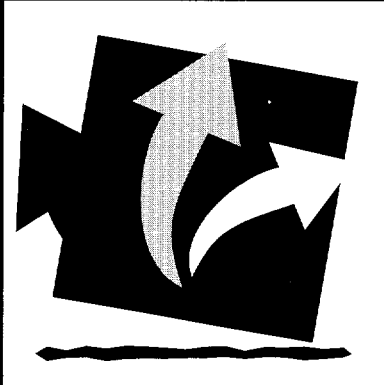


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**Public Service Employment:
A Review of Programs in
Selected OECD Countries and
Transition Economies**

**Sandra Wilson
David H. Fretwell**

June 1999

PUBLIC SERVICE EMPLOYMENT

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Sandra Wilson
Organization for Economic Cooperation and Development

David H. Fretwell
World Bank

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EXECUTIVE SUMMARY

Unemployment and job creation are critical policy issues in both OECD and transition countries. This study examines one type of intervention that is often used to quickly create jobs: Public Service Employment programs. Such programs are characterized by the employment of unemployed persons, financed by the government, to provide services or infrastructure (public works). Specifically, this study examines public employment programs in Denmark, France, Germany, Hungary, Spain, Poland, the United Kingdom and the United States, with some additional data from the Czech Republic.

The PSE programs reviewed in this study are under the overall responsibility of national ministries (typically Ministries of Labor). Actual program administration is usually delegated to the regional or local level, typically to local labor offices, which develop sub-project contracts with local service providers which receive financing to implement the agreed PSE programs. These contracts usually involve county, municipal, and city governments, and increasingly private sector, non-profit organizations, which hire the unemployed to provide local services. However, job creation and public works may not be fully compatible objectives, in that PSE jobs may displace existing jobs, particularly if the PSE jobs are truly useful. To reduce such displacement and increase net job creation, many programs are therefore designed to carry out marginal tasks or set limits on the duration of a post.

Most PSE programs succeed in targeting long-term unemployed older workers, or else young inexperienced workers. Since many programs focus on manual work, they tend to have a high majority of male participants. Thus, if gender issues are of concern the type of work activity that is financed through PSE programs must be carefully considered and broadened. One objective of PSE programs is to provide training for the unskilled to improve their employability. However, the work activity undertaken in PSE programs is, most often, unskilled. As a result, it is not clear that this objective is being met by the programs.

There is evidence in some countries that local authorities reduce their welfare program burden by churning people through nationally funded PSE programs. The net impact of PSE programs on employment is, on the whole, uncertain. On the one hand, surveys of participants show that many successfully find non-subsidized employment after leaving the programs. On the other hand, if the employment histories of program participants is compared with those of demographically similar non-participants, the evidence suggests, somewhat surprisingly, that participation in PSE programs may significantly lower the chances of finding non-subsidized employment. These types of measurements are not often undertaken as to do so requires a study that randomly places people in a PSE program or in a control group, or use of quasi-experimental design techniques were similar participants and non-participants are compared.

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PUBLIC SERVICE EMPLOYMENT

I. INTRODUCTION

1.1 Job creation in the context of persistently high levels of unemployment continues to be a priority item among OECD member countries. Unemployment is also an issue at the top of the policy agenda in several Central and Eastern European countries (CEEC), where GDP has fallen sharply as their economies make the transition to a market basis. In these countries, it is not uncommon to see regional unemployment rates in the double-digit range. The debate about how to combat unemployment and create jobs continues. One set of arguments emphasizes flexible labor and product markets, deregulation, anti-trust policies, cutting interest rates to spur economic growth, and increasing openness to the global economy. In this view, governments should not intervene directly in the labor market, but rather focus on policies that create conditions that will allow job creation to occur in the private market. Others fear that increased taxes, public spending cuts and other tough austerity measures will aggravate the jobs crisis to the point where there is a political backlash, and argue that there is a place for short-term public intervention in the labor market, and a need to finance programs to help workers adjust to changing labor market conditions. There is evidence, as seen in many CEEC countries, of a political backlash if individuals are not persuaded that the “short term pain” of economic transition will result in “long term gain” and if they do not see evidence of a safety net to assist them through the transition period.

1.2 This paper examines one type of program that is used by many OECD and CEEC countries to ease the pain of structural adjustment and create jobs, namely Public Service Employment (PSE). Such programs are characterized by the employment of unemployed persons, financed by the government, to provide services and/or support infrastructure development (public works). Many of those in the “non interventionist” camp view these programs as a waste of public funds that could be used in more productive economic

investments. Some of those in the “interventionist camp” also view the programs in a similar manner and feel that, while some intervention is needed, PSE programs are not an appropriate tool. However, a number of OECD and CEEC countries are implementing such programs. The objective of this report study is to review and summarize the experience that several countries have had with these programs.

**Table 1.1:
Programs Studied**

	Program	Year created	Number of participants 1994
Denmark	Job Offer Scheme	1978	45 000
France	Contrats emploi solidarité	1990	715 000 ¹
Germany	ABM Scheme	1969	252 000
Spain	Instituto Nacional de Empleo Agreements	1985	176 000 ²
UK	Community Action	1993	50 000
USA	Public Service Employment	1972	694 000 ³
Poland	Public Works for the Unemployed	1991	110 000
Hungary	Public Employment Program	1991	70 000

1. Of these participants, one third have had their participation extended.

2. Number of participants in 1993

3. Number of participants in 1980.

Source: Data provided by the national authorities.

1.3. Table 1.1 details the countries and programs examined¹. The countries and programs selected are not a representative sample: some were included because program information was readily available; others, such as Denmark, France and Germany, were included because these countries have heavily emphasized the use of such programmes; the American programme, which was discontinued over 15 years ago, remains relevant because this is where some of the best research has been conducted; Hungary and Poland are included because of their obvious relevance to the situation of countries in transition.

¹ The following text contain summary level data and analysis, additional detail is contained in the Annexes.

II. ACTIVE EMPLOYMENT POLICIES

2.1 The OECD *Jobs Study* concluded that much of the persistent unemployment in its member countries is structural. The same trend is emerging in many CEECs. Structural unemployment arises, in part, due to changes in the demand for labor. Key changes include a substantial shift in demand towards more highly skilled occupations and away from unskilled manual work, and a shift from production to service jobs (particularly in transition economies). The OECD study recommended active employment policies which mobilize the labor force, provide the unemployed with better skills and which promote active search for work. Active labor policies can be divided into five program categories¹: employment services such as placement and counseling services, which address frictional unemployment and are used as a screening device for other programs; adult labor market training and youth training, which address structural unemployment; measures for the disabled; and subsidized employment programs, which address the lack of demand for labor. PSE programs form a part of subsidized employment programs along with subsidies to regular employment in the private sector and self-employment programs.

Table 2.1:
Participant inflows in selected labor market programs, 1994
(per cent of labor force)

	Labor market Training	Youth training	Subsidies to private sector ¹	Public service employment
Denmark	12.0	1.8	0.1	1.1
France ²	4.8	3.1	0.5	1.7
Germany	1.9	0.6	0.2	1.0
Spain	0.7	0.2	0.1	0.8
UK ³	0.9	0.5	..	0.1
Hungary	1.3	..	1.6	1.2
Poland	0.5	1.5	1.2	0.6

1. Wage subsidies to the private sector for the recruitment of unemployed workers or, in some cases, for continued employment of person whose jobs are at risk.

2. Data is for 1993.

3. Data is for 1993-1994.

Source: OECD (1995) *Employment Outlook*, Tables T and U, pp. 222-230.

2.2 Current data indicate that PSE programs are smaller than the public works programs implemented during the Depression era yet they remain important alongside other active

employment programs. Table 2.1 shows the participation inflows as a per cent of the labor force into selected labor market programs. PSE programs tend to be smaller than labor market training programs in most of the countries in this study's sample yet larger than wage subsidy programs targeted at private sector firms. The PSE program was highest in France, as 1.7 per cent of the labor force had been routed into the program. The PSE programs in Denmark, Germany and Spain absorb approximately 1 per cent of the labor force. As a flow, this has amounted to over 700 000 persons in 1994 and the American program employed close to half a million people before it was phased out in 1982

2.3 The policy mix in Poland and Hungary is slightly different with the participant inflows into programs, which subsidize private employment being greater than inflows into PSE programs. Also, PSE programs absorb about as many of the unemployed as do training programs. This is in contrast to OECD countries, where training programs tend to be relatively large. A recent OECD study has remarked that the policy mix in Poland and Hungary is changing², and there seems to be a trend towards a gradual expansion of training programs which may reflect the institution-building that is currently in progress. Inflows into public work schemes have increased largely due to the spread of long-term unemployment, and the fact that increasing numbers of the unemployed have exhausted their unemployment insurance benefits.

III. OBJECTIVES OF PSE PROGRAMS

3.1 PSE programs may have multiple objectives, and in practice they vary from country to country and over time. Programs may seek to maintain or increase incomes, to absorb cyclical unemployment, to draw discouraged and long-term-unemployed workers back into the labor force by providing work experience or training. Virtually by definition, all PSE programs have an objective of providing public services of some sort. It is not uncommon for one PSE program to have several objectives. Nor is it uncommon for the different levels of government involved in the program's implementation to have different priority objectives.

3.2 Broadly speaking, some objectives can be described as counter-cyclical and others as structural. For example, in OECD countries PSE programs were traditionally counter-cyclical employment policy, with attention focused on employing the jobless during recessionary periods. The UK³ Community Action program was originally envisaged as having a relatively short life span. It was introduced in 1993, when unemployment was relatively high, and was phased out in 1996 as declining unemployment has rendered it no longer necessary.

3.3 PSE programs with the objective of reducing structural unemployment have become more common with the rise of persistent unemployment levels. PSE programs designed solely to reduce cyclical unemployment are not well adapted to dealing with long-term structural unemployment, because of the risk that those employed in the programs will never be able to leave them. This consideration has led governments to adjust program design to make PSE programs more active by providing assistance which helps workers to improve their employability. The program in France seeks to draw the very long-term unemployed, who are at high risk of becoming discouraged and dropping out of the work-force, back into searching for a job or obtaining new skills. The participants are placed in jobs which provide them with work experience and counseling, and a mentor or tutor is assigned to provide assistance with finding a new job. Another way to attack structural unemployment is to include training as part of the PSE program. The US program, which was initially meant to fight cyclical unemployment, was modified by the addition of a training component in order to reduce structural unemployment. In the New Lander in Germany similar concerns have been expressed, that more training needs to be introduced into the traditional PSE program.

3.4 A recent objective proposed for PSE programs is to provide a disincentive for people to collect social assistance, rather than finding a job, by requiring them to work for the assistance benefits. This is often referred to as “workfare.” This has been one focus of the current US welfare reform debate. Similar reforms are being investigated in the United Kingdom, where a pilot project, “Project Work,” has recently been introduced for people who have been unemployed for 2 years or more. Following an interview, clients are offered

help through extra advisory interviews, but if they are still unemployed after another three months, they will be directed to attend a work project for 13 weeks, and their social benefits will be partly withdrawn if they refuse to attend. Hungary has just introduced a similar scheme.

3.5 The objectives of the local and regional governments, which participate in the PSE programs by organizing work activity and hiring the participants, may be different from those of the national authorities. Most national governments, which finance PSE programs, are primarily concerned with the unemployed, and their first objective is, therefore, to employ the jobless in the short term and hopefully move them into unsubsidized employment in the long term. Of secondary concern is the provision of goods and services. On the whole, while local and regional authorities are sympathetic to national objectives of reducing unemployment and poverty, they tend to view the provision of goods and services as a priority. Indeed, as part of the current trend towards decentralized government, local and regional authorities are finding themselves responsible for providing more services with little or no increased revenue to do so.

3.6 The objectives of PSE programs in Central and Eastern Europe are similar to those in OECD countries. Currently, most CEEC programs tend to be cyclical or “transitional”, and are viewed as a response to the unemployment that has resulted from the necessary restructuring of the economies and the privatization of state-owned enterprises. In both Poland and Hungary, the two countries examined in this study, many of the participants had exhausted their unemployment insurance benefits, and the programs are seen as providing income support to families. By contrast, structural policies, such as training, were not a stated objective of the programs. Similar to experiments in OECD countries, Hungary has recently introduced compulsory PSE participation for recipients of social welfare benefits in an effort to contain growing social welfare costs and in response to concerns that many of those receiving social welfare benefits may be employed in the informal economy.

3.7 Although initially most of the unemployment problems were attributed to the transitional nature of the economies of Hungary and Poland, it is increasingly being

recognized that a more permanent, structural unemployment problem is arising, as it has in many OECD countries. As such the authorities in transition economies are beginning to re-evaluate the nature of their programs to emphasize structural factors. The lessons from OECD countries and selected CEECs, which are discussed in the following paragraphs, should be helpful in guiding PSE policy formation in other transition economies.

IV. PROGRAM PARTICIPANTS, WORK ACTIVITY AND PROVIDERS

4.1 *Program participants.* Governments most often create regulations to “target” PSE programs at those for whom it is most difficult to find a job and, to this end, provide local officials administering the programs, usually local labor offices, with directives on which groups are eligible for the program. For example, in Germany, the program is open to the unemployed who are either younger than 25 or older than 50, and to workers aged between 25 and 50 who have been unemployed for at least 6 months of the previous 12. This reflects the judgement that youth, older workers and the long-term unemployed are particularly in need of help. In the United Kingdom, the program is open only to those who have been unemployed for 12 months or more. In the United States, the program operated only in areas of high unemployment, although it was reformed several times, with the last amendment requiring that the participants be unemployed 15 of the previous 20 weeks, and have a family income below a specified amount or be a member of a family receiving public assistance. In Poland, the programs are meant to assist the long-term unemployed and, in practice, they are presented to those who have exhausted their unemployment insurance benefits, to single parents and to low-income families.

4.2 The directives set by Government Ministries are often only guidelines and in many cases local labor offices may be allowed to admit other participants if they see fit. Flexible directives make for more manageable programs that can be tuned to local labor market conditions. Administrative data can give a rough indication of the groups that have, in fact, been admitted to the programs, as compared to those who had been targeted. In Germany, a study in 1989 showed that 84 per cent of the participants were among the groups which the

national ministry sought to target.⁴ In the United Kingdom, targeting directives appear to have been particularly binding, with 98 per cent of the participants being among the long-term unemployed, the ministry's target group. There are no program data available for Poland, although a recent study suggests that those formerly employed as public administrators have a greater probability of participating in the program.⁵ This would be poor targeting if it could be shown that they were not among the long-term unemployed, and if, as the authors suggest, the local labor office staff tend to sympathize with other (former) public administrators. In Hungary, another recent study has shown that, although most participants are unskilled men, people with higher-education qualifications are over-represented in the program which may suggest that current selection practices could be improved to more effectively targeting the unemployed with the greatest difficulty of finding a job⁶

4.3 Program data also revealed that PSE participants tend to be unskilled. In France, one-quarter of the participants are unqualified workman and another 30 per cent had previously been in low-skilled clerical or service employment; in the United Kingdom, 40 per cent were characterized as having little or no qualifications, with 80 per cent having left school before the age of 16 or earlier; over 65 per cent of the participants in Hungary are unskilled; program data from Poland show that over 60 per cent of participants have only a basic education (up to 8 years of schooling); and in Germany more than 60 per cent of participants in programs in the old Länder had no vocational training (in the new Länder, however, only 5.8 per cent of the participants had no vocational training and more than 50% were skilled workers).

4.4 *Work activity.* The work activity undertaken in PSE programs is also, most often, unskilled, in part to enable programs to be extended quickly to a large number of participants who themselves tend to be unskilled. In addition, costs can be held down because the preparation of participants for the work need not be too lengthy and supervising them need not be complex. In some countries, limited duration, entry-level jobs was a requirement imposed by labor unions protecting their members from being displaced by PSE participants. The manual labor involved in cleaning or painting a municipal building or collecting rubbish

along the motor-way fits the bill, as do simple clerical tasks which can be carried out in an office or the cleaning chores and patient care undertaken in a retirement home.

4.5 The type of work which is created in the programs influences the relative participation rates of males and females. Programs that focus on public works, which involve manual labor, tend to have a higher proportion of male participants, whereas those that supply social services (an increasing area of interest in several countries) have a higher share of female participants. In the United Kingdom, much of the work which is created in PSE programs is in environmental clean-up or community improvements, both of which involve manual labor, and, as a result, 80 per cent of the participants are male. In contrast, the French program tends to create work activity in educational services and social care activities, and over 60 per cent of the participants are female. Data on gender in Poland and Hungary showed that over 70 per cent of participants were male, again reflecting the nature of the work, which was largely manual labor in maintaining local infrastructure. Authorities in the local labor office in Poznan, Poland reported that female participation was on the increase, however, as more work activities were being organized in the social care area. In Hungary, work activity was also primarily manual in the early stages of the program, yet recently participants are being employed in other positions: social services, health care, public education and monument protection.⁷

4.6 *Program administration and program providers.* The PSE programs reviewed in this study are under the overall responsibility of national ministries (typically Ministries of Labor). Actual program administration is usually delegated to the regional or local level, typically to local labor offices, which develop sub-project contracts with local service providers which receive financing to implement the agreed PSE programs. These contracts usually involve county, municipal, and city governments, and increasingly private sector, non-profit organizations which hire the unemployed to provide local services. For example, in Germany, Spain and the United Kingdom, the regional labor office calls for tenders from the regional, local authorities to organize (or sponsor) a work activity for the unemployed. Various bids describing the work activity and the number of workers needed are reviewed by

the labor office which then selects those that are deemed suitable. In France, the employer enters into a contract with an unemployed candidate and with the regional labor office. In Hungary and Poland, the local labor offices co-operate most often with the Mayor's Office, as well as private, non-profits, to organize work activity for the participants.

4.7 Most programs require that the work created should not be profit-oriented but instead serve the general public welfare. Private enterprises, therefore, are generally not eligible unless they are delivering goods and services under contract to the public sector.

**Table 4.1: Providers
(per cent)**

	Local and regional authorities ¹	Other government agencies ²	Non-profit organizations
France	27	34	36
Germany	39	29	32
UK	8	3	71
USA	39	27	34

1. Local and regional governments administrations.

2. Local and regional branches of national ministries. IN Germany, this includes Treuhand enterprises and ABS enterprises.

Source: Data provided by the national authorities. For more information, see country-specific annexes.

4.8 There are essentially 3 broad types of program providers who sponsor work activity for PSE participants: local and regional authorities, such as the Mayor's office and the various departments of its general administration; the local and regional branches of national ministries, such as the Ministry of the Environment or Ministries of Social Welfare; and private, non-profit bodies, mostly charity and volunteer work in the social care field. France and Germany have a roughly equal distribution of sponsors across these three groups, (Table 4.1). By contrast, the United Kingdom relies heavily on charitable and other non-profit bodies. The participation of private sector, non-profit organizations in PSE programs is a recent phenomenon, perhaps reflecting the trend among many local and regional governments to contract-out local services to private sector. No program data were available in this respect for Poland and Hungary, although discussions with ministry authorities revealed that private, non profit organizations have played a very minor role in their

programs. The primary reason for the initial lack of private non-profit participation was because there were relatively few of them, initial programs tended to focus on public works which private non-profits were not involved in, and until recently contracting-out services has been an unfamiliar procedure. However, there are examples in Hungary where local governments are creating separate “non-profit” entities to deliver services using PSE funds.

V. IMPLEMENTATION ISSUES

5.1 *Displacement effects.* PSE jobs may simply displace other workers because the program provides a service that had been provided by an existing supplier, PSE participants replace others who are working, or in some cases existing workers are terminated and simply rehired under the PSE program. Governments are attempting to implement programs in ways that limit this displacement effect, as summarized in Table 5.1, because it tends to reduce the net number of jobs created and displacement may create an adverse reaction with labor representatives, particularly in times of high unemployment.

5.2 Many programs, including those in France, the United Kingdom and the United States, prohibit PSE activity from competing directly with private enterprise. The use of PSE financing for existing government activities is also often prohibited, in order to limit the practice of firing government workers and re-hiring them in the PSE program. Such a practice can also be discouraged by limiting the duration of the work activity, since by so doing government agencies cannot count on PSE program funding for routine activities that would necessarily extend beyond the allowable duration. In France, Germany and the United States, work activity is organized for 12 months, although in all three countries this can be extended in some circumstances. PSE wage policies can also influence displacement. For example, programs in Germany and Denmark require that PSE participants receive wages similar to those stipulated in collective agreements, which tends to draw participants into PSE programs, but may also exacerbate displacement. In the United States, by contrast, PSE

wages were fixed at a low level in order to limited the ability of local governments to use PSE funds to hire skilled employees to perform normal city functions.

**Table 5.1:
Displacement: Limits on PSE programs, 1994**

	Maximum duration of work activity	Other requirements
Denmark	3 years	Must pay minimum or union wages
France	12 months with possibility of 24 months extension	Public or non-profit work activity only
Germany	12 months with possibility of more than one 12 month extension	Must pay union wages
Spain	12 months	..
UK	12 months with possibility of renewal	Must not compete with private sector activity
USA	12-18 months	Must be entry level job, must pay comparable wages, must not compete with private sector public or non-profit
Hungary	12 months	..
Poland	12 months	..

Source: Data provided by the national authorities. For more information, see country-specific annexes.

5.3 The current study has attempted to collect qualitative research-based information on job displacement, and evidence was located for Hungary and the United States. In Hungary, the providers of work activity in two counties were surveyed in 1992 and 1993.⁸ It was found that 12 per cent of the providers reported hiring participants to do work that had been previously done by non-subsidized workers, and 12 per cent of the respondents also said that the number of non-subsidized workers on their staff had been reduced. A significant number also said that the work activity would have been contracted out to the private sector in the absence of the PSE program. The survey is too small to provide accurate estimates but it does point to the existence of a displacement effect on workers in both the private and public sector.

5.4 In the US program, an evaluation was carried out using a longitudinal field evaluation of several local governments and their implementation of the PSE programs was undertaken and supplemented with an analysis of several other program providers who subcontracted positions from the local government. The evaluation defined the hiring of a PSE worker as net job creation if the worker was involved in new programs and services; in special “one-time” projects; in programs that were expanded; or were providing services that would have been curtailed in the absence of the PSE program. PSE workers who were judged to have displaced other workers were those who had

been transferred from existing regional and local government positions to PSE funding; had been government employees; had been laid off and re-hired with PSE funding; had provided services or worked on projects that were formerly contracted to outside organizations or private firms; or were in jobs that would otherwise have been funded with other revenue⁹. (The study undertaken in Poland¹⁰, mentioned previously in paragraph 16, which found an over-representation of former public administrators participating in the program could, perhaps, be explained by the firing and re-hiring workers in order to take advantage of program funding). Table 5.2 summarizes the information on job creation and displacement from the US program. The data indicate that a high proportion of PSE funds resulted in net job creation, mainly in terms of program maintenance and expansion of existing services.

Table 5:2:
Distribution of Employment Effects, Dec. 1979
(percentage)

Effect	Title II-D ¹	Title VI ¹
Net job creation	87	84
<i>New programs and services</i>	17	8
<i>Expansion of programs</i>	37	25
<i>Special projects</i>	4	9
<i>Program maintenance</i>	29	42
Job displacement	13	16

1. The PSE Program in the United States was divided into two separate budget lines, Title II-D and Title VI, which had different target groups and regulations governing program work activity.

Source: COOK, R. et al (1985), *Public Service Employment: The Experience of a Decade*, Table 3-4: Percentage Distribution of Net Employment Effects by Title, W.E.Upjohn Institute for Employment Research, Kalamazoo, Michigan , p.68

5.5 While there is little hard evidence on the extent of displacement and still less on the effectiveness of the various measures that have been used to try to contain it, certain tentative conclusions can be drawn. The need to avoid direct competition with the private sector and to avoid substitution of PSE jobs for normal government employment suggests that there may be a trade-off between the usefulness of PSE activities and the number of jobs, net of displacement effects, that can be created. One approach that has been used in Ireland to help

monitor and control displacement has been to involve union representatives in the review and approval of PSE projects at the local level. In the end it must be recognized that although one of the goals of PSE programs mentioned previously is to produce services valued by the community this may conflict with the goal of creating jobs and reducing unemployment.

5.6 *Training.* Training is viewed as a way to meet one of the objectives of PSE programs, namely assisting participants adjust to changes in the labor market and move from long-term unemployment to gainful employment. Training is particularly appropriate since, as described previously, participants in PSE programs tend to be unskilled, which is an important factor limiting their employment prospects. However, most PSE participants receive little or no training. Local providers are primarily interested in a source of labor, and time spent in formal training reduces the time spent working and increases the costs of the program per participant (and particularly the costs to the local provider if, as is typically the case, national financing cannot be used for training). Moreover, concerns about displacement tend to generate PSE jobs that are by their nature marginal and low skilled. Given these two factors, it is not reasonable to expect participants to acquire skills relevant to future employment.

5.7 The US program addressed this problem by requiring that local providers spend 15-20 per cent of PSE funding on training. This was to some extent successful, as the number of participants receiving formal training increased. However, interviews with local and regional authorities during the evaluation revealed that providing appropriate training for the very unskilled was difficult. This factor, coupled with other restrictions on the type of work that could be carried out and the duration of the work activity, caused many providers to lose interest in PSE and withdraw from the program.¹¹

VI. PROGRAM EXPENDITURE

6.1 National governments in the OECD countries and transition economies selected for this study spend considerable resources on PSE programs. In 1993, over \$6 billion was spent on programs in Germany. In 1994, Spain spent almost \$20 million pesetas and the UK's program cost about \$150 million. In relation to other labor market programs, more funds were allocated to labor market training than to PSE programs, yet funding on PSE expenditure is greater than expenditures on employment subsidies to the private sector. (See Table 6.1)

Table 6.1:
Public expenditure in selected labor market programs, 1994
(per cent of GDP)

	Unemployment compensation	Labor market training	Subsidies to private sector ¹	Public service employment
Denmark	3.78	0.47	0.03	0.30
France ²	1.72	0.44	0.10	0.14
Germany	2.03	0.42	0.06	0.27
Spain	3.11	0.15	0.09	0.05
UK ³	1.59	0.16	..	..
Hungary	1.08	0.20	0.12	0.14
Poland	1.78	0.03	0.13	0.10

1. Wage subsidies to the private sector for the recruitment of unemployed workers or, in some cases, for continued employment of person whose jobs are at risk.

2. Data is for 1993.

3. Data is for 1993-1994.

Source: OECD (1995) *Employment Outlook*, Tables T and U, pp. 222-230.

6.2 PSE program data for Hungary and Poland also absorbed considerable sums in 1994: \$38 million and over \$44 million respectively. Expenditure on employment policies and programs in Poland shows that PSE spending has grown considerably since 1992, when it accounted for 16 per cent of funding for active employment programs¹². In 1994, it accounted for almost 40 per cent of the funding reserved for active programs. Expenditure on the PSE Program also grew in Hungary from 7 per cent of the Employment Fund in 1991 to 25 per cent in 1994. In comparison to other active employment programs (Table 6.1),

more is spent on training programs in Hungary than on the PSE program whereas in Poland the reverse is true.

6.3 According to the data collected for this study, PSE program costs per participant are high compared with most other active labor programs and with unemployment insurance (UI) benefits that many PSE participants would have otherwise received. Typically, active employment programs cost more than passive measures because they are undertaken in addition to passive measures and not instead of them. That is, a participant of a training programs continues to receive unemployment benefits or a related living stipend. PSE programs are also more expensive than other active employment programs, such as intensive job placement services and self-employment programs. Generally, in OECD countries, cost per participant are highest for training programs, immediately followed by direct job creation programs such as PSE programs, self-employment programs and lowest for employment services such as assistance with job search, one-on-one counseling and seminars to improve one's interview skills. For example, the PSE program in the United Kingdom cost approximately \$2850 per place compared to \$300 for "Job clubs" and \$115 for "Job Search Seminars". However, the UK program is cheaper than the "Training for Work" program, which costs \$3790 per place¹³ In Denmark, the cost of the PSE program was \$28000 per place, compared with \$12400 and \$10200 for the employment subsidy program and the self-employment program respectively. In Hungary, the PSE program was only slightly more costly than the employment subsidy program and the self-employment program.

**Table 6.2:
PSE programs costs, 1994**

	Wage	Other costs
Denmark	Union wages or market rate	..
France	Minimum wage	..
Germany	Union wages or market rate	Loans and grants for work materials
Spain	Social security contributions	..
UK	Unemployment benefit plus £10 per week	..
USA	Minimum wage or wages comparable to regular	Formal training
Hungary	Minimum wage	Soc. Ins. contr. work materials,
Poland	Up to 75 % of national average wage	Soc. Ins. contr. work materials,

1. Data is for 1980.

Source: Data provided by the national authorities. For more information, see country-specific annexes.

6.4 Unfortunately, it was not possible to obtain very detailed expenditure data broken down by components, but other program information can provide some clues as to why PSE programs can be more resource-intensive than passive unemployment benefits and some active employment programs. Table 6.2 describes the various program components which contribute to expenditure. First, PSE programs tend to pay the minimum wage or the wage rate stipulated by trade unions for the work being done, rather than the typically lower unemployment benefit paid to unemployment beneficiaries and participants of most active employment programs. For example in Denmark, Germany, Spain and the United States, participants receive either wages laid down by collective agreements or wages set by their employers which, by law, cannot be lower than the minimum wage. In Denmark, the PSE program finances the entirety of the wage and in Germany, the PSE program subsidises 50-70 per cent of the wages but in exceptional circumstances (e.g. areas with high unemployment) the subsidy can be 90 or even 100 per cent. In Spain, the PSE program subsidizes the wage up to an amount equal to the unemployment benefit with the work provider paying the difference. In France, participants receive the minimum wage, of which 65-100 per cent is paid by the PSE program. Hungarian participants also receive the minimum wage which is entirely funded by the PSE program. In Poland, the PSE program will pay their participants up to 75 per cent of the average national wage. Participants tend to be paid about 50 per cent of the national wage, which is significantly higher than the unemployment benefit.

6.5 PSE program expenditures can include significant non-wage costs both in terms of administration, social benefit entitlements, and materials to facilitate implementation of the programs. In Germany, loans can also be granted to program providers for work materials. Grant funds are also available to “match” funds provided by regional governments sponsoring work activities. Similarly the programs in Hungary and Poland can contribute to the cost of materials needed to carry out the work activity, in Hungary this can amount to up to 30% of program costs. Other non-wage costs include a range of social benefits including social security contributions. In some programs, the project provider must pay the contribution, which may make them reconsider participation in the program. In other

programs, such as Poland and Hungary, they are financed by the program. These costs can be very high, often approaching 50 percent. In some programs, such as in France, the requirement to pay social security contributions is waived. But even if it is waived there remains a significant hidden cost imposed upon the social security fund which may, subsequently, have to pay benefits to non-contributors.

6.6 There is another hidden cost which is one of fiscal substitution. In some countries, means-tested benefits are the responsibility of the local authorities. If participation qualifies participants for the national unemployment benefits the local authorities may use the PSE program to reduce their costs. In this way, local authorities are able to “churn” unemployed individuals out of the local welfare program and into the national employment benefit system. For example, in Germany, Denmark, Poland and Hungary, the jobless re-qualify for unemployment insurance benefits after completing their full duration in PSE program. As a result, PSE participants who were formerly the responsibility of the local authorities and who do not become employed post-program become eligible for the national unemployment benefits. At first glance, the obvious solution to this “churning” problem would be to disqualify PSE participants from gaining UI eligibility in the countries where this is currently possible. However, governments have been reluctant to implement this option, perhaps because of the complexities of employment legislation, trade union agreements and other political concerns.

6.7 At a cost-per-participant being very expensive when compared to other programs, some argue that PSE would have to demonstrate significantly better outcomes in terms of participants post-program employment rates than the other alternatives. However, it can also be argued that PSE participants are among the most difficult of the unemployed to move back into jobs. As a result, greater funds are required for this group.

VII. EFFECTIVENESS

7.1 Have the programs achieved their primary objective of moving the jobless out of unemployment and into work? Are the goods and services provided through PSE in

addition to what would have been available if the program has not been introduced, and is the value of the goods and services provided equal or greater than the investment in the program? Do the programs reduce social tension and create a more stable political environment in periods of transition and high unemployment? Unfortunately, this information is not as readily available as administrative program data. When evaluations are available, they concentrate either on the program's impact on the unemployment rate or the programs' impact on individual post-program performance. No data has been found to evaluate the benefit-cost of goods and services provided, nor have studies been uncovered that evaluate the lessening of social tensions through PSE programs.

7.2 *Impact on the aggregate unemployment rate.* The reduction of aggregate unemployment rate is often the ultimate policy objective of PSE programs. A recent OECD *Employment Outlook* ¹⁴ surveyed two PSE programs that had been evaluated to measure this impact. The German ABM program was judged to significantly increase the flow out of short-term unemployment, but had no significant impact on long-term unemployment. A municipal public works program in Finland seemed to enhance flows out of unemployment but it also led to some flow back into joblessness after participation. It should be noted that these results may reflect the fact that such programs mechanically lower the unemployment rate because the participants are no longer counted as unemployed since they are no longer in the labor force; after the program ends, most participants return to the labor force and many are still unemployed.

7.3 *Impact on individuals.* Post-program evaluations that measure the impact on the individual fall into three categories: experimental evaluations that compare the effect of the programs on participants with those of a control group chosen prior to the scheme's initiation; quasi-experimental evaluations that choose the control group after the program is completed; and surveys of participants several after they exit the program, that use no control group.

7.4 The most common type of evaluation is the survey without a control group: five of the nine programs studied in this paper were evaluated with this methodology (two had no evaluation at all) The performance of these five programs varied widely (Table 7.1). Judged in terms of the percentage of program participants, those finding non-subsidized employment ranged from 59 per cent (new Länder) to only 6 per cent in Poland and 3 per cent in Hungary. It is important to point out that comparisons across countries are difficult to make because the surveys were undertaken in different years and at different periods of time after the participants left the program.

7.5 The major drawback of the survey methodology is that it provides no information about whether they would have found a job in the absence of the program. Experiments or quasi-experiments use a control group to provide such information: in an experiment, eligible participants are randomly assigned to the PSE program (treatment group) or to a control group; in a quasi-experiment the PSE participants are compared with a group of similar unemployed chosen from labor force data after the participants have left the program. No program in this study was evaluated using an experiment, but quasi-experiments were recently conducted in Poland, Hungary, and the Czech Republic¹⁵.

Table 7.1:
Participants' post-program experience, 1994
(per cent of program participants)

	Year	Methods of evaluation	Employed	Employed	Participating in other program
France ¹	1991	Participant survey 3 months after exit	28	42	22
Germany ¹	1989	Survey immediately after exit	22	60	..
New	1994	Survey	59	41	..
Spain	..	None	..	..	..
UK ¹	1995	Survey 3 months after exit	14	73	13
Hungary ¹	1994	Survey immediately after exit	3.4	..	..
Hungary ²	1997	Quasi-experimental	15 vs 30 ²	..	..
Poland ^{3,4}	1993	Survey	6.1	..	..
Poland ⁵	1997	Quasi-experimental	30 vs 70	..	..

1. Source: Data provided by the national authorities. For more information, see country-specific annexes.

2. 15 per cent of the participants were employed compared to 30 per cent of the control group.

3. Source: O'LEARY, C. (1995) *An Impact Analysis of Employment Programs in Hungary*, W.E. Upjohn Institute for Employment Research, Staff Working Paper 95-30, Kalamazoo, Michigan..

4. Program statistics from Poznan region..

5. PUHANI, P and STEINER, V. (1996) *Public Works for Poland? Active Labor Market Policies during the Transition*, ZEW-Discussion Paper, 96-01.

7.6 Hungary, Poland, and the Czech Republic completed parallel quasi-experimental design studies in 1998 and compared persons who participated in the program with a group of persons who were registered as unemployed at the same time and who did not participate in the PSE program or any other active labor market program (see note # 15). A “matched pair method” was used to create a control group which was similar to the participants in characteristics such as age, gender, education, work experience and length of unemployment. The impact of PSE programs on employment, earnings, and use of unemployment benefits is presented in Table 7.2². The results indicate mostly negative impacts on earnings and employment. In two countries there were significant positive impacts on the amount of unemployment compensation paid (more compensation paid). These results are partially the result of program design where participants may requalify for benefits by participating in PSE. The results for Poland indicate a significant positive impact (+0.10) for transition to regular non-subsidized employment when private contractors were used. Use of public contractors had a significant negative impact (-0.05). (Table 7.2 shows the combined impact public and private PSE contractors).

**Table 7.2:
Overall Impact of Public Service Employment Programs**

	Czech Republic	Hungary	Poland
Any Employment	-0.05	-0.07**	-0.05**
Current Employment	-0.10***	-0.06**	0.02
Initial Earnings	na	+\$4.13**	Na
Current Earnings	-\$35	-\$9**	-\$6
Unemployment Compensation	-\$114 ***	-\$9**	+\$103 *

na - Not available

*** Impact statistically significant at the 99 percent level of confidence

** Impact statistically significant at the 95 percent level of confidence

* Impact Statistically significant at the 90% level of confidence

7.7 The employment impact, following completion of PSE programs, on subgroups of participants is presented in Table 7.3. The employment impact by gender tends to be negative, or insignificant, with a positive indication for females in Hungary. In Poland,

where there is a large number of young people involved in public works projects, youth reemployment is negatively impacted by participation in PSE. Participation in PSE does not help the long-term unemployed re-enter normal jobs, and only has a positive impact for short-term unemployed in Hungary.

**Table 7.3:
Employment Impact of Public Service Employment Programs by Subgroup /1**

	Czech Republic Any/current	Hungary any/current	Poland any/current
Gender			
Male	0.02/-0.12**	0.01/0.01	-0.07**/0.00
Female	0.08/-0.07	0.12**/0.10**	0.02/0.04
Age			
Youth	0.01/-0.09	0.00/-0.01	-0.07**/0.01
Middle age	0.05/-0.08	0.06/0.04 0.14/0.14	-0.04/0.01
Older worker	0.06/-0.13**		-0.05/0.04
Education			
Primary	0.05/-0.11*	0.02/0.01	-0.01/-0.00
Secondary	0.00/-0.09	0.03/0.03 /2	-0.08**/0.02 /2
Post Secondary	-0.35/-0.29	0.13/0.15	-0.12/-0.22
Unemployment			
Short <12 mos	0.07/-0.12	0.08**/0.05**	0.02/0.02
Long >12 mos	0.04/-0.10**	-0.02/0.03	-0.13**/-0.01

*** Impact statistically significant at the 99 percent level of confidence

** Impact statistically significant at the 95 percent level of confidence

* Impact statistically significant at the 90 percent level of confidence

/1 Any employment and current employment at time of survey

/2 Secondary vocational school

VIII. Conclusions

8.1 Experience with PSE programs in OECD countries date to the 1930s when governments introduced such programs for temporary poverty alleviation and to employ the millions of jobless created by the depression. Today, unemployment insurance largely fulfils the poverty alleviation role. However, PSE programs continued to be used for job creation as one option among many active employment programs, including training and employment subsidies to private firms. In OECD countries, PSE programs remain smaller than many

other active employment programs. In contrast, in the transition economies of Hungary and Poland they are relatively large and growing, largely in response to the spread of long-term unemployment, and therefore do meet the objective of absorbing large numbers of unemployed in the short-term.

8.2 *Work-test.* An emerging objective of PSE programs, besides putting people back to work, is to test the willingness to work of those in receipt of benefits. This is particularly a concern in countries which have relatively generous social benefits or large informal economies. Requiring participation in PSE programs may help to eliminate individuals who are unwilling to work or who are employed in the informal economy from receiving income support. This issue has not been evaluated in the PSE programs surveyed in this study, but the effectiveness of this method -- compared with other possibilities, such as mandatory counseling or screening through interviews -- is worth further investigation.

8.3 *Short-term job creation and displacement.* PSE programs do contribute to short-term job creation, but their impact may be considerably muted by displacement if the programs are not regulated appropriately. That is, PSE jobs that do truly useful work may lead to the displacement of other workers doing the same jobs. This may be because the subsidized work-force can operate with lower costs than private sector alternatives or, more frequently, because the local governments and organizations who are charged with the implementation of PSE programs may simply replace other workers with those paid by the national government through the program. To reduce displacement and increase net job creation, many programs are designed to carry out marginal tasks or set limits on the duration of a post. Such measures tend to reduce the social value of the jobs being done in the PSE context. The paucity of data on job displacement effects does not allow us to draw robust conclusions on net job creation, but the data which are available suggest that there are significant job displacement and, therefore, that net job creation is lower than the gross numbers involved in the program.

8.4 *Targeting.* Government Ministries target PSE programs to those judged to have the most difficulty finding a job by issuing directives to labor offices which administer the programs, on which groups are eligible. In practice, most PSE programs succeed in targeting long-term unemployed older workers, or else young inexperienced workers. The evidence available for Poland and Hungary suggests that targeting efficiency could be improved. For example, certain groups, such as former public administration officials and those with higher-education, tend to be over-represented. In all the programs surveyed, most participants were unskilled.

8.5 *Gender.* Programs focusing on manual work have a high majority of male participants, but if work activity is in the area of social care, female participation rates are increased. Thus, if gender issues are of concern to Governments, the type of work activity that is financed through PSE programs must be carefully considered and broadened.

8.6. *Improving employability and training.* One objective of PSE programs is to promote long-term participation in the labor market by providing training for the unskilled to improve their employability. Although only one of the programs studied offered any formal training, the others were designed to provide on-the-job training. However, the work activity undertaken in PSE programs is, most often, unskilled, in part to enable programs to be extended quickly to a large number of participants who themselves tend to be unskilled, and in part to contain training and supervision costs. In addition, as mentioned previously, program providers are often restricted in the type of work they offer in order to reduce displacement. As a result, it is not clear that this objective is being met by the program or that the type of on-job training that is being provided is of value in leading to permanent employment.

8.7 *Program costs.* PSE program costs per participant are high compared with the unemployment insurance (UI) benefits that many PSE participants would have otherwise received. PSE programs are also more expensive than other active employment programs, except perhaps for training and self-employment programs in some countries. This high cost stems from several factors, including wage rates that exceed UI benefits, non-wage costs

(social benefit contributions and material and supervisory costs). In addition, local authorities may attempt to reduce their welfare program burden by churning people through nationally funded PSE programs. Because of these extra costs, some argue that PSE programs need to provide greater benefits (i.e. lead to long-term employment, provide added value goods and services) than alternative programs to be justified and there is limited evidence that this can be achieved (see following paragraph).

8.8 *Effectiveness.* There is evidence that PSE programs can reduce the aggregate unemployment rate, but that the effect is temporary. The impact on individuals is, on the whole, uncertain. In many, though not all, programs, a substantial number of former participants are able to find non-subsidized employment. However, this criterion overstates program effectiveness because it does not account for the possibility that they would have found employment even without having participated. One way to account for this is to compare the employment history of program participants with that of demographically similar non-participants. Somewhat surprisingly, this evidence suggested that participation in PSE programs might significantly lower the chances of finding non-subsidized employment. This probably underestimates program effectiveness, in that it may reflect selection bias that is not fully controlled by demographic variables -- certainly, such programs are meant to aid those least likely to be employable. No conclusions were reached concerning the benefit-cost impact of goods and services delivered through PSE programs, or the contribution of PSE programs to a reduction of social tensions in periods of high unemployment.

8.9 *Implementation.* If PSE programs are going to be implemented, consideration should be given to having them operated by private sector employers as opposed to public agencies. Private sector delivery has, in some countries (e.g. Poland), resulted in more positive impact on post-program employment. However, the displacement effect remains significant.

8.10 *Lessons.* Evidence from the programs studies in this paper suggests that PSE program are expensive and relatively ineffective. PSE programs are also

problematic because the government, in effect, becomes an “employer of last resort”, a dangerous message to send in all countries but especially in transition economies where the government has been the employer. If governments insist on creating a PSE program, there are some guidelines which can contain costs and minimize interference with the private sector job market. First, wages can be set low in order to minimize the attractiveness of the program and foster self-targeting. Second, in order to minimize displacement, the work undertaken must extend (not supplant) existing services. Third, programs should not attempt to pursue training objectives (training objectives are better pursued in training programs). Finally, it must be recognized that these programs are temporary income support measures and should not be construed as active labor redeployment programs.

NOTES

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2. BOERI, T. (forthcoming) "Labour Market Flows and the Scope of Labour Market Policies in Central and Eastern Europe" in *What Can We Learn from the Experience of Transition Countries with Labour Market Policies?* OECD, Paris.
3. None of the information or data presented in this paper include Northern Ireland which has its own employment service and programmes.
4. SPITZNAGEL, E. (1989) ,"Zielgruppenorientierung und Eingliederungserfolg bei allgemeinen Massnahmen zur Arbeitsbeschaffung (ABM)", *Mitteilung aus der Arbeitsmarkt- und Berufsforschung*, p.539.
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13. Employment Policy Institute (1995) "The Limits of Active Labour Market Policies", *Economic Review*, Volume 9, No.6, Table 1: The scale and cost of employment and training programmes in Englan and Wales, Employment Policy Institute, London, p.
14. OECD (1993) *Employment Outlook*, p. 66.
15. FRETWELL, D; BENUS, J; and OLEARY, C (1999) *Evaluating the Impact of Active Labor Programs: Results of Crosss Country Studies in Europe and Central Asia*, Discussion Paper, World Bank.

ANNEX 1: DENMARK

The *Arbejdstilbudsordningen* -- an active labor market program -- was introduced in 1978 in order to assist recipients of unemployment benefits to move out of long-term unemployment. The program introduced three instruments in an active labor market policy:

- Uddannelsesydelse (Education Allowance);
- Ivaerksaetterydelse (Support for Enterprise Start-up)
- Offentlig og Privat Arbejdstilbud (Job Offer in the Public and Private Sector).

Job Offer in the Public and Private Sector. In 1978 only those who had been unemployed for 30 months were eligible for a Job Offer in the Public and Private Sector. In 1981, eligibility rules were changed so that those younger than 25 must have been unemployed for 12 months in the last 15 months, and those over 25 they must have been unemployed for 21 months in the last 27. Participants in a Public Sector Job Offer received a wage laid down by collective agreement (maximum 81 kroner per hour) Those in Private Sector Job Offers received wages set by their employers (typically the market wage).

The maximum allowable time that a participant could be in a Job Offer was 37 hours per week for up to 3 years. Job Offer placements lasted from 6 months to 3 years. Participants could undertake more than one placement due to the cyclical nature of the benefits and active program system. During the period 1984-1988, 25 per cent of JOS participants were undertaking a 2nd job offer.

Recent reforms. The *Arbejdstilbudsordning* has been revised on a number of occasions, in particular, 1981 and 1986, but most extensively in 1994. Under 1994 revisions, the program has been replaced by the *Activ Arbejdsmarkedspolitik* or *Act on Active Labor Market Policy* which includes a *Pool Job* option. The new option replaces the *Job Offer Scheme*. Five years was made the maximum amount of time that a person could spend either receiving benefit or participating in active employment scheme, of which the last 3 years has to be as a participant of an active labor market program.

Program data from the Ministry of Labor show that 45 per cent of participants were male. Also, 55 per cent were unemployed for at least 6 months prior to participating in the program. The other 45 per cent were unemployed for over 6 months. Table 1 shows the numbers of participants in the various active employment programs, and Table 2 details the costs of the programs.

**Table 1:
Number of Participants**

	Job Offer in Public/Private Sector				Total
	Education Allowance	Support for enterprise start-up	Public sector	Private sector	
1985	1 149	400	38 400	12 100	52 049
1986	4 315	1 400	30 100	7 600	43 415
1997	4 397	1 000	28 800	5 400	39 597
1988	4 366	800	29 500	4 900	39 566
1989	15 517	5 300	37 700	6 100	64 617
1990	15 219	5 641	40 123	7 197	68 180
1991	21 819	6 392	50 825	9 214	88 250
1992	25 867	6 743	52 071	12 553	97 234
1993	30 074	6 949	74 988	15 580	127 591
1994	27 296	3 433	27 869	9 749	68 347

Source: ARBEJDSMINISTERIET (1994, 1995) *Arbejdsmarkedspolitisk arbog*, Table 2-15.

**Table 2:
Program Expenditure per Program Participant 1994**

Education Allowance	\$ 21000
Support for Enterprise Start-up	11000
Maximum UI Payment	21000
Job Offer in Public Sector	29000
Job Offer in Private Sector	14000

Source: ARBEJDSMINISTERIET, unpublished data.

ANNEX2: FRANCE

Contrat emploi solidarité (Employment Solidarity Contracts)

Introduced in 1990, the *Contrat emploi solidarité (CES)* or *Employment Solidarity Contracts* replaced the *Travaux d'utilité public* program. The Contracts create jobs for the unemployed in public bodies or private non-profit enterprises and the objective is to reintegrate the unemployed into active life and to provide training to the long-term unemployed and young job-seekers. The Contracts are also meant to provide goods and services useful to the community. Initially, they were targeted at young job-seekers with a low educational levels or long-term unemployed. However, in 1992, the contracts were targeted at the following groups:

- long-term unemployed registered for at least 12 months in the 18 months preceding their recruitment;
- job-seekers aged over 50;
- recipients of the RMI;
- handicapped workers;
- young people from 16 to 25 who hold at least a level V diploma;
- recipients of the Specific Solidarity Allowance.

In 1993, the priority target groups were redefined again in accordance with the so called "Mesure d'urgence pour l'emploi". The groups now targeted were: job-seekers registered for more than three years; job-seekers aged more than 50 and registered for at least 12 months in the preceding 18 months; and recipients of the *Revenu minimum d'insertion (RMI)* unemployed for one year. In 1994, 72 per cent of the participants were characterized as long-term unemployed, as compared to 34 per cent in 1990. Furthermore, 25 per cent of the participants were receiving RMI in 1994 as compared to 16 per cent in 1990. Of these, two thirds were characterized as long-term unemployed. In 1994, targeting the program towards the young unemployed aged from 18 to 25 was strengthened. Program participants can only be hired by local and regional government bodies, public establishments (i.e. social security institutions) and non-profits associations. The employer or sponsor must submit a job

vacancy to the National Employment Agency (ANPE), enter into a contract with an unemployed person meeting the contract requirements and sign an agreement with the regional office of the Ministry of Labor (Direction Départementale du Travail, d'Emploi et de la Formation Professionnelle).

The participant signs a part-time contract (20 hours a week) for a minimum of three months and a maximum of 12 months. The Contract can be extended for 36 months if the participant is: long-term unemployed for three years; long-term unemployed aged 50 or over; registered for more than one year; RMI recipients without employment for more than one year. The average duration amounted to 8.4 months in 1994.

The Contracts fund 65 per cent of the participant's minimum wage, and up to 100 per cent in case of participants who belong to one of the following target groups: long-term unemployed for more than three years, the RMI recipients unemployed for more than one year; and those aged 50 and over having been registered as unemployed for more than one year. The sponsor is granted 100 per cent exemption from employers' social security contributions.

Several tables are presented below. Tables 1 through 5 describe the participants of the program. The data show that significant numbers are among the long-term unemployed, are more likely to be women and tend to be young (less than 26 yrs). The tables also show that a third of participants stay in the program for the maximum amount of time and that at least one quarter are without work experience. Tables 6 through 8 describe program providers, expenditure and effectiveness. Interestingly, the private non-profit sector is very active in program.

**Table 1:
Number of participants**

	1992	1993	1994
Total	598 893	659 381	714 856
New contracts	449 767	438 893	488 739
Extended Contracts	149 126	220 488	226 117

Source: MINISTÈRE DU TRAVAIL DU DIALOGUE SOCIAL ET DE LA PARTICIPATION (July 1995) "Contrats emplois solidarité et contrat emplois consolidés en 1994", *Premières Synthèses*, Tableau 1.

Table 2:
Previous unemployment duration, July 1993
(per cent)

Target Group	1994	1993
Long-term unemployed for more than 1 year, aged over 50	6.0	5.7
Long-term unemployed for more than 1 year, aged < 26	18.9	16.3
Long-term unemployed for more than three years	13.1	12.7

Source: MINISTÈRE DU TRAVAIL DU DIALOGUE SOCIAL ET DE LA PARTICIPATION (July 1995) "Contrats emplois solidarité et contrat emplois consolidés en 1994", *Premières Synthèses* Tableau 4.

Table 3:
Participant characteristics
(per cent)

	1992	1993	1994
Females	65.3	63.2	62.9
Age			
< 26	46.3	34.7	33.1
Between 26 and 34	24.9	29.7	30.6
Between 35 and 49	22.7	28.3	28.8
> 50	6.1	7.3	7.5

Source: MINISTÈRE DU TRAVAIL DU DIALOGUE SOCIAL ET DE LA PARTICIPATION (July 1995), "Contrats emplois solidarité et contract emplois consolidés en 1994", *Premières Synthèses*, Tableau 4.

Table 4:
Participant duration in program
(per cent)

	1992	1993	1994
3 months	22.7	21.5	16.7
4 and 5 months	6.6	5.6	4.3
6 months	21.8	22.8	22.3
7 to 11 months	11.9	12.5	10.2
12 months	36.0	36.6	45.7
More than 12 months	1.1	1.0	0.8

Source: MINISTÈRE DU TRAVAIL DU DIALOGUE SOCIAL ET DE LA PARTICIPATION (July 1995) "Contrats emplois solidarité et contrat emplois consolidés en 1994", *Premières Synthèses*, Tableau 2.

Table 5:
Participant skills
(per cent)

	1992	1993	1994
Non qualified Workman	24.1	24.4	25.0
Qualified Workman	8.3	10.4	10.6
Contremaître, agent de maîtrise	0.5	0.6	0.6
Clerical employment	15.2	16.9	16.9
Commerce employment	8.9	8.8	8.6
Service employment	12.2	12.3	12.8
Engineer, Manager	0.9	1.3	1.5
Others or without experience	29.9	25.3	23.9

Source: MINISTÈRE DU TRAVAIL DU DIALOGUE SOCIAL ET DE LA PARTICIPATION (July 1995) "Contrats emplois solidarité et contrat emplois consolidés en 1994", *Premières Synthèses*, Tableau 3.

Table 6: Providers
(per cent)

	1992	1993	1994
Regional Authorities	31.1	26.9	26.9
Public establishments	29.7	35.0	34.4
Associations	36.2	35.1	36.0
Others	3.0	3.0	2.7

Source: MINISTÈRE DU TRAVAIL DU DIALOGUE SOCIAL ET DE LA PARTICIPATION, (July 1995) "Contrats emplois solidarité et contrat emplois consolidés en 1994", *Premières Synthèses*, Tableau 2.

Table 7:
Program expenditure¹

	1990	1991	1992	1993	1994
CES Expenditures (\$ millions)	500	1287	1785	2608	2561
CEC Expenditure (\$ millions)	..	..	..	12	89
Annual average stock of CES participants	24 198	84 874	275 854	370 090	387 119
Annual average stock of CEC participants	..	..	..	2 000	15 044
Average cost per CES participants (\$)	..	15165	6092	7048	6614
Average cost per CEC participants (FF)	..	..	..	..	5895

1. Does not include the cost of the social security exemptions.

Source: Comptabilité publique .

Table 8:
Post-program experience (1991)1

Employed		50.0
	<i>of which</i> participating in CES	22.0
Unemployed		41.5
Inactive		8.5
	<i>of which</i> training (stage)	2.0

1. Survey of participants 3 months after leaving the program.

Source: AUCOUTURIER, A. (1994) *Panels et Evaluation des Politiques de L'Emploi*, Ministère du Travail, de l'Emploi et de la Formation, La Documentation Française, Paris, p.35.

ANNEX 3: GERMANY

Foerderung von Allgemeinen Massnahmen zur Arbeitsbeschaffung (Promoting General Job Creation Measures).

Foerderung von Allgemeinen Massnahmen zur Arbeitsbeschaffung (ABM) or Measure to Promote General Job Creation was introduced in 1969 and revised in 1990 to include the New Länder. The ABM is a direct job-creation program with three objectives: reduce unemployment by providing temporary employment; create the necessary conditions for providing the unemployed with a permanent job; and improve social and other infrastructures. Initially, the ABM program was designed for counter-cyclical purposes, but with continuing, high levels of unemployment, the ABM program has become a structural employment measure targeted at the long-term unemployed.

The Bundesanstalt für Arbeit (Federal Employment Service) is responsible for implementing the ABM program through its 11 regional employment offices and 184 local employment offices. The Federal Employment Service has the overall responsibility for setting the program's budget ceiling, the duration of the program and other program criteria. The regional employment offices co-ordinate and supervise the different ABM projects in their regions. The local employment offices prepare and implement the ABM projects with the local providers who apply for ABM funding for their projects. The local offices identify projects for ABM funding, select the participants and monitoring the project. Eligible providers are regional and local governments, non-profit groups such as charitable organizations, church, Treuhands and co-operatives. Private enterprises contracted to carry out public works and services are also eligible for ABM funding.

Not all of the registered unemployed are eligible for the ABM program. Participants must be unemployed for 6 months within the last 12 month period and must have received unemployment benefits or assistance. These restrictions do not apply if the participants are among the difficult-to-place unemployed, such as: the long-term unemployed (one year or more); workers over the age of 50; persons under the age of 25, who have not completed vocational training and have been registered as unemployed for at least 3 months; and the severely disabled. Initially, in the New Länder the ABM program did not target any particular

group and was open to all registered unemployed. However, since 1994, the program has been modified to resemble the Old Länder program.

An ABM project's duration is typically 1 year but it can be extended to two years if permanent non-funded jobs are to be created. The duration can be extended to three years upon which the sponsor must fulfil the obligation to create permanent jobs.

The ABM projects are financed by subsidies to the public or private non-profit sponsors. As a rule, the subsidy corresponds to 50-75 per cent of wages but in exceptional circumstances the subsidy could be 90 or even 100 per cent. In addition, loans can be granted for measures which are of particular importance to the labor market. The BA can also make available additional funds for loans and subsidies provided these are matched by contributions from the länder. From the beginning of 1991 to the end of 1992 more liberal conditions for grants were applied in the New Länder. In addition to the wage subsidy of 90 or 100 percent, the cost of material were financed from a special budget line: Upswing East Project. The "Upswing East Project" (Gemeinschaftswerk Aufschwung Ost), introduced in March 1991, aimed to provide stimulus for investment and jobs in the New Länder.

Several tables are presented below. Tables 1 through 5 describe the participants, the types of jobs which were created and the various organizations which delivered the program. Tables 6-9 provide information on program expenditure and effectiveness.

Table 1:
Number of Participants
(annual averages)

Year	Old Länder	New Länder
1990	83 350	12 198
1991	82 960	422 349
1992	78 179	296 000
1993	50 518	243 094
1994	57 443	194 176

Source: BUNDESANSTALT FÜR ARBEIT (1994) "Förderung von Allgemeinen Massnahmen zur Arbeitsbeschaffung (ABM) im Jahre 1994 - Bisheriges Bundesgebiet-" *ABM Informationen*, Referat Ib3, Übersicht 1.

VÖLKEL, BRIGITTE, "Implementation von Arbeitsbeschaffungsmassnahmen (ABM) in den neuen Bundesländern- Erfahrungen, Probleme, Forschungsbedarf." *MittAB* 4/94; p.361.

Table 2:
Participant Characteristics in the Old Länder
(per cent)

Participants	1992	1993	1994
Long term unemployed	56.8	58.2	62.4
Under 25 years w/o vocational training	17.3	20.3	18.7
Women	39.6	39.9	35.5
Over 50 years old	16.5	18.5	19.0
With health limitations	8.4	7.4	8.4
Severely disabled	7.5	7.6	7.4

Source: BA (1994) "Förderung von Allgemeinen Massnahmen zur Arbeitsbeschaffung (ABM) im Jahre 1994- Bisheriges Bundesgebiet-" *ABM Informationen*, Referat Ib3, Übersicht 5.

Table 3:
Occupational Skills. 1991
(per cent)

	New Länder	Old Länder
No vocational training	5.8	55.1
Craftsmen	52.9	27.8
Technician	6.3	1.4
Technical College	22.3	2.1
Higher Education	8.9	9.7

Source: SPITZNAGEL, E. (1993) "Zur Brückenfunktion der Allgemeinen Massnahmen zur Arbeitsbeschaffung (ABM). *IAB Werkstattbericht*, Übersicht 5.

BA (1994), "Förderung von Allgemeinen Massnahmen zur Arbeitsbeschaffung (ABM) im Jahre 1994 - Bisheriges Bundesgebiet" *ABM Informationen*, Referat Ib3, Übersicht 6.

Table 4:
Types of Jobs Created
(per cent)

Economic Infrastructure	21.5
Social Infrastructure	20.2
Administration/Education/Research	10.7
Restoration and Planification	25.0
Environmental	5.9
Tourist and Sport Infrastructure	5.4
Total	100.0

Source: IAB study results as quoted in SPITZNAGEL, E. (1992) "Allgemeine Massnahmen zur Arbeitsbeschaffung (ABM) in den neuen Bundesländern", *MittAB* 3, Übersicht 5.

Table 5: Providers

Community	37.3
Länder	1.8
Other Public Authorities	5.5
Church organizations	5.8
Non-Profit organizations	12.7
Private Enterprises	13.2
Treuhand	12.8
ABS ¹	10.5

1. ABS are companies for work occupation and structural promotion "Gesellschaften zur Arbeits-Beschäftigungs-und Strukturförderung".

Source: SPITZNAGEL, E. (1989) "Zielgruppenorientierung und Eingliederungserfolg bei Allgemeinen Massnahmen zur Arbeitsbeschaffung (ABM) ". *MittAB* 4; p.537.

Table 6:
Expenditures for ABM
(millions \$)

	Year	1990	1991	1992	1993	1994
New Federal Länder ¹		34.7	3322	6656	5653	12244
Old Federal Länder		1500	1529	1607	1265	1334

Source: SPITZNAGEL, E. (1992) "Allgemeine Massnahmen zur Arbeitsbeschaffung (ABM) in den neuen Bundesländern", *Mitt AB*, 1992, p. 279; and, BA (1994) "Förderung von Allgemeinen Massnahmen zur Arbeitsbeschaffung (ABM) im Jahre 1994- Bisheriges Bundesgebiet-" *ABM Informationen*, Referat Ib3, Übersicht

1. Sum of FES and Federal Government Expenditure.

Source:

Table 7:
Expenditure per Participant
(\\$)

Year	Old Länder	New Länder
1991	27 289	19 386
1994	29 373	30 678

Source: Institut für Arbeitsmarkt-und Berufsforschung der Bundesanstalt für Arbeit (IAB), 24.08.1995.

Table 8:
Post-program Experience in the Old Länder, 1989

	Immediately Post-program	32 Months Post-program
Employed	22	41
<i>of which</i> employed by ABM sponsor	9	..
employed by other	7	..
self-employed	7	..
Unemployed	60	41

Source: SPITZNAGEL, E. (1989) „Zielgruppenorientierung und Eingliederungserfolg bei allgemeinen Massnahmen zur Arbeitsbeschaffung (ABM)“, *Mitteilung aus der Arbeitsmarkt- und Berufsforschung*, p.525 and Abbildung 4.

Table 9:
Post-Program Experience in the New Länder, 1994

Employed	59
employed by the ABM sponsor	17
employed by other	40
self-employed	2
Unemployed	41

1. The Arbeitsmarkt-Monitor is a statistical instrument created to observe the labour market in the New Federal Länder during the economic change.

Source: IAB (May 1995), Arbeitsmarkt-Monitor für die neuen Bundesländern, Umfrage 11/1994, Übersicht 11, p.8.

ANNEX 4: HUNGARY

Prior to 1991 all labor market programs, both active and passive, were paid for out of the Employment Fund. The introduction of the 1991 *Employment Act* created two separate groups of programs. Under this Act the programs being paid out of the Employment Fund, funded by the State Budget, were strictly active and largely discretionary. Other programs, which may be termed entitlements, including unemployment compensation and costs of the employment labor offices, were be paid for out of a new fund called the Solidarity Fund. The Solidarity Fund is financed by taxes on the total wages paid by enterprises and earned by workers. The original tax rates were 5 percent for employers and 1 percent for workers, these rates have since been raised to 7 percent and 2 percent. As of January, 1995, the *Employment Act* was again modified and financing for all active and passive programs are now the responsibility of the Solidarity Fund.

Köasznu Munkavégzés (Public Employment Program).

One of the activity employment programs is the *Közhasznú Munkavégzés* or *Public Employment Program*. The Public Employment Program has several purposes. The primary and initial aim of the program is mainly one of income transfer to the long term unemployed while at the same time giving people regular work activity to maintain their basic work skills. Secondary, and emerging aims, include using the program to contribute to provision of public services and development of public infrastructure which may not otherwise be provided and enhancing the re-employment possibilities of participants.

Finally, Hungary is experimenting with the use of public employment as an informal "work test" for recipients of social assistance. After the entitlement to unemployment benefits, which run for 12 months, is exhausted, the unemployed may be eligible for a social assistance benefit. These recipients may be requested to participate in a public works project for up to 3 months. The specific regulations defining the operation of the "work test" are defined in Section 16 (a) of the January 1996 revision of the Employment Act. This project is separate from the *Public Employment Program* although it is very similar.

Article 16 of the 1991 Act provides that the subsidy for the Public Employment Program may be up to 70 percent of direct costs provided that no payment from another agency or under other provisions is available. The 1995 reforms allow payment of up to 90 percent in special cases (e.g. where local governments are in difficult financial conditions and cannot provide the 30 percent matching funds/resources). These costs can include salary, social insurance contributions, work clothing, tools, and expenditures incurred by the extra management tasks of employers. In practice, most of the subsidy is for wages. The subsidy may be provided to a private sector company if workers are assigned by the unemployment office and are not employed for a “businesslike economic activity”.

The Employment Act specifies the duration an unemployed person may participate in the Public Employment Program as 12 months. The program is meant to absorb the unemployed in receipt of benefits. Those who have exhausted their benefits are not eligible for this program.

Program data from the Ministry of Labor has shown that the average duration in the program is 6 months. Other data show that 3.4 per cent of participants were employed in unsubsidized jobs at the program exit (Sziklai, E. and Varga, I. (1995) *Az 1994-ben befejezett aktiv munkaeropiaci programok hatekonysaganak vizsgalata a monitoring alkalmazasaval (Evaluation of ALMPs completed in 1994 using the monitoring information system)*, Orszagos Munkaugyi Kozpont, Budapest).

Several tables are shown below. Tables 1, 2 and 3 provide data on participant characteristics and the type of work that was undertaken. The remaining two tables describe program expenditure.

**Table 1:
Number of Participants**

	1992	1993	1994	1995
Total	13 880	50 875	69 674	86 496

Source: Ministry of Labor.

**Table 2:
Participant Characteristics, 1991¹**

Age	31.2 years
Education	8.7 years
Male	67.4%
Specialization (manual)	17.0%
Specialization (technical)	6.6%
White collar worker	8.1%
Unskilled	67.1%

1. Based on a 1993 survey of 429 PSE participants who had been in the program in 1991.

Source: O'LEARY, C. (1995) *An Impact Analysis of Employment Programs in Hungary*, Staff Working Paper 95-30, W.E. Upjohn Institute, Kalamazoo, Michigan, Table 9.

**Table 3:
Type of Work Activity
(percent)**

	1992	1993	1994	1995
Municipal public works	81.5	71.8	68.5	74.7
Health and social	7.0	8.2	9.3	8.8
Culture and education	7.7	8.1	8.1	5.9
Other	3.8	12.0	14.1	10.7

Source: Ministry of Labor.

**Table 4:
Employment Fund Expenditure on Active Labor Market Programs
(per cent)**

	1991	1992	1993	1994
Training, Retraining	17.2	20.9	22.7	22.9
Public Works	7.2	12.1	18.9	25.0
Employment Subsidy	0.2	2.3	9.2	13.2
Self-Employment Program	0.3	1.8	3.1	3.1

Source: Ministry of Labor and National Labor Center.

**Table 5:
Program expenditure per participant per month, 1995
(S)**

Public Employment Program	103
Wage Subsidy Program	102
Entrepreneur Assistance Program	95
Maximum UI Payment	143

Source: Ministry of Labor

ANNEX 5: POLAND

The 1991 Employment Act introduced *Udział bezrobotnych zatrudnionych po robotach publicznych* (Employment Measure for the Unemployed through Public Works) and referred to them as "work performed by the unemployed which has been organized by local administrations or other agencies of the national administration, aimed in particular at socio-economic development". Directors of local labor offices are responsible for initiating and financing public works projects if there are no possibilities of ensuring suitable employment to the unemployed. The Ministry of Labor and Social Affairs is responsible for the rules and regulations governing public works projects. The 1994 Employment Act continued to allow for the creation of public works and specified their duration. The broad criteria is listed below.

Udział bezrobotnych zatrudnionych po robotach publicznych (Employment Measure for the Unemployed through Public Works)

The Labor Fund finances the wages of the participants of Public Work up to 75 per cent of the national average wage. The Labor Fund also covers the social insurance contributions of the participant (45 percent of wage) which allows the participant to be eligible for unemployment insurance after 6 months. In areas of high, long-term unemployment the regional labor office, in consultation with the local labor office, may finance up to 50 per cent of the material costs connected to the public works project. However, the material costs may not exceed 25 per cent of the wage and social insurance costs financed from the Labor Fund.

The 1994 *Employment Act* specified the duration an unemployed may participate in public works as 6 months. In addition, the public works project may not run longer than 12 months. Public works projects are meant to absorb the long-term unemployed, particularly those who are unskilled. In practice, there is evidence that it is increasingly being targeted at those who have exhausted their unemployment insurance (UI) benefits, at single parents or at low-income families.

The Ministry introduced guidelines for public works projects in March 1995. Local labor offices are permitted to finance public works projects if the output of the project is socially or economically useful. The project must not compete with the private sector. Most of the projects are for road works, forestry projects, environment protection, maintenance of recreational facilities and sewage improvements. The guidelines introduced in March propose that projects may also be created in the social welfare sector (e.g. care of the aged, childcare). The new regulations also disallow the creating of projects (e.g. clerical work) in Mayor's Offices. Different levels of government are eligible to apply for public works financing. Typically, the projects are proposed by the gmina (i.e. community-level government).

Program data shows that in 1994, 93 044 unemployment participated in the program. Other program data is shown in Tables 1-7. Table 1 provides a detailed look at the program in the region of Poznan. Tables 2 and 3 offer some information about participants. Tables 4-5 look at expenditure by the Ministry of Labor, and finally Tables 6 and 7 compare program benefits, costs and outcomes.

Table 1:
Program Statistics in Pilot Region: Poznan.

	Regional Total		Regional Average (9 sub-regions)	
	1992	1993	1992	1993
Number of public work projects	36	66	4.0	7.3
Average participant duration	..	..	5.2	5.7
Average program duration	..	..	5.5	6.8
Number of participants	433	1205	48	134
% university graduates	4	8	0.0	1
% high school leavers	34	130	4	14
% vocational school	171	525	19	58
% basic education ¹	224	542	25	66
Wages as a share of national average	..	..	59	59
Post-program employment (%)	..	..	0.0	6.1

1. Eight years of schooling.

Source: Poznan Vovoidship Labor Office (1995), *Wojewodzki Urzad Pracy w Poznaniu*, Tabela: Analiza Robot Publicznych Organizowanych Na Terenie Wojewodztwa Poznanskiego W Latach 1992-1993, mimio.

Table 2:
Duration in Public Works, 1994

	Participants	%
Total ¹	93 044	100.0
Duration of less than 3 months	16 314	17.5
Duration from 3 - 6 months	57 105	61.4
Duration of more than 6 months	19 625	21.1
Employed permanently by employer after program	3 266	3.5

1. The number of program participants was 110 493, yet 93 044 completed the program in 1994.

Source: MoLSP (May 1995), *Ibid.*, Warsaw: MoLSP, p.17. "Po zakonczeniu wykonywania robot publicznych 3.266 (3.5%)..." Ministerstwo Pracy i Polityki Socjalnej Krajowy Urzad Pracy (Maj 1995), *Fundusz Pracy: Dochody I wydatki w latach 1990-1994 oraz ocena wykorzystania srodkow na aktywne formy przeciwdzialania bezrobociu w 1994 r.*, Warsaw: MoLSP, p.17.

Table 3:
Participant UI Status, 1994

	Participants	%
1. Total	110 493	100.0
2. In receipt of UI benefits pre-program	27 050	24.5
3. No longer in receipt of UI benefits pre-program	83 443	75.5
Proportion of (3) who subsequently qualify for UI benefits	55 978	67.1

Source: MoLSP (May 1995), *Ibid.*, Warsaw: MoLSP, p.17. "Na 83 443 bezrobotnych nie uprawnionych do zasilku w momencie kierowania ich do robot publicznych, po ich zakonczeniu (przepracowania minimum 6 m-cy) uzyskalo prawo do zasilku 55 978 (67 %) bezrobotnych." Ministerstwo Pracy i Polityki Socjalnej Krajowy Urzad Pracy (Maj 1995), *Fundusz Pracy: Dochody I wydatki w latach 1990-1994 oraz ocena wykorzystania srodkow na aktywne formy przeciwdzialania bezrobociu w 1994 r.*, Warsaw: MoLSP, p.17.

Table 4:
Employment Fund Expenditure
(per cent)

	1990	1991	1992	1993	1994
UI benefits	51.1	82.0	86.3	83.9	83.8
Training	0.4	0.7	0.8	1.4	1.4
Job Subsidies	5.7	3.3	2.1	4.3	5.5
Public Works	..	..	0.8	3.7	4.7
Enterprise Loans	26.0	3.0	1.0	1.7	1.2
Youth Program	13.4	8.9	7.8	4.1	2.8
Other	3.4	2.1	1.2	0.9	0.6
Total	100.0	100.0	100.0	100.0	100.0

Source: MoLSP (May 1995), *Ibid.*, Tabela NR 4, Warsaw: MoLSP, p.6.

Table 5:
Expenditure for Active Employment Programs
(per cent)

	1990	1991	1992	1993	1994
Training	1.4	47.9	17.9	12.7	10.4
Job Subsidies	17.6	47.9	43.6	38.5	43.0
Public Works	..	..	16.2	33.8	36.9
Enterprise Loans	81.0	42.7	22.3	15.0	9.7
Total	100	100	100	100	100

Source: MoLSP (May 1995), *Ibid.*, Tabela NR 6, Warsaw: MoLSP, p.8.

Table 6:
Wages versus UI Benefits, 1994

	\$	% of national average wage
Maximum public works wage per month	160	75.0
Average public works wage per month	107	50.5
UI benefit per month	76	36.0

Source: MoLSP (May 1995), *Ibid.*, Warsaw: MoLSP, p.17. And discussions with Ministry.

Table 7:
Post-program Employment Rates and
Cost per Active Employment Program¹, 1994

	Post-program employment (%)	Cost per post-program employed (\$)
Training program	40.3	740
Job Subsidies	33.1	2300
Public Works	3.5	28300

1. Calculated using total program expenditure divided by number of participants employed after program.

Source: Tadeusz Olejarz (July 1994), "Ranking Aktywnosci" in *Economic Life*, Warsaw, pp.32-32. And MoLSP.

ANNEX 6: SPAIN

In Spain, there are three different types of direct job creation programs with the objective to create transitional employment in public services for unskilled, unemployed workers. These are:

- Instituto Nacional de Empleo (INEM) Agreements;
- Works of Social Utility;
- Rural Employment Program.

The Instituto Nacional de Empleo (or National Employment Institute) is a legal autonomous entity falling under the authority of the Ministry of Labor and Social Security through the intermediation of the Secretariat General for Employment and for Industrial Relations. It implements the three direct job creation programs.

Instituto Nacional de Empleo (INEM) Agreements

This program was created in 1985 to establish a basis for co-operation between INEM and the local authorities (provinces and municipalities). The objective is to enable unemployed workers registered at the Employment Office to carry out work or services of a general and social nature through collaboration between INEM, on the one hand, and local authorities and their administrations on the other.

The works, which must be of public and social interest, are carried out by the local authorities or other local bodies either with workers hired directly or by sub-contracting with private enterprises. In the former case, 75 percent of all hirings must be of former unemployed, in the latter case the minimum share is 50 per cent. The local labor offices are responsible for the identification and the supervision of the projects.

The duration of the subsidized employment is for a minimum of one month and maximum of one year. The average duration of employment is 1.8 months. INEM Agreements are open to the registered unemployed threatened with long-term unemployment. Priority is given to those workers with the biggest family responsibilities. The INEM pays the Agreements' wage costs including social security contributions. Wages paid are generally those set by collective agreement.

Works of Social Utility

Introduced in 1982, the objective of the program is to have unemployed workers, in receipt of benefit, carry out temporary works of social utility. Participation is compulsory or the recipient may lose their unemployment benefits. The Ministry of Labor and Social Security is responsible for the program. INEM is responsible for the implementation of the work activity. The maximum duration of a contract is the time that remains in the recipient's benefit duration. The program is open to all the registered unemployed, who receive unemployment benefit and assistance. INEM pays the unemployment benefit. The public body, which employs the worker, pays the difference between the amount of the benefit and the scale used to determine the contribution to the social security contributory system, thereby guaranteeing the minimum national (interprofessional) wage in operation.

Rural Employment Program

Under the Rural Employment Program, introduced in 1983 and substantially revised in recent years, unemployed workers in the Autonomous Communities of Andalusia and Extremadura are hired to work in projects co-financed by INEM and various levels of government bodies. The unemployed workers must be registered at the local labor office. The wage paid to the workers is the minimum wage or the wage set by collective agreement.

Tables 1 through 4 presented below offer information on participants, their characteristics and the types of jobs created by the programs.

Table 1:
Number of Participants

	INEM Agreements	Works of Social Utility	Rural Employment
1990	209 397	8 625	173 988
1991	187 087	7 346	160 943
1992	141 265	6 207	138 294
1993	175 801	8 947	162 406
1995 ¹	60 274	5 586	58 984

1. Number of participants from January-June 1995.

Source: INEM.

Table 2:
Male Participant Characteristics, January-June 1995
(per cent)

Age	INEM	Works of Social Utility	Rural Employment
< 25	13	9	14
25 - 44	53	57	53
> 44	34	35	33

Source: Ministerio de Trabajo y Seguridad social (Junio 1995), *Estadística de contratos registrados*, Volumen Segundo, Table 12.1A; and MINISTRY OF LABOUR AND SOCIAL SECURITY/INEM (Jan. 1995), *Estadística de contratos registrados*, Table 13.1M and Table 14.1 M.

Table 3:
Educational Level, January-June 1995
(per cent)

	INEM Agreements	Works of Social Utility	Rural Employment
Illiterate	1	3	2
Primary Education	96	88	97
Secondary Education	1	2	0
Technical Qualification	1	5	1
College Degree	1	1	0
University	1	1	0

Source: Ministerio de Trabajo y Seguridad social (Junio 1995), *Estadística de contratos registrados*, Volumen Segundo, Table 12.2A, 13.2A, 14.2A.

Table 4:
Type of Jobs Created, January-June 1995
(per cent)

	INEM Agreements	Works Social Utility	Rural Employment
Agriculture	7	0	11
Industry	0	0	0
Construction	37	8	40
Public Services ¹	56	92	49

Source: Ministerio de Trabajo y Seguridad social (Junio 1995), *Estadística de contratos registrados*, Volumen Segundo, Table 12.4A, 13.4A, 14.4A.

ANNEX 7: UNITED KINGDOM

Community Action was introduced in July 1993 to help long-term unemployed people back into work by providing them with a program of structured job-search help and with part-time work experience. The program is open to people aged 18 and over who have been unemployed for 12 months or more and have been claiming unemployment benefits during that period.

The maximum allowable participation duration is 6 months. The average is approximately 4 months. Participants are paid at the same rate as their previous unemployment benefit plus £10 per week.

Delivered mainly through voluntary and charitable organizations, the work is designed to benefit the local community. General proposals are formulated by regional employment offices and local organizations are invited to tender for the bid. Projects can last up to 12 months and can be renewed. Participants are to receive additional assistance to move on to jobs, training or further and higher education from the Community Action provider or sponsor.

Sponsors are contractually required to supply standard data for the Community Action Leavers Information System (CALIS). As well as supporting routine monitoring, analysis of CALIS contributes to a wider evaluation of the program. Numbers of people leaving the program and their average length of are monitored monthly by CALIS. Information is collected on the personal characteristics of leavers and their destinations, both on leaving the program and three months later. This allows program outcomes to be measured across each of the nine Employment Service regions and for various categories of participant.

Program data show that average participation is approximately 19 weeks. Other program data, presented in the tables below, provide information on participant characteristics, program providers and the types of work being undertaken. Also, tables 6 and 7 provide information on program outcomes and costs.

**Table 1:
Number of participants¹**

1994-1995	47 000
1995-1996	30 000

1. The number of participants in the program from April 1994-March 1995.

Source: Employment Department, Employment Service, data-files.

**Table 2:
Previous unemployment duration of participants, October 1994
(per cent)**

Less than 12 months	2.1
Between 12 and 23 months	49.6
Between 24 and 35 months	22.1
More than 36 months	26.2

Source: Department for Education and Employment (November 1995) "Community Action: Participants, Activity and Outcomes", *LMQR*, Sheffield: Department for Education and Employment, p.14.

**Table 3:
Participant characteristics, 1994-1995¹
(per cent)**

Male	80
Aged 35 years or above	46
Left school aged 16 or earlier	80
No qualifications	41
No higher than a GCSE or equivalent	14
University degree	4

1. Information from CALIS based on participants who left the program between April 1994-March 1995.

Source: Department for Education and Employment (November 1995) "Community Action: Participants, Activity and Outcomes", *LMQR*, Sheffield: Department for Education and Employment, p.14.

Table 4:
Providers, 1994-1995¹
(per cent)

Voluntary/Charity	71
Private sector	15
Local authority	8
Other public sector	3
Other	3

1. Information from CALIS based on participants who left the program between April 1994-March 1995.

Source: Department for Education and Employment (November 1995) "Community Action: Participants, Activity and Outcomes", *LMQR*, Sheffield: Department for Education and Employment, p.14.

Table 5:
Type of work activity, 1994-1995¹
(per cent)

	Male	Female
Environmental/Conservation	37	12
Community Improvements	27	6
Social Services	15	33
Administration	4	14
Other ²	17	34

1. Information from CALIS based on participants who left the program between April 1994-March 1995.
2. This category is primarily made up of participants involved in retail activity in charity shops.

Source: Department for Education and Employment (November 1995) "Community Action: Participants, Activity and Outcomes", *LMQR*, Sheffield: Department for Education and Employment, p.14.

Table 6:
Post-program outcomes at 3 months, 1994-95¹
(per cent)

	Male	Female	Total
Full-time employment	9.3	9.2	9.3
Part-time employment	2.9	9.5	4.4
Self-employment	0.9	0.3	0.8
Other positive outcomes ²	12.7	14.4	13.1
Unemployed	74.2	66.6	72.5

1. Information from CALIS based on participants who left the program between April 1994-March 1995 and their activities 3 months after leaving the program.
2. Positive outcomes refer to those in full-time education or training.

Source: Department for Education and Employment (November 1995) "Community Action: Participants, Activity and Outcomes", *LMQR*, Sheffield: Department for Education and Employment, p.14.

Table 7:
Scale and cost of employment and training programs, 1994-95

Principle employment and training program	Total Expenditure \$'000s	Number of participants '000s	Cost per participant \$
Jobclubs	6660	257	260
Jobplan	37200	250	150
Restart courses	19400	144	130
Training for Work	1061000	276	3840
Community Action	151000	47	3210

Source: Column 2: Employment Service (1996) *Annual Report and Accounts 1994-95*, London, HMSO, p.46; "Training for Work" data taken from Department of Education and Employment (March 1996) *Departmental Report*, London, HMSO, p. 108.

ANNEX 8: UNITED STATES

PSE programs enacted under the Comprehensive Employment and Training Act (CETA) can be divided into 2 sub-programs: a job creation program to absorb cyclical unemployment, another to diminish structural unemployment. Both types of programs had the objective to provide needed public services.

Structural Unemployment Program (PSE Title II). Title II programs, introduced in 1973, were initially designed to counteract structural unemployment. They were targeted geographically and operated only in areas of high unemployment, defined as unemployment of 6.5 percent or more. In addition, the programs were targeted at those having been unemployed for at least 30 days or under-employed. The under-employed were those who had been working part time involuntarily or earning below poverty-level wages. Other segments of the population that were targeted were the long term unemployed, Vietnam veterans, AFDC recipients, and former employment and training program participants. The program also emphasized that jobs be created "needed public services".

With the re-re-authorization of CETA in 1978, the purpose of Title II was amended to include training and related services. Eligibility was tightened considerably to require that an individual be economically disadvantaged and unemployed for 15 of the prior 20 weeks or be a member of a family that was receiving public assistance. "Economically disadvantaged" meant a family income less than or equal to 70 percent of the BLS lower living standard. Formal training for participants became important. Helping state and local government provide services were no longer one of the objectives.

Initially, there was no limit on the duration of participation. Local and state governments were required to pay wages comparable to unsubsidized workers in similar jobs. A maximum wage of \$10,000 was set, along with a recommendation from the national government to keep the average wage to \$7,800. There was no limit on the extent to which state or local governments could supplement the wage. Nor was there a limit on the types of jobs into which participant could be placed: the suggested types of jobs included all the functions of local and state government.

However, in 1978 program duration was limited to a maximum of 18 months in any five-year period. Department of Labor could grant waivers for up to 12 months over limit to jurisdictions with at least 7 percent unemployment rate and difficulty in shifting participants to unsubsidized jobs. Wages were set at a maximum \$10,000 with an adjustment up to \$12,000 for high-wage areas. Local supplements of wage levels were no longer permitted. The jobs provided were to be entry level, combined with training and support services. Project jobs were not required to be entry level.

Initially, no less than 90 percent of the funds were to be used for wages; the remaining funds were to be used for administration, training, and supportive services. Given the small percentage of funds involved, administration took precedence over training. Informal training did not count. However, 1978 legislation required that ten percent of the funds were to be used for training in fiscal year 1979, 15 percent in fiscal year 1980, and 20 percent in fiscal year 1981.

Cyclical Unemployment Program (PSE Title VI). Title IV programs were meant to absorb cyclical unemployment and, like Title II programs, also emphasized jobs creation in "needed public services". To be eligible, participants had to have been unemployed for at least 30 days or be under-employed. If they lived in an area of excess unemployment (having an unemployment rate of 7 percent for three consecutive months), they had to have been unemployed for 15 days. Special attention was to be given to persons who had been unemployed for 15 weeks or more, those who had exhausted their unemployment benefits, and those who were unemployed but not eligible for unemployment benefits.

In 1976, eligibility requirements changed. Program participants had to have a family income in the preceding three months that was at or below 70 percent of the lower living standard, and be unemployed for 15 weeks or have exhausted their unemployment benefits or being in a family that was receiving AFDC benefits. Or, in another Title VI stream, participants must be unemployed 30 days before application (15 days in areas of high unemployment).

In 1978, eligibility requirements changed again. Participants must be unemployed at time of determination and for at least 10 of the previous 12 weeks, and have low income. The purpose of the program was now to provide jobs for 20 percent of the unemployed if the

national unemployment rates was more than 4 percent. If the national unemployment rates was in excess of 7 percent, the program was to employ 25 percent of the unemployed in excess of 4 percent of the labor force. the provision of public services was no longer a stated purpose of Title VI.

Initially, there was no limit on the duration of participation. The 1976 legislation introduced the requirement that participants were to be employed in projects of a one-time nature that had a duration of 12 months or less. No individual limit on program participation. In addition, a substantial portion of these jobs were to be in non-profit organizations. State and local governments were required to pay wages comparable to unsubsidized workers in similar jobs. A maximum wage of \$10,000 was set, along with an average wage of \$7,800. Nor was there a limit on the types of jobs into which participant could be placed: the suggested types of jobs included all the functions of local and state government.

The 1978 reforms placed more restrictions on the types of jobs created. Half of the jobs were to be entry-level public service jobs. The other half were to be in projects with a planned duration of 18 months or less. One-third of the funds was to be used to support jobs in the non-profit sector. Program duration was limited to a maximum of 18 months in any five-year period. Department of Labor may grant waivers for up to 12 months over limit to jurisdictions with at least 7 percent unemployment rate and difficulty in shifting participants to unsubsidized jobs. Wages were set at a maximum \$10,000 with an adjustment up to \$12,000 for high-wage areas. Local supplements of wage levels were no longer permitted. The jobs provided were to be entry level, combined with training and support services. Project jobs were not required to be entry level.

Initially, ninety percent of the funds were to be used for wages and benefits. The remaining 10 percent included administration, leaving little for training and support services. State and local governments were to place 50 percent of their participants but this was only a goal and waivers were readily accepted. In 1976, eighty-five percent of the funds were to be used for wages and benefits, the rest being used for administration. There was no rule that agents set aside any share of the funds for training or support services. In 1978, at least 5 percent of the funds were allocated for training and counseling. In addition, sponsors were to prepare

employability development plans for participants and specify in their plans the placement rates that they hoped to achieve.

Find below several tables which describe the program participants, the type of work which was undertaken and some information on program expenditure.

**Table 1:
Number of Program Participants
(annual new enrollments)**

	Title II	Title VI
1972	226 000	
1973	180 000	N/A
1974	269 000	N/A
1975	227 000	157 000
1976	116 000	372 000
1977	372 000	441 000
1978	107 000	556 000
1979	460 000	791 000
1980	348 000	346 000
1981	118 000	118 000

1. Enrolments in Title II and VI in January of each year.

Source: US Department of Labor (various years) *Employment and Training Report of the President*, Table F-1.

**Table 2:
Participant Characteristics
(per cent)**

	1975	1978 ¹	1980
Men	70	62	55
Women	30	38	45
Under 22	23	23	25
22-44	61	65	64
45 and over	16	12	12
Education (Grade) 0-8	10	11	9
9-11	14	26	23
12	42	50	42
13	34	14	26
Economically disadvantaged	37	83 ²	88 ²
Receiving public assistance	10	62	40

1. 1978 project participants.

2. Receiving cash welfare and/or below 70 percent of BLS lower living standard and/or below OMB poverty level income.

Source: COOK, R. et al (1985), *IBID*, Table 2-1, p. 35.

**Table 3:
Types of Services Provided by PSE Enrolees**

Characteristic	PEP ^a	December 1977 ^b			December 1979 ^b	
	1971-72	Sustainment	Project	II-D	VI	
Primary service	41	58	45	25	42	
Protective	17	19	1	6	11	
Public Works	19	11	16	9	19	
Environmental quality	5	16	19	3	5	
General administration	(3)	12	9	7	7	
Social services	15	19	25	35	33	
Social services	7	10	16	24	21	
Health	8	6	7	7	7	
Cultural	N.A.	3	2	4	5	
Parks and recreation	9	17	15	5	8	
Education	19	6	6	34	14	
Miscellaneous	12	1	8	1	3	
Total	100	100	100	100	100	

Source: COOK, R. et al (1985), *IBID*, Table 2-2. Types of Services Provided by PSE Enrolees, p. 38.

**Table 4:
Distribution of Participants by Employer and Program
(per cent)**

Title	Sample Governments	Other local governments	School districts	Federal and state agencies	Nonprofit orgs.
II and IV -sustainment (Dec 1977)	65	6	14	4	10
VI - project (Dec 1977)	35	6	12	4	43
Overall average (Dec 1977)	52	6	13	4	25
II-D (Dec 1979)	34	11	22	2	31
VI (Dec 1979)	55	4	6	4	31
Overall average (Dec 1979)	44	7	15	3	31
II-D (Dec 1980)	33	11	22	3	31
VI (Dec 1980)	47	2	7	4	39
Overall average (Dec 1980)	39	8	16	3	34

Source: COOK, R. et al (1985), *IBID*, Table 2-3: Percentage Distribution of PSE Participants by Title and Employing Agency, p. 40.

**Table 5:
Distribution of Employment Effects by Employing Agency, Dec. 1979
(per cent)**

Effect	Sample governments	Other local governments	School districts	State and federal gov't	Nonprofit orgs
Net job creation	80	87	86	90	93
New programs and services	6	1	8	10	26
Expansion of programs	21	70	22	60	39
Special projects	5	8	1	15	12
Program maintenance	48	8	54	5	16
Job displacement	20	13	14	10	7

Source: COOK, R. et al (1985), *Public Service Employment: The Experience of a Decade*, Table 3-3: Percentage Distribution of Employment Effects by Employing Agency, W.E.Upjohn Institute for Employment Research, Kalamazoo, Michigan , p.65.

**Table 6: Program Expenditure
(millions of \$)**

	Title II	Title IV
1972	962	..
1973	1 239	..
1974 ¹	281	..
1975	668	872
1976	1 624	666
1977 ²	1 293	6 000
1978	347	1 861
1979	2 462	3 317
1980	1 503	1 660
1981	1 308	1 308

1. CETA was initiated in July 1974 (i.e. fiscal year 1975).

2. Includes Transitional Quarter, 1 July to 30 September 1976.

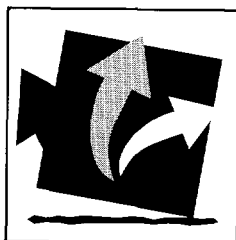
Source: US Department of Labor (various years) *Employment and Training Report of the President*, Table F-1.

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Summary Findings

Unemployment and job creation are critical policy issues in both OECD and transition countries. This study examines one type of intervention that is often used to quickly create jobs: Public Service Employment programs. Such programs are characterized by the employment of unemployed persons, financed by the government, to provide services or infrastructure (public works). Specifically, this study examines public employment programs in Denmark, France, Germany, Hungary, Spain, Poland, the United Kingdom and the United States, with some additional data from the Czech Republic.

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