



Social Security Reform Co-operation Project  
中国 - 欧盟社会保障合作项目

**Employment Promotion  
in the European Union.  
The Concept. The EU Perspective.  
The German Example. The Framework Conditions**

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# Content of this Presentation



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**This presentation will be about Employment Promotion in the EU. Basically it contains four elements:**

- 1. The **concept** – what is Employment Promotion?**
- 2. The **EU perspective** – what does the EU do to support Employment Promotion? The European Social Fund.**
- 3. The **national perspective** – the example of Germany**
- 4. The **framework conditions** – what is needed to make Employment Promotion efficient and effective?**

# 1. The Concept



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Talking about **Active Employment Promotion** we mainly think of the following elements:

- **Training** and Vocational Education
- Measures in favour of **Unemployment Prevention**
- **Subsidised Employment** (2<sup>nd</sup> Labour Market)
- **Employment Incentives** for Employers (Subsidies)

# 1. The Concept: *Training and VET*



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## Training and Vocational Education

- Unemployed persons often lack the necessary **skills** required by the Labour Market, or
- the skills they have are **outdated**.
- Trainings and internships may assist unemployed to **upgrade** their skills and work experience with a view to re-integration
- VET provides them with **new** skills
- **Apprenticeship** schemes help youngsters to get access to employment

# 1. The Concept: *Prevention*



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## Measures in favour of **Unemployment Prevention**

- It is more **cost-effective** to invest in employee training in order to prevent them from being laid-off than to invest in unemployment benefits.
- Employees need to **adapt their skills** to changing requirements of the market in order to maintain their **employability**.
- Particularly small enterprises often **cannot afford to invest in VET**. They need public support.

# 1. The Concept: *Subsidised Employment*

## Subsidised Employment (2<sup>nd</sup> Labour Market)

- Many unemployed have **no chance of getting re-employed in regular employment** due to lack of skills and other personal placement obstacles.
- On the other hand, public institutions or those in the social sector find it difficult to carry out **necessary work** because of a lack of budget.
- Subsidised employment helps unemployed to find **dignified employment** and ensures that important work which is in **public interest** will be carried out.

# 1. The Concept: *Incentives*



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## **Employment Incentives** for Employers (Subsidies)

- Employers often do **not take the risk to hire** (long-term) unemployed or those with personal placement obstacles.
- They can be motivated by offering subsidies as a **compensation for less good performance** of job candidates.
- Many unemployed use the chance of subsidised work to **convince employers** of their competences.

## 2. EU Perspective: *The old EES*



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You have already heard about the **EES** and its support for different objectives.

- **Employability** can be linked to training and VET as well as subsidised employment and incentives,
- **Entrepreneurship** is promoted by training and VET,
- **Adaptability** has strong relations to unemployment prevention measures,
- **Equal Opportunities** can be promoted by all of the measures described before.

## 2. EU Perspective: *The new EES*



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### The new EES supports

- **full employment** (with a particular emphasis on women and elderly workers),
- **more and better jobs** (aiming at quality and productivity of work), and
- **social inclusion** (helping those who are excluded from employment to find jobs).

Active Employment Promotion is seen as a **necessary pre-condition** to achieve these objectives.

## 2. EU Perspective: *PES*



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The EU and its Member States also strongly aim at reforming and improving their **Public Employment Services (PES)**.

The PESs are committed to link **active employment services** with the operation of UI benefit schemes.

Strengthening the **effectiveness** of the services offered is another important goal. According to a mission statement from 2006, PESs aim at a regular assessment and evaluation of ALMP to ensure that they meet both employers' needs and those of the unemployed.

## 2. EU Perspective: *The ESF*



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The EU Commission's instrument to promote the objectives of the EES is the European Social Fund (ESF).

It is one of the **EU Structural Funds** that aim at **economic and social cohesion** between the Member States of the EU.

The ESF which has been existing since 1957 is a key element of the EU's Strategy for Growth and Jobs.

Between 2007 and 2013 some **75 billion €** will be distributed to Member States and regions to achieve some key objectives.

## 2. EU Perspective: *The ESF*



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The main objectives of the ESF are:

- to increase **adaptability** of workers and enterprises,
- to enhance **access to employment** and participation in the labour market,
- to reinforce **social inclusion** by combating discrimination and facilitating access to the labour market for disadvantaged people,
- to promote **partnership** for reform in the fields of employment and social inclusion.

## 2. EU Perspective: *The ESF*



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In the **least developed regions** of the EU, the ESF will in addition promote:

- efforts to expand and improve investment in human capital, in particular by improving **education and training systems**,
- action aimed at developing **institutional capacity** and the efficiency of public administrations at national, regional and local level.

## 2. EU Perspective: *The ESF*



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The ESF bases its operations on a set of principles which are important to be observed by the Member States:

- **Innovation**: the fund particularly aims at promoting new ways, new methods to solve problems. The ESF can thus be regarded as a “laboratory” for the development of innovative activities aiming at the prevention of unemployment and the promotion of employment.

## 2. EU Perspective: *The ESF*



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The ESF bases its operations on a set of principles which are important to be observed by the Member States:

- **Good governance and partnership:** support shall be designed and implemented at the **appropriate level** (national, regional, local) according to the institutional arrangements of each Member State, and involve the **social partners** as well as other relevant stakeholders in the **preparation, implementation and monitoring** of ESF activities.

## 2. EU Perspective: *The ESF*



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The ESF bases its operations on a set of principles which are important to be observed by the Member States:

- **Additionality**: The ESF will always **support** Member States' activities and **add to them** but never replace them, i.e. ESF programmes cannot cover activities which already belong to the Member States' portfolio. It is an important tool to try out things that go beyond current legislative restrictions in a Member State.

## 2. EU Perspective: *The ESF*



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The ESF bases its operations on a set of principles which are important to be observed by the Member States:

- **Mainstreaming:** Member States and the Commission intend to make use of innovations which have been successfully tested in the ESF with a view to mainstreaming them. This means that such innovations shall be distributed in order to become general practice and/or be adopted into legislation.

## 2. EU Perspective: *The ESF*



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In relation to Employment Promotion, the ESF fosters various activities, in particular (examples):

- **Adaptability**: lifelong learning, use of new technologies for the employment promotion of unskilled and older workers.
- **Productivity**: health and safety at work, more productive forms of work organisation allow for more people to be employed.
- **Employability**: personalised support for jobseekers such as profiling, tailored training supply, and job search, self-employment, incentives, child care, etc.

## 2. EU Perspective: *The ESF*



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- Specific measures aiming at **disadvantaged groups**, women, migrants, disabled, early school leavers, etc.
- Promotion of **cross-border mobility** through guidance, language training, validation of skills and competences
- Fighting **discrimination** and promoting **diversity** at the work place
- Promoting **networks** between higher education and technology with a view to creating new jobs
- and many more...

## 2. EU Perspective: *The ESF*



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In the previous years, the ESF has often been at the forefront of new developments which have then been adopted into national legislation. Examples are:

- Objective 4/ADAPT – measures aiming at strengthening the **adaptability** of SMEs and employees
- **Job Rotation** – new tool developed in Denmark and transferred to other countries via ESF programmes
- EQUAL – initiatives for the **occupational integration of migrant workers** via employment
- Youthstart – principle of **empowerment** of target groups

### 3. National Perspective: *Overview*



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**To understand the national perspectives on employment promotion in a country like **Germany**, we need to know a little about the set-up and basic conditions of UI.**

**Therefore, the next slides deal with these conditions before we display the diverse employment promotion activities.**

### 3. National Perspective: *Institutions*



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#### *Federal Employment Service*

**Unemployment Insurance  
(contributions, entitlement)**

#### *Local Authorities*

**Social Aid  
(taxes, means tested)**

**Unemployed with entitlement  
towards UI (Social Code III)**

II)

**AGENDA 2010 (2003)**

**Unemployed and aid-dependent,  
no UI entitlements (Social Code**

**Merged Administration of all unemployed**

**Social Code III: FES**

**Social Code II: Mainly Consortia of FES & Social Office,  
in 69 regions (district/county/municipal level): Social Offices alone**

### 3. National Perspective: *Structure*



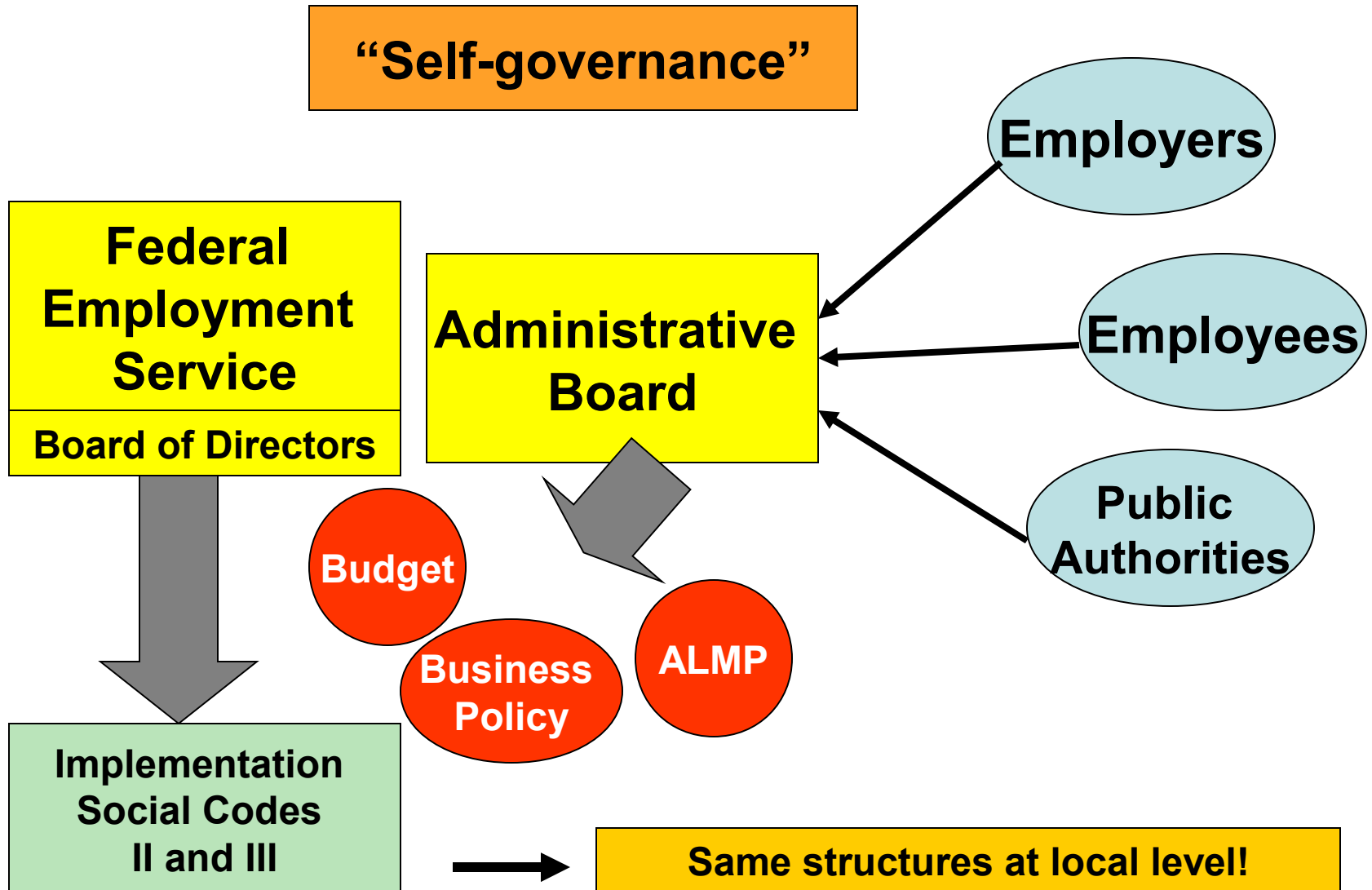
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- FedGov + 16 “Lands” **share** legislative responsibilities
- Legislative Responsibility UI: Federal Government
- Federal Employment Service with three levels:
  - Headquarters (Nuremberg)
  - 10 Regional Directorates
  - 173 Labour Agencies (+ 660 local branches)
- Institute of Labour Market and Occupational Research
- Several target group related placement agencies
- “Consortia” of Labour Agencies and Social Offices
- Competition with private placement agencies

# 3. National Perspective: *Structure*



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### 3. National Perspective: *Structure*



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- UI: Paid from **equal contributions** by employers and employees, principle of **solidarity**
- Contribution rate: 4.2% of gross salary
- FedGov obliged to make **deficiency bill** if contributions cannot cover all entitlements
- Coverage: in principle all employees at public and private enterprises with some exceptions like civil servants, soldiers, self-employed, mini jobbers, ...
- Amount and duration of payments: depends on last wage, qualifying period, age, tax bracket, children...

### 3. National Perspective: *Expenses*



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- Germany spends in general around **3.5% of its GNP** on employment policy (including UI)
- **64%** of the expenses are being spent on **income support** (UI benefits)
- Of all expenses on active employment measures, around **42% are being spent on training and education.**
- Transfers to employers in Germany are **exceptionally low** (8.3% in comparison with the EU25 average of 39.7%)

### 3. National Perspective: *Training*



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#### **Assessment and Preparation:**

- Occupational aptitude of jobseeker ( $\leq 4$  weeks)
- Application training, guidance ( $\leq 2$  weeks)
- Skills training to improve placement chances or qualify for VET ( $\leq 8$  weeks)

UI benefits continue,

Measure costs and travel expenses can be paid.

### 3. National Perspective: *VET*



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## Vocational and Educational Training:

- If
- **needed** for re-integration, to avoid redundancy, or lack of professional certificate,
  - necessity **approved** by Labour Agency,
  - jobseeker **entitled** to participate,
  - training measure and provider **approved** by public certificate,
- then Labour Agency issues *Education Voucher*.

### 3. National Perspective: *VET*



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#### ***Education Voucher*** guarantees:

- Participation costs,
- Travel expenses,
- Accommodation,
- Subsistence,
- Child care if necessary.

If entitled for UI benefits, these will be paid continuously.

### 3. National Perspective: *VET*



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#### *Education Voucher* indicates:

- **Objectives** of the training,
- **Focuses** to be covered,
- Maximum **duration** of training,
- Duration of its **validity**.

Unemployed can select appropriate provider among those approved (more *competition*?)

### 3. National Perspective: *Apprenticeship*

Young people can receive ***Apprenticeship Aids*** if

- Location does not allow them to live at home, or
- they are 18+ and married or live with own child.

Apprenticeship can be **in company** or **external**.

**Pre-apprenticeship preparation measures** also covered.

Aid is paid as a **grant**. Any income will reduce grant.

### 3. National Perspective: *Entrepreneurs*



#### ***Entrepreneurship Promotion:***

- **Founders' Grant** provides UI benefits for first nine months of a newly set-up business.
- **Social security** expenses: 300 € per month.
- Social security expenses can be paid for additional six months once founder can prove intensive and full-time business.

**European Social Fund (ESF)** also offers ***Business Start-up Training*** and ***Coaching*** following the start.

### 3. National Perspective: *Prevention*



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#### *Unemployment Prevention:*

- Has been introduced mainly by the ESF in the 1990s (Objective 4 and **ADAPT**). Invest in employment rather than in unemployment. (*“ESF: Invest in People!”*)
- **Adaptability** of enterprises and employees became one of the pillars of European Employment Strategy.
- Now there are two adaptability-based schemes in the Social Code: **VET subsidy** for unskilled workers and **Job Rotation**.
- One old tool: **Short-time work** for construction workers.

### 3. National Perspective: *Employment*



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#### ***Subsidised Employment:***

- Has been widely used in periods of high unemployment.
- Mainly directed at those who have severe problems in getting employed on 1<sup>st</sup> labour market.
- Must be **additional**, i.e. not compete with regular enterprises so as to not eliminate regular jobs.
- The effect regarding return into regular employment is very low.
- Yet allows unemployed to find dignified employment.

### 3. National Perspective: *Employment*



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#### *Forms of Subsidised Employment:*

#### **Employment Promotion Measures ( $\leq 12$ months):**

- should strengthen **employability**
- focus on **additional** work
- not threaten local economy
- be based on real job **contracts**

Beneficiaries must be

- unemployed UI benefit recipients with
- no chance to get re-employed

### 3. National Perspective: *Employment*



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#### ***Forms of Subsidised Employment:***

##### **1 € Jobs:**

**Aid recipients** (Social Code II) can be obliged to do work which is additional and in the **public interest**

- only if justifiable and reasonable,
- no competition with regular employment,
- run by public institutions.

Participants receive 1 €/hour in addition to their benefit payment and may keep the money.

### 3. National Perspective: *Subsidies*



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#### ***Subsidies can be incentives for employers:***

German labour law is strict – employers hesitate to hire staff (no “hire and fire”).

So, Labour Agencies **can** pay

- Integration subsidies,
- Integration, qualification subsidies for youngsters,
- Integration subsidy for new enterprises,
- Integration subsidy for substitutes (“Job Rotation”),
- Wage subsidies for unskilled workers.

## 4. Framework Conditions



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**What is needed to make Employment Promotion efficient and effective?**

- **Stakeholders:** Active involvement of social partners and public administrations in the planning, implementation and monitoring of ALMP
- **Training providers:** A widespread and diversified environment of public and private training providers which adapts to the real needs of both companies and employees

## 4. Framework Conditions



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- Strong **public employment services** which develop an individual pathway approach towards their customers (both unemployed and enterprises)
- **Evaluation**: Thorough assessment of effectiveness, efficiency and impact of active measures in order to streamline the direction of activities
- **Territorial approaches**: Deconcentrate responsibilities with a view to provide room for strategies and decisions which face the local situation and incorporate the local knowledge (bottom-up)

## 4. Framework Conditions



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- **Empowerment:** Try to get your target group involved into the planning of new activities from the beginning and allow them to voice their views and needs
- **Cross-policy approach:** Ensure that employment policy is closely linked to related fields such as education, social, family, economic, health policies in order to generate a comprehensive strategy
- **Mainstreaming:** Ensure that the lessons learned will be transferred either into daily practice or into legislation in order to be sustainable