

### K1.3 Scandinavian public works programmes

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Until the end of the 1980s, the Scandinavian welfare states were characterised by a low unemployment rate and hence an easy to finance, generous, mainly passive unemployment service. As a result of a recession in the early 1990s, unemployment increased significantly (in Sweden, the unemployment rate was consistently below 2 per cent at the end of the 1980s, but increased to 8.2 per cent by 1993), and therefore, earlier generous transfers could no longer be afforded. In response to the situation, the Scandinavian states extended active labour market measures.

In the following we provide a brief overview of the Scandinavian active labour market measures, with particular emphasis on public works, a concept which we are going to use in a broader sense than we are used to in standard Hungarian practice, as we include all forms of subsidised employment that aim to support permanent re-employment in the primary job market.

First, *Sweden* introduced *social employment*. In this programme employers received support for a maximum of six months after providing temporary (usually six months) employment to the unemployed. The employees performed mainly social work for a wage corresponding to collective agreements in the public sector. Subsidised employment was abolished in this form in 1998.

Subsequent measures essentially promoted *work experience*. An important feature of these measures was that they were usually directed at performing such activities that otherwise would not have been undertaken. Participating unemployed persons received unemployment benefits, and work was organised by non-profit organisations, mainly local municipalities, ensuring that they did not crowd out any of the work force from the primary labour market.

*Employee leasing* was introduced in 1997 in the course of which employers received subsidies if they employed unemployed persons for six months (this could be extended by another three months). During this time the unemployed person had to work

part time, but also participate in training and involve themselves in job search. The wage received for work was limited to 90 per cent of the unemployed person's previous wage.

The above mentioned measures were partially replaced by the *activity guarantee programme* introduced in 2000, whose main element was that eligibility for unemployment benefits was not prolonged following participation in active labour market programmes. This programme did not provide a single measure, but a framework system within which the unemployed could participate in various programmes. The target group of the programme was the long-term unemployed, and those unemployed who in all probability would become long-term unemployed. Participants were either looking for jobs or participating in special labour market programmes.

In *Finland*, the unemployed person, in cooperation with the public employment service, is required to prepare an *employment plan* that describes the active labour market measures that will be used by the job-seeker. A status report related to the employment plan must be sent each month to the Finnish social security office which then transfers the unemployment benefits based on this report.

The so called *work trial* is another noteworthy active labour market measure in Finland. The public employment service offers temporary placement in different positions (PES) in which the jobseeker can demonstrate their skills and motivation to potential employers. After the unemployed have tried their hands in the various tasks required in the desired position, they discuss together with the PES and the employer, what other help they need to be able to do the particular job. During a work trial, the unemployed receive unemployment benefit and also a reimbursement of the travel and accommodation costs that arise from employment.

In response to the crisis, further innovative labour market measures were introduced in Finland.

One of these was the *work exchange programme*, in which older employees with a long employment record are replaced by an unemployed person, on the basis of an agreement with the employer, for a maximum of one year. For this period, the older employees receive compensation – unemployment benefits corresponding to 70 per cent of their wage –, and they are basically on paid annual leave, not being obliged to search for a job. This measure has explicitly been used to tackle cyclical unemployment.

Another new programme is *social enterprises* that employ persons with multiple disadvantages or disabilities. The social enterprises are market-based (profit-oriented activity must make up at least 50 per cent of their revenue), but the wages of their employees are subsidised if they are members of one of the target groups mentioned above.

The *youth guarantee programme* provides internship and apprenticeship programmes in various job positions for the unemployed under 25 years of age and new graduates between 25 and 29 years of age, besides the previously mentioned work trial programme.

In *Denmark*, a cornerstone of labour market policy is that it compels all unemployed persons to participate in some sort of activity. The starting date of *compulsory participation* depends on the age of the unemployed, and upon their request it can also commence earlier. Declining cooperation or participation results in the withdrawal of unemployment benefits. The unemployed, in cooperation with the staff of the PES, choose a programme that they deem the most beneficial to themselves, thus, this can be a voluntary programme as well.

In the case of *Norway*, since unemployment is relatively low, active labour market measures have been focused on the hard-to-place unemployed. In theory, all basic active labour market measures are available to the unemployed in Norway, but a few special programmes are only available to the uneducated, immigrants and people living with disabilities.

The most important active labour market measure, besides training, is wage subsidies that are provided to employers who employ disadvantaged people. The programme aims to provide an opportunity to gain work experience and acquire basic skills for unemployed school leavers and immigrants at private and public enterprises. An action plan is drawn up for each participant, which has to be accepted by the representative of the employer. The employer has to declare that the intern will be regarded as a potential employee: the aim of these rules is to reduce the crowding-out effect. The employer receives an operational grant after each approved internship contract.

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In spite of the apparent differences, these Scandinavian countries use subsidised work as an active labour market measure, according to the same principles. The measures that require job-seekers to work while on benefit are intended for well-defined target groups. A very important common principle is that work is an opportunity rather than an obligation, and the employment of the unemployed person cannot lead to losses of existing jobs. Although in the Scandinavian countries there is no similar programme to the Hungarian public works, it must be noted that in these countries the number of public employers is much higher than the OECD average. While in Hungary, public employers (e.g. forestry, water supply, public railway) employ public workers – now increasingly full time – for public sector wages lower than the minimum wage, in the Scandinavian countries analysed workers are hired for these positions as normal employees in the public sphere.

The following sources were consulted to prepare this paper:

DENMARK: [www.ma-kasse.dk](http://www.ma-kasse.dk);

FINLAND: [www.te-services.fi](http://www.te-services.fi) and [www.suomi.fi](http://www.suomi.fi);

NORWAY: *Duell–Singh–Tergeist* (2009);

SWEDEN: *Calmfors–Forslund–Hemström* (2004).