

**Synthetic report on the development,  
implementation and performance of  
innovations**

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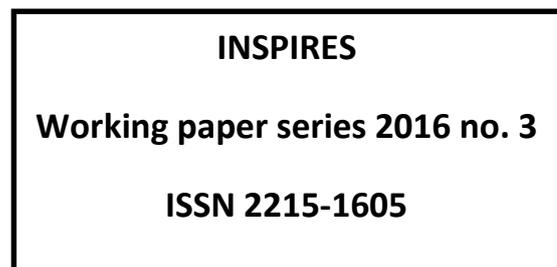
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Assistant Professor Constantine Dimoulas  <b>Responsible person for wp4:</b>  Despoina Papadopoulou	Origins, development and implementation of innovations. Procedures, key-parameters and factors.
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## 1. Introduction

The INSPIRES project aims to contribute to the resilience and active inclusion of labour markets in Europe. In its first stages, the project has assessed the level of resilience in European countries and has identified innovative policies that might contribute to resilience. This report focuses on the results of work package 4, which had as its goal to explain the development, implementation and performance of innovative practices for improving resilience and inclusion of vulnerable groups in the labour market. This report builds upon the national reports that have in-depth analysed 5 innovations in each of the eleven countries that belongs to the INSPIRES consortium. The national reports provide information on the origins, the method of development, the implementation and the performance of selected innovations. This analysis of the national reports identifies the main parameters and the national peculiarities that affect the development, implementation and performance of the selected innovations in the 11 INSPIRES countries and draws lessons from this in a comparative and synthetic perspective.

The goal of WP4 is *to study in depth* the origins, the method of development the involvement of stakeholders, the processes of interaction, the implementation of causal mechanisms of selected innovative practices and *to identify* the parameters affecting their implementation in a comparative perspective. Moreover, in this work package we are also interested in the national peculiarities that *determine* the pros and cons of the implementation of innovative policies. This means that the specific objective of this work package is to demonstrate how key parameters and different factors affect the impact of each selected policy innovation on the resilience of the labour market in relation to their target groups in the frame of different national and/or regional realities. Therefore, it is important to clearly describe the context, the factors and the parameters that in their interaction configure certain results in resilience.

## 1.1 Methodological background

The methodological template that guides the data collection by the national research teams points out three crucial dimensions that direct the analysis by each country team. Figure 1 illustrates these dimensions.

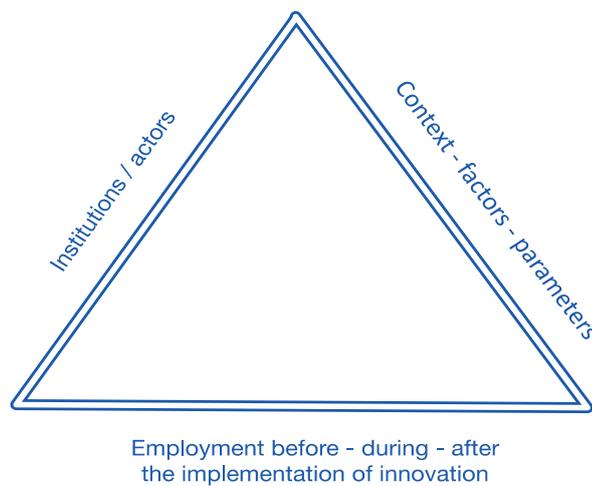


Figure 1 An overview of relevant dimensions.

The first dimension refers to the time frame of the innovation. Here, we are interested in the origins of the innovations, the development of participation and unemployment levels, as well as the duration between the original idea and the final implementation of the innovation. The second dimension refers to the role of institutions and actors involved in the policy formulation and implementation and their dynamic interactions. The third dimension covers the constraints imposed from the nexus of context-factors and parameters which - in conjunction with the institutions/actors dimension-configure the regime of policy development and innovation.

To analyze the interaction between the structure provided by the institutional context and the agency of actors, the national analyses had to focus on the institutional context in which the development of innovations takes place (macro-level), the characteristics of the policy domain (meso-level) and the specifics of the implementation arena (micro-level). Moreover, some key characteristics of the innovations process should be taken into account as well. Table 1 provides an overview of the variables that have been taken into account in the national analyses.

<b>Object of analysis</b>	<b>Important variables</b>
Institutional conditions	<ul style="list-style-type: none"> <li>• Economic and social conditions</li> <li>• Political culture</li> <li>• Party system</li> <li>• Institutional arrangements</li> <li>• Administrative layers</li> <li>• Veto-points</li> </ul>
Characteristics of the policy domain	<ul style="list-style-type: none"> <li>• Setting of policy standards and objectives</li> <li>• Consensus on the goals</li> <li>• Involvement and commitment of stakeholders</li> <li>• Trust</li> <li>• Social dialogue and consultation</li> <li>• Veto-players</li> </ul>
Characteristics of the implementation arena	<ul style="list-style-type: none"> <li>• Characteristics of the agencies involved</li> <li>• Consistency of actions of policy officials and target groups with policy decisions</li> <li>• Impact of previous policies</li> <li>• Administrative methods and techniques</li> <li>• Quality of inter-organizational communication and level of coordination</li> <li>• Local variations</li> <li>• Type of policy</li> </ul>
Characteristics of the innovation process	<ul style="list-style-type: none"> <li>• Who was the initiator of the innovation?</li> <li>• Startup/First application/first steps</li> <li>• Decision for the introduction of the initiative/motivations</li> <li>• Method of implementation and administrative procedure</li> <li>• Reforms and adaptations</li> <li>• Availability of financial resources, method and sources of finance</li> <li>• Current Situation of the innovation</li> </ul>

Table 1 An overview of variables taken into account in the national analyses

## 1.2 Data collection and analysis

The data collection in each of the countries consisted of 25 in-depth interviews with key stakeholders in the innovations and an analysis of relevant documents. These documents include official documents (background papers –preparatory papers, proceedings of decision making bodies (councils, parliaments etc.) and resolutions, social dialogue documents (agreements, memoranda, opinions and proposals of stakeholders), research and study report, evaluation reports and academic papers (articles, dissertations, books, discussion papers).

The main criterion for the selection of the 25 respondents per country was their familiarity and expertise with each innovation. The respondents were mainly administrative staff and “street level bureaucrats” working for the implementation of the innovations in public agencies or in stakeholders’ organizations. Additionally, in each country several high-level policy makers (i.e. representatives of employers’ associations and trade unionists, members of parliament committees, etc.) participated in the research as well. The selection of the respondents was the responsibility of each national research team.

In working package 3 of the INSPIRES project, no less than 459 innovations in the field of labor market policies, employment policies and social policies with regard to vulnerable groups have been identified. This work package aimed at the identification of innovations that have been recently introduced. The in-depth analysis of the innovation process required a selection of innovations. This selection should on the one hand match national characteristics but on the other hand ensure comparability between different target groups and types of innovations. Moreover, against the backgrounds of the INSPIRES project policies aimed at all vulnerable groups (disabled, unemployed youths, older workers and migrants) that had been identified had to be present in the selection. The total number of selected innovations for the in-depth analysis was 54. The initial and final selections of innovations were discussed in two meetings of the research team. This has resulted in the identification of six clusters of innovations that would be guiding the data collection and analysis. Three clusters focus on specific target groups (youth, older workers and disabled), three other clusters cut through different target groups (measures towards activation, the

governance of employment services and flexibility of the labour market). This synthetic report on the one hand intends to provide a brief overview of the national variations of innovation processes in each cluster, but on the other hand it also intends to draw conclusions at a general level. To balance these two challenges, the paper first start by drawing general conclusions (section 2). It then presents an overview of the national variations in each of the clusters that have been analysed (sections 3-8). At the end of each of these sections, conclusions are drawn that provide a better understanding of the national variations within each cluster. The presentations in the sections 3-8 are supported extensively by pieces extracted from the national reports.

## 2. Synthetic analysis: explaining the design and implementation of policy innovations

### 2.1 Overview of relevant variables

The in-depth analysis of 54 innovations conducted by the 11 national research teams revealed a long list of factors that influence the design and implementation of policy innovations related to the resilience of labour markets. Even though these policy innovations have been classified in six different clusters, it appears that the national institutional context has a significant impact on the development, adoption and implementation of policy innovations. This implies that we see similar patterns in the same country, irrespective of the characteristics of the specific innovations. Based on the analysis of the national reports, we have identified 18 variables that are crucial for the adoption, development and implementation of policy innovations. These variables can be classified into four overarching categories:

1. Politics and political context;
2. Institutional and Financial constraints;
3. Time-frame where we include four variables; and
4. Administrative capacities and techniques.

Table 2 provides an overview of the variables that according to our analysis play a role in the adoption, development and implementation of policy innovations regarding labour market resilience.

<p><b>Politics and political context</b></p> <ul style="list-style-type: none"> <li>• Party system</li> <li>• Political culture</li> <li>• Role of social partners and other stakeholders</li> <li>• Federalism-devolution-localization</li> </ul>	<p><b>Institutional and Financial Constraints</b></p> <ul style="list-style-type: none"> <li>• Institutional restrictions</li> <li>• Veto points</li> <li>• Veto players</li> <li>• Financial incapacities</li> <li>• External financial assistance</li> <li>• Budgetary retrenchment</li> </ul>
<p><b>Time – Frame</b></p> <ul style="list-style-type: none"> <li>• Incremental long term (more than 5 years)</li> <li>• Incremental mid-term (3-5 years)</li> <li>• Quick –win</li> <li>• Instant results (shock)</li> </ul>	<p><b>Administrative Capacities and Techniques</b></p> <ul style="list-style-type: none"> <li>• Bureaucratic rules/New Public Management</li> <li>• Systematic evaluation and use of indicators</li> <li>• Parking and creaming effects and substitution</li> <li>• Complementarities</li> </ul>

Table 2: Overview of variables

### *Politics and the political context*

This group of variables determine how a problem is framed and define how the different actors perceive it and formulate alternative policy options in order to manage its consequences. First, a centralized political system concentrates power and permits more space for maneuvers facilitating rapid paradigm changes by “displacement” (Mahoney & Thelen: 2010). It facilitates, also, the policy making processes and quick-decision making without major delays which may be caused by the procedures and practices followed during the social dialogue. Centralism occasionally nurtures dissatisfaction and turmoil if the introduction of innovations and their development are not documented properly in robust evidence and acceptable evaluations or if they are not embedded in consensual culture and substantial social dialogue and consultation.

Secondly, a polarized party system may obscure innovations and their smooth development by interrupting changes or by resetting previous arrangements. These changes may be minor if the political culture is consensual or major in the context of conflictual political culture (e.g. abolishment of early retirement in Greece, New Labour Code in Hungary).

Strong and substantial social dialogue facilitates consensus on the introduction and development of innovations (e.g. raising the statutory retirement age in Germany, changes in minimum pensions in Netherlands) although sometimes it breaks immediate changes and rapid reforms (e.g. rise of the retirement age in Belgium). Weak social dialogue, occasionally, facilitates the initiation of innovations but may obscure their development through political mobilization even though this deficiency can be counterbalanced if the changes are underpinned in robust evidence and systematic evaluation (e.g. New Deal in UK).

Federalism and devolution as well as localization influence the development of innovations by permitting local initiatives to flourish (e.g. FORJAND in Switzerland, South East Academic Partnership in Scotland) but they also may cause dis-coordination problems and malfunctions if the allocation of jurisdiction is not clear (e.g. Employability Partnership in Scotland). Moreover, if there are fluctuations and unstable power equilibriums between the different layers of government this may imply strong veto-points and veto-players (Mahoney & Thelen, 2010; Tsebelis, 2002). Sometimes, especially when innovations concern youths or flexible employment, social partners limit the scope and prospects for social dialogue and restrict the

involvement of other stakeholders and so cause anxieties and delays in their orderly implementation (e.g. compensation of dismissals in Italy, youths' guarantee in Slovenia).

### *Institutional and financial constraints*

Institutional arrangements formulate the content as well as the direction of innovations<sup>1</sup>. Court decisions put limits on the willingness of policy makers to make changes and develop innovations (e.g. Aliens' Work in Slovenia), whilst referendums configure the content of policy reforms (e.g. New Disability Benefit in Switzerland). Occasionally, partisan veto-players (Tsebelis: 2002) may obscure changes by mobilizing their links to opposition political parties (e.g. Agency work in Germany). Financial constraints may also affect the ability of actors to develop innovations as well as to strongly influence their impact. In most countries, budgetary retrenchments boost actors towards more efficient policy options with stronger links to employment (e.g. Activity Compensation Act in Sweden). In many countries financial incapacities enforce numerical clauses to the number of actual beneficiaries or they limit the amount of properly qualified staff available for the implementation of innovations (e.g. Spain, Greece, Hungary, Slovenia). In some occasions of financial assistance from EU, the rules and procedures are not in compliance with domestic rules and this causes malfunctions and frictions (e.g. Youths' guarantee in Slovenia, Employment for Public Benefit in Greece).

Financial deficiencies may also boost authorities towards urgent measures with the goal to "save money" which in its turn may create discontent that create barriers to an effective and efficient implementation (e.g. pension reforms in Greece and Belgium).

### *Time-frame*

When innovations are planned to be developed step-by-step and policy actors manage to delay their harmful effects to beneficiaries they are developed quite smoothly. Usually the reforms on the pension systems which focus on the rise of the statutory retirement age

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<sup>1</sup> These variables could be also included in the factor: politics and political context. We argue that their classification in a separate overarching factor, recognize their higher significance in the development of innovations, and does not underestimate their influence.

postpone the full enforcement of the new rules for at least five years and this preventive arrangement minimize opposition and discontent (e.g. increase of statutory retirement age in Germany and in Italy). On the other side, when innovations restrict entitlements for retirement and the new rules are activated directly permitting only a very short time for adjustments in entitlements, those with current full entitlement crowded together to become pensioners and the ratio of pensioners to employees rapidly deteriorate (e.g. Slovenia and Greece).

In occasions of step-by-step development of innovations in the mid-term (3-5 years) the reactions and malfunctions can be managed better and discontent is limited (e.g. New Deal in UK, GY11 in Sweden, Case-Management in Switzerland, New Minimum Pensions in Netherlands). Exogenous shocks may impose the urgent introduction and development of innovations with instant results which do not permit “exit” options to beneficiaries (e.g. stricter rules for unemployment benefits in Greece). In such cases the “voice” option (Hirschman: 1970) may be not loud enough to turn around the innovation while break-down is not robust if it is not founded on substantial social dialogue and may cause zing-zang effects (e.g. re-regulation of agency-work in Germany).

#### *Administrative capacities and techniques*

The variables in these category may affect multiply the development of innovations. Bureaucratic procedures may disappoint beneficiaries (e.g. subsidies for ergonomic rearrangement of the work place in Greece, Employer Recruitment Incentives in Scotland) or leave space for displacement effects dependent on the procedures defined for the implementation of the policy (e.g. Vouchers for the unemployed youths in Greece). Occasionally administrative deficiencies may be caused because of the rules imposed from EU and their disconnection to domestic administrative practices and the complexities induced because of the large number of involved agencies (e.g. Subsidies for Youths’ Entrepreneurship in Spain).

The adoption of New Public Management approaches facilitates the introduction and development of innovations leaving room for maneuvers and adjustments to local agencies (apprenticeship reforms in Switzerland). Sometimes the lack of qualified and/or sufficient staff may weaken the administration of innovations (e.g. Spain). The administrative capacities of the involved actors in the development and implementation of innovations are satisfactory if

systematic evaluations are regularly conducted (e.g. Finsam in Sweden, New Deal in UK and statutory minimum wage in Germany).

Outsourcing and private actors may, also, enhance the administrative capacity of public employment and social services if they complement public agencies and they do not substitute them (e.g. Complementary Action in Sweden, New Labour Code in Hungary) otherwise they may cause “creaming and parking effects” (e.g. New Deal and works program in UK). Occasionally, commercial providers make delivery of services uncertain as they are driven by commercial considerations and sometimes, withdraw from most at risk initiatives (e.g. Atos’ withdrawal from Work Capacity Assessment in 2014, in UK).

Complementary innovations may also enhance administrative capacities and the development of major innovations as is the case of the “50plus” innovation in Germany which facilitated the rise of statutory retirement age or the Quota Law in Netherlands which complements the Participation Law.

### **2.3 Conclusion**

The list of variables and factors presented above is not exhaustive, but it allows for the construction of an analytical framework that enables the assessment of the development and implementation process of policy innovations. In the different countries there are specific combinations of variables influencing the design, adoption and implementation of policy innovations at the national level. These different configurations interrelate with the historical and socioeconomic conjunctures that are prevalent in each country and establish alternative routes towards the normal development of policy innovations.

Based on the 11 national reports we can identify four alternative routes that European countries follow when they adopt and develop employment policy innovations.

The first route which is typical to the UK and in some respects also Scotland. It is based on centralist decision making, strong administrative capacities and robust evidence supporting effective, rapid and paradigm changes by facilitating “insurrectionaries” (Mahoney & Thelen: 2010).

The second route which characterizes Germany, Netherland, Sweden, Belgium and Switzerland is based on social dialogue and consensus, widespread consultation, robust evidence and systematic evaluation and inclines to step-by-step changes and incremental

shifts which facilitate the long-term mutation to paradigm changes through “layering” (Streeck & Thelen, 2005; Mahoney & Thelen: 2010).

In the third route that is dominant in Greece, Slovenia and Hungary there is no social dialogue, no robust evidence and no capable administration. This interacts with strong exogenous pressures, sudden changes, very limited financial resources and EU financial and technical assistance with ambiguous results. The innovations adopted and developed under this route are normally instrumental (Hall 1993) and paradigm shifts are mainly imposed from external funders and/or the EU rules and practices impeding the capacity of those countries to make changes, since it does not strengthen social dialogue and their own administrative capacities.

The fourth route which is characterized by limited social dialogue, ambivalent evidence, regionalization and a strong influence of governmental changes seems to be favorable in Spain and Italy. In this route the innovations focus mainly on instrumental changes while paradigm shifts are often documented on EU rules.

These four routes do not fully coincide with the classification of capitalist countries in liberal market economies and coordinated market economies (Hall & Soskice, 2001; Thelen, 2014). We distinguish two more routes to the development of policy innovations which supplement the “beyond the varieties of capitalism” classification suggested by Hanké, Rhodes and Thatcher (Hanké, Rhodes and Thatcher, 2007) with the specific Balkan route (Greece-Slovenia-Hungary). Our classification of the different routes towards the adoption and development of different innovations do also not fully match the distinction of European countries in different social policy or employment regimes (Esping-Andersen: 1990, Fenger: 2007, Ferrera: 1996). The inclination of the different countries to follow certain routes for the development of employment policy innovations does not mean that they do not actually choose alternative options which are dependent on the configurations embedded in the actual mixture of the factors and parameters presented in Table 2 as well as their interaction with the domestic institutions of the national political economy and the changes in the international economic regimes (Hall: 1993).

Last but not least, the innovations studied in work package four (WP4) are part of a wider armament of employment policy innovations in each country and their impact on the resilience of vulnerable groups which are the subject matter of the INSPIRES project cannot be fully assessed as they interact in combination with many other- not included in our analysis- active innovations with unknown influence.

### 3. Innovations in youth policies in Europe

Within the European Union, a lot of attention has been devoted to the labour market position of the youth. This is reflected in the many innovations in this area that have been identified in work package 3. In the in-depth analysis of innovation, the attention for youth is also dominant. 18 out of 54 innovations that have been studied in work package 4 deal with youth as an important target group. Various measures can be identified, including hiring incentives, vocational education and training, lower wages for youth labour market entrances and “youth’s job guarantees”. The innovations range from demand side to supply side policies. Only a limited number can be directly considered as a consequence of the crisis. Ten out of the eighteen innovations were introduced before the beginning of the crisis and they evolved incrementally. Their partial reforms accelerated during the crisis causing, in some cases, programmatic changes. The countries included in this particular cluster are Spain (2 innovations), Hungary (2 innovations), Greece (1 innovation), Italy (1 innovation), Switzerland (3 innovations), Sweden (2 innovations)<sup>2</sup>, Scotland (3 innovations), UK (1 innovation), Slovenia (1 innovation) and Belgium (2 innovations).

Most innovations in this cluster are programs providing subsidies, consultancy and coaching or support the rearrangement of education and training content and processes. They are mainly nation-wide innovations except three local measures (one in Switzerland and two in Scotland).

Some innovations focus exclusively on youths (e.g. youths guarantee, apprenticeships) whereas others are part of wider set of measures which are directed towards multiple policy options (e.g. activation, or governance) and various target groups. We will first briefly outline the main characteristics of each of the innovations, before drawing

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<sup>2</sup> While this is in accordance with the definition of policy clusters agreed upon, a third innovation selected for Sweden in the cluster-category “disabled persons”, is also directed toward youth (19-30 year olds).

conclusions about the factors that have affected the design, implementation and results of the selected innovations.

### **3.1 The program for encouraging youth's entrepreneurship and self-employment start up in 2013 in Spain**

The "Strategy of Entrepreneurship and Youth Employment (2013-2016) is an initiative launched by the national government. The measure is focused on promoting entrepreneurship and self-employment among young people with the aim at cutting down youth unemployment, to strengthen artistic, entertainment and community service activities and to strengthen the business networks.

The target groups of this measure are men until 30 and women and disabled people until 35 years old who plan to be self-employed. In general terms, this policy includes two kinds of actions. The first one consists in a reduction of labour taxes or Social Security contribution for self-employed, and the second package of measures focus on making unemployment benefit compatible with self-employment.

The duration of the discounted labour taxes or social security contributions differs according to the target group.

The "Strategy of Entrepreneurship and Youth Employment (2013-2016)" is the result of a process of dialogue with social partners, employment agencies and associations of the social economy. No influence from other stakeholders as the organizations from the civil society seems to have been important.

The analysis done by the Spanish research team has stressed that variables such as economic and social conditions have promoted the creation of this policy. Specifically, the high levels of youth unemployment and the loss of human capital have been relevant sub-dimensions of the economic and social conditions to undertake this measure. Regarding the creation process, other driving factors have been the political culture and the European institutional arrangements such as Youth Guarantee.

As for the implementation process, the administrative layers and the national institutional arrangements are clear determinants. However, there seems to be some inconsistencies between those variables, hampering the implementation process due to the legal competences. This fact is affecting the economic resources. In addition, the ideological level and political principles seem to be important when it comes to define and implement the actions. In addition, it has been highlighted that the target groups or their representatives have had a limited role in the implementation process. Last but not least, as the actions included in this measure can be implemented by several entities, the characteristics of the agencies involved as well as their large number has influenced the implementation of this innovation.

### **3.2 The provision of financial incentives for hiring unemployed youths in Spain**

The main objective of this measure is to promote the recruitment of young people and other vulnerable groups through differentiated agreements and working arrangements. Specifically, this measure is made up of six modalities of incentives for hiring which include social security tax deductions. Economic and social conditions have been an important driving factor in its formulation process following the same logic as the *Encouraging entrepreneurship and self-employment* measure. Specifically, the high levels of youth unemployment and the polarization of the youth educational attainment have been stressed as structural features of youth labour market, which have amplified their prejudicial effect on youth labour position after the crisis. In addition, other positive relevant factors in its formulation process have been the European institutional arrangements, such as Youth Guarantee, which have been beneficial to the protection of young workers. However, this measure was more criticized than the Encouraging entrepreneurship and self-employment measures due to its questionable effect on young people's employability and on employers. Particularly, there are question with regard to the possibilities of adopting certain measures from the European context without considering the characteristics of the Spanish context. The analysis of the administrative methods and techniques has shown that this measure has the highest budget while it has been blamed for increasing the contractual complexity.

### 3.3 Start card program Hungary

The Start card programme initiated in 2005 as a reaction to the bureaucratic and inefficient incentives to employers in order to hire youths. The target group of the programme is young people under the age of 25 years or – in case of people with higher education – 30 years who finished or temporarily left school and entered their first job. Their employers are eligible for a subsidy during a period of 2 years, as opposed to the 9 months under the previous regulation. The subsidy takes the form of a reduction of contributions ranging from 7% to 14% of the total wage. The reduction of contributions could be used for wages equalling up to 150% of the minimum wage, or 200% in the case of young graduates. This does not mean, however, that the actual wage cannot be higher than this amount: only the amount of the subsidy is capped at these levels.

The start card is issued by the tax authorities and certifies that its holder is eligible for the discount. The amount of the subsidy varies across eligible groups. All long-term unemployed are eligible for START plus, and START extra doubles the subsidy for a selected subgroup with multiple disadvantages, i.e. for jobseekers above 50 and those who completed primary education only. Eligibility for START extra can thus be earned in two ways: by accumulating unemployment spells (for the uneducated) or by reaching 50 years of age (for the educated).

The Start region programme is linked to the “Pathway to Work” programme which was introduced in 2009. This extends the discounts of the Start Extra scheme to employers hiring people claiming Stand-by Allowance. If the worker comes from a *disadvantaged locality*, then his/her employer is fully exempt from social insurance contributions for 3 years with the condition that the hiring of the new disadvantaged worker increases the workforce of the company and this is maintained for the duration of the subsidy.

The subsidy was further extended in 2009 and replaced by a new scheme in 2012. The scheme has been administered by the tax authority that issues a plastic card to eligible persons which indicates the type and eligibility period of the subsidy. Cards were issued only if claimed by the beneficiaries, but the evaluation of claims was automatic,

with no discretion or further conditions beyond age, education and long term unemployed status. This implies that there was no selection in the decision of who may receive the subsidy (prior to the hiring decision of the employer) as is often the case with wage subsidy schemes managed by the public employment service.

### **3.4 Incentives for hiring disadvantaged workers in Hungary**

This measure was enforced in 2005 and aims at the promotion of the employment of school leavers, unemployed aged 50 Years and over, People Returning to Work after Child Care or Nursing and the Introduction of the Paid Internship Programme. The wage subsidy aims at assisting school leavers to gain work experience. Other target groups are those returning to work following a longer period of inactivity due to child care or nursing. Finally, the scheme also gives incentives to take on the long-term-unemployed aged 50 years and over. These people often face difficulties in finding a job even if their qualifications are otherwise demanded on the local labour market and there is a shortage of labour. The scheme was amended commencing from 2005 so that the reduction cannot be less than 50% of the employer's social security contributions. In addition, the subsidy includes the fixed-sum health insurance contribution.

### **3.5 Voucher schemes for training costs of unemployed youths in Greece**

Although there were unsuccessful attempts to introduce voucher schemes in the field of training and employment since 2005 under the consultation and recommendations of the OECD with the financial assistance of the European Social Fund, the first real application was made as a response to the very high unemployment rates of youths in 2011. This measure was adopted by the Greek government on the basis of the broad guidelines of the European Employment Strategy. The choice of this innovation aimed at mitigating the inflated unemployment problem, especially concerning young people, which during the crisis has reached rates of around 60%. This measure is a new version of internship programs that were adopted before the crisis period.

The implementation of this measure met with mixed reactions from the social and public agencies (social partners, chambers, employment services), who criticized it as a form of substitution of both the fixed and the full employment. Also, there were reactions by the same beneficiaries and associations that were created for the promotion of the issue, touching on the inherent malfunctions that emerged in the context of its application.

The measure was not based on some specific quantitative targets or indicators. No pilot application was implemented before the beginning of the formal implementation. Much of the implementation was assigned after remuneration to the private vocational training centres, which had the duty to prepare the beneficiaries and implement their training in the classroom. Then, the beneficiaries would be transferred to the firms which they had chosen for internships themselves. The large scale of responsibilities and activities that the private vocational training centres held for the implementation of the program, marked certain issues of malfunction and corruption. Another important issue is the alleged unequal distribution of the current budget at the central level planning. This resulted in a great financial support to the vocational training centres and to the inadequate payment of the beneficiaries.

Due to the lack of specific institutional framework for traineeships in Greece, a large number of ministerial decisions were needed to define and clarify the exact steps to be followed towards the implementation process. This burdened further the existing several bureaucratic problems. The expanded engagement of institutions to the program -starting from supranational institutions and ending up to the local vocational training centres- led to problems in the part of the coordination action. A consequence of the poor coordination was also significant delays in the financial earnings of the beneficiaries of the program as the employers are not obliged to pay them regularly but only after they get the allowances from the public authorities.

### **3.6 The expansion of Apprenticeship for young workers in Italy**

This innovation is not a single measure, but is represented by an incremental process that has been sustained by a group of coordinated Laws and Legislative Decrees from

2003 to 2013. Apprenticeship in Italy has a long history, but it has recently gained a central stage in the field of labour policies, in response to increasing youth unemployment and school dispersion. During the period 2003-2013 traditional apprenticeship was extensively reshaped and promoted, drawing inspiration from the successful Central European models, especially the well-known German dual system and the French system. A legislative decree in 2011, resulting from a long negotiation involving the central government, the regions and the social partners, finally, collected and synthesized all the rules concerning apprenticeship contracts. This consolidation act aimed at simplifying and rearranging the previously fragmented regulation, since Apprenticeship was considered a crucial tool for labour market inclusion. The unique text defines apprenticeship as an open-ended term work contract, oriented at both training and employment of young people. It should be noted, however, that after the training period employers can recede from the contract without any implication. As for the labour cost, wages of apprentices are lower than those of qualified workers and employers benefit of reduced contributive duties when paying contributions on apprentices' retributions.

In 2012, the Ministry of Labour with the collaboration of the trade unions started the pathway towards an integrated and nationally recognized register of qualifications and professional profiles, since the lack of a national framework was identified as a crucial factor hindering the diffusion and development of the apprenticeship contract. A national system of certification of skills acquired in the context of training was created for first level apprenticeship, in the context of a national qualification framework (within the European Qualification Framework) but this issue wasn't further pursued by following governments. As a result, Italy still has not an articulated framework of professional qualifications at the national level, and this is still a striking difference as compared to countries with a well-developed apprenticeship system.

### **3.7 The vocational and professional training initiative in Switzerland**

The VPETA is a highly important act concerning the Swiss VET system. Compared to the law it replaced, this open framework law presents several modern and innovative features, while being much more open to development. The main change it introduced was to regroup all training programs into one overarching law, under the

competence of the Federal state. This unification of all vocational training programs facilitated a coherent structure of the apprenticeship system thereby laying the foundation of a more effective upper-secondary educational system, which did not exist previously, due to the highly fragmented array of training programs. Until 2004, the Federal state was competent only for training schemes characterized by the more traditional dual-system professions, in the industry, handicraft and trade sectors. The more significant change however was the introduction of training schemes in the health, social and artistic spheres into Federal competence arrangements. These schemes were previously within the bounds of cantonal competence. Significantly, this change enabled such training schemes to be placed upon the same level as training programs which were historically regulated at federal level

With the takeover by the Federal state of all trainings outside the academic sphere, all professions were suddenly put at the same level, and the more feminine professions gained more recognition. The implementation of this new law was a challenging task: an extremely complicated federalistic-centralistic reengineering process. The former Federal Office of Vocational Training and Technology (OPET) was in charge of the execution of the ordinance and hence of the general supervision of the implementation. According to the law, in five years' time from its coming into force, the over 200 job profiles had to be replaced or revised. However, since a professional reform takes from two to three years, it was quite clear since the beginning that the deadline could not be met. The main bottleneck was at the level of the Cantons. While the content of the job profiles is defined by the relevant professional association, the implementation is the task of each Canton. Since the professional associations are independent from each other, they could work on the reforms all the same time. The Cantons however could not spread the workload and had not enough resources to implement all reforms simultaneously. In order to manage the implementation, the OPET came up with a ticket system: each professional association had to get a ticket before being allowed to start with the reform. In order to get a ticket, the association had to propose a draft of their reform intentions and fulfill numerous requirements. This gave the OPET time to gain experience and to be able to estimate that the Cantons are able to implement about

15 profile reforms per year. This also gave the Cantons the possibility to step in with models for ordinances in order to simplify the process

The unbundling of previously cantonal functions was another extremely challenging task. The newly acquired spheres which used to be under cantonal competence had to be transferred into the federal structure of the new law. Organizations of the world of work, representing employers and employees, had to be created in order to serve as contact partners. Once created, the associations had to forge their identity, develop a dialogue with the relevant institutions and many other delicate tasks. It took years before this worked effectively.

The new inter-cantonal collaboration has proved precious when it came to implement the law in concepts most Cantons were unfamiliar with, as for instance the validation of acquired professional experience. In this cases the Cantons which were familiar with the concept shared their experiences and knowledge.

### **3.8 The case management of vocational training in Switzerland**

The aim of Case Management Vocational Education and Training (CM VET) is to early identify and support pupils who show serious risks of not being able to manage the transition from lower to upper-secondary education due to multiple difficulties before the end age of 13. At that moment, the case manager assesses the individual needs, proposing the most appropriate measures capable to address all problems in order to bridge the gap and allow for a smooth transition. Hence, the case manager sets up an individualized and wholesome package of services, picked among the available measures of the various institutions. The case manager acts as a transversal conductor, simply identifying what would be most useful, and then directing the pupil towards the already-existing measures, such as those offered by unemployment insurance, social assistance, invalidity insurance or from other available services.

As a new form of inter-agency collaboration, it aims to find cross-cutting solutions, adapting the measures to the individual needs, eliminating the “revolving doors-effect”. Moreover, as an early detection system, it aims at identifying as early as possible the youngsters who might be in difficulty at the moment of transition and

already know what their difficulties are, in order to come into action without interruption at the end of compulsory schooling, avoiding that they simply “disappear”.

While the measure was launched by the Federal government, according to the principles of federalism, it is implemented by each Canton on a voluntary basis. The Federal state was active on the strategic level, defining guidelines in order to support the Cantonal implementation. Moreover, in order to encourage the cantons to implement it, the implementation phase (2008-2011) was totally financed by the Federal government. It is based on the new Law on Vocational and Professional Education and Training (VPETA), which gave both the possibility and the instruments to do something. Indeed, this law explicitly encourages measures of public interest reserving 10% of the Federal contributions to support such measures.

A model was developed by the Federal administration, based on the idea that it is needed to act ahead the end of compulsory schooling, before these youngsters end without a subsequent solution. Therefore, it was necessary to develop a collaboration with lower-secondary schooling, in order to empower the teachers to identify starting as early as from the 7<sup>th</sup> school year the pupils who showed that the transition might become difficult. Since the Cantons hold supremacy concerning compulsory schooling, the Federal state had no power to interfere and hence needed the voluntary collaboration of each Canton.

Therefore, the Cantons were invited to develop an individual, context related case management (CM) system, adapted to the existent inter-institutional collaboration vessels. So, in an initial phase each Canton had to submit to the Federal administration a general concept, defining how they planned to implement CM VET. A background document was written, defining some principles in order to implement the concept. The Federal financing was subdivided according to different steps, and bound to the achievement of certain defined objectives. For instance, the first step consisted in achieving the political support (interdepartmental, strategic and operational) and an official decision of the Cantonal State Council.

During the consolidation phase (2012-2015), the Federal government set up a regressive financing model, so that the cantons could progressively take over the expenses, with the aim to institutionalize the program in the Cantons. From the end of 2016 onwards, the cantons will have to endorse the entire financing of the measure. How and if the offer will continue to exist is totally dependent on each canton's decision. A commission of the Swiss coordination center for research in education has been created specifically to determine what measures have to be implemented in order to ensure the transition.

### **3.9 The Gy11 educational reform in Sweden**

In 2007, the right wing government in Sweden appointed a committee to investigate how a new structure for upper secondary education could be designed, looking into everything from entry and qualifications to exit and graduation. Along with the general purpose of upper secondary school in Sweden, the specific agenda of the 2011 reform was to decrease drop-out rates, improve knowledge levels among students, increase quality of education and provide a smoother transition from school to work. The idea was to achieve this by changing the programs as well as the teaching process of different subjects. Mainly, the idea was to provide student with more specialized skills and knowledge, both by extending and revising the vocational programs and promoting the teaching of core competences in subject-specific environments.

In working with the government report, which traditionally serves as the basis for new legislation, the committee cooperated with seven focus-group municipalities and four universities, as well as several trade organizations, social partners, school unions and student organizations. The reform of upper secondary education was introduced on the national level after introductory lectures nationwide for both principals and teachers.

The right wing coalition government published the draft of the reform in 2007 which after having been submitted for comments, passed through parliament by the end of 2008 and was implemented in 2011. When the proposed bill was first sent out for referrals, this was an open process where the bill proposal was available to the public

for commenting. This process was meant to provide the possibility of input from civil society as a whole, rather than just different organized representative bodies. In addition, roughly 200 experts were consulted, representing different industries and business sectors, universities and teachers. Most of the referral comments also came from the usual consultative bodies, with varying degree of conflicting opinions on different parts of the reform. Mostly, the areas where there was disagreement revolved around the changes made to vocational programs as well as the introduction of an apprenticeship program, and the structures surrounding them.

### **3.10 The Forjad (Training for young adults) project in Switzerland**

This measure aims to improve the labor market participation of young adults (18 to 25 years) on social assistance benefits who have not accomplished upper-secondary education. It covers the participants' training expenses and ensures them a living revenue. The measure is designed in a holistic and all-encompassing manner, in order to closely follow each participant and intervene with appropriate support, tailored on the individual needs. An essential aspect is to avoid as much as possible failures and interruptions, in order not to further demotivate the participants, who often come with an already long history of failures in their past. Additionally, due to their pathways disseminated with ruptures and scholastic failures, the participants struggle with multiple difficulties.

For this purpose, the Cantonal authorities rely on organizations providing social insertion measures, specialized in taking over youngsters. In a first step, the candidates need to set up a professional plan with the help of the specialized staff of these organizations. If the youth shows proof of being able to set up an appropriate and realistic professional plan, the candidate will be enrolled in an insertion measure. Once enrolled, the general aim is to address and bridge the gaps hampering the access to training. More specifically, the final objective is to help the youngster to find an apprenticeship or to subscribe to a vocational school.

A coordination and support group for FORJAD was created since the beginning of the pilot project, in early 2006. It is composed of representatives of the three involved

Cantonal departments, namely, the DSAS, the DFJ and the DEC. In addition to these, representatives of the organizations offering the insertion measures and of employers are also part of it. This group was particularly important during the initial phases of preparation of the project. Today it keeps essentially a role of supervision and follow-up of the project.

### **3.11 South-East Academic Partnership (Scotland)**

The academy program aims to smoothen the transition from high school to either college, university or work. It aligns its work with the Scottish Government's growth agenda, while also helping pupils to make the transition from school to either college or university; or if they choose from school, college or university directly into employment. Employers, educationalists, local authorities and governmental bodies have committed £4.6 million of funding to develop the four academies. In addition, the academy project has benefitted from partnership with a number of industry partners. These partners are instrumental in giving young people the opportunity to work in specialist industries by providing placement opportunities and hands-on practical experience, and offering an insight into specialist fields. The full academy programme is part time and delivered over a two-year period. However, students can choose to complete just one year before progressing to places on related courses at Edinburgh College or students can use the transferable skills they have acquired in their first year to move to other opportunities. After successful completion of the full two-year academy programme, students will be presented with a range of opportunities to progress into further or higher education or go directly into employment. Students who successfully complete the academy will gain a recognised qualification to add to their CV As well as a qualification, successful students have enhanced academic knowledge, practical skills and a competitive advantage in securing a place at college or university. The programme was first piloted in 2013 and has now received 650 applications from young people aged between 15 and 18 years. The collaborative agreement between the University, colleges and local authorities was developed gradually. Edinburgh City Council was able to view the evidence base for the academies before becoming involved. More broadly this programme resides

within an integrated framework of policy initiatives across education and employability which aim to deliver a more effective and meaningful transition between education and employment.

### **3.12 Employment Recruitment Incentives (Scotland)**

This innovation adopts a dual response to the crises by bolstering labour market resilience and inclusion by stimulating the supply of quality jobs for young people with special tailored measures for young people who face significant challenges. Employer Recruitment Incentives are funded jointly by the Scottish Funding Council (Scottish Government) and The European Social fund and centrally aim to provide job opportunities for young people before they become long-term unemployed. In the period between September 2013 and July 2015 Employer Recruitment Incentives created 10,000 new employment opportunities across Scotland. The new positions were strictly regulated and private sector employers were obligated to ensure employee rights and conditions order to receive this funding. Investment in the national employer recruitment initiative focuses on a shared responsibility, partnership approach with a dual approach to supply side drivers including productivity and competitiveness and longer term growth strategies including social cohesion and solidarity. Small and medium enterprises at local level support the employee recruitment incentives although they argue that it is very complex and they face difficulties in accessing advice and information.

### **3.13 New Deal / Work Programme (UK)**

The New Deal (ND) was launched in 1998 by the incoming New Labour government. Originally it was envisaged that the ND would only run for the duration of the parliament (1997 to 2002), but in 1999 the Government announced that it would form a permanent feature of welfare-to-work strategy. In 2009 the NDs began to be phased out as the Flexible New Deal (FND) came into operation. Following the formation of the Conservative-Liberal Democrat Coalition government in 2010 all NDs and the FND have been cancelled and replaced by the Work Programme.

The FND pilots were launched in 2009, with the aim of replacing all existing ND provision. Within the NDs themselves, one particular area of interest within NDDP given the subsequent experience of voluntary sector providers on the Work

Programme is the experience of Job Brokers. Part of the NDDP was an experiment in Payment by Results. An early evaluation commissioned by the DSS indicated a widespread feeling amongst Job Brokers that 'payment levels were too low and targets too high given the amount of time and support that clients needed, and some felt that their organisations were carrying too much of a financial risk. This, in turn, impacted on the quality of service received by clients as it encouraged 'creaming and parking', or placing those clients who were 'job ready' into work rather than investing time and resources in those who required more intensive help. Accordingly, Job Brokers suggested that payment levels should be increased, that extra support should be provided in the early days of a contract, and that payments should be made for interim steps in helping a client into work.

The Work Programme is the flagship employment programme of the Conservative-Liberal Democrat Coalition government. It replaced all of the NDs and the FND from 2011. It also replaced Pathways to Work, which was an employment programme for disabled people. Although ministers have unsurprisingly been keen to stress the novelty of the programme, it exhibits considerable continuity with the FND. This is in part due to its development trajectory which stems from the recommendations of the Freud report and builds on the experience of Employment Zones. However, there are also some areas of change around implementation.

One of the intentions of the Work Programme was to allow smaller voluntary organisations with specialist experience with particular groups to be involved in service delivery. This was on the basis that these organisations were likely to be able to offer more effective and personalised help than large, state-led programmes. Early indications suggest that the funding structure, which is based on Payment by Results (PbR) has caused some difficulties. There are a total of 40 Work Programme contracts across Britain, split between eighteen 'prime providers'. The primes then use subcontractors to deliver services. There are two types of subcontractors: 'tier ones' who will 'support participants for the whole of their time' on the Work Programme, and 'tier twos' who will deliver specialist interventions to certain types of claimants. This includes, for example, those with extra needs resulting from disability.

Following the crisis and economic downturn, the Conservatives re-iterated the need to push ahead with reform of welfare to work. The extended use of sanctions is a central innovation within the Work Programme. Although sanctions were used to a limited extent as part of ND, their usage has increased considerably since the introduction of enhanced conditionality via Work Programme in 2011. The legislation to extend the scope of sanctions was introduced as part of the Welfare Reform Act (2012) in relation to the new single working-age benefit, Universal Credit. Sanctions can be applied for a number of reasons unrelated to Work Programme such as being sacked for misconduct or failing to take up an offer of paid work. However, in 2013, claimants on the Work Programme who had failed to meet their conditions of entitlement comprised 90 per cent of those referred for sanctions.

#### **3.14 The Youths' Guarantee (Slovenia)**

The measure was introduced somewhat surprisingly, out of the blue, and with poorly articulated goals and timeframe. According to the official declarations all youth that finished schooling from 15 to 29 years of age will be offered employment, or continued schooling, in 4 months after concluded schooling. The defined goal is to reach 37.000 youth annually. The younger express very low expectations as to the benefits of the measure. According to the Slovenia report the scheme offers too many opportunities for clientelism and nepotism. Additionally, the scheme favours those who have prolonged their studies to over 25 years of age, and thus disfavors those who finished their education in time. Given that Slovenia extended the "youth" definition to 30 years of age, young of 26 – 30 years of age are unduly privileged under the scheme and those younger than 26 are experiencing a dumping effect. Those older than 26 years of age should be helped to employment by other means. The measure will, also, create problems in the future, when the generations under 30 years of age now will be pensioned.

### **3.15 The Employment Recruitment Incentives FOR Youths (Scotland)**

The Youth Guarantees focusing in training places and apprentices for youths start as a local project in Glasgow and Edinburg (Scotland) in 2012. Initiated by Glasgow City Council in 2009 The Glasgow Guarantee aims to provide a job, apprenticeship or training place for everyone in the city aged between 16 and 24. It guarantees every qualifying school leaver a modern apprenticeship in the city, helping 2300 young people into apprenticeships since 2009. Funded entirely by Glasgow council, this provides every young person aged 16-24 with guaranteed support in the form of education, training or a job.

In a similar context the Edinburgh Guarantee was initiated by Edinburgh City Council in 2012. Working with the public, private and voluntary sectors, the Edinburgh Guarantee seeks to increase the number of +jobs, further education and training opportunities being made available to young people in the city. The economic slowdown has had a major impact on young people in Edinburgh and in Scotland as a whole, with reduced opportunities and increased competition for jobs driving youth unemployment rates up. The aim of the Edinburgh guarantee is to prevent long-terms unemployment amongst young people in the city. The innovation is a cross-partner and multi-sectorial initiative.

### **3.16 Job Guarantee for youths (Sweden)**

The job guarantee for young people (16-24) was introduced with the aim to reinforce job-search activity, followed by a matching process and complemented with reinforcing efforts such as training or education but also involves a strengthened work incentive by quicker reducing benefit compensations (stick and carrot). The purpose is to help unemployed youth enter the labour market at an early stage, partly with the effort to avoid longer spells of, and more permanent long-term unemployment.

The job guarantee for youth was part of the political platform that the Rightwing coalition ran on. They took office in the fall of 2006, and announced in their first budget proposal for 2006/2007 the discontinuation of the Municipal youth programs and youth guarantee and the introduction of a job guarantee for youth. Unlike what is common in the procedure of proposing a bill, the job guarantee for youth was not the result of a government report or committee having looked in to the matter of policy

reforms for unemployed youth. However, the proposal was sent out on referral to a number of stakeholders.

In the submission for comment on the government bill, a lack of conformity around certain aspects of the job-guarantee for youth was brought forward. The negative comments were mostly regarding the conditionality of and sanctions connected to the program, and the lower benefit rate for non-graduates of upper secondary education. The government mostly point to the importance of cooperation, which is brought up as an essential part of the function of measures against youth unemployment. This is revisited in later government reports and follow-ups of policy responses to youth unemployment. In most of these, the cooperation is described as underdeveloped and largely malfunctioning

The government-run PES is the main government body in charge of the implementation. The guidelines are developed from government goals through the yearly letters of regulation, to the managerial staff drawing up goals for the agency to work toward. The reform is primarily regulated by the ordinance on the job guarantee for youth.

Already in the submissions for comments on the proposed bill, the Swedish National Agency for Education were concerned with the division of responsibilities between the municipalities and the Public Employment Service as both actors have a responsibility for youth under the age of 20 who have not completed an upper secondary education. The municipalities have a responsibility to keep themselves informed about the occupation of youth between 16-19 years old who are not partaking in an upper secondary education in order to offer them suitable individual measures. "Evaluations suggest that the deterring effect from facing the risk of having to partake in full time mandatory job-search seems to have been the most effective part of the program. It is also clear that over 63% of participants put in no more than 10 hours per week. In other words, it is in practice not a full time program"

### **3.17 The Youths Employment Plan (Belgium)**

As youth unemployment was quite high in Belgium even before the financial crisis, experiments were set up to develop methods to reach the hard-to-reach young unemployed in order to find a suitable route to work and integrate.<sup>3</sup>

The EU 1998 Employment Guidelines launched the idea of the ‘comprehensive approach’ for unemployed persons in general and for unemployed youths in particular. Each and every job seeker was to get a new or fresh start from the PES within 12 months, and within 6 months for those under 25. In 2005, Flemish Minister for Work, Education and Training Frank Vandenbroucke ordered a set of experiments which would become known as the ‘13 Cities Plan’. In 13 cities where youth unemployment proved particularly hard to eliminate, the PES was to cooperate with specialised NGOs in order to reach hard-to-reach youths. A combination of several methodologies, each adapted to the specific situation (local and group characteristics) was used, such as contacting, gaining trust, working on attitudes, e-monitoring. These pilots were subsequently to be extended and gradually mainstreamed within one overall plan, the Youth Employment Plan.

In a first evaluation, e-monitoring and the principle of tendering guidance and coaching to specialist NGOs were considered successful elements which deserved continuation. Another study recommended systematising exchanges of approaches and good practices between employment agencies. The EU Youth Guarantee pushed the PES to increase its efforts and reduce the period in which a person leaving school was to be contacted to 4 months. Special attention was to be devoted to the NEET group (Not in Employment, Education or Training) (European Commission, 2013b).

In the Flemish Economic and Social Negotiation Committee (VESOC), a triple approach was added in 2012: in-house individual vocational training, work experience projects for youths and step-in internships.

### **3.18 The Integration Allowance (Belgium)**

This program is a second innovations in answer to the rather high level of youth unemployment in Belgium. The reform of the waiting allowance in 2012 (Di Rupo

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<sup>3</sup> This particular innovation could be also included under the cluster “activation”

Administration) made the eligibility conditions for this benefit stricter in order to increase job search incentives and prevent abuse of the measure. Additionally, the waiting period was renamed professional integration period while 'waiting allowances' became 'integration allowances'.

The ideology that 'not working' and settling into dependency should be discouraged as much as possible was a significant factor in the decision of the Michel Administration. Another consideration was that in principle, benefits were to be based upon contributions and exceptions should be restricted. The trade unions, while still defending the right to claim integration allowances, have given in to some extent, in exchange for not having 'regular unemployment benefits' limited in time, which was a demand of the employers and the right-wing parties.

### **3.19 Conclusions on policy innovations concerning youths**

The measures selected from the country-teams differ in some cases and include support for the self-employment of youths and subsidies to employers (e.g. incentives for entrepreneurship in Spain, Start-Card in Hungary) as well as early prevention and reforms in education (e.g. Gy11 in Sweden, Case-management in Switzerland) and are more or less common in others as it happens with the youths' guarantee schemes. There are, also, innovations which focus on various schemes aiming to the combination of training and work experience as well as on stricter rules for allowances (Belgium- Integration allowance) and various options of conditionality and sanctions (e.g. UK-New Deal).

The in-depth analysis of these innovations revealed that social dialogue and widespread consultation is absent in Spain, Greece, Scotland, UK, Slovenia and Italy and this deficiency obscure their smooth development and implementation. When innovations are incrementally introduced and developed with the interference of substantial dialogue and consultation there are no delays and rapid reforms in the cases of alternations in the power party and so the continuity in policy implementation is safeguarded (e.g. Sweden Gy11, Switzerland apprenticeship). Contrary to this option, in the context of absent social dialogue (e.g. Apprenticeships in Italy, vouchers

in Greece) there are discontinuities in the development of the policy and its implementation. In countries where there are robust evidence infrastructures and high administrative capacities (UK, Scotland) they manage to offset the negative influence of the lack of dialogue and manifested consensus (UK-New Deal).

An obstacle to the successful development of innovations is the financial constraints (mainly on those innovations financed from EU funds) which push national authorities to respond by enforcing certain *numerical clauses* concerning the beneficiaries and this constraint cause unwilling side effects (e.g. substitution and enhanced nepotism in Slovenia). Another problem obscuring the development of innovations is administrative incapacities and bureaucratic rules. This obstacle is tried to overcome by strengthening individual responsibility (e.g. Voucher scheme in Greece, Start-card in Hungary), by arrangements concerning the sharing of responsibilities via partnerships (Scotland- employment recruitment incentives) or by simplifying and re-allocating the rules, the duties and responsibilities among the different administrative layers (Switzerland-strengthening apprenticeships).

The most unobscured development of innovations are those that combine dialogue and consultation on their goals and methods of implementation, with robust evidence and systematic evaluation as well as with incremental changes in long-term time frames (Sweden, Switzerland). The financial constraints in Greece, Slovenia Hungary, and Spain amplify the lack of administrative capacity and the efforts to be supported by evidence and evaluation.

## **4. Innovations in policies regarding older workers and extension of their working life**

The second cluster includes paradigm measures such as the prevention of early retirement, the raising of the statutory pension age, flexible retirement schemes, the supporting of re-employment of older workers and instrumental measures supporting the live-long work ability. There are nine innovations studied in depth in this cluster. Five innovations refer to the abolishment of early retirement schemes and the rise of the statutory retirement age and four to incentives to older workers and employers in order to increase the chances for their employment. Most innovations included in this cluster were initiated during the crisis or are very new (e.g. Belgium) and their impact on resilience cannot, fully, be assessed. Additionally, they focus on legislation and on measures aiming to complement or counterbalance the consequences of legislation.

### **4.1 The rise of statutory retirement age (Italy)**

The main goal of these reforms has been the financial sustainability of the pension system. Italy, like most European countries, has a population that is getting older and this means an increase of pension treatment only partially balanced by a light growth of the number of contributors (due to a growing number of immigrants and women among regular workers). The changing of work-patterns explains a rise in average economic treatment. Reforms of the pension system had a positive impact on the economic sustainability that has been growing time by time until the beginning of the crisis of 2009.

Forecast of pension spending after the last reform shows a turnaround trend. If in 2010 Italy is the EU country with the largest share of GDP in pensions. The reduction of share of GDP in 2060 seems little but it diverts a long trend of relative growth. The Italian pension system still shows a great unfairness among categories of workers concerning the coverage of actual and future pensions by past contributions that is corrected only by total contributory system beginning in 2012.

#### 4.2 Stricter rules for retirement in Greece

The measure implies the gradual increase of the minimum years of full-time employment required as a condition for receiving the old-age pension. Since 2015, the level of pensions are determined according to the sum of all the contributions instead of the average sum of the best five years. The mean annual actuarial rate is not permitted to be higher than 1.2%.

The agenda for reforms in the social security system also occurred based on fiscal consolidation and economic viability. This is a long-running dispute between the Greek governments, trade unions and the society. In the past decades, the Greek governments several times attempted unsuccessfully to introduce mild reforms in order to manage deficits in the pension insurance funds. These changes failed to be implemented because there was no consensus between the objectives and the method of implementation of the reforms, the social dialogue was scrappy and the unions considered it to be ostensible. The proposed changes were not documented on reliable evidence and the actuarial studies which were invoked to justify the proposed reforms were made by groups of technocrats, in the selection of whom social partners did not participate, and they were viewed as biased. In addition, throughout the entire period from 1995-2010, various methods unsuccessfully attempted to reform the pension system, the early retirement measure constituted a general practice to facilitate the restructuring of enterprises in both the public and the private sectors.

With all the reforms that failed to be implemented in the past in mind, an attempt was made to apply reforms directly and violently during the period of crisis. The pressures that were exerted by the economic downturn, led to the adoption of measures without compliance with the anticipated procedures, including consultation of the social partners and in general the provision of consent by social security agencies. Indicative here is the testimony of a former Minister, who denounced the non-cooperation of the insurance organizations, which created delays in the implementation of the measure. Reactions were certainly much smaller, in proportion to the reforms and the past, which is interpreted in a wider inertia of the Greek society in the face of the acute effects of the economic crisis.

The consequence of this reform was that a large number of workers who had planned to retire in the near future lost this right, sometimes at a breaking point (cases were reported of workers who lost their right to retirement because they were only a few months short of the appropriate period of time). However, the direct enforcement of the new stricter rules brought in many cases the exact opposite effects. As the increase of the official retirement age by two years was imposed by Law at the end of 2012 in which determined the gradual completion of the reform at the latest by the end of 2015 (from 60 to 62 for those working more than 40 years or in heavy and arduous professions, and from 65 to 67 years for most workers) those with current full entitlement crowded together to become pensioners and the number of early retirees was increased by 150,000 within two years.

The most striking example is the field of the self-employed. In the pre-crisis period, professionals that belong in this category remained in the labour market ever after the pension entitlement. The recession brought about by the crisis in the market, the burden of social security contributions and the deteriorating social conditions after the reform, they all resulted in a dramatically changing of the image of many freelancers, who resorted massively to the solution of the early retirement.

A respective soaring retirement trend is, also, observed in the public sector by those employees who had entitled not only full pension but as well early retirement. Here, the wage cuts, the threat of temporary lay-offs and redundancies and the loss of insurance rights pushed a large number of people towards retirement while they could still be active workers.

### **4.3 Rising statutory retirement age in Germany**

Rising statutory retirement age in Germany has two stages: (1) Retrenching early retirement – for which the first legislative step was enacted in 1989, entering into legal effect in 1992 but restricting opportunities for early retirement only from 1997 on. (2) Raising the statutory retirement age, which was legislated in 2007 and started taking practical effect in 2012.

The Pension Reform Act was based on a broad political consensus which embraces most of the political parties represented in the German Bundestag at that time as well as the respective representatives of trade unions and employer organisations. The consensus was preceded by controversial debates about *what* had to be done to cushion the prospective outcomes of demographic ageing in times of low growth rates and changing labour markets. This applied in particular to the measures taken to raise effective retirement age. On the one hand, the Confederation of German Employer's associations (BDA) as well as parts of the Christian Democratic Union (particularly representatives of the association of small- and medium-sized businesses within the Christian Democratic Union), both already expressing their preference for a prolongation of working lives in the early 1980s, called for more far reaching measures like higher actuarial adjustments in case of early retirement and shorter transition periods regarding the phasing-out of the existing early retirement schemes. The main reason for this was to maintain (or rather improve) international competitiveness of the German economy by keeping labour costs at a reasonable level. In this respect, the future development of the compulsory contributions to the statutory pension scheme was of particular importance since the major part of social contributions is allocated to the statutory pension insurance (the contributions to which are shared on an equal basis between employers and employees).

On the other hand, various trade unions, the German trade union confederation (DGB) and the Social Democratic Party, the largest opposition party at that time, opposed the idea of phasing-out most of the existing early retirement schemes. However, the opposition was not fundamental since all political and societal actors concerned agreed in the necessity of a substantial pension reform as “the projected figures on population ageing and the ensuing consequences” led to “a commonly shared ‘crisis diagnosis’.

#### **4.4 Increase of statutory retirement age in Belgium**

After years of debate and attempts to raise the actual retirement age so that it corresponds with the legal retirement age, the new Belgian federal government ('Michel 1') decided to raise the legal retirement age to 66/67 (by 2025/2030). This came as a surprise as it was not announced in the electoral programmes of the coalition partners. The rationale of the measure has been subject to controversy and speculation ever since.

The measure received positive feedback from the employers' side and fierce resistance - to the point of strikes and manifestations - from the trade unions. The government had to master a social crisis by delegating an exemptions negotiation to the social partners, specifically for the current stock of early retirees and for determining the category of heavy labour. This process is still on-going at the time of writing.

#### **4.5 Increase of statutory retirement age in the Netherlands**

Due to the ageing society, the economic crisis and the increasing average life expectancy, reforming the general minimum pension (AOW) came on the political agenda in 2008. Several agreements and law changes have been made since then. Very recently the Senate approved a new law. The Dutch political playing field was still very unstable and in the spring of 2012 the parties that participated in the previous coalition and some of the opposition parties formed the so-called 'Kunduz Agreement' after Rutte I fell. In this agreement the AOW reform was present again. Then in the summer of 2012 the parliament and senate approved the AOW reform, which was about a stepwise uplifting the AOW entitlement age to 67 in 2025.

The goal of the AOW is to ensure a basic income for elderly beyond the statutory pension age. The decision-making process about the AOW entitlement age has some unique characteristics. First of all the political climate has been very unstable which made it very hard for the Ministry of Social Affairs, because the law had to be adapted time and time again to the new situation. The second remarkable aspect is that the opinions of many parties have changed concerning the AOW legislation over a short period; also, the public opinion has changed very rapidly. In addition, the second pillar, which is a non-governmental affair, had to be adapted to the changes in the AOW

legislation. Therefore, the social partners had an important role. The pension federation, the trade unions and the employers' organizations were influenced by political decisions. Therefore, from 2008 onwards they have had many consults and many agreements on how to arrange this new Dutch pension system. The crisis has helped on opening a policy window for reforming the pension system. The social partners were desperately trying to reach consensus, because otherwise they would lose all their opportunities to influence the reform. They failed at first but in later stages, they did achieve consensus among the involved stakeholders. The first pension scheme reform was passed in the Parliament on 23 December 2010.

Since Minister Donner presented his bill to raise the AOW entitlement age, a lot of agreements and bills have passed in review. The original plan was to raise the age from 65 to 67. After Balkende IV fell, the cabinet in which Piet Hein Donner was Minister of Social Affairs, the bill was withdrawn. Nevertheless, the following cabinet agreed on establishing a new bill to raise the AOW entitlement age. At this time the Minister of Social Affairs was Henk Kamp. The parliament and the Senate actually approved this bill. In the meantime there were agreements made in the Polder to arrange peripheral issues concerning the Dutch pension system and many affairs were subject to negotiations. In particular, the Polder was discussing what to do with the second pillar of the pension system. Then Rutte II presented a bill to speed up the raise of the AOW age and on top of this it wanted to link the AOW entitlement age with the average life expectancy. In June of 2015 the Senate approved this bill.

#### **4.6 New Pension and Disability Act in Slovenia**

The short-term government of Prime Minister Janez Janša has, in the interval from January 2011 to March 2012, passed the Fiscal Balance Act (ZUJF) that introduced mandatory pensioning for all employees in the public sector that met only one of the two conditions: either age (65), or 40 years of work. The aim was to reduce the numbers of employed in the public sector, as new or substitute employments were in principle prohibited. Consequently, these mandatorily pensioned workers contributed to the peak of early retirements before the crisis, as between 2009 – 2013, an additional cohort 50.000 workers younger than 65 joined the ranks of the previous

young retirees (200.000): in other words, the numbers of pensioners younger than 65 years of age was growing twice as fast as the numbers of pensioners older than 65.

#### **4.7 The 50plus program (Germany)**

The nation-wide labour market programme 'Perspective 50plus' (P50+) was launched by the Federal Ministry of Employment and Social Affairs in mid-2005, six months after fundamental structural changes of the benefit system for unemployed people and of the Public Employment Service (PES) had taken effect. Known as the 'Hartz' reforms, these reforms reduced older workers' maximum eligibility for unemployment benefits and introduced a new minimum income benefit regime with stricter means testing, allowing no exemptions for payments by previous employers. While these policies – together with the already described phasing-out of most categories of early pensions - gradually introduced disincentives against retirement before the statutory retirement age, raising the statutory retirement age itself was more or less in the debate already in 2005, when P50+ was launched. Phasing out in 2015, P50+ was a programme of unusual long duration. Under this programme, jobcentres could apply for additional funding in order to provide intensified employment support to jobseekers aged 50plus. Grants to the jobcentres were attached to agreed job outcome targets; however, missing the target in one year would only lead to lower targets and lower grants in the next year, not to reclaims. Though the programme was not restricted to long-term unemployed, participants were very distant from the labour market, with their last employment covered by social insurance dating back, on average, more than three years. The programme addressed primarily recipients of means-tested minimum income benefits; recipients of contribution-based unemployment benefits could be included if exhaustion of their maximum eligibility period was near.

For the PES, P50+ marked the paradigm shift from the inactivation to the activation of older workers. It also implied that the newly established job-centers should, six months after their creation, start actually moving people from unemployment into work.

In order to achieve this, the following design elements were crucial:

- The program as a whole was managed by a private non-profit service provider. However, final and formal decisions remained reserved to the ministry.
- For the job-centres, participation in the program was voluntary. The program started with only 93 out of then 438 job-centres but developed so much momentum that in the end more than 90% of the now 404 jobcentres got involved.
- For unemployed older workers, participation in the program was made voluntary by most of the participating job-centres.
- Job-centres were encouraged to liaise with social partners, local initiatives and media in order to make the employment of older workers a publicly recognized issue. The local networks thus developed were called 'employment pacts for older workers'.
- Unlike mainstream active labour market policies in Germany, the kinds of services participants were to receive were not prescribed in the form of legally defined 'instruments'. Rather, job-centres were free to decide what to do or what to have done by external providers commissioned by them, to experiment, to combine various treatments and to change approaches flexibly in accordance with individual needs of clients.
- Job-centres were also free to decide on how to divide the funding between contracting-out and hiring additional internal staff. In any case, the general result of additional funding was having lower caseloads at the frontline.
- The kind of support actually given to participants was more individualized, more medium-term, and more 'investive' than in mainstream services (more training, more coaching, more health support, more support for becoming self-employed).

While the numbers of unemployed people in the respective age and benefit category remained fairly stable, the numbers of participants in the program more than doubled, finally covering more than one-third of the theoretical target group. Job take-ups within the program grew even faster, showing hardly any reaction to the economic slump of 2009 and finally reaching a gross success rate of more than one-third.

Spending in the program grew accordingly, but the ratio of spending per successful outcome declined slightly, indicating improvements in cost efficiency.

#### **4.8 Adapted availability for older workers (Belgium)**

The Flemish Public Employment Service (VDAB) played a decisive role in processing this regulation<sup>4</sup>. Making use of its data mining and calculating outflow chances per category of competences as well as jobs, VDAB is able to monitor and if necessary adjust the customised job-seeking plans. This approach was first used to activate the 50-55 age bracket, later extended to 58 and (in April 2014) to 60. In March 2014, the Flemish government could proudly announce that the outflow results for the 50-55 age bracket had improved by 40%. Though they did have to admit that this success was not duplicated for the 55+ group as it appeared by October 2014, the newly formed federal government of Prime Minister Michel also had plans for older unemployed persons, not just for ‘ordinary’ unemployed persons but those unemployed due to collective redundancies. The concept ‘adapted availability’ was proposed for the latter. The idea was that a person in this group was to apply for suitable jobs, in compliance with his/her customised plan. The plan, which is to be provided within 6 months after being made redundant, may also include training or outsourcing.

#### **4.9 Employment plans for over 45’s (Belgium)**

The rationale, carried by the social democrats in the Di Rupo Administration was a quid-pro-quo idea: working longer will only be an option if the work is workable. By making it the subject of a collective agreement, the government hoped to generate ownership of this idea, which in turn would increase the chances of implementation.

The measure took the form of a collective agreement, signed in 2012 and still valid today. Both employers and trade unions remain sceptical as to the applicability and possible impact of this collective agreement. Employers consider the seniority-based wage model as the real reason for the reluctance of employers to recruit and keep older employees. Trade unions defend the principle of validating acquired

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<sup>4</sup> This particular innovation could be also included under the cluster “activation”

competences but regret that the agreement lacks an effective inspection and sanction mechanism.

Although unsuccessful, the innovative character of the measure cannot be denied. A type of regulation enters the terrain which has historically been the exclusive domain of the employer: job content, job allocation and work organisation.

#### **4.10 Conclusions concerning policy innovations for older workers**

The main goal of the innovations selected for in depth analysis in this cluster is the rise of the statutory retirement age which is raised because of financial and demographic restraints. There has, also, been selected some programs of limited width which focus on supporting older workers in job-search and on changes of employers' behavior towards the employment of older workers (e.g. Belgium).

The innovations which country teams have selected in the context of this cluster refer to the direct rise of the statutory retirement age or to stricter eligibility rules for the fulfillment of the full entitlement for pension and are documented on demographic and financial pressures that boost most countries toward stricter rules for obtaining pensions aiming at the postponing of actual retirement age. The different countries, even though converging towards similar goals, do not follow similar methods and policy instruments. In Germany the long term effects of incremental changes followed after long in-depth dialogue with social partners in the context of political consensus safeguarded that the changes will not harm directly the beneficiaries and became much more easily acceptable and more or less developed smoothly. On the other side, social dialogue and political consensus is not a sufficient precondition when the new and nearly always stricter rules, do not harm equally the different social groups and cause widespread dissatisfaction because of favoritism towards certain professions (Italy-Greece), an option which facilitated from the fragmented pension systems, along sectoral and professional lines. Occasionally, demographic pressures and social dialogue which are not based on robust evidence and clear agreement on the goals of the innovation delay their adoption and development. Widespread clientelism and

political dissatisfaction has accelerated the financial collapse of the pension system (e.g. Greece, Slovenia). The introduction of stricter measures with direct implications boost many persons with full entitlements towards their “exit” from employment and cause the opposite than the expected results (Greece, Slovenia).

The voluntary involvement of employment actors on measures aiming to increase employment prospects for elderly are more successful if they are accompanied by financial incentives (50 PLUS Germany). On the other side, stricter eligibility rules arranged voluntarily in the frame of collective bargaining do not safeguard their successful development (e.g. Belgium).

In countries where the innovations were enforced as a result of comprehensive social dialogue supported by robust evidence their implementation is usually incremental and with long term perspectives while their results in terms of resilience are considered by the national teams, positive (e.g. Germany, Belgium). In countries where the measures are imposed -because of strict financial constraints- in very short time and without trustful and in depth social dialogue (e.g. Greece, Slovenia, Belgium) their results are ambiguous or against their official expectations.

## **5. Innovations for disabled workers and the prevention of sickness**

The third cluster refers to disabled workers and the prevention of sickness, long-term health problems and disability benefit claims, as well as measures for integrating disabled workers in the labour market. They focus mainly on legislation with emphasis on conditionality and sanctions which are paradigmatic changes.

### **5.1 Access to Work / Employment and Support Allowance (UK)**

Access to Work (AtW) offers specialised employment support for people with disabilities. It is available to people who are either in paid work, about to commence paid work, or who are self-employed.

AtW is a central government initiative. It was the result of a consultation on pre-existing specialist support for disabled people carried out by the Department for Employment and Department for Social Security. As a development of previous programmes, AtW was launched nationally without a pilot programme. However a review was commissioned following one year of operation. This was carried out by two charities and subsequently AtW has not been subject to any systematic review process.

AtW has been subject to several reforms and adaptations since its introduction. Several of these concern the budget and marketing of the scheme. One important development following a substantial budget increase in 2008 was the government consultation on how best to make AtW more responsive to the needs of people with fluctuating conditions, including mental health conditions.

Access to Work reformed and renamed Employment and Support Allowance (ESA) in 2008.

### **5.2 Financial assistance for workplace adaptation (Greece)**

Firms which employ persons with disabilities can ask the employment authorities to subsidize the cost for the arrangement of their working place in order to be comfortable to the employees with disabilities. This particular initiative started in 1998 but the subsidies came to an end in 2008 because of the crisis. Currently, a small proportion of the private firms (for 50 persons with disabilities) that will occupy

subsidized persons with disabilities will get back 90% of the cost and a maximum of 2500 euros.

The measure of the ergonomic design for the access of People with Disabilities in Employment is a robust employment policy for the specific vulnerable social group. Its philosophy aims at eliminating objective obstacles that people with disabilities face to gain free access to their jobs. The crisis exacerbates the unemployment levels in the general population, so for those who already face problems, such as people with disabilities, the situation is even worse.

The main problem to be identified on the ergonomic design is that there are a few cases in which reasonable adjustments have been implemented in the companies. Even then, the ergonomic design of workspaces may be fragmented and there may be no overall concern for the smooth employment of people with disabilities. The ergonomic design is intertwined and influenced by broader problems that are caused by the crisis and at a later stage they concern the employment of people with disabilities. The recession and the soaring unemployment affect significantly the implementation of employment programs for this social group. In general, it is noted that the framework of employment policies for people with disabilities shows a need to adapt to the conditions and data of the crisis by abandoning the aspects that decisively discourage employers from hiring them.

More specifically, the measure of non-dismissal of other workers which is a prerequisite for obtaining a grant for the employment of people with disabilities appears unlikely to be implemented. At the same time, it seems that the crisis leads to the interruption of the subsidies to jobs for persons with disabilities by large enterprises, which traditionally applied the measure to a certain percentage of their employees. An additional issue discouraging the use of the measure is the complex bureaucratic procedure and the conditions required to employers.

### **5.3 The Participation Act (The Netherlands)**

The participation law aims to stimulate re-integration back into regular work by means of stricter obligations as well as supportive instruments such as job coaching, a no-risk

policy for employers and wage subsidies. Instruments are introduced to measure the 'productivity' of workers in specific jobs, which translates in an individualized wage subsidy for employers to compensate for productivity 'below 100%' when claimants are hired.

Several events influenced the outcomes of this process:

- The municipal representatives who had strongly influenced the initial proposal, were left out of further negotiations, even though municipalities would become responsible for implementation.
- A change of government (November 2012) brought the social democrats back into power in the Rutte-2-Cabinet. They were very critical about the initial proposal, but in their governmental role agreed with the integration of acts.
- The social agreement of 2013 is considered to be an important milestone during this process. In this agreement, social partners agreed on various reform packages. Related to the participation law, they agreed to realize 125,000 jobs for the vulnerable group of disabled workers, the WSW and WAJONG target groups. Also, following the social agreement, the originally proposed instrument of wage dispensation was abolished, in favour of wage subsidies which would give workers a job without the need for additional benefits;
- On the background 'financial reconsiderations' (*Heroverwegingen*), prepared in 2010 by a departmental commission, played an important role in this process. These reports were commissioned by the government to explore possibilities to reduce public expenditure in most social domains, including various benefits. This meant that the need to achieve budget cuts became a dominant goal, as opposed to the 'quality of service'
- The Rutte-2 Cabinet (which didn't have a majority in senate) had to make deals with various parties from the opposition (the so-called 'constructive' three parties: two orthodox Christian parties and the liberal democrats). According to the Department of Social Affairs and Employment (SZW), in this process the vice-minister played an influential role in arriving at an acceptable compromise which could pass parliament.

Finally, in 2014 the proposal, after many revisions following this political process and social dialogue, passed parliament and senate. Due to these processes, the idea to integrate three acts has not been achieved entirely: existing recipients of keep most of their rights and benefits. Capacities to work of existing recipients will be 're-assessed': if they are judged to have remaining working capacity, starting from 2018 their benefit will be reduced from 75% to 70% of the minimum wage. New claimants with working disabilities and remaining working capacity over 20% can apply for the new Participation Law.

#### **5.4 Quota Law (the Netherlands)**

The Quota Law is a part of the government agreement of 2012 between the liberals (VVD) and the social democrats (PvdA). The PvdA demanded the quota as a way to engage employers more strongly with the objective of realizing sufficient jobs for the target group of the participation law. The idea to assign quota for the number of disabled employees to employers was one of the reasons why initial opposition by the PvdA to the initial proposal of the Participation Law changed into support. The procedure to decide about applying sanctions has become a discursive process instead of mere application of legal procedures.

Starting from 2014, every year the number of people from this target group who are working in regular jobs has to increase, more or less by 7,500 persons per year at the national level. If this increase is not achieved, starting from 2017 employers can receive sanctions which are related to the number of jobs they were expected to realize and the jobs they have actually created. Each missing job will cost the employer €5000,- This is first judged at the sectoral level, to allow for flexibility in the realisation of jobs. If at the sectoral level insufficient jobs have been realized, individual companies can be judged and sanctioned. However, before this actually happens, social partners have room to discuss and explain why the target may not have been reached. As such, the real chance of sanctions being implemented appears limited.

The quota law is national legislation but initiatives to create the 'guarantee jobs' for partially disabled unemployed, are organized regionally. Regional networks of municipalities, schooling agencies, UB-agency UWV and employers' representatives

make agreements about the best ways to find job opportunities for handicapped job seekers in the region. The Participation Law provides instruments such as job coaching and wage subsidies to compensate for lesser productivity of disabled workers. As the Law was enacted as of January 1<sup>st</sup> 2015, results are not available yet.

### **5.5 New disability benefit (Switzerland)**

In Switzerland, the revision of the invalidity insurance had become necessary because there was a need to professionalize the practices of granting pensions in the invalidity insurance. Originally, the idea of the invalidity insurance was to reintegrate the insured persons into the labor market and if this failed, to grant cash benefits. However, in many cases the cantonal offices lacked the knowledge to decide whether a claimant could work part time and in which cases it was really necessary to grant a pension. Moreover, in many cases, cantonal offices did not know what to do, because they only received the results of a medical diagnosis. Therefore, they decided in many cases to grant a pension, because they were afraid that their decisions would be challenged in court. In order to have more professionalized diagnoses and to support the cantonal offices, policymakers suggested creating regional medical services, to define more frameworks and goals for the cantonal offices. In the 5<sup>th</sup> revision of the invalidity insurance, policymakers decided to create better regulations for integration measures and give more incentives to the cantonal governments to use them.

The proposal entailed a paradigmatic change in the invalidity insurance, because it explicitly demanded to prioritize prevention and reintegration measures compared to granting pensions. The goal was to intervene as early as possible, in order to avoid costs later. Therefore, the focus was on early detection and prevention to reduce the number of newly granted pensions. The idea of the pilot project failed during the parliamentary hearing of interest groups and cantons. The response was to immediately implement protection and prevention measures without using pilot projects.

In parliament, the heated debate about the innovation continued. Basically the main dispute was between those who only wanted to look at the financial side and others

who wanted to make more substantial reforms. There was a very strong political will to reduce abuses of the category "psychological invalidity", particularly from the political right, which had politicized the topic for quite some time and used the argument of abuse in the invalidity insurance as an argument in its political campaigns. Regarding early detection and prevention, everyone agreed that something needed to be done. However, there were intensive debates about how to implement and finance these measures were extremely controversial. On the left side of the political spectrum, the debate occurred in a very fundamental way with strong demands for more equality. Right-wing parties on the other hand demanded to economize more and save money no matter how. The federal office prepared many tools to help the cantonal offices to implement the reform.

#### **5.6 Activity Compensation Act (Sweden)**

Activity compensation covers young people unable to work due to sickness, disability or prolonged upper secondary education with cash benefit as well as the opportunities to remain activated in ways and to an extent that is possible given their condition. The benefit was introduced on the national level through legislation in January 2003. Previously this income replacement was available either as sick pay or early retirement for youth and financed through the pensions-system despite being available from the age of 16. When replaced by activity compensation and sickness benefits, the financing for the benefits also changed and is funded through the national health-insurance system since 2003. The changing of the title early retirement for youth to activity compensation was another step in the agenda to increase labour force participation. The new benefit came with new rules, stating that activity compensation should be available to young people no earlier than July of the year they turn 19, and no later than the year they turn 30.

In Sweden, proposals for a bill are always sent out on referral to different stakeholders in the field in question. In general, the activity compensation had broad support as a measure to provide a more active/activating measure for young people with reduced working capacity rather than just retiring them, out of the labour market at an early

age. However, the referrals show that there were disagreements on the role of the main implementing agent, the Swedish SIA with regard to the coordinating responsibility of possible activities. While stakeholders agreed on raising the age limit, referrals show that different groups had different opinions on what the new age limit should be, mainly regarding coordination with other benefit systems and legislation.

since 2005, the main implementing agent is SIA. In 2007, the right-wing coalition government appointed a special analyst to oversee the regulations of the AC and present preventive measures to suppress further influx. The report of the special analyst revealed that merely 40% of those with AC took part in any activity coordinated, suggested or initiated by the SIA. Of those who did, the majority participated in the measure Daily Activity, granted by the municipal social service, and were engaged in this activity before being granted AC. In other words, the SIAs involvement in coordinating, suggesting or assessing suitable activities has been limited.

The financial conditions seemed to vary between municipalities, and during the budget-year, which clearly affected the possibility of granting remuneration for activities. The report from 2008 also mentions the fact that there is wide range in the number and forms of activations available between different municipalities. This can be related back to the initial proposition for the AC where the government clearly stated that developing and providing activities has to be a responsibility shared by other stakeholders and service providers in society, yet without further specifying who they refer to and how that responsibility should take form.

## **5.7 Conclusions considering policy innovations for disabled**

In Greece and the UK the policies were designed and implemented without any social dialogue or widespread consultation. However, the administrative capacity of the UK state apparatus as well as its' evidence-based approach offsets, in terms of effectiveness, the absence of consensus on the goals.

In the Netherlands, the legislation is the outcome of social dialogue while in Switzerland and Sweden is based on social dialogue and widespread consultation

supported by robust evidence and systematic evaluation. Evidence-based changes of policies and systematic evaluation of their results seems to be the most powerful tool towards the successful development of paradigmatic changes in policies for disabled people (ESA-UK) facilitating the development of trust and consensus.

Partial reforms of eligibility rules based on experts' consultation for a long-time (1992-2007) facilitated the adoption and development of paradigmatic changes (UK-ESA in 2008, Sweden-Activity compensation act). Consultation with local authorities and social partners assisted with evidence in combination with supportive instruments (Nederland-Participation Law) while step-by-step voluntary changes facilitates the enforcement of obligatory rules and sanctions (Nederland-Quota Law).

In certain occasions stricter rules are sufficient to be monitored more efficiently based on shared responsibilities between central and local authorities (Switzerland-New disability benefits) or by nominating as responsible agent another more efficient public body (Sweden-Activity Compensation), while the lack of financial resources restricts the implementation of measures only partially and occasionally (Greece-subsidies for ergonomic adaptations).

## **6. Innovation in governance of labour market and social policies**

The fourth cluster refers to the governance of employment-related policies and services and includes policies focusing at the re-organization and streamlining of the PES, improving the co-operation and performance of networks, the contracting-out of services and marketization.

Countries which selected innovations for in-depth analysis in this cluster are Italy (1 innovation), Switzerland (1 innovation) and Sweden (2 innovations). Policies focusing on more effective governance of employment services initiated in all countries before the crisis. Their goal is mainly to strengthen efficiency via new management by objectives and marketization.

### **6.1 Management by objectives in invalidity insurance (Switzerland)**

This innovation is part of the fourth reform of the national invalidity insurance in Switzerland. The reform entailed the introduction of control measures of the practices of the cantonal invalidity insurance offices and the creation of regional medical services. The goal of the reforms was to get more information and control of the cantonal practices in implementing the invalidity insurance reforms. The new management-by-objectives and control system of cantonal disability offices was legislated in 2003. In order to implement this reform, the federal government argued that it is necessary to explicitly delegate competences from the cantonal offices to the BSV or other federal offices that are in charge

The BSV slowly tried to get the cantons to unify their decision criteria. In order to exchange practices between the different RMS-models, RM-doctors have met regularly in Bern in order to learn from one another and to unify practices in that way, since the federal government does have the political support to unify cantonal practices by hierarchical rule.

Another reason for this soft-governance approach was that not many doctors were qualified to work in the RMS and the BSV did not want to take the risk of many candidates resigning. This and the fact that parliament had refused to grant

centralized control of the RMS led to the establishment of the mentioned mutual exchange between the different services.

## 6.2 Finsam (Sweden)

This innovation initiated after systematic evaluation and amendments in 2001 in Sweden. In December 2001, the parliament asked the government to work with a proposal for a financial coordination involving the National Social Insurance Agency, health care agencies, municipal social services and Public Employment Services. In addition, the possibility of financial coordination should be permanent and nationwide. The reason why this initiative was started by the parliament was the experiences and evaluations of previous coordination efforts. The active party in this process was the parliamentary committee on social insurance.

A working group of officials from the Ministry of Social Affairs, Ministry of Finance, Ministry of Industry and Ministry of Justice was formed at the Government Office with the task to draft a proposal for a financial coordination in the area of rehabilitation. So the initiative came from the parliament and not from the government.

Several actors are involved in providing and handling rehabilitation measures; these are employers, occupational health professional organization, the Swedish Social Insurance Agency, health care, local social services and the Public Employment Services. Each actor has its specific mission and responsibility for the individual's rehabilitation. At the same time, the various actors' actions depend on each other. A number of investigations has scrutinized the question of cooperation in recent years and has proposed various findings and solutions.

At the turn of 2004/2005, 12 associations were established including 25 municipalities. Until 2014, the number had increased to 80 associations spreading from north to south and from big cities to smaller towns; 240 of the 290 municipalities are members of an association. All associations work differently according to local priorities. Early evaluations pointed to strengths and weaknesses in the implementation processes.

As a reaction to the establishment of cooperation associations, two national organizations were founded. One had its origin in an informal group of officials from

the Swedish Social Insurance Agency, Public Employment Service, the National Board of Health and Welfare and the Swedish Local Authorities and Regions that had the task to support the development and establishment of coordination association. This group worked with supporting new associations and to promote the exchange of experiences between these. Because of a lack of cohesion between the coordination associations it was decided to replace the informal group with a clearer and more formal organization; a National Council for Financial Coordination that was established in October 2008.

In addition, a member-based network, the National Network for Federal Coordination (NNS) has been established in 2009. The Parliamentary Committee on social insurance decided in 2014 to conduct a follow-up of FINSAM. The decision to carry out a follow up was mainly due to informal contacts and relations between members of the committee and other main actors.

### **6.3 Complementary action (Sweden)**

After the change of government in 2006, the elected centre-right government formulated the goal to increase private elements in labour market policy. The goal was already mentioned in the Statement of Government in 2006 and concretised thereafter in the Government's first budget in 2007. The (then existing) National Labour Market Board received in the appropriation for the financial year 2007 the assignment to more actively use private actors or so-called complementary actors. The explicit purpose was to improve matching and combat job seekers exclusion. It was emphasized that other actors' knowledge and competences are important to help unemployed finding jobs, especially with respect to young unemployed. This should be seen as a complementary part of the activities carried out by the PES. Through this action, job seekers should get more personalized services resulting in shorter unemployment periods. The Swedish Public Employment Service was required to report on which complementary actors were assigned, how many applicants used these, and the results obtained. One year later the goal was specified by that at least 30 percent of job seekers should receive help of complementary actors. A pilot project with private actors was introduced in 2007 and in 2008 complementary actors became part of the Employment Service's regular services. In 2012, the PES had contracts with

796 private actors, which delivered additional intermediary services to more than 121.000 participants. Providers included everything from sole proprietors to large corporations.

Another reform with bearing on the establishment of private actors came in force in Sweden in 2007. The reform abolished the obligation for employers to notify vacancies to the employment service. The reasons for the abolishment were, among other things, that the act was not followed in practice. Since 2010, the PES has the opportunity (not the obligation) to procure services according the customer choice model where the participants themselves choose which provider to provide the service. This was introduced for the service introduction guide (etableringslotser) for newly arrived immigrants.

#### **6.4 The marketization of employment services (Italy)**

In Italy between the two World Wars, during the Fascist Regime, the free market of labour was put under state corporatist control. In 1949 the new Republic maintained the state control under the pressure of the communist and socialist ideas of labour management and organization. For lower skills workers, firms were obliged to ask at state placement centres (“uffici di collocamento”) where people were registered according to the start of their unemployment period and they had to hire people following the numbers of the list (“chiamata numerica”) or justify why they did not.

The aim of this regulation was to have principles of fairness and general interest prevail above familiar relationships or interest networks. As firms do not like to be obliged to hire unknown people, this constraint was largely escaped. This constraint went on until 1987 when it was limited to 50% of low skilled hiring, and then in 1991 was abrogated. During the time of state monopoly companies and workers learnt to distrust state agencies where only people with a weak social capital went to find a job.

In 1997 the Treu Reform, which was a step towards more flexible kinds of jobs, introduced temporary jobs (“lavori interinali”) provided by private agencies. This reform was also due in respect of EU rules. Seven years later the Biagi Reform extended the right of private agencies (“Agenzie del Lavoro”) to implement all kinds of matching of demand and supply services in the labour market. Since then, private

employment services are very active in matching demand and supply of labour in Italy. This transformation of competences is based on the assumption that frictional mismatch and the lack of an efficient place where supply and demand of work can meet are seen as a main cause of unemployment in Italy since the crisis of 70s. The great territorial divide in PES performance and the relationship with marketization of employment services and the re-nationalization of employment policies started in 2014.

### **6.5 Conclusions considering policy innovations on governance**

Measures focusing on reforming the governance of Employment Policies rearrange the priorities and objectives of the Employment Services, reallocate the delegated competences between central and local authorities, increase the demand for stronger cooperation and coordination among various employment and social service agents and rebalance the allocation of power between public and private actors.

In Italy, there was no deep and substantial social dialogue concerning the goals of the policy reforms and their implementation is not well documented on robust evidence. In Sweden and Switzerland social dialogue is supported by evidence and systematic evaluation which assists the creation of a trustful policy context and accelerates the implementation of successful innovations. The efforts to control the practices of local authorities is successful if implemented slowly permitting the necessary adaptations by rearranging the delegated competences to national bodies in combination with unified eligibility criteria which are determined by competent and qualified professionals (New Management by Objectives-Switzerland). Financial coordination of different actors in order to increase efficiency if developed adaptively and step-by-step and if are supported by National Networks can establish more sustainable and effective outcomes (Finsam- Sweden). Additionally, private actors complement public services when they undertake clearly defined duties delegated voluntarily to them by public services while their activities are reported from public authorities (Complementary action –Sweden). The marketization of employment services by allocating competences to private actors are more efficiently developed if they are incrementally reformed and are underpinned on the demand for compliance to the European Union Guidelines (Marketization of Employment Services-Italy).

## 7. Innovations in activation policies

The fifth cluster refers to the 'Activation' of unemployed and includes innovations focusing on changes in the availability, coverage, duration or generosity of benefits, on complementary benefits for low earners, on vocational training and work experience, the promotion of start-ups from unemployed and measures aiming at direct job creation, public works and 'workfare'.

Mostly these policies combine new legislations and programs supporting their proper implementation even though their finance is limited and is not sufficient to cover the needs of their target group. All innovations in this cluster activated as a response to the crisis but they are not supported by robust evidence or systematic evaluation, even though they show paradigmatic shifts in the relations of unemployment benefits with employment and job-search. The impact of these innovations on the resilience of labour markets are too early to be assessed but the most serious deficiency they face are their limited resources and the short-term prospects the stakeholders demand from their implementation.

### 7.1 The active insertion income (Spain)

Active Insertion Income (RAI) emerged during the 2000's under the first national Action Plan for Employment of the Kingdom of Spain for 1999, following the guidelines of the European Commission. This measure began to be implemented as an annual and temporary measure until 2006, being subjected to the availability of economic resources. However, in 2006 the active insertion income established- by Royal Decree - in Spain as a subjective right, constituting the third level of unemployment protection and complementing the contributory and non-contributory unemployment benefit.

Currently, the Active Insertion Income (RAI) includes an income, which is subjected to the activity commitment and labour inclusion activities. Therefore, *Active Insertion Income* guarantees an economic aid under the commitment of the unemployed to develop insertion activities. As a dual benefit, the beneficiaries must develop, at least, three actions of active job search during the period they are beneficiaries.

The current economic and social conditions have caused some austerity measures which have had a direct impact on the implementation process. The main effect has been the limitation of the protection dimension of this policy by the tightening benefit entitlement conditions.

In addition, a deviation from the legal regulations has been detected in the implementation of insertion activities. Thus, there is a gap between what is stated in the legislative text and how the measure is being implemented as the *RAI* is only providing an income. Two factors seem to be relevant for this: the increase of the active population that can access employment benefits and the lack of efficient management. The conjunction of these factors might have impacted the efficiency of the active labour policies. Therefore, there is an imbalance in the operation of the administrative layers, limiting the potential of the *RAI* regarding the implementation process.

There was a widespread consensus on the general goal between political parties and unions, but with some discrepancies with respect to the implementation of specific measures, the method of financing and the coordination with other systems. In addition, there was a social dialogue and the most representative business and trade union organizations were consulted. The economic situation and deficiencies in active employment policies have been aspects causing an implementation gap between the legislative text and the real implementation.

## **7.2 The non-contributory unemployment benefit (Spain)**

The *non-contributory unemployment benefit* is one of the benefits which complement the protection of the contributory unemployment benefit level. The non-contributory unemployment benefit focuses on those unemployed who are not entitled to the full contributory level because their contribution to the employment system has not been sufficient or they used up the contributory unemployment benefit. Non-contributory unemployment benefits may be understood as conditional benefits due to the fact that they combine specific training activities, such as guidance or retraining programmes for unemployed workers, together with a benefit.

The economic and social conditions have been an important factor, mainly in the formulation process of some key elements. The changes in the production model, the effort to converge with economic requirements of the European Union and the economic crises in the national context as the current one are the most influential. These factors have caused several cut backs to the system. However, further than these factors, it has been pointed out in the Spanish report that some elements affecting measures to cut back the provisions of this policy might be related to the ideology of the dominant political parties.

Additionally, the standards of the policy are not well-defined. This might be related to the importance of the social dimension compared with the labour market objectives. Social dialogue has been an important factor as well, stressing that there have been several levels of social dialogue during its implementation.

### **7.3 The Employability Partnership (Scotland)**

Local Employability Partnerships (LEP's) were launched in 2006 within the Scottish Government's original employability framework, 'Workforce Plus'. Originally, the LEP's were initiated by the Scottish Government as part of the Workforce Plus programme to help those most disadvantaged in the labour market through improved, more tailored employment support. LEP's were thus developed in recognition of the disconnected structure and governance of Scotland's employment services at that time and were designed to achieve closer alignment of employment services at a local level strengthened by co-ordination and support at a national level within Scotland.

LEP's were initially developed within seven priority local authority areas, Glasgow, Dundee, North and South Lanarkshire; West Dunbartonshire, Renfrewshire and Inverclyde. These areas were selected because they exhibited the highest rates of unemployment and other indicators of social and economic deprivation. Initially multi-agency, cross-sectorial local employability partnerships (which in some instances were already in place) formulated three year plan to provide support to

people, particularly those most disadvantaged within the labour market in Scotland, into employment.

A serious deficiency is that the Scottish Government does not have any control over the delivery of employment services for those in receipt of unemployment benefits in Scotland. These services are both managed directly by the UK Department for Work and Pensions. The current Scottish Government argues that these services could deliver more effective outcomes if responsibility were devolved to Scotland. The rationale underpinning this argument is that current arrangements lead to fragmented delivery of provision and that services for vulnerable groups would be more effective if they were integrated into the employability and skills system that is already a devolved responsibility of the Scottish Government.

#### **7.4 The Professional Retraining Program (Spain)**

This measure was introduced by the Spanish Socialist Party (PSOE) through a Royal Decree in 2011 as a temporary measure for a period of six months to deal with the effects of the crisis on unemployment levels. The measure was designed to help to reduce the Spanish unemployment rate below 20%. As unemployment rate is over 20%, this programme is in effect, being renewed every 6 months. According to the Royal Decree which regulates the Professional Retraining Programme, the benefit includes an economic income and active employment policies for people who have exhausted the contributory unemployment benefit and are not entitled to any of the unemployment benefits or a non-contributory unemployment benefit.

There are two ways to access to *Professional Retraining Programme (PREPARA programme)*: to use up the contributory unemployment benefit or to run out of the *non-contributory unemployment benefit*. After using up the *PREPARA programme* it is not possible to be beneficiary of it again or to access other unemployment benefits without having worked previously. Therefore, the *PREPARA programme* is the last benefit that long-term unemployed can access.

The analysis of the key factors highlighted that to set up the standards of benefits is an uncommon practice. However, there was a consensus on the final objective. In fact, this measure is still in place despite the changes of parties in governance. However,

the criticisms were focused on the programme characteristics and the manner to implement it.

### 7.5 Temporal employment (Greece)

The Temporal employment for public benefit program is running since 2011, subsidizing the temporal employment for nearly 50,000 unemployed persons per year. The aim of the program is to finance the temporal employment in jobs of public benefit (cleaning parks, roads, school, social work, care etc.). When the program was initiated for the first time in 2011, it was implemented mainly by NGOs which were operating as sub-contractors of public authorities having the duty to register, select, council and sent the beneficiaries for temporal employment to local authorities. From 2012 onwards, the program is implemented directly by the local authorities and public agencies.

The implementation of such programs constitutes an inspiration for theoretical considerations concerning the role of the state as an employer of last resort in times of great financial recession. The measure of community services is aimed at mitigating the adverse effect of long-term unemployment and the risk of marginalization and exclusion.

This innovation was initiated by the Greek government that planned and undertook the configuration with the financial assistance of the European Social Fund. In adopting the program, there were no special reactions by the public administration. Challenges to the effectiveness of the program were raised by the opposition parties on a political level, expressing concerns that it is an insufficient measure that does not lead the beneficiaries to real and durable employment. When designing the program, no specific agreed targets or indicators which require fulfilment were defined. Also, there was no pilot program which would lay the foundation for a more solid and successful implementation.

From the interviews with persons from social agencies, a series of malfunction related to the mode of implementation became obvious. They highlighted the existence of many bureaucratic and procedural impediments that slowed the implementation

process down and created obstacles to the smooth fulfilment of the program objectives. For this reason, it necessitated several circulars by the central level in order to clarify the issues that had arisen.

In any case, the main problem was that the design of the program did not include any future prospects for the beneficiaries to remain in employment, following the end of a period of five months. Thus, it is a measure that was initially designed without any broader perspectives. Additionally, the extremely short-term nature of the program resulted in the incapacity of the program to fully exploit the capabilities of its workforce.

#### **7.6 The Public Works program (Hungary)**

In 2005 in the framework of the “100 Steps” Programme the Government of Hungary has launched a new public work programme to address seasonal employment problems and to involve the most disadvantaged groups.

Public work was organised by local governments to carry out the tasks that were delegated to them by the law and to provide seasonal employment to the long term unemployed, including regular social allowance recipients. It is important that public work creates an added value to the whole community and the settlement, as set out by the local government. Examples of public works are social catering for people who are temporarily unable to provide for themselves, redecoration and refurbishment of buildings owned by the local government, maintenance of roads and its surroundings and creation and maintenance of parks and other green areas.

To carry out these activities local governments – municipalities (districts), villages and partnerships of local governments– can apply for funding. It is a model program because it gives the possibility to organise community work during the winter months for the first time and also because funding is based on the coordination of resources. The program started in November 2005 and ran for 6 months. The participant quota had been gradually filled up and the number of participants was expected to reach 24 thousand by the end of the period.

The previous system of public works was replaced by a completely new system in 2011. A new four pillar public works program replaced the three types of public works – centrally organised, community and municipal public works. The four pillars are: short-term public works, longer term public works, mobility within public works and nationwide public works programs. In 2011 the regulatory framework of public works was aligned with the conditions of unemployment assistance. A new type of employment relationship was created, the public works contract that removes participants of a public works program from the coverage of labour legislation in many aspects (such as the statutory minimum wage). Different types of assistance are available for public works programs. Assistance can be paid for short- and long-term and nationwide public works program. Public interest agency work is also eligible for assistance if it employs people claiming income replacement assistance and also provides training and mentoring.

In the 2013 volume of the Hungarian national report on the Labour Market the authors reported on the public works scheme. The employment in public works was the largest active measure in the national report, including short- and longer term public works, national public works projects and Start-work demonstration projects at the level of small regions. According the Hungarian national report public employment seems to be the most important measure and the aim of the most important changes has been the promotion and extension of the tool.

### **7.7 New Pathways to Work (Hungary)**

The “Pathways to Work” is a complex scheme that started in 2009. It aims to help people claiming regular social benefits to return to the labour market. The target group of approximately 200 thousand persons is divided into two groups. The group that has no chance – at least in the short-run – of returning to work will continue to receive Regular Social Allowance. The other group consists of people who are capable of and expected to work. If there are no vacancies on the open jobs market, they can join public works schemes and receive a regular wage instead of benefits. The number of early school leavers is estimated to be around 7–8 thousand. They will be required to finish school so that at a later stage they can take part in vocational training or job

training. Eligible people of working age, who are prevented in taking part in any of the active schemes for reasons not attributable to them, can claim Stand-by Allowance.

Work must be arranged by the local government for which they were allowed to hire staff for a period of two years. People employed in public employment programs receive a wage which cannot be less than the official minimum wage. Employers are entitled to a 50% reduction on contributions, including the social insurance contribution, the employer's contribution and the fixed-sum healthcare contribution. Most people who are eligible for working-age benefits are joint customers of the employment service and local authorities, and even though most issues clearly belong to one of these authorities, they are also strongly interlinked. To ensure that the division of tasks between the employment service and the local government is clear and the transmission of data on eligibility and payment is up-to-date a database – *Employment and Welfare Database* – was being set up. This is an electronic database of individuals eligible for working-age benefits.

#### **7.8 The reform of unemployment benefits and dismissal redundancies (Italy)**

The evolution of passive labour market policies in Italy is caused by an incremental process of regulation that has been sustained by a group of coordinated laws and legislative decrees from 2000 to 2012. Until the economic crisis, the system of unemployment benefits (UB) showed a slow enhancement. Between 2009 and 2011 the extension of UB to previously excluded fixed-term and atypical contracts can be considered as an innovation. Short-term redundancy payment schemes (RPS) extension with widespread use of the *Cassa Integrazione in Deroga* after 2009 was the expansion of an existing policy. Both measures were reformed after 2012 by the gradual introduction of conditionality principles linked to activation measures for both UB and RPS.

The use of European Social Fund (ESF) for funding the Regional share of RPF was linked to the use of 50% of the resources for active policies. This condition was not fulfilled by all the regions in the same way: in some cases the active labour market policies

were strongly limited and in others, especially in Lombardia, Veneto and Friuli Venezia Giulia some elements of conditionality and workfare were introduced. The main expected results of the passive protection measures for the labour market were mainly in the field of poverty reduction and labour harvesting. Unemployment benefit measures helped to reduce poverty risks but also had the unintended effect of increasing the dualization of the labour market.

Redundancy Payment Scheme (RPS) have played the function of the main social shock absorber in Italy. New categories of workers have been allowed to get redundancy payment schemes and unemployment benefits under the rationale that dependence on social protection rates should have been decreased, while expenditure on social protection should have been raised. That created a double effect that had a negative impacts on resilience: it increased the dualization of the labour market, increasing the insecurity and vulnerability at the margins of the core of the labour force and impacted negatively on the capacity of local and regional economic innovation providing public support to an often shiftless entrepreneurial class.

### **7.9 Stricter rules for unemployment benefits (Greece)**

This measure was initiated in 2013 in the context of the second financial agreement between the Greek Government and troika. The measure aimed at reducing the level of unemployment benefits to lower levels than the minimum wage, which fell under the same contextual changes. Innovation experienced severe reactions at the level of social agencies and trade unions.

This measure was enforced by the Troika and answered to the main argument for the fiscal consolidation of the Greek economy and for achieving the sustainability of the social security system. For its application, there was no prior consultation with social agencies and social partners. There was also a strong absence of consensus between professional associations, opposition parties, internal public administration officers and overall the Greek society.

The innovation was applied to the central political level and was implemented by the National Employment Agency (OAED). As noted in the interviews, that measure was not based on any specific study or empirical data for its implementation. It was only a symptom of broader changes in the field of economy and in the labour market.

A key parameter was the tightening of the eligibility criteria for the unemployment benefits. Consequently, at a time when unemployment increased, the number of beneficiaries has decreased considerably. A particularly adverse impact of the implementation of this innovation is reserved for the seasonal workers. In the pre-crisis period, the seasonal workers were employed for approximately five to six months a year and they had the opportunity to obtain the allowance for another two or three months. After the general changes, this sector is significantly affected as well, as noted from the interviews, and they end up being entitled to the allowance every four years. These seasonal workers lose their entitlement after three repeated courses of receiving unemployment benefits.

#### **7.10 Conclusions considering innovations focusing on activation**

The activation measures that we have discussed in this chapter included various policy options ranging from conditional benefits to those of establishing partnerships or providing subsidized employment. In several of the cases that we have discussed here, specifically in Spain, we see significant implementation problems, both in administering the benefits schemes and the training and guidance schemes.

Sharing responsibility in the context of local partnerships may increase their effectiveness although devolution and imbalances in delegated competences between central state and local actors may also cause malfunctions and frictions, as we see in the case of Scotland. Moreover, the introduction of innovations as temporal measures in order to overcome new employment problems may enhance consensus on the objectives and facilitate their development as permanent policies. Like we have seen in two of the 'public works' programs in Greece and Hungary.

Another observation is that the conditions for implementation process affect the successful implementation and acceptance of policy innovations. Stricter eligibility rules and less protection have meet a wider acceptance in Italy where they were implemented in a step-by-step approach than in Greece where they were imposed suddenly and consequently caused direct harm to beneficiaries.

Except Spain and Scotland there have been no systematic and substantial dialogues in the remainder of the countries included in this particular cluster, neither was there widespread consensus on the goals of activation policies. It is therefore hard to come to conclusions about the impact of these variables.

## 8. Innovations for flexibility and flexicurity

The sixth and final cluster of innovations that have been analysed, refers to flexibilisation, 'flexicurity' and the re-regulation of labour markets. It includes policies aimed at the legislative regulation of employment relationships, minimum wage policies, measures focusing on lower wage costs for certain industries or certain categories of workers and on collective agreements affecting the regulation of labour markets. A sub-group of innovations in this cluster refers to minimum wage and the rest on temporal work and labour mobility.

### 8.1 The Work and Security Act (the Netherlands)

The Work and Security Act (WWZ) was passed in 2014 and enforced in 2015. This law reforms dismissal law, changes the legal status of flex workers and several regulations related to the Unemployment Insurance Act (WW). The reforms concerning unemployment law can be traced back to a discussion in the Social Economic Council (SER) in 2005 where the decision was made to shorten the duration of benefits receipt of the WW from a maximum of five years to a maximum of three years and two months. In that period the idea also emerged that the social partners should get a part of the coordination over the WW back. The social partners had lost their coordinating responsibilities after the implementation of the Structure Implementation Work and Income Act (SUWI). Hence, reclaiming a part of the coordination of the WW is a central pillar in the social agreement of 2013. Reducing the duration of unemployment benefits was also mentioned in the coalition agreement of 2013. Originally, it was the intention to shorten the duration of the WW to one year. This idea was heavily criticized by the political left and the trade unions, which caused a political environment which made it possible for the social partners to re-enter the political arena and come up with the social agreement of 2013.

Both the social partners can be seen as the initiators of the WWZ because it is directly linked to the social agreement of 2013. Because the WWZ is the result of negotiations between the trade unions, the employer's organisations and the government, there was no real opposition compared to the pension reforms. This may also explain why

this piece of legislation was passed in the House of Representatives and the Senate within seven months after it was proposed.

## **8.2 Work-to-work transitions (the Netherlands)**

Work-to-work transitions do not have one specific initiator or root. Traditionally, sectoral social partners were supporting work-to-work activities in some sectors such as the *graphic media* by agreeing on curative measures through social plans. However, the labour market reforms of the 1990s and the introduction of the SUWI Act in 2002 diminished the role of social partners in the domain of unemployment to only a consulting role through the Council of Work and Income (RWI). The emergence of work-to-work transition on the political agenda, especially in the aftermath of the 2009 economic crisis, in this context has also to do with the fact that the social partners, in particular the trade unions, wanted to regain some of their influence.

Since the adjustment of the Unemployment Benefit Act in 1999 several subsidized experiments have been conducted in order to develop the methods for the stimulation of work-to-work transitions of redundant employees who may face collective dismissal. In 2012, the evaluation of those experiments was published in which the evaluators state that results are due to successful network co-operation and application of existing infrastructure, often based on interorganisational relationships. The third tranche of application for the sectoral plans has started in 2015.

## **8.3 Sectoral minimum wage (Germany)**

European Directive 2008/104/EC defines a 'temporary agency worker' as an employee of a temporary work agency "with a view to being assigned to a user undertaking to work temporarily under its supervision and direction". After maximum durations of assignments had been removed from German legislation in 2003, the German legislator had to implement this clause before the end of 2011. This was done by merely paying lip-service to the Directive, amending the Labour Leasing Act to say that "The leasing of workers is temporary", without re-introducing a limit. In two decisions in 2013, the Federal Labour Court ruled that this clause is not merely declaratory but actually prohibits long-lasting assignments. Rather than setting a temporal limit

themselves, the judges passed back to the legislator. Consequently, in the coalition treaty of 2013, the Grand Coalition stated its intention to again introduce an upper limit which is to be 18 months but open to expansion by collective agreements. Since then there have been consultations between the government, the four trade unions organizing the sectors where agency work is most prominently used, and the employers' organizations of temping agencies; however, the government has, as of writing this report, failed to deliver draft legislation, whereas the oppositional Left Party is demanding to limit assignments to three months. Taking a longer historical perspective, de-regulation and re-regulation of temporary agency work in Germany has been a never-ending story that cannot be summed up as just one single innovation. However, the year of 2003 marks the most far-reaching deregulatory shift. Its initiator was the Federal Government then made up of a coalition between the Social Democrats and the Green Party. This massive change was achieved by wrapping the issue into the much larger package of active labour market reforms and by reframing it as an issue of securing labour market access for disadvantaged jobseekers. At this point, traditional mechanisms of corporatist consultation had been temporarily suspended by the use of government commissions in which high-ranking members of social partner organizations and other stakeholders served as individuals, not as representatives of their organizations and their policies. Consequently, there was *no genuine involvement of the stakeholders* immediately concerned. Still today, even though trade unions have developed more inclusionary strategies towards agency workers, there is no representation of agency workers in particular, which can be explained in part by the extreme fluctuation within the group.

#### **8.4 New Labour Code (Hungary)**

The intention of the re-formulation of the Labour Code somehow was always present from the early 2000s and during the 2008 crises it also seemed to be one of the possible means mitigating the aftermath of the crises. There were meetings initiated from the Ministry of Social Affairs with all the possible stakeholders but it had never taken the form of strong formal commitment to draw up a new code. The legal

profession, the employers' interests and the change of public opinion all supported the idea of the new Labour Code.

With general election in 2010 the party power relations had changed and the opposition was not strong enough to intervene. The process of legislation of the new labour code could be described as a codification with "outsourcing" method. Usually drafting of a bill is carried out by officials in ministries (in this occasion Ministry of National Economy was involved) but this time the task of codification was outsourced to five legal experts working at universities and as private lawyers. They were acknowledged experts on labour law and had practical court experience as well but nevertheless they were not the employees of the ministry. This "inner circle" position also helped the five experts to organize and participate in the dissemination of the new law and to obtain extra income. From that time on up to the present further tasks are also outsourced from the ministry; amendments, interpretations and positions taken up in a case etc.. Only the trade unions raised an objection against this mode of operation. The employers' organizations agreed because their experts were prevalent.

There were many amendments compared to the first version, the employers supported but the trade unions had to turn to the European Committee and the ILO in order to have social consultation and keep to the earlier signed international treaties. The process of consultation never covered wider groups of stakeholders, it was typical that the new Code was passed into law on the very day when there was the first conference organized for the legal profession representatives in order to introduce the new law and discuss with them.

### **8.5 The introduction of non-standard jobs (Italy)**

In Italy, the flexibilization of the labour market has been achieved by means of a continuous and incremental process of liberalization of labour market. The process was favoured by the pact between the government and the three main trade unions (CGIL-CISL and UIL) that from 1993 to 2002 developed a political method of discussion and agreement called "concertazione". Even with slight changes between centre-right and centre-left governments a wide political support was assured to liberalization of

the labour market. This process met important resistances from the workers especially from the younger sectors of the workforce that criticized the outcomes and the risks of this innovation describing the new conditions as a negative “precarity”.

The strong social conflict over labour market reform led to the exit of the main leftist trade union (CGIL) from negotiations in 2002-2003. After 2011 the technocratic governments dismissed the negotiation strategy and implemented a top-down approach and a single-employer bargaining approach to labour management driven by the new management strategies of the automotive industry FIAT-Chrysler. This conflictual incremental process gave room to vetoes, resistances, negotiations and legal disputes that fragmented up to unbearable levels of complexity the Italian labour legislation. In 2012, the main trade union CGIL described up to 46 types of contract available for hiring new workers, most of them temporary.

As the trade unions and civil society organization veto power has been reduced by the “concertazione” and by the neoliberal mainstream consensus over labour market liberalization, conflicts on the labour market regulation have been shifted from the political and collective field toward a proliferation of individual or collective legal claims and to sectorial or local labour struggles, strikes and blockades.

#### **8.6 The regulation of flexible employment and illegal work (Slovenia)**

The law of labour market regulation (ZUTD) was prepared in cooperation with several ministries and social partners. Its aim is to increase the number of various forms and kinds of employment, especially in order to provide new opportunities for the unemployed to enter the labour market, and to increase the capabilities of the employers. Its goal is to make the labour market more flexible. Since its application, the law was substantially amended three times.

The employment and work of aliens act (ZZDT) existed in Slovenia in the 1990s already. Then it was subjected to a Constitutional Court decision as it denied the right to work to persons of refugee status. This law, and its subsequent versions, were and remain very restrictive for migrants, and caused scandalous cases of workforce exploitation. Since the 2008 crisis, efforts were made to increase the security of foreign workers by

means of increased surveillance of the employers especially in construction, seasonal work and the so-called lending of workforce.

The lawmaker sought to make the acquisition of the status of permanent resident for foreigners more complicated; the provisions of the Companies Act (2006) granted it to all foreigners who established a business in Slovenia. This enabled various fraudulent practices, especially the establishing of a chain of companies by chain reinvesting. This resulted in a multitude of legal subjects on the market with zero capital and commerce, but increased substantially the numbers of foreigners with legal status of permanent residents whose main motive was to gain access to living in other EU Member States. Most migrants of this type originated from Kosova.

This act attempted to cover a broad spectrum of problems related to employment of aliens, but the provisions did not substantially change since 2011. The act was dutifully amended especially with regard of the scandals that occurred in connection to abuse of foreign workers especially in the constructions sector. There is an absence of systematic evaluation and most stakeholders don't agree on the causes of its inefficiencies.

The third innovation refers to the prevention of undeclared work and employment (ZPZDC). This legal act has a history of annulments and amendments, and a referendum in 2011. It defines the forms of work that are in the realm of grey economy in terms of work, employing, facilitating such employment, and unlawful marketing. It also specifies the forms of surveillance.

The novelisation of 2013, based on the novelisation of 2010, refers largely to the problem of illegal employment of aliens. Occupations permitted under the law are manual (cleaning, gathering of wild fruits, temporary work of similar nature). Another form of work, the so-called short-term work pertaining to employment of blood or affiliate relatives in the private business of a spouse or partner is also allow, just as payment-free solidarity help between neighbours. All these works have to be declared to the county that executes the surveillance.

## 8.7 The National minimum wage (UK)

The topic of a NMW moved onto the political agenda in Britain in the 1980s. Initially trade unions were sceptical of the idea, thinking that it might lead to job losses and would also undermine the unions' role in wage bargaining. A report by the Institute for Government suggested that the National Union of Public Employees led the campaign for it within the union movement, while the Low Pay Unit think-tank was responsible for leading the way within policy circles. Following the inclusion of a pledge to support the NMW in the Conservative Party's 2005 manifesto, the policy is now supported by all main parties in Britain. This is considerably due to the work of the Low Pay Commission, whose remit has been to 'implement a single labour market innovation, and maintain it indefinitely'.

The initial pledge in 1992 was not well received. The Conservative Party was very hostile to the idea: Michael Howard, future Conservative leader and then-Secretary of State for Employment, claimed that it could result in the loss of up to 2 million jobs. Media reporting on the idea was also quite hostile. Between 1992 and 1997 a number of changes occurred which contributed to the development and viability of the policy. Academic research on the topic began to refute negative assumptions about the impact of minimum wages. Key publications drawing on the US experience suggested that fears of job losses were unfounded.

In 1995, Labour committed itself to establishing the Low Pay Commission (LPC) if it won the general election in 1997 with a view to introducing a minimum wage. An important difference between this and the previous general election promise was the plan to introduce a framework for the policy rather than a prescriptive level. The actual rate would be advised by the LPC. The preparatory work undertaken in opposition was essential in allowing New Labour to present a convincing case for the NMW in 1997, and ultimately to enabling its rapid implementation. The LPC was established shortly after the election victory and published its first set of recommendations in 1998 (LPC, 1998): thereafter, it has reported annually. The National Minimum Wage Act received Royal Assent in July 1998, confirming the LPC on a statutory basis.

The LPC used a social partnership model to inform its recommendations. This was because in order for the recommendations to carry weight it was important that they were perceived as legitimate by both the workers affected by the legislation and their employers

In 2014 a report by the Resolution Foundation think-tank suggested that ‘the late 1990s settlement that served the policy so well in its first fifteen years falls short of what is now needed’. Fears about mass unemployment as a result of the policy had proven unfounded: however, concerns remained that the effect on low pay had not been as extensive as it could have been, owing to the cautious way in which the policy was implemented. While necessary at the time of implementation, the Resolution Foundation report suggested that it was now time for a more ambitious approach to low pay. This coincided with the former Business Secretary, Liberal Democrat Vince Cable, pressing for an above-inflation increase in the NMW, followed by an announcement from the Conservative Chancellor George Osborne that an increase to £7 per hour might be possible. The LPC itself also considered means through which faster NMW increases could be achieved. However, it is as yet unclear what steps will be taken as a result of these interventions.

### **8.8 Living Wage on a voluntary basis (Scotland)**

This innovation offers a dual approach aimed at both alleviating levels of poverty created by the cost of living crisis in the UK whilst also increasing the resilience of the labour market by improving flexibility and productivity and by increasing local demand for goods and services. The aim of Living Wage Scotland Bill (2014) is to both to alleviate levels of poverty endured by employees and to stimulate demand within the local economy and so strengthen labour markets. The Living Wage in the UK is based upon a complex calculation which takes into account the costs of goods and services which provide the Minimum Income Standard for people of different household types across the UK. These costs are then added to housing costs such as rent and other necessities including Council Tax and child care costs. The wage required to meet these costs for each household time (assuming full time work and claiming all relevant

benefits or working tax credits) is calculated on this basis. Annual updated reports on the Minimum Income Standards based on what members of the UK public view as an acceptable standard of living in the UK are published by the Joseph Rowntree Foundation. The Living Wage is based upon voluntary collective agreements and private sector organisations are not obligated to implement this measure.

All public sector workers employed directly by the Scottish Government and workers employed by the National Health Service (Scotland) are currently paid at least the living wage. In addition, across Scotland, most of the 32 Local Authorities in Scotland have either implemented the Living Wage or are committed to introducing it.

The Scottish Government has required all organisations which are subject to its pay policy to pay at least the living wage. The Scottish Government has also encouraged private sector companies in Scotland to adopt this policy and has also provided funding to The Poverty Alliance to increase the level of take up of its Living Wage Accreditation Scheme by private sector employers the Poverty. A central concern has been the extent to which private companies which deliver public contracts should be encouraged or mandated to pay the living wage.

### **8.9 National minimum wage (Germany)**

Although the introduction of a general statutory minimum wage in January 2015 is one of the most recent innovations in German labour market policy, the political debate concerning the introduction of minimum wages is more than ten years old. It started in 2002, initially driven by two trade unions ver.di (covering large parts of the German service sector) and NGG (covering hospitality), together covering a quite large range of low-pay-sectors like floristry, hairdressing, hospitality or security.

The main reason for discussing the introduction of a statutory minimum wage was that the collective bargaining system was no longer able to prevent workers and employees from an ongoing downward wage flexibility resulting in a growing proportion of low wage earners as well as extremely low (standard) wages in some sectors of the German economy.

In January 2015, a general minimum wage was introduced in Germany by the German government (grand coalition between CDU and SPD; elected in September 2013), at least partly motivated by the insight that the already existing (sectoral) ways to universalise collectively agreed minimum wages are not sufficient to provide solutions for all workers concerned. However, this paradigmatic change from the strategy of extending collective agreements to all employees in the respective sector to a strategy of complementing the results of collective bargaining by determining a minimum wage standard should not harm bargaining autonomy, but rather strengthen the legitimacy of the system of collective bargaining in Germany. That in turn means, that the General Minimum Wage setting mechanism should be designed to function as much as possible independently from state interference. This essential aspect was rather undisputed between the coalition partners. To achieve this, representatives of trade unions and employers' associations were strongly involved in discussions preceding the legislative process although trade union influence was much stronger than the exertion of influence of employers' associations or rather their respective umbrella organisations. Employers' organizations fiercely opposed the introduction of the minimum wage but they do not refuse to play the role foreseen for them by the government with regard to future adjustments, a feature demonstrating the significance of culture and processes in social dialogue issues. The most evident sign of the involvement of the bargaining partners was the "Sectoral Dialogue" that took place in March/April 2014 and allowed representatives of sectoral trade unions and employer' associations to discuss sectoral concerns directly with the Minister for Employment and Social Affairs.

#### **8.10 Conclusions considering policy innovations focusing on flexibility and flexicurity**

In the Netherlands and Germany, the selected innovations adopted after a long and deep social dialogue and were supported by robust evidence and consensual culture. They are widely accepted and this increases their effectiveness. This even holds true for the shortening of unemployment benefits duration in the Netherlands as part of

the Social Pact. In the UK there is lack of social dialogue but the centralist policy-making assisted by high administrative capacities which are supported by robust evidence inscribe an alternative route to effective policy implementation.

Work-to-work transitions enjoy strong support from the social partners and has good development prospects at the sectoral level as it is supported by the experience gained from initial experimental practices before their widespread application. However, together with the minimal living wage in Scotland these are the only examples of an experimental implementation strategy in this clusters.

Within this cluster, the issue of minimum wages from a recurrent pattern in at least two countries: the UK and Germany. In both cases, the process of implementing a national minimum wage has been a slow one, with political turmoil and ideological differences leading to extensive delays and standstills in the decision-making process. Interestingly enough, whereas a minimum wage may be considered as beneficial for trade unions members, in both cases also the fear of losing influence has led to cautious maneuvers from at least some of the trade unions. Extensive processes of social dialogue and negotiations finally have assured enough support.

Similarly, also the ideological differences in the perception of non-standard labour relations dominate the processes of developing policies regarding flexible labour. On the one side, it is considered as a stepping-stone for unemployed and as economically beneficial. At the same time, the ideas of dualization and precarious work can be recognized. Within this context of ideological differences, Slovenia and Italy have witnessed rather top-down liberal approaches, whereas the processes in the Netherlands and Germany are characterized by deliberation.

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## Appendix: basic template for interviews in WP 4

The following is an example of the questions that suggested to the national teams to be included in the questionnaires they used for the interviews in the national context. It was suggested to the country teams to adapt them to their national context and to the innovation that is being investigated.

### **Institutional setting (to be filled in once by researcher)**

#### Political rules of conduct

- Consensual
- Competitive
- Conflictual

#### Political governance structure

- Unitary
- Federal
- Consociational (?)

#### Governance processes

- Pluralist
- Corporatist
- Statist

#### Industrial relation regime

- Cooperative
- Competitive

#### Welfare state values

- Individualist
- Universalist
- Family-oriented

### **Information about the organisation and the interview person (For each interview)**

Each country team should provide detailed information about the organisation and person interviewed.

### **Questions referring to the context of policy implementation:**

- As far as concerning to this particular innovation could you briefly describe the social and employment situation of the target groups (if they are defined directly or indirectly) before its development?
- In your opinion were the economic and social conditions favorable towards the implementation of this particular innovation?
- What about the political culture? Do you think that it promotes or prevents consensus to this kind of policy innovations?
- Can you tell me your view about the role of institutional arrangements (rule of laws, financial constraints etc)
- In your view how does the party system affect these policy innovations?
- What's your opinion on the influence of the administrative system in the outcomes created by this innovation?

### **Questions concerning the origins of the innovation**

- Why has the selected innovation occurred? Which have been the most important driving factors in your opinion?
- Do you know who the initiator of this particular innovation was?
- In your opinion, which actors have been most influential in the adoption of the innovation? And in the determination of its main features?

- In your opinion is any particular point (arrangements) that threat to delay or cancel innovations like this one? Have they affected this particular innovation?
- Are there any veto-players which enforced their veto-right (or power) against the implementation of this innovation? Could you explain their behavior in relation to this innovation?

**Questions referring to the factors and parameters affecting policy implementation (WP4)**

- In your view are/were the policy standards and objectives of this innovation concrete when this innovation initiated?
- Are there some specific agreed goals or performance indicators?
- What is the level of agreement on the goals of the innovation and the commitment on their implementation by the main stakeholders?
- Would you explain in more details why this particular level of agreement and commitment to these policy goals existed?
- Who were taking part in the initial discussions for the adoption and the consultation for the formulation of this particular innovation?
- Are they also taking part in any consultation process during the implementation phase?
- Do you think that the main stakeholders trust the responsible actors for this policy implementation?
- Could you present briefly the main (crucial) characteristics of the agencies involved in the implementation of this particular innovation?

- What is your opinion about the actions of policy officials? Do you believe that they are in accordance with the policy goals and the needs of the target groups?
- What is your opinion about the impact of previous policies applied in order to support the employment of this specific target group?
- Could you give us a picture (as clear and detailed as you can) about their relation (previous policies) with the innovation we inquire?
- What do you think about the inter-organizational communication and the relations between the staff involved in this policy implementation?
- In your view are there important varieties from place to place in the implementation standards for this policy innovation?