theorie, definities en analytisch model

#### *Werkzekerheid*

In de literatuur en beleidsdocumenten worden verschillende definities van werkzekerheid gebruikt (Wilthagen & Tros, 2004; European Foundation for the Improvement of Living and Working Conditions, 2008; ILO definitie in Dasgupta, 2001; Europese Commissie, 2007 WRR 2007). Werkzekerheid is iets anders dan baan-zekerheid en kan kortweg het beste worden omschreven als de zekerheid aan het werk te komen én te blijven. De gehanteerde definitie van werkzekerheid kan als volgt worden omschreven:

## DUTCH SUMMARY

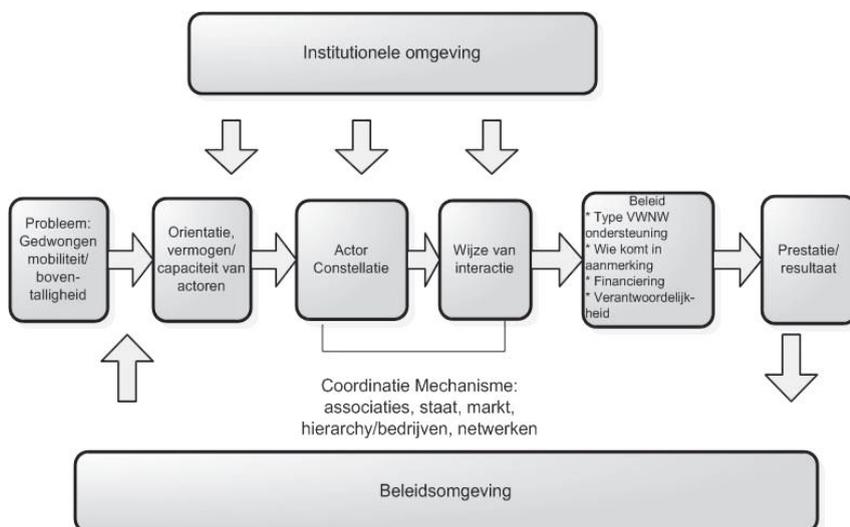
*De mogelijkheid voor werklozen en inactieve personen om de transitie te maken van werkloosheid naar werk (re-integratie/activering) en de mogelijkheid voor werknemers om aan het werk te blijven, niet noodzakelijkerwijs in dezelfde baan bij dezelfde werkgever (VWNW) (Borghouts, 2010).*

Vanuit onderzoeksoogpunt is het belangrijk te begrijpen dat de definitie van werkzekerheid twee doelgroepen onderscheidt: mensen die op de arbeidsmarkt participeren (insiders) en mensen die werkloos zijn (outsiders). Dit onderzoek richt zich op de eerste groep: werknemers die gedwongen zijn om van baan te veranderen. Er zijn verschillende fasen te onderscheiden als het gaat om werkloosheidspreventie (Evers et al., 2004). De eerste fase, de primaire preventie, betreft een gezonde bedrijfsvoering zodat de werkgever niet gedwongen is om mensen te laten afvloeien. In de fase van secundaire preventie is er sprake van een dreiging van boventaligheid; het zogenaamde 'vijf-voor-twaalf' scenario. De fase van secundaire preventie kan worden onderverdeeld in twee subfasen: dreiging van ontslag en de ontslagaanzegging. In het eerste geval kan de werkgever preventieve interne of externe maatregelen treffen om gedwongen ontslagen te voorkomen, zoals het aanpassen van arbeidskosten, arbeidstijden of het vergroten van de employability van het personeel. Wanneer ontslagen niet meer te voorkomen zijn en het ontslag wordt aangezegd, is de ondersteuning gericht op curatieve maatregelen met het doel om directe VWNW transitie te realiseren. Wanneer het arbeidscontract is beëindigd en werknemers werkloos zijn geworden, kan tertiaire preventie worden ingezet. In deze fase zijn maatregelen gericht op de preventie van langdurige werkloosheid. Dit onderzoek richt zich op curatieve maatregelen of arrangementen met het oog op directe VWNW transities voor mensen die boventalig zijn verklaard.

### *Werkzekerheidsysteem en analytisch model*

In deze studie worden werkzekerheidsystemen verkend. In de systeemtheorie duidt een systeem op 'een samengesteld geheel van componenten die elkaar beïnvloeden en die samen met de relaties tussen deze componenten een identificatie van een begrensde entiteit of proces vertegenwoordigen' (Laszlo & Krippner, 1998). Een systeem is dus een verzameling van onderdelen of elementen die met elkaar in wisselwerking staan om als een geheel te kunnen functioneren. Gebaseerd op werk van Gilbert en Specht, Scharpf en Thompson et al. is in deze studie een analytisch kader uitgewerkt voor het beschrijven, het analyseren en verklaren van werkzekerheidsystemen (zie figuur 1). In werkzekerheidsystemen kunnen actoren die met elkaar interacteren een belangrijke rol spelen in de ontwikkeling van VWNW beleid en arrangementen. Daarom gaat deze studie verder dan enkel de beschrijving van het ontwikkelde VWNW beleid of arrangementen in verschillende Europese landen. Het onderzoek richt zich ook op de institutionele setting, de betrokken actoren met hun preferenties en capaciteiten, het ontwikkelde beleid en de prestaties daarvan.

Figuur 1: Analytisch kader voor het beschrijven en verklaren van werkzekerheidssystemen



Ontleend en aangepast aan eerder werk van Scharpf (1997), Gilbert & Specht (1974) en Thompson et. al (1991)

#### *Lessen leren, beleidsleren en beleidsovername*

De derde belangrijke vraag van deze studie is wat Nederland kan leren van de buitenlandse werkzekerheidssystemen met het oog op de verdere beleidsontwikkeling van werkzekerheid in Nederland. Landen kunnen van elkaar leren, dat doen ze ook, maar wat ze leren, tot op welke hoogte, wie er leert en hoe geleerd wordt, is moeilijk vast te stellen. Beleidsleren (*policy learning*) kan leiden tot het overnemen van beleid (*policy transfer*), maar dat is niet altijd noodzakelijk. De concepten van beleidsleren en beleidsovername worden vaak in één adem genoemd of aan elkaar gelinkt. Op basis van de bestaande literatuur kan de conclusie worden getrokken dat er geen tekort is aan het analyseren van het concept van beleidsleren, het leren van lessen en beleidsovername. Beleidsleren en beleidsovername zijn twee elementen van het concept 'lessen leren'. Deze studie beperkt zich tot het beleidsleren (*policy learning*) en gaat niet in op de vraag of de lessen ook door Nederland overgenomen (*policy transfer*) kunnen of moeten worden. Dit laatste vraagt om haalbaarheidstudies en het innemen van een politiek standpunt. Dit valt buiten het kader van deze dissertatie.

#### **Methode van onderzoek**

Niet alle EU lidstaten kunnen meegenomen worden in dit onderzoek. De reden voor een selectie van landen heeft te maken met de diepgaande kwalitatieve

## DUTCH SUMMARY

onderzoeksmethode van deze studie. Een viertal landen is geselecteerd op basis van het type welvaartsregime, de geografische spreiding en de historische classificatie van de sociale zekerheidssystemen. De geselecteerde landen zijn: Zweden, het Verenigd Koninkrijk, Oostenrijk en Spanje. Deze vier landen zijn bestudeerd en vervolgens vergeleken met Nederland. Verschillende databronnen zijn geraadpleegd om de onderzoeksvragen te kunnen beantwoorden. Het onderzoek is gestart met een literatuuronderzoek waarin tevens relevante beleidsdocumenten zijn bestudeerd. In mei 2009 is er een eerste expertbijeenkomst georganiseerd op het Nederlandse Ministerie van Sociale Zaken en Werkgelegenheid. Deelnemers aan de bijeenkomst waren belangrijke Nederlandse stakeholders. De doelstelling van deze bijeenkomst was informatie te delen over de eerste bevindingen van de desk research. Op basis van de bevindingen uit deze expertbijeenkomst is het interviewprotocol aangepast en zijn de bezoeken aan de vier landen voorbereid.

Vervolgens zijn in 2009 en 2010 de geselecteerde landen bezocht. In elk land zijn diepgaande face-to-face interviews afgenomen met vertegenwoordigers van ministeries, arbeidsvoorzieningsorganisaties, werkgeversorganisaties, vakbonden, private marktpartijen, wetenschappers en andere relevante partijen. De interviews zijn in het Engels afgenomen, digitaal opgenomen en vervolgens letterlijk uitgeschreven en geanalyseerd met behulp van het kwalitatieve software programma ATLAS.ti. Op verzoek van de Spaanse gesprekspartners is er tijdens de interviews een vertaler ingezet, zodat de geïnterviewden konden antwoorden in hun eigen taal.

In april 2011 is er vervolgens een tweede expertbijeenkomst georganiseerd op het Nederlandse Ministerie van Sociale Zaken en Werkgelegenheid. De bevindingen uit de landenbezoeken zijn door de onderzoeker gepresenteerd. De presentatie werd afgesloten met een opsomming van een aantal mogelijke lessen die Nederland zou kunnen leren van deze buitenlandse ervaringen. De deelnemers hebben deze lessen gewaardeerd aan de hand van een schaal die varieerde van "niet interessant/niet overnemen" tot "interessante les, moet Nederland één op één kopiëren". Aansluitend leidde een onafhankelijke gespreksleider een 'versnellingskamer' sessie waarbij met behulp van geavanceerde technologie werd gebrainstormd over de vraag wat er in Nederland zou moeten gebeuren als het gaat om 'Van Werk-Naar-Werk' beleid en activiteiten. De verschillende organisaties konden via deze weg naar voren brengen wat de reactie van hun organisatie is op de beleidsinitiatieven die zijn opgetekend in de betreffende buitenlandse landen. Daarnaast brachten de deelnemers zelf voorstellen in ter bevordering van VWNW transitie in Nederland in geval van gedwongen ontslag.

## Onderzoeksresultaten

### 1. Verschillen en overeenkomsten van werkzekerheidsystemen in de bestudeerde landen verklaard

De hoofdstukken 3, 4, 5 en 6 geven antwoord op de eerste twee onderzoeksvragen. In deze hoofdstukken zijn de werkzekerheidsystemen in Zweden, het Verenigd Koninkrijk, Oostenrijk en Spanje onderzocht. Het eerder gepresenteerde analytisch model vormde het uitgangspunt voor de beschrijving en verklaring van de werkzekerheidsystemen. De bevindingen worden hierna samengevat.

#### *Institutionele setting*

##### *Ontslagbescherming*

De ontslagbescherming verschilt in de onderzochte landen. Het Verenigd Koninkrijk heeft de minst strikte ontslagregels, wat betekent dat het voor Britse werkgevers relatief gemakkelijk is om werknemers aan te ontslaan. De vacaturegraad geeft een indicatie van het aantal openstaande vacatures en is in het Verenigd Koninkrijk hoog ten opzichte van de andere onderzochte landen. Verder kent het Verenigd Koninkrijk het laagste percentage werknemers met een tijdelijk contract. Dit kan mede worden verklaard door het soepele ontslagstelsel. In Zweden is de ontslagbescherming strikter dan in het Verenigd Koninkrijk, maar het mobiliteitspercentage is hoger. De strengere ontslagbescherming weerhoudt Zweedse werknemers dus niet om transities naar een andere baan te maken.

Van de onderzochte landen heeft Spanje de meest strenge regels ten aanzien van ontslagbescherming. Dit strikte stelsel is een nalatenschap van dictator Franco waarin baanzekerheid voor het leven werd gegarandeerd in ruil voor volgzzaamheid waar het gaat om het bepalen van de lonen en het instemmen met de politieke koers. Na Franco's dood, eind jaren zeventig, startte het dereguleringsproces. Dit hield in dat tijdelijke contracten werden toegestaan. Echter, er werd niets gedaan aan de hoge ontslagbescherming van mensen met een vast contract. Dit leidde tot een tweedeling op de arbeidsmarkt die tot op de dag van vandaag, ondanks verschillende hervormingen, nog steeds aanwezig is. De Spaanse arbeidsmarkt kenmerkt zich door een groep mensen met een tijdelijk contract met onzekere en zwakke arbeidsvoorwaarden en een groep werknemers met een vast contract die erg goed zijn beschermd. In Oostenrijk is de ontslagbescherming strikter dan in het Verenigd Koninkrijk, maar minder strikt dan in Spanje.

##### *Opzegtermijnen*

Naast de ontslagbescherming is de opzegtermijn een belangrijk kenmerk van de institutionele omgeving die het gedrag van actoren en de ontwikkeling van VWNW beleid kan beïnvloeden. De werkgever kan gehouden zijn aan wettelijke opzegtermijnen wanneer hij van plan is om mensen te ontslaan. Wanneer het ontslag is aangezegd, kunnen curatieve VWNW maatregelen worden ingezet.

## DUTCH SUMMARY

Hoe langer de opzegtermijn, hoe meer tijd de boventallige medewerker heeft om een andere baan te zoeken onder de huidige arbeidscondities. De werkgever betaalt immers het loon door tijdens de opzegperiode. De wettelijke opzegtermijn is het kortst in Spanje, gevolgd door het Verenigd Koninkrijk. In Zweden zijn de wettelijke opzegtermijnen het langst. Daar komt nog bij dat in Zweden werkgeversorganisaties en vakbonden in collectieve overeenkomsten kunnen afwijken van wetgeving en in de praktijk zijn de overeengekomen ontslagtermijnen nog langer.

### *Inkomenszekerheid*

Wanneer het arbeidscontract is beëindigd, kunnen boventallige medewerkers onder bepaalde voorwaarden in aanmerking komen voor een werkloosheidsuitkering. De hypothese is dat wanneer het verschil tussen het laatst verdiende salaris en de uitkering groot is, de werknemer genoodzaakt is om zo snel mogelijk een andere baan te vinden. Het risico bestaat dan dat mensen de eerste baan aannemen die ze kunnen vinden, terwijl deze baan niet noodzakelijkerwijs hoeft aan te sluiten bij de capaciteiten en vaardigheden van de betreffende persoon. Dit zou betekenen dat het potentieel van de werknemer niet ten volle wordt benut, wat uiteindelijk zou kunnen leiden tot een lagere arbeidsproductiviteit. De OECD heeft een indicator ontwikkeld, de vervangingsgraad (*replacement rate*), die aangeeft wat het inkomen zal zijn op basis van de werkloosheidsuitkering en andere gerelateerde uitkeringen in percentage van het laatste verdiende loon. In het Verenigd Koninkrijk is de vervangingsgraad het laagst van de onderzochte landen, terwijl die in Spanje het hoogst is. De vervangingsgraden van Zweden en Oostenrijk zitten daar tussenin. Werkzoekenden in Oostenrijk die een werkloosheidsuitkering aanvragen dienen in de afgelopen twee jaar ten minste voor 52 weken premies te hebben betaald. De duur van de werkloosheidsuitkering hangt af van de leeftijd van de werkzoekende en het arbeidsverleden en is maximaal 52 weken. Echter wanneer men gaat deelnemen in een arbeidsstichting kan de uitkering verlengd worden tot maximaal 4 jaar.

In Zweden is de duur van de wettelijke werkloosheidsuitkering maximaal 300 dagen. De uitkering bestaat uit een basis uitkering en een inkomensgerelateerde uitkering. Om in Zweden in aanmerking te komen voor de inkomensgerelateerde uitkering moet de werknemer lid zijn van een werkloosheidsverzekeringsfonds in de sector waarin hij of zij werkzaam is.

Wanneer een Britse werknemer zijn baan verliest kan hij/zij een Jobseekers' Allowance (JSA) aanvragen. Deze uitkering bestaat uit twee delen: een contributie gebaseerde uitkering en een inkomensgerelateerde uitkering. De eerste uitkering is gebaseerd op nationale premieafdrachten in de afgelopen 2 jaar, voor maximaal 182 dagen. De inkomensgerelateerde uitkering is voor degenen die niet genoeg premies hebben betaald of voor wie de contributie gebaseerde uitkering inmiddels is beëindigd. Bij de inkomensgerelateerde uitkering wordt rekening gehouden met het huishoudinkomen en het vermogen. Spaanse werknemers die hun baan verliezen hebben recht op een werkloosheidsuitkering mits ze in de zes jaren

voorafgaand aan de werkloosheid ten minste over 360 dagen premies hebben afgedragen voor de sociale zekerheid. De duur van de uitkering hangt af van het aantal jaren dat de werknemer heeft gewerkt in de zes jaar voordat hij werkloos werd en sociale zekerheidspremies heeft afgedragen. De maximale duur van de uitkering is twee jaar.

### ***Actoren inclusief hun oriëntaties, capaciteiten en wijze van interactie***

In Zweden spelen vakbonden en werkgeversorganisaties een belangrijke rol in het VWNW systeem. Collectieve overeenkomsten zijn erg belangrijk in het reguleren en coördineren van de Zweedse arbeidsmarkt. Een belangrijk kenmerk van de Zweedse akkoorden is dat ze mogen afwijken van de Zweedse wet- en regelgeving. Gezien de sterke rol van werkgeversorganisaties en vakbonden op de Zweedse arbeidsmarkt en de hoge organisatiegraad van vakbonden is het niet verrassend dat deze actoren ook betrokken zijn bij het ontwikkelen van VWNW beleid en arrangementen door middel van de zogenaamde transitie-akkoorden. Eén van de belangrijkste verklarende variabelen voor het ontstaan van deze akkoorden is de opvatting van de verschillende Zweedse actoren dat mensen in plaats van banen beschermd moeten worden. Zowel Zweedse vakbonden als werkgeversorganisaties zijn bereid om te onderhandelen en hun eisen aan te passen om consensus te bereiken in de veronderstelling dat ze ook in de toekomst elkaar zullen ontmoeten aan de onderhandelingstafel. De overheid bemoeit zich niet met de invulling van de transitie-akkoorden. Wanneer een akkoord is gesloten, houden beide partijen zich hier ook aan wat rust geeft op de Zweedse arbeidsmarkt. Het aantal stakingen is daarom erg laag in vergelijking met de andere onderzochte landen.

In tegenstelling tot de Zweedse praktijk spelen Britse vakbonden en werkgeversorganisaties een zeer beperkte rol in VWNW transitie's. In de jaren tachtig en negentig van de vorige eeuw verzwakte de positie van de vakbonden en in vergelijking met Zweden is de organisatiegraad van Britse vakbonden erg laag. Het vermogen en de capaciteiten om resultaten te boeken op het terrein van de arbeidsmarkt is in het Verenigd Koninkrijk dus gering in vergelijking met Zweden. De beperkte rol van Britse werkgeversorganisaties kan worden verklaard door een afname van 'multi-employer' onderhandelingen. Vandaag de dag vinden onderhandelingen met vakbonden plaats met één individuele werkgever (single-employer bargaining). Als gevolg van het feit dat Britse sociale partners dus geen rol van betekenis spelen in het ontwikkelen van VWNW arrangementen en het Verenigd Koninkrijk in de afgelopen jaren ook geconfronteerd is met economische neergangen, is de Britse overheid gaan interveniëren om het falen van de arbeidsmarkt te corrigeren. De staat heeft verschillende programma's (o.a. de Rapid Response Service (RRS) en de Response to Redundancy Programme (R2R)) ingevoerd met het doel mensen die boventallig zijn verklaard snel naar ander werk te begeleiden.

## DUTCH SUMMARY

In Oostenrijk spelen de overheid, de arbeidsvoorzieningsorganisatie en indirect ook de sociale partners een belangrijke rol in het ondersteunen van VWNW transitie. Dit is ook te verwachten gezien de corporatistische traditie van dit land. De sociale partners zijn vertegenwoordigd in besturen en commissies op verschillende niveaus van de publieke arbeidsvoorzieningsorganisatie. Bovendien zijn ze zeer betrokken bij het ontwikkelen van wetgeving en beleid. De arbeidsstichting (*Arbeitsstiftung*) is op dit moment een veelgebruikt instrument om een periode van werkloosheid te overbruggen. De Oostenrijkse zienswijze van de betrokken actoren is dat geld en een sociaal plan waardevol zijn, maar dat boventallige medewerkers het meest geholpen zijn met actieve ondersteuning naar een andere baan. Verder kent Oostenrijk trainingsnetwerken (*Qualifizierungsverbände*). In deze netwerken delen werkgevers de kosten van opleidingen en trainingen. Een netwerk bestaat uit minimaal drie bedrijven waarvan ten minste 50% bestaat uit MKB bedrijven.

In Spanje is er geen VWNW systeem. De wijze van interactie zoals in Zweden tussen vakbonden en werkgeversorganisaties ontbreekt in Spanje. De relatie tussen de sociale partners kan worden getypeerd als gespannen en het onderlinge vertrouwen ontbreekt, terwijl een constructieve dialoog noodzakelijk is om VWNW beleid en arrangementen te kunnen ontwikkelen. Bovendien zijn de Spaanse actoren, met name de vakbonden en werknemers, vooral gefocust op baan zekerheid in plaats van werk zekerheid. Als gevolg van de economische crisis voelde de Spaanse overheid zich in 2010 genoodzaakt om arbeidsmarkt hervormingen af te kondigen die vervolgens door de sociale partners geïmplementeerd dienen te worden. De vraag is echter of dit gaat gebeuren. De overheid heeft nu als prioriteit om de stijgende werkloosheid een halt toe te roepen en focust zich op de transitie van inactiviteit naar werk in plaats van VWNW. Echter de zorgwekkende financiële situatie met een groot begrotingstekort en het feit dat Spanje een groot land is met drie keer zoveel inwoners als Nederland en vijf keer zoveel inwoners als Zweden en Oostenrijk, verklaren waarom het voor Spanje niet gemakkelijk is om nieuw VWNW beleid te ontwikkelen. In landen met een grote arbeidspopulatie en weinig openstaande vacatures is het moeilijker om mensen van werk naar werk te helpen dan in landen met een kleinere arbeidspopulatie en weinig openstaande vacatures.

### **Beleid**

#### *Type ondersteuning*

Het type actieve ondersteuning dat geboden wordt aan boventallige medewerkers is vergelijkbaar in Zweden, het Verenigd Koninkrijk en Oostenrijk. Het gaat om professionele oriëntatie, job coaching, scholing en training, stages en actieve ondersteuning in het zoeken naar ander werk. Echter de manier waarop de ondersteuning is georganiseerd, uitgevoerd en gefinancierd, verschilt in de onderzochte landen. In Zweden en het Verenigd Koninkrijk richt men zich op

vroegtijdige VWNW interventies. In Zweden gebeurt dat via de transitiefondsen en in het Verenigd Koninkrijk door de Rapid Response Service en het Reponse to Redundancy Programme. De ondersteuning aangeboden via de Rapid Response Service is flexibel en aangepast aan de behoeften van de werkgever en de boventallige werknemer. Het doel van het Response to Redundancy programme is het aanbieden van beroepsopleiding gericht op het ontwikkelen van vaardigheden van de boventallige medewerker die aansluiten bij de behoeften van rekruterende werkgevers. In Oostenrijk is de VWNW ondersteuning georganiseerd via de verschillende arbeidsstichtingen.

In Spanje is er geen directe actieve VWNW ondersteuning. In het licht van preventie van werkloosheid werd het Spaanse Tripartiete Fonds voor Beroepsopleidingen en Trainingen (La Fundación Tripartita para la Formación en el Empleo) genoemd in de interviews. Dit is een nationaal fonds dat wordt bestuurd door de overheid, vakbonden en werkgeversorganisaties. Het fonds biedt financiële ondersteuning aan bedrijven en werknemers die beroepsgerichte trainingen of opleidingen willen volgen. Het fonds is niet gericht op VWNW trajecten, maar de trainingen die worden aangeboden aan werknemers kunnen wel als preventie van werkloosheid worden beschouwd.

In alle onderzochte landen wordt een ontslagvergoeding aangeboden aan boventallige medewerkers. De duur en de hoogte van de ontslagvergoedingen variëren tussen de onderzochte landen. In 2003 is het Oostenrijkse ontslagsysteem hervormd. In het oude systeem (*Abfertigung Alt*) was het minder aantrekkelijk om van baan te wisselen wanneer men langer bij dezelfde werkgever in dienst was. De werknemer verloor de ontslagvergoeding wanneer hij vrijwillig van baan veranderde. De ontslagvergoeding moest door de werkgever wel uitgekeerd worden, wanneer de werknemer met pensioen ging. In de nieuwe wet (*Abfertigung Neu*) is de ontslagvergoeding die wordt uitgekeerd aan het eind van de arbeidsovereenkomst, vervangen door een maandelijkse bijdrage (1.53%) in een individueel fonds (*Mitarbeitervorsorgekassen*). Wanneer werkgevers in de laatste twee jaar bijdragen in het fonds hebben gestort en het ontslag niet op initiatief van de werknemer is, kan de ontslagvergoeding direct worden uitgekeerd. Wanneer niet aan deze twee criteria wordt voldaan, blijft het geld in het fonds en wordt het meegenomen naar de nieuwe werkgever (Rugzakprincipe). De opgebouwde rechten worden op zijn laatst uitgekeerd wanneer de werknemer met pensioen gaat. Het bedrag wordt uitgekeerd aan de werknemer en is vrij besteedbaar. De hervormingen uit 2003 zouden de mobiliteit en flexibiliteit op de arbeidsmarkt moeten vergroten, maar verbeterd de employability van de betrokken werknemers niet. Doel van de nieuwe wet is het bevorderen van mobiliteit op de arbeidsmarkt, het aanpakken van liquiditeitsproblemen van bedrijven die de ontslagvergoeding niet kunnen betalen, het vergroten van de doelgroep en het uitbreiden van de tweede pijler aan pensioenrechten. Oostenrijk heeft dus het traditionele systeem van ontslagvergoedingen dat gebaseerd is op de traditionele arbeidsmarktrelatie tussen één werknemer en één bedrijf, omgevormd tot

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een breder opgezet landelijk systeem van fondsvorming.

### *Wie komt in aanmerking voor de ondersteuning?*

In Zweden en Oostenrijk kunnen zowel grote als kleine bedrijven participeren in respectievelijk de transitiefondsen en de arbeidstichtingen. Vanaf 2012, zal met de invoering van een transitieovereenkomst in de Zweedse gemeentelijke sector, het merendeel van de Zweedse werknemers met een vast contract onder een transitieovereenkomst vallen en recht hebben op actieve VWNW ondersteuning. Zweedse werknemers met een tijdelijk contract komen niet in aanmerking voor ondersteuning via de transitiefondsen. De selectie criteria voor wie kan deelnemen in een Oostenrijkse arbeidstichting worden bepaald door het bedrijf, de ondernemingsraad of vakbond en de publieke arbeidsvoorziening. In het algemeen kunnen mensen die hun baan hebben verloren en die recht hebben op een werkloosheidsuitkering toetreden tot een dergelijke stichting.

In het verleden werden gedwongen ontslagen bij Britse MKB bedrijven niet altijd opgemerkt door Jobcentre Plus, de Britse publieke arbeidsvoorzieningsorganisatie. Sinds de introductie van een 'early warning' systeem in oktober 2009 delen de Insolvency Trade Body R3, de Insolvency Service en Jobcentre Plus informatie met betrekking tot mogelijke baanverliezen in bedrijven die in moeilijke omstandigheden verkeren. Britse werknemers die met ontslag worden bedreigd of van wie inmiddels het ontslag is aangezegd, kunnen gebruik maken van de al genoemde Rapid Response Service en het Response to Redundancy Programme.

### *Financiering*

Zweedse werkgevers betalen periodiek 0,3% over de totale loonsom aan een transitiefonds. Deze private fondsen worden bestuurd en beheerd door de vakbonden en werkgeversorganisaties. Op het eerste gezicht lijkt het of alleen werkgevers deze fondsen financieren. Echter, uit de interviews kwam naar voren dat werknemers indirect meebetalen. In ruil voor de financiële werkgeversbijdrage aan het transitiefonds, is het gebruikelijk dat loonsverhogingen niet of in beperkte mate worden doorgevoerd in de collectieve overeenkomsten. Deze uitruil maakt dus deel uit van het onderhandelingsproces tussen werkgeversorganisaties en vakbonden.

De diensten van de Britse Rapid Response Service zijn voor de boventallige werknemers en bedrijven gratis. Jobcentre Plus ontvangt financiering van het Department of Work and Pensions op basis van strategische doelstellingen en management targets. Het budget voor de RRS is na de crisis van 2008 verhoogd en bedroeg in 2009/2010 GBP 12 miljoen (EUR 13.670.000 euro). Het Response to Redundancy programma is onderdeel van een pakket aan crisis maatregelen en de Skills Funding Agency heeft een budget van GBP 100 miljoen (EUR 113.920.000 euro) om boventallige medewerkers te ondersteunen. De helft van dit budget wordt gefinancierd vanuit ESF middelen, de andere helft door het "Train to Gain" budget vanuit het Department for Business, Innovation and Skills.

De financiering van een Oostenrijkse arbeidsstichting hangt af van het type stichting (onderneming, sectoraal, regionaal, insolventie) en van de onderhandelingen tussen het management van het bedrijf, werknemersvertegenwoordigers en eventueel met cofinancierders zoals de publieke arbeidsvoorzieningsorganisatie AMS en lokale overheden.

Een ander instrument om werkloosheid te voorkomen zijn de Oostenrijkse trainingsnetwerken. Een dergelijk netwerk bestaat uit ten minste drie bedrijven waarvan de helft van de deelnemende bedrijven een MKB-bedrijf is. Doel is gezamenlijke trainingen aan te bieden voor werknemers die aansluiten bij de behoeften van de werkgevers. De idee is dat de werknemers de opgedane kennis en vaardigheden eventueel mee kunnen nemen naar een andere werkgever. De publieke arbeidsvoorziening betaalt mee aan de training en de personele kosten, mits de training wordt gegeven door een extern opleidingsinstituut.

Het bedrijf dat mensen moet ontslaan, betaalt een bepaald bedrag aan de arbeidsstichting. In de Offene Arbeitsstiftung Wien geldt een gereduceerd tarief voor Weense deelnemers die afkomstig zijn van MKB-bedrijven of bedrijven die een zwakke financiële positie hebben.

De financiering komt tot stand via verschillende bronnen. De bijdragen kunnen afkomstig zijn van:

- de werkgevers die mensen boventallig hebben verklaard. Dit kunnen financiële bijdragen zijn, maar ook materiële bijdragen zoals het ter beschikking stellen van kantoorruimte of technische apparatuur voor opleidingen;
- boventallige medewerkers (afstand ontslagvergoeding);
- bijdragen van collega werknemers die niet boventallig zijn verklaard (solidariteits contributie);
- publieke financiering (AMS, regionale, lokale overheid).

Het Spaanse tripartiete fonds voor beroepsopleidingen (La Fundación Tripartita para la Formación en el Empleo) is een nationaal fonds dat financiële ondersteuning biedt aan bedrijven en werknemers die beroepsgerichte trainingen of opleidingen willen volgen. Op het brutoloon wordt 0.70% ingehouden dat wordt gestort in een nationaal fonds voor trainingen. Van deze 0.70% neemt de werkgever 0.60% voor haar rekening, de resterende 0.10% betaalt de werknemer. In eerste instantie richtte het fonds zich enkel op opleidingen voor werknemers. Sinds een wetwijziging in 2007 behoren ook werklozen tot de doelgroep van het fonds. Van de totale middelen die het fonds in 2010 tot haar beschikking heeft (EUR 2.571.633.130), wordt 60% besteed aan opleidingen voor werknemers en 40% aan werklozen. Het Europees Sociaal Fonds gaf in 2010 een subsidie van EUR 250.000.000 aan het fonds (Fundación Tripartita para la Formación en el Empleo, 2010b).

*Verantwoordelijkheidsverdeling*

Zweedse werkgevers en vakbonden hebben een belangrijke rol in de VWNW activiteiten en het afsluiten van transitie-akkoorden. De hulp die wordt aangeboden en de wijze waarop dit is georganiseerd, verschilt per fonds. Individuele bedrijven kunnen gebruik maken van de financiële ondersteuning vanuit de transitiefondsen, maar bij voldoende middelen kunnen zij ook zelf interne programma's of speciale afdelingen opzetten met het doel boventallige werknemers aan ander werk te helpen (route 2). De derde route die gevolgd kan worden, is de publieke route. De publieke arbeidsvoorzieningsorganisatie kan werklozen ondersteuning bieden. Het gaat dan om een indirecte transitie: van werk naar werkloosheid en hopelijk weer snel terug naar werk. De publieke arbeidsvoorzieningsorganisatie besteedt activiteiten uit aan private marktpartijen. Deze vierde route, via private dienstverleners, staat in vergelijking met Nederland echter nog in de kinderschoenen. Ook individuele bedrijven kunnen rechtstreeks gebruik maken van private diensten, bijvoorbeeld via outplacementbedrijven.

In een reorganisatie concentreren Britse vakbonden zich op het onderhandelen van de 'beste deal' voor de werknemers. In de eerste plaats richten de onderhandelingen zich op het voorkomen van ontslagen en als dat onvermijdelijk is dan zal men strijden voor een ontslagvergoeding die hoger is dan het wettelijk minimum. De onderhandelingen gaan ook over het bevriezen van lonen in ruil voor baan-zekerheid. Er vinden nauwelijks onderhandelingen plaats over het bieden van ondersteuning naar ander werk en de rol van werkgeversorganisaties is op dit terrein beperkt.

De overheid vervult een rol in het VWNW traject via de reguliere werkzaamheden van de Jobcentres, maar ook via programma's zoals de RRS en R2R. In de RRS zijn bij grote reorganisaties naast de publieke arbeidsvoorzieningsorganisatie andere partners vertegenwoordigd, zoals de Skills Funding Agency, de Kamer van Koophandel, lokale overheden en de Regional Development Agencies. In het verleden zijn Task Forces opgericht om de gevolgen van een grootschalige reorganisatie op te vangen. Via een open offerte procedure wordt bepaald welke training- of opleidingsinstituten de opdracht krijgen om de opleidingen voor boventallige medewerkers te verzorgen, bijvoorbeeld in het kader van het Response to Redundancy Programme. Over het algemeen gaat het om één of twee trainingsorganisaties per regio. Noemenswaardig zijn verder de Local Employment Partnerships (LEP) die sinds 2007 bestaan. In eerste instantie zijn deze netwerken opgericht om mensen met een grote afstand tot de arbeidsmarkt in contact te brengen met werkgevers. Jobcentre Plus biedt werkgevers die op zoek zijn naar nieuw personeel de mogelijkheid om door Jobcentre Plus de screening en selectie te laten verzorgen. Een aantal kandidaten wordt dan aan werkgevers voorgesteld, waaronder mensen met een grote afstand tot de arbeidsmarkt die anders niet uitgenodigd zouden worden voor een sollicitatiegesprek. In 2009 zijn deze LEPs uitgebreid en worden ook medewerkers die net hun baan hebben verloren voorgesteld aan werkgevers met vacatures. Indivi-

duale bedrijven, vooral grote bedrijven met voldoende financiële middelen, kunnen outplacementtrajecten inkopen bij private marktpartijen. Dit doen Britse bedrijven ook, in het bijzonder voor het begeleiden van mensen op hogere posities. Volgens de respondenten in het Verenigd Koninkrijk vervullen vooral individuele werkgevers en de overheid de belangrijkste rol als het gaat om het ondersteunen van VWNW transities.

De Oostenrijkse overheid en de publieke arbeidsvoorziening spelen een belangrijke rol in het snel weer aan het werk helpen van werkzoekenden. De arbeidsvoorzieningsorganisatie AMS is verdeeld in één federale, negen regionale en 99 lokale instanties. Kenmerkend is dat sociale partners op al deze niveaus vertegenwoordigd zijn in het bestuur van de publieke arbeidsvoorziening AMS. Dit is ook niet verrassend gezien de corporatistische structuur van dit land. De invloed van sociale partners op het arbeidsmarktbeleid is geformaliseerd in besturen en commissies en gaat vaak verder dan alleen het consulteren. Voordat een wet naar het parlement gaat, zijn de details uitvoerig besproken met sociale partners. Het gezamenlijke standpunt wordt gewoonlijk als uitgangspunt genomen voor het overheidsbeleid. De AMS koopt diensten in bij marktpartijen. Meestal gaat het dan om diensten ten aanzien van het verbeteren van de kwalificaties van werkzoekenden. De rol van private marktpartijen groeit, maar is ten opzichte van de rol van de overheid/AMS nog beperkt. De stichtingen kunnen afhankelijk van het type 'stiftung', een initiatief zijn van een individuele onderneming, van meerdere bedrijven of van de overheid/AMS/lokale autoriteit. Bij de 'qualifizierungsverbünde' is sprake van een netwerkbenadering, waarbij financiering gezocht wordt bij de overheid.

In Spanje is er geen duidelijke verantwoordelijkheidsverdeling als het gaat om VWNW transities. Actieve VWNW ondersteuning ontbreekt. Mensen die boventallig worden verklaard, worden in de regel werkloos en ontvangen een uitkering van de staat. Het gebrek aan vertrouwen tussen sociale partners en de afwezigheid van een duidelijke verantwoordelijkheidsverdeling verklaart mede waarom er geen actieve VWNW ondersteuning aan boventallig medewerkers wordt aangeboden.

### ***Prestaties/resultaten***

De institutionele omgeving, de betrokken actoren, inclusief hun preferenties en capaciteiten, de interactie tussen de actoren en het ontwikkelde beleid (type ondersteuning, financiering, wie heeft er recht op en de verantwoordelijkheidsverdeling) bepalen de uiteindelijke prestaties van een werkzekerheidssysteem. Diepgaande evaluaties van het ontwikkelde VWNW beleid en arrangementen in de bestudeerde landen waren niet mogelijk in het tijdsbestek van deze dissertatie. Toch is de vraag naar de effectiviteit van de genomen beleidsmaatregelen belangrijk in het licht van beleidsleren en beleidsovername. Daarom is in deze

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studie gebruik gemaakt van secundaire data om de vraag te kunnen beantwoorden of de genomen beleidsmaatregelen in de onderzochte landen succesvol zijn. Aan de geïnterviewden is gevraagd of er onafhankelijke evaluaties beschikbaar zijn. In Zweden en het Verenigd Koninkrijk zijn geen studies beschikbaar over de effectiviteit van de VWNW systemen of arrangementen. Van twee transitiefondsen zijn de resultaten beschikbaar gesteld aan de onderzoeker. Echter de opzet en werkwijze van de transitiefondsen verschillen dermate, dat deze resultaten niet gebruikt kunnen worden om generaliserende uitspraken te doen over de effectiviteit van de Zweedse transitie-akkoorden en fondsen.

In het Verenigd Koninkrijk houdt Jobcentre Plus de resultaten niet systematisch bij van de Rapid Response Service. De reden daarvoor is dat het te duur is deze data te verzamelen. In Oostenrijk zijn wel studies aangetroffen. Een studie uit 2005 laat zien dat 67% van de deelnemers die een arbeidsstichting verlaten een jaar daarna volledig aan het werk is. Echter, deze studie houdt geen rekening met de netto effecten van de interventies. In een studie van de Elektra Bregenz stichting is wel rekening gehouden met de netto effectiviteit. Hieruit blijkt dat 75% van de deelnemers die participeerden in een stichting drie maanden na afloop van de interventie weer aan het werk was, terwijl dat bij de controlegroep (mensen die niet participeerden in de stichting) 49% was. Maar ook dit is een voorbeeld van één stichting en net als de Zweedse transitiefondsen verschillen de Oostenrijkse stichtingen qua opzet en uitvoering. Op basis van de beschikbare secundaire data kunnen dus geen generaliserende uitspraken worden gedaan over de effectiviteit van de Oostenrijkse stichtingen.

## 2. Beleidsleren op het terrein van werkzekerheidssystemen

Hoofdstuk 7 en 8 geven antwoord op de derde onderzoeksvraag. Wat kan Nederland beleidsmatig leren van de buitenlandse ervaringen als het gaat om de toekomstige ontwikkeling van werkzekerheid?

### *VWNW in Nederland*

Om op basis van de buitenlandse ervaringen mogelijke beleidslessen voor Nederland te kunnen formuleren, is het eerst van belang dat we weten hoe het Nederlandse VWNW systeem is georganiseerd.

Nederland heeft geen structureel werkzekerheidssysteem zoals in Zweden. De Zweedse transitie-akkoorden maken het mogelijk om via de transitiefondsen meteen actieve ondersteuning te bieden wanneer een bedrijf in moeilijkheden verkeert en gedwongen is om mensen te ontslaan, terwijl in Nederland meer tijd verstrijkt. Een sociaal plan kan worden opgesteld nadat bekend is dat een bedrijf geconfronteerd is met boventallige medewerkers. De rol van Nederlandse vakbonden bij VWNW transities is minder groot dan in Zweden. Dit kan worden verklaard door de lagere organisatiegraad van de Nederlandse vakbonden. In Nederland is er sprake van een gefragmenteerd aanbod van VWNW ondersteu-

ning, dat niet op een structurele maar op een ad hoc basis is georganiseerd via sociale plannen, experimenten en tijdelijke maatregelen van de overheid. In Nederland is de kans op VWNW ondersteuning groter wanneer je werkt in een groot bedrijf dan wanneer je werkzaam bent in het MKB. Het MKB sluit in het algemeen geen sociale plannen en heeft vaak niet de financiële middelen om mensen van werk naar werk te begeleiden. De geboden ondersteuning in sociale plannen hebben vaak betrekking op mensen met een vast contract. Overigens is het zo dat wanneer er wel een sociaal plan is afgesloten, dit niet automatisch betekent dat boventallige medewerkers weten waar ze aan toe zijn, omdat informatie over hoe het concrete VWNW aanbod eruit ziet, niet altijd expliciet is opgenomen in de sociale plannen. De verdere invulling wordt dan overgelaten aan de werkgever en de boventallige medewerker.

Als gevolg van de introductie van de Wet Verbetering Poortwachter in 2002, zijn Nederlandse werkgevers verplicht om het loon door te betalen in de eerste twee jaren van ziekte of arbeidsongeschiktheid van de werknemers. Veel werkgevers waren niet helemaal tevreden met de ondersteuning die private marktpartijen en de publieke arbeidsvoorziening boden om de zieke mensen te re-integreren. Daarom sloegen werkgevers in een aantal regio's de handen ineen en richtten de zogenaamde Poortwachterscentra op. Deze netwerken voor en door werkgevers hebben het doel elkaar te helpen bij de re-integratie van ziek en arbeidsongeschikt personeel. Naar aanleiding van de crisis zetten deze centra zich ook in om soepele overgangen van werk naar werk voor met ontslag bedreigde werknemers te bevorderen. Het ontstaan van deze netwerken van bedrijven was niet voorzien, maar was het resultaat van veranderingen in de institutionele context. Dergelijke netwerken zijn uniek en bestaan niet in de andere onderzochte landen.

Verder heeft de Nederlandse overheid, als gevolg van de economische crisis van 2008, maatregelen getroffen om mensen snel van werk naar werk te helpen zoals de 33 mobiliteitscentra en de negen VWNW experimenten. De experimenten zijn in het leven geroepen om te stimuleren dat werkgevers en vakbonden hun verantwoordelijkheid gaan nemen als het gaat om VWNW ondersteuning voor met werkloosheid bedreigde werknemers en om te bezien wat wel en wat niet werkt. De negen goedgekeurde projecten ontvangen een subsidie van EUR 2,500 per werknemer met een maximum van EUR 500,000 per experiment. De experimenten verschillen qua opzet, inhoud, doelgroep, betrokken actoren en dekking (regio/sector). Het is duidelijk dat de Nederlandse overheid sociale partners stimuleert om hun verantwoordelijkheid ten aanzien van VWNW op te pakken. De voorgestelde vitaliteitsregeling die in 2013 in zou moeten gaan is daar, naast de VWNW experimenten die nu lopen, een voorbeeld van. De vitaliteitsregeling zou het voor werknemers aantrekkelijk moeten maken om te sparen voor perioden wanneer het inkomen tijdelijk lager is, bijvoorbeeld in het geval van verlies van een baan.

*Mogelijke lessen voor Nederland*

In deze studie is de Nederlandse VWNW aanpak vergeleken met die in de vier onderzochte landen. Op basis van de interviews en het aanvullende onderzoeksmateriaal zijn aan de hand van mogelijke omissies en zwakke plekken in de Nederlandse VWNW aanpak, elf lessen gedefinieerd door de onderzoeker. In Zweden en het Verenigd Koninkrijk wordt vroegtijdig interventie als een belangrijke succesfactor beschouwd voor een snelle VWNW transitie. Een zwak punt in de Nederlandse aanpak is de wijze waarop VWNW ondersteuning wordt gefinancierd. Er is geen structurele aanpak zoals in Zweden waar werkgevers een bepaald percentage van de loonsom storten in een fonds. In de goede jaren wordt er gespaard en in slechte tijden kan een beroep worden gedaan op middelen uit het transitiefonds voor de financiering van actieve VWNW ondersteuning. Een ander aandachtspunt voor Nederland is de doelgroep. In Nederland is de kans dat een boventallig werknemer VWNW ondersteuning krijgt groter wanneer hij een vast contract heeft en werkzaam is bij een groot bedrijf, dan wanneer een werknemer werkt bij een klein bedrijf of een tijdelijk contract heeft. In Zweden, het Verenigde Koninkrijk en Oostenrijk kunnen ook kleine bedrijven aansluiten bij de VWNW initiatieven. In Oostenrijk kunnen tevens mensen met een tijdelijk contract toetreden tot een arbeidsstichting. In deze stichtingen dragen de voormalige werkgevers financieel bij en kan zelfs een bijdrage gevraagd worden van de boventallige medewerker zelf of van collega werknemers die niet boventallig worden verklaard. Een andere interessant fenomeen dat Nederland niet kent, is het contributie gebaseerde systeem van overdraagbare ontslagvergoedingen zoals dat in Oostenrijk is ontstaan na de hervormingen in 2003.

Deze mogelijke lessen die door de onderzoeker uit het onderzoeksmateriaal zijn afgeleid, zijn vervolgens getoetst en gevalideerd tijdens een expertmeeting die in april 2011 is georganiseerd op het Ministerie van SZW. De deelnemende organisaties hebben de elf mogelijke lessen gewaardeerd aan de hand van de volgende schaalindeling:

1. Niet interessant/ niet overnemen;
2. Interessant, maar doet Nederland al voldoende (geen les);
3. Interessante les, Nederland kan dit element gebruiken als inspiratiebron bij het verder ontwikkelen van VWNW beleid;
4. Interessante les, moet Nederland overnemen, aangepast aan Nederlandse situatie;
5. Interessante les, moet Nederland één op één kopiëren.

Bijna alle deelnemende organisaties zijn van mening dat een actievere rol van vakbonden en werkgeversorganisatie, zoals dat bijvoorbeeld in Zweden het geval is, gewenst is. Van de 14 deelnemende organisaties vinden 11 organisaties dat Nederland dit direct of aangepast aan de Nederlandse situatie, zou moeten overnemen. Het snel begeleiden van mensen die met werkloosheid worden bedreigd, ziet de meerderheid van de organisaties ook als belangrijke les. Tijdens

de discussie werd opgemerkt dat er geen geld verspild moet worden aan mensen die het eigenlijk niet nodig hebben en hun eigen zaken kunnen regelen. Daarom moet er een kleine 'adem Pauze' worden ingelast, om er voor te zorgen dat mensen die zelf in staat zijn snel een andere baan te vinden, worden gescheiden van de mensen die begeleiding nodig hebben. Verder vinden bijna alle deelnemende organisaties een employability rugzak, geïnspireerd op het nieuwe Oostenrijkse ontslagsysteem, een idee dat aanspreekt.

De deelnemers zijn minder enthousiast over een informatiesysteem waarin informatie wordt gedeeld over mogelijke baanverliezen bij bedrijven die in zwaar weer verkeren, zodat vroegtijdig actie kan worden ondernomen. Deels omdat men het niet nodig vindt, anderzijds omdat organisaties van mening zijn dat Nederland al voldoende op dit terrein doet. De meningen zijn het sterkst verdeeld over de 'les' om in het kader van VWNW kortdurende opleidingen aan te bieden die gericht zijn op de behoeften van nieuwe werkgevers. Met name de vakbonden vinden dit niet interessant en willen dit niet overnemen als les uit het buitenland. Private marktpartijen en de publieke arbeidsvoorzieningsorganisatie vinden deze buitenlandse praktijk wel degelijk interessant en zouden het graag één op één willen overnemen in Nederland.

De meerderheid is het niet eens met de stelling dat publieke partijen de hoofdrol zouden moeten spelen als het gaat om VWNW ondersteuning in geval van gedwongen ontslag en dat indien nodig activiteiten worden uitbesteed aan private marktpartijen. In de discussie werd naar voren gebracht dat sociale partners een belangrijke rol zouden moeten spelen als het gaat om VWNW transities. Daar waar nodig zou de overheid bij kunnen springen. Verder wordt opgemerkt dat een onderscheid gemaakt moet worden tussen MKB en het groot bedrijf. Een groot bedrijf is gemakkelijker in staat VWNW ondersteuning aan te bieden, terwijl MKB bedrijven daar meer moeite mee zullen hebben.

In het tweede gedeelte van de expertbijeenkomst die gehouden is in april 2011 op het Nederlandse Ministerie van SZW is aan de Nederlandse experts de vraag voorgelegd wat er zou moeten gebeuren ten aanzien van de bevordering van VWNW transities in Nederland. De ideeën werden door de deelnemers per organisatie via de laptop ingevoerd. Ondertussen werden de ingevoerde voorstellen geclusterd en ontdudd. Vervolgens is aan de deelnemers gevraagd om de ingebrachte ideeën te waarderen aan de hand van een 5 puntschaal waarbij '1' staat voor absoluut geen goed idee tot '5' een heel goed idee.

Alle deelnemers vinden het (heel) belangrijk dat VWNW ondersteuning beschikbaar moet zijn voor alle werknemers en niet alleen voor mensen die onder een sociaal plan vallen, of een vaste werkgever hebben. Hetzelfde geldt voor het bevorderen van intersectorale mobiliteit. Van de 14 organisaties geven tien organisaties de hoogste score en vier organisaties geven de score '4' als het gaat om het vergroten van de toegankelijkheid. Als het gaat om het bevorderen van intersectorale mobiliteit geven elf van de 14 organisaties de hoogste score. Inter-

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sectorale mobiliteit zou gestimuleerd moeten worden wanneer er geen banen beschikbaar zijn in de huidige sector. Dit houdt in dat obstakels weggenomen moeten worden die intersectorale mobiliteit in de weg staan, zoals het ontschotten van de sectorfondsen. Ook zijn partijen het eens dat vroegtijdig ondersteuning aangeboden moet worden, met dien verstande dat de ondersteuning zich richt op degene die het echt nodig heeft. Op de gedeelde derde plaats staat het voorstel om werknemers die hun baan dreigen te verliezen de mogelijkheid te bieden een stage te laten volgen bij een andere werkgever tijdens hun huidige dienstverband.

De stakeholders zijn van mening dat aandacht besteed moet worden aan VWNW transities voor mensen met een kwetsbare positie op de arbeidsmarkt. Echter, het blijft onduidelijk wie dan de 'lead' zou moeten nemen om deze mensen te ondersteunen. Een uitdaging voor de sociale partners en de overheid is om daar duidelijkheid over te scheppen en hierover een gezamenlijk standpunt in te nemen. Wanneer dit niet concreet wordt ingevuld, zal niemand zich echt verantwoordelijk voelen om ook concreet actie te ondernemen.

### **Beperkingen van het onderzoek en implicaties voor beleid**

De effectiviteit van de VWNW interventies is belangrijk wanneer landen met elkaar worden vergeleken om lessen van elkaar te kunnen leren. Deze studie laat zien dat er nauwelijks data beschikbaar zijn ten aanzien van de effectiviteit van VWNW ondersteuning in de onderzochte landen. In Nederland worden op dit moment de negen VWNW experimenten geëvalueerd en het rapport zal naar verwachting in 2012 worden gepubliceerd. Wanneer de experimenten succesvol blijken te zijn, is het de vraag hoe de werkwijze structureel wordt ingebed zonder subsidie van de overheid. Naast deze experimenten bestaan er private netwerken die spontaan zijn ontstaan na de introductie van de Wet Verbetering Poortwachter in 2002. Deze netwerken door en voor werkgevers, ontvangen geen publieke financiering. Presteren deze netwerken net zo goed als de experimenten die publiek geld ontvangen of presteren ze beter? En hoe duurzaam zijn deze private netwerken? Nader onderzoek is nodig om hierover uitspraken te kunnen doen.

Dit onderzoek gaat niet in op vraag of de VWNW systemen en arrangementen die in het buitenland zijn aangetroffen, overgenomen kunnen worden door Nederland. Zoals gezegd is hier een haalbaarheidstudie voor nodig en een politieke stellingname, hetgeen buiten het kader van dit onderzoek valt. Wel zijn mogelijke lessen afgeleid uit het onderzoeksmateriaal door de onderzoeker die vervolgens zijn gevalideerd door belangrijke Nederlandse stakeholders. Eén van die lessen is dat Nederlandse sociale partners een meer actieve rol zouden kunnen spelen in het VWNW proces. De Nederlandse overheid stimuleert sociale partners om hun verantwoordelijkheid te nemen en is van plan om een vitaliteitsregeling in te voeren die het voor werknemers aantrekkelijker moet maken om te

sparen voor tijden wanneer het inkomensniveau tijdelijk terugvalt, bijvoorbeeld als gevolg van een gedwongen VWNW transitie. De implementatie van deze regeling staat gepland voor 2013, maar het is nog maar de vraag of werknemers daarvan gebruik gaan maken. Verder wil de overheid dat sociale partners een VWNW budget opnemen in CAO's en daarbij ook aandacht besteden aan intersectorale opleidingen. De vraag is of sociale partners daadwerkelijk een VWNW budget gaan opnemen in de CAO's. De overheid hoopt in 2012 een overeenkomst te sluiten met sociale partners over hun toekomstige rol in VWNW transities.

De Nederlandse overheid heeft onder druk van de economische crisis bezuinigingen aangekondigd. In aanloop naar de laatste verkiezingen hebben verschillende politieke partijen het voorstel gedaan om de werkloosheidsuitkering te verkorten van maximaal 38 maanden naar 12 maanden en eventueel de hoogte van de uitkering te verhogen. In 2008 heeft de Commissie Bakker voorgesteld om een werkbudget in te voeren en de werkloosheidsverzekering om te zetten in een werkverzekering. Tot op de dag van vandaag is er nog geen invulling aan deze voorstellen gegeven, als gevolg van meningsverschillen tussen de betrokken actoren. De vitaliteitsregeling die de Nederlandse overheid van plan is om in te voeren, bevat wel elementen van het eerder voorgestelde werkbudget. Het blijft echter onduidelijk wat de gevolgen zijn van deze voorstellen voor de toekomst. In vergelijking met de andere onderzochte landen is de maximale duur van de Nederlandse werkloosheidsuitkering langer, maar onderzoek is nodig om vast te stellen wat de mogelijke effecten zijn van het verkorten van de werkloosheidsuitkering. Een effect zou kunnen zijn dat mensen de eerste baan aannemen die ze kunnen krijgen. Deze baan hoeft niet noodzakelijkerwijs aan te sluiten bij de vaardigheden en kennis die iemand bezit. Dit kan uiteindelijk de productiviteit negatief beïnvloeden. Ook is het belangrijk de opzegtermijnen in ogenschouw te nemen, wanneer men de duur van de uitkering wil verkorten. In Zweden is de duur van de werkloosheidsuitkering korter dan in Nederland, maar daar staat wel tegenover dat er langere opzegtermijnen zijn en dat meteen actieve ondersteuning geboden kan worden om boventallige medewerkers van werk naar werk te helpen. In het licht van de aangekondigde bezuinigingen heeft het UWV WERKbedrijf in de nabije toekomst geen re-integratiebudget meer voor mensen die net werkloos zijn geworden. De ondersteuning die plaatsvindt, zal bestaan uit E-coaching. Van vroegtijdige actieve ondersteuning lijkt dan geen sprake meer.

Nederland kent geen structureel VWNW systeem. Dit betekent niet dat er geen VWNW ondersteuning aan boventallige medewerkers wordt aangeboden, maar het aanbod is gefragmenteerd en heeft een ad hoc karakter. Deze studie maakt duidelijk dat vroegtijdige interventie belangrijk is, maar de vraag rijst of een structureel systeem nodig is voor alle type medewerkers. De deelnemers aan de expertbijeenkomst zijn van mening dat ondersteuning geboden moet worden aan boventallig medewerkers die het echt nodig hebben. Wanneer de ondersteu-

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ning in een te vroeg stadium wordt ingezet kan dit de eigen verantwoordelijkheid van werknemers en werkgevers beïnvloeden met als resultaat dat er onnodig publieke financiering wordt ingezet. Het is echter niet gemakkelijk om het juiste tijdstip van interventie te bepalen. Vroegtijdige ondersteuning blijkt belangrijk te zijn bij het snel vinden van een andere baan. Bovendien is de kans op langdurige werkloosheid groter wanneer men na het ontslag niet snel een andere baan heeft gevonden. Hoewel alle Nederlandse stakeholders het eens zijn dat VWNW ondersteuning geboden moet worden aan degenen die het echt nodig hebben, neemt tot nu nog geen enkele Nederlandse actor de totale verantwoordelijkheid voor het coördineren van VWNW transitie.

Het is duidelijk dat in de toekomst soepele VWNW transitie nodig zijn in een globaliserende en steeds veranderende economie en dit vergt acties van overheden, werkgeversorganisaties, vakbonden, werkgevers en werknemers zelf. VWNW ondersteuning zal ook in de toekomst belangrijk blijven. Temeer omdat herstructureringsprocessen altijd plaatsvinden als gevolg van de globalisering en innovatiebehoeften en niet alleen afhankelijk zijn van de conjuncturele ontwikkeling. In sommige sectoren vinden reorganisaties plaats, terwijl in andere sectoren er een grote behoefte bestaat aan gekwalificeerd personeel. Europa staat aan de vooravond van een nieuwe economische crisis die misschien nog wel slechter uitpakt dan de crisis uit 2008. De arbeidsmarkt blijkt en blijft imperfect en Europese landen moeten beseffen dat er een dringende behoefte bestaat aan het overdenken van een structureel werkzekerheidsstelsel zodat langdurige werkloosheid wordt voorkomen. Door naar andere landen te kijken, kunnen landen leren, maar het is niet mogelijk om wat in het ene land succesvol blijkt te zijn, één op één over te nemen. De historische verbondenheid tussen verschillende vormen van coördinatie en regulering in een bepaald land kan niet worden genegeerd. Er is niet een 'one size fits all' werkzekerheidsstelsel. Padafhankelijkheid verklaart de restricties in het leren en overnemen van interessante elementen uit buitenlandse systemen, maar wat blijft is de noodzaak voor Europese landen om een werkzekerheidsstelsel te ontwikkelen dat aansluit bij de nationale context.