

**PROGRAMME FOR RESEARCH  
AND ACTIONS ON THE DEVELOPMENT  
OF THE LABOUR MARKET**

**VERY-LONG-TERM UNEMPLOYMENT**

**MAIN REPORT**



**COMMISSION  
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**Commission of the European Communities**

**PROGRAMME FOR RESEARCH AND ACTIONS ON THE DEVELOPMENT OF THE LABOUR MARKET**

**VERY LONG TERM UNEMPLOYMENT**

**Main report**

**By:**

**P.N. Junankar**

**Department of Economics  
University of Essex**

**Document**

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### SUMMARY

This study provides detailed information on very long term unemployment (over 2 years) in the European Community. It provides statistical information on recent trends in very long term unemployment (VLTU) and the characteristics of the people in VLTU. The study concentrates on Belgium, France, the Netherlands, and the United Kingdom.

The study also looks at different policies which have been implemented in the members countries to tackle the problem.

The study concludes that VLTU is a serious problem which is likely to persist and recommends a concerted policy of increased aggregate demand by the European Community in conjunction with several policies targeted at the VLTU. The study also recommends detailed data collection on VLTU (including a pilot longitudinal study) and a monitoring of the VLTU.

This study was financed by the Commission of the European Communities as part of its Programme of Research and Actions on the Development of the Labour Market. The analyses and the results presented do not necessarily reflect the views of the Commission nor do they commit it to a particular view of the labour market or on other policy matters.

The report has been made available for information only. It should not be quoted or referred to in published material without the authority of the Commission.

Enquiries relating to the study should be addressed to the Directorate General for Employment and Social Affairs - attention of Division V/B/2 - Commission of the European Communities - 200, rue de la Loi - 1049 - Bruxelles.

## VERY LONG TERM UNEMPLOYMENT

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## Chapter 1 Very Long Term Unemployment in the European Community

P. N. Junankar

### 1.1 Introduction

Since the beginning of the 1980s there has been an enormous increase in unemployment in the EEC and a concomitant increase in long term unemployment (LTU, duration of one year or more) and very long term unemployment (VLTU, duration of two years or more). For the European Ten unemployment increased from about 12 millions in 1983 to about 13 millions in 1986, while VLTU increased (over the same period) from 2 millions to 3 millions (approximately).<sup>1</sup> This enormous increase in unemployment and VLTU suggest a crisis in the European labour market which requires concerted action by the European Community to alleviate the social and economic costs of unemployment.<sup>2</sup> One of the main problems in preparing this report has been the paucity of data, on VLTU as well as a virtual absence of any literature on the subject. Most Government policies that have been introduced in the Community are aimed at the LTU and the problem of VLTU is not even noticed.

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1 Eurostat/E1/506/87

2 See Junankar (1986a,b)

## 1.2 Concepts and Measurement Problems

There is no unambiguous definition of unemployment: people who are employed full-time are clearly not unemployed. Not all of those people who are not employed would be called unemployed. Obviously, retired people, housewives looking after children, young people in full-time education are not unemployed. But some of the housewives may be interested in finding work but are unable to do so, some of the young people in full-time education may have preferred to work but in the absence of employment decided to postpone the evil of unemployment by staying on at school, College, University etc. There are different methods of collecting data in different European countries so that comparisons across countries are difficult. The Labour Force Surveys do provide a similar basis for data collection and are as yet an unexploited source for further information on unemployment, LTU, and VLTU. This provides data based on questionnaires: those people who are not employed, available for, and looking for work are classified as unemployed.

The problem of measuring LTU and VLTU is even greater. In some countries, e.g. UK a short spell of illness (3 days or more) removes the person from an "unemployed state" and on returning to good health is treated as a newly unemployed person. People who join various Government schemes (e.g. training schemes) are deemed to be not unemployed, so that if, on leaving the scheme, they do not find work they are treated as newly unemployed people. Thus these schemes may lead to interruptions of unemployment spells which lead to underestimates of VLTU. Information is therefore necessary on this aspect as well as on recurrent unemployment spells. Some people over a few years may also suffer unemployment durations of more than two years, but they are interspersed with short spells of employment.

Another aspect of unemployment which is relatively poorly documented are the labour market flows from one labour market state to another. There is little information available about flows from

- (a) unemployment to employment;
  - (b) unemployment to not-in-the-labour force;
  - (c) unemployment to Government schemes;
- and
- (d) unemployment to retiring (especially with a growing number of early retirements).

To reiterate, we need a better data base to analyse the problem of VLTU. An ideal solution would be for the European Commission to carry out a pilot study on a longitudinal sample for (at least) a few of the European Community countries.

However, subject to these limitations let us look at the problem of VLTU in the EEC. Table 1.1 and Diagrams 1.1, 1.2 and 1.3 provide estimates based on national registered data:

Table 1.1 and Diagrams 1.1-1.3 show very clearly that there has been a big increase in VLTU and that the problem is more serious for the over 25 year olds. The time-series graphs (diagrams 1.2 and 1.3) show big increases in VLTU (as a proportion of total unemployment) in Belgium, the Netherlands, West Germany, Italy and the UK. France has had a much slower increase in VLTU while Denmark stands out in contrast with a fall in VLTU. These

diagrams suggest that countries that have had an active policy towards LTU and VLTU (such as Denmark and France) have succeeded in decreasing VLTU. (The country report on France, chapter 3, will provide further detail on this issue. It is important to note that even in a country like West Germany with an enviable tradition of training and apprenticeships as well as a more "flexible labour market" (especially compared to the UK) that VLTU has been increasing. (Perhaps it is worth repeating a cautionary note on cross country comparisons due to the very difficult methods of measuring unemployment, and unemployment duration).

Table 1.1 provides information from the Labour Force Surveys, 1985, which provide comparable data across countries. This suggests that VLTU is especially serious in Belgium, followed by the Netherlands, UK and then France. It is interesting to note that women are in a worse situation than men in Belgium and France, while in the Netherlands and UK men are in a worse situation than women. In all these countries, the problem of VLTU is especially acute for older people. Our country studies will provide further information on this problem.

Table 1.1 Long-Term Unemployment, European Ten

Long-Term Unemployment (LTU) by Age  
(National Registered Data)

Year		Absolute Data (000s)			
		Total	LTU Over 12 Months	of which 12-24 Months	> 24 Months
1983	Total	12196.6	4338.8	2268.7	2070.0
	Under 25 years	4903.6	1359.1	804.8	554.4
	Over 25 years	7293.2	2979.6	1462.0	1517.5
1984	Total	12833.2	4940.6	2228.2	2712.5
	Under 25 years	5171.8	1533.2	822.0	711.0
	Over 25 years	7661.5	3407.6	1404.2	2003.5
1985	Total	13037.6	5160.4	2209.9	2950.4
	Under 25 years	5084.7	1547.2	789.6	757.7
	Over 25 years	7952.9	3613.1	1418.1	2194.9
1986	Total	12916.1	5144.4	2138.9	3005.8
	Under 25 years	4740.6	1425.0	719.2	705.7
	Over 25 years	8175.4	3723.2	1415.0	2308.2
Year		Percentage of Total			
		Total	LTU Over 12 Months	of which 12-24 Months	> 24 Months
1983	Total	100.0	35.6	18.6	17.0
	Under 25 years	100.0	27.7	16.4	11.3
	Over 25 years	100.0	40.9	20.0	20.8
1984	Total	100.0	38.5	17.4	21.1
	Under 25 years	100.0	29.6	15.9	13.7
	Over 25 years	100.0	44.5	18.3	26.2
1985	Total	100.0	39.6	17.0	22.6
	Under 25 years	100.0	30.4	15.5	14.9
	Over 25 years	100.0	45.4	17.8	27.6
1986	Total	100.0	39.8	16.6	23.3
	Under 25 years	100.0	30.1	15.2	14.9
	Over 25 years	100.0	45.5	17.3	28.2

Table 1.1 continued

Table 1.1 continued

Year	Percentage of Total LTU	
	12-24 Months	> 24 Months
Total	52.3	47.7
1983 Under 25 years	59.2	40.8
Over 25 years	49.1	50.9
Total	45.1	54.9
1984 Under 25 years	53.6	46.4
Over 25 years	41.2	58.8
Total	42.8	57.2
1985 Under 25 years	51.0	49.0
Over 25 years	39.3	60.7
Total	41.6	58.4
1986 Under 25 years	50.5	49.5
Over 25 years	38.0	62.0

Source: Eurostat/E1/506/87

Table 1.2 Very Long Term Unemployment: Distribution by Age and Sex (1985)

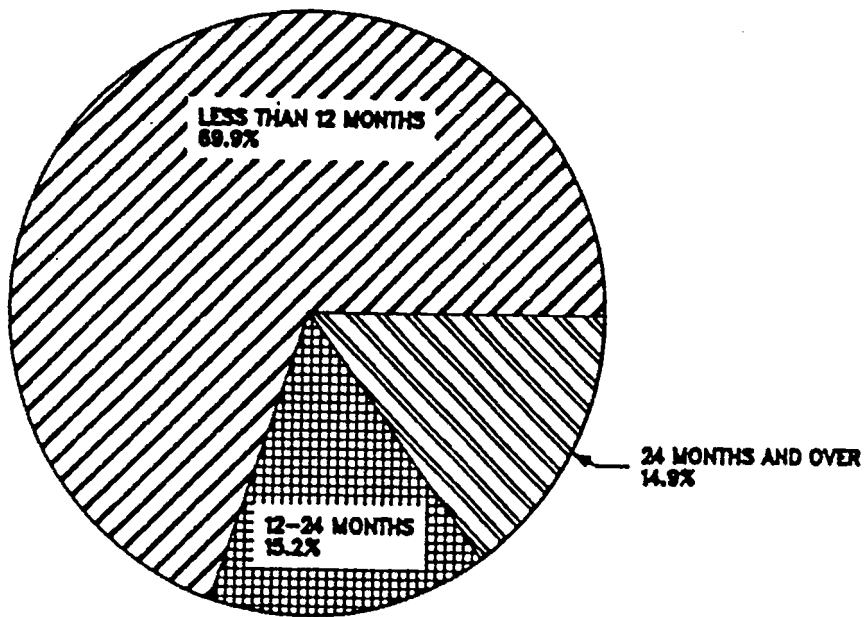
	All Ages			Under 25			25 and Over		
	Persons	Male	Female	Persons	Male	Female	Persons	Male	Female
Belgium	51.2	44.4	55.7	32.4	26.0	36.4	60.6	53.0	65.8
France	21.3	18.2	24.1	13.7	11.0	15.0	26.7	23.0	30.2
Netherlands	34.8	38.7	29.1	20.1	20.9	19.3	42.2	46.3	35.4
U.K.	32.5	37.8	24.3	19.5	23.6	13.7	39.9	45.7	30.9

Notes: Percentages are of all unemployed in age/sex group.

Source: Labour Force Surveys 1985 reproduced in Eurostat/E1/506/87.

Diagram 1.1: Unemployment Duration Distribution in European Ten, October 1986

**UNEMPLOYED UNDER 25 YEARS OLD  
BY DURATION**



**UNEMPLOYED OVER 25 YEARS OLD  
BY DURATION**

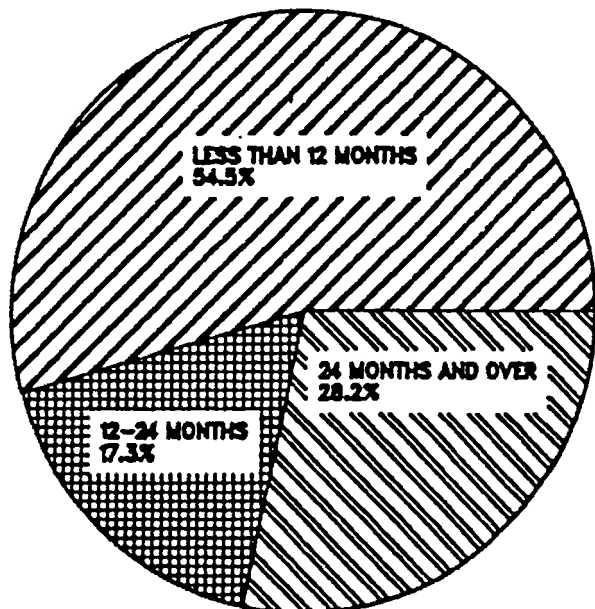


Diagram 1.2: Long Term Unemployed as a Percentage of Total Unemployed  
(National Registered Data)

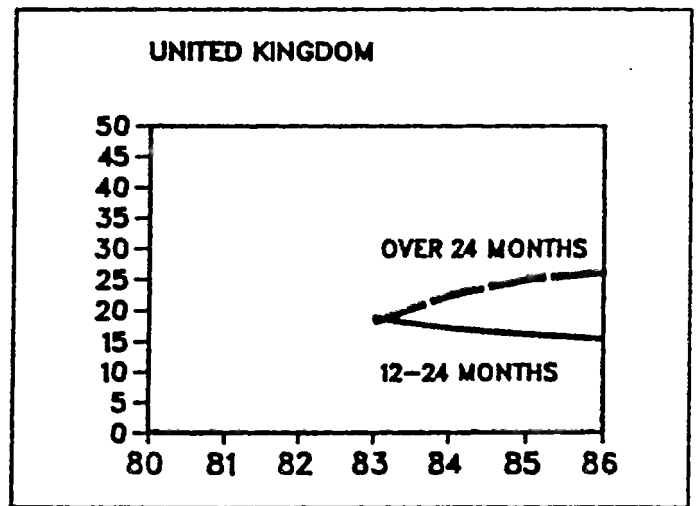
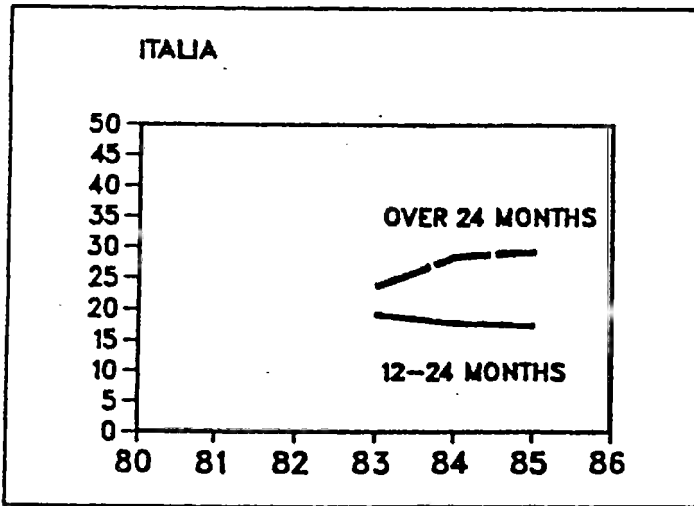
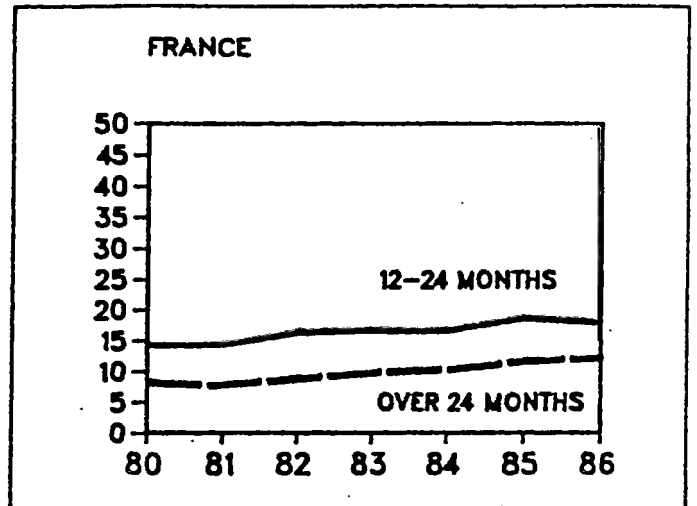
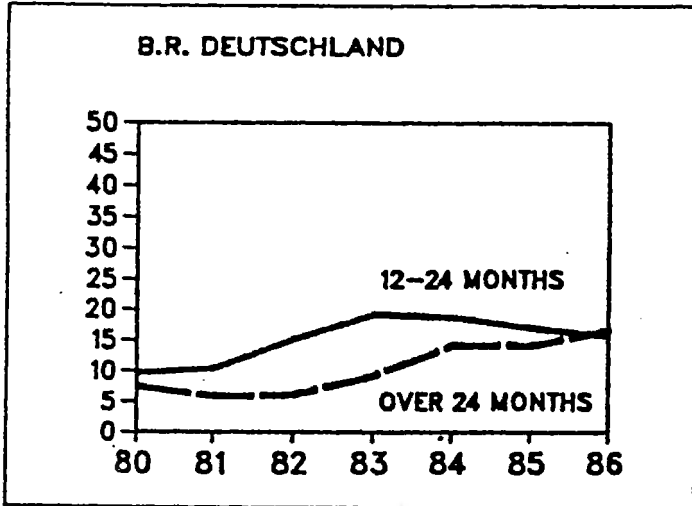
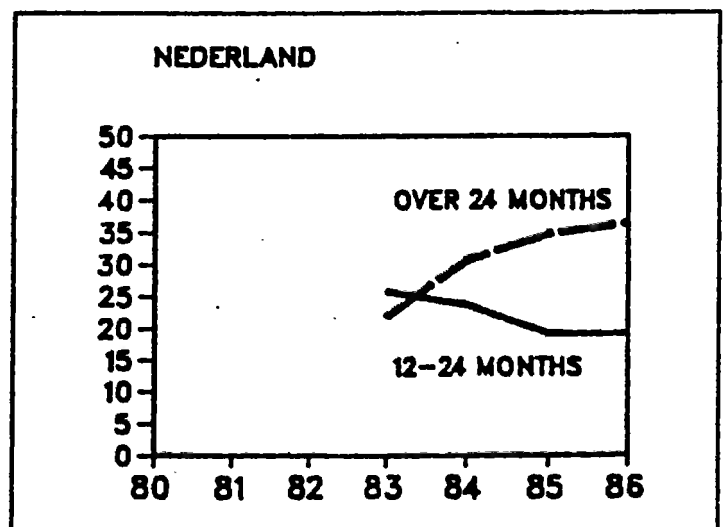
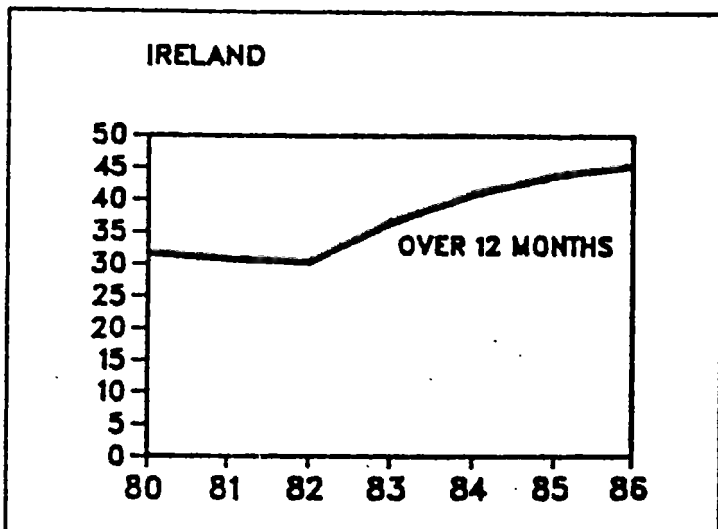
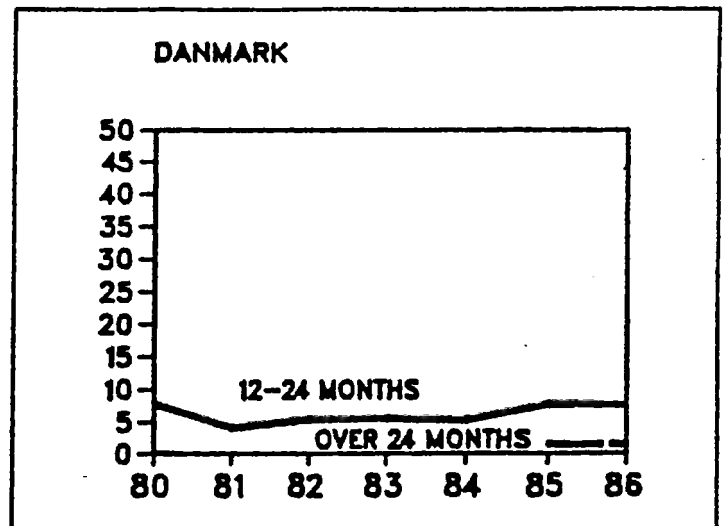
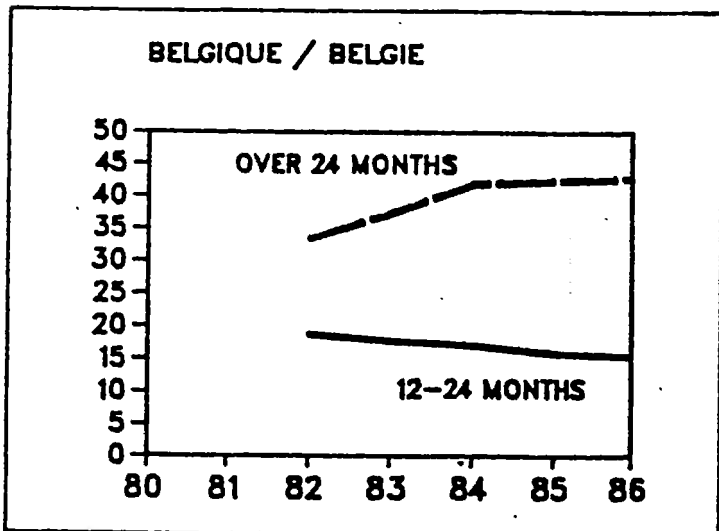




Diagram 1.3: Long Term Unemployed as a Percentage of Total Unemployed  
(National Registered Data)



### 1.3. Causes and Consequences of Very Long Term Unemployment

The causes of the growth of VLTU are to be found in the causes of the growth of unemployment. The growth of unemployment, after a lag, leads to a growth in VLTU. With the oil price shocks several countries introduced (to control inflation) restrictive monetary and fiscal policies that led to an increase in unemployment and after some time to VLTU. If we consider the initial effect is to increase the inflows into unemployment, total unemployment rises with the proportion of VLTU falling in the first instance. If there is inadequate aggregate demand, outflows do not increase and the duration of unemployment increases. One can imagine the unemployed stock to consist of a queue of workers with the front of the queue consisting of the better educated and better qualified people while the tail consists of those with less education and no qualifications. Employers in their hiring policy take on the better qualified unemployed workers (they outflow from the stock). Each month a new set of people are made redundant/dismissed or quit to join the unemployed stock. The better qualified of these move to the front of the queue (thus pushing back some of the previous members of the stock). This happens again and again so that the less qualified tend to remain longer in the queue - there is a process of last-in-first-out for some!

Those people who have been unemployed for some time are treated by employers as "unemployable" because they have a long duration of unemployment - "they must be hopeless otherwise they would not have remained unemployed for so long". The employers treat unemployment duration as a "signal" of "bad" qualities. The LTU and the VLTU themselves become demoralised, give up searching for jobs, lose their self respect and ability to perform well in interviews, some fall ill and as a result are less likely to find work. It is a vicious circle!

However, the nature of VLTU has now changed. The VLTU are not all old, infirm, unqualified, etc. Many of them are young or prime age (25-44) workers, who had held skilled jobs for some time. During the long recession and change from manufacturing to the service sector, these people are unable to find work. Employers in the service sector prefer to hire part-time women workers, they are not unionised and they can be hired and fired easily without any restrictions from industrial relations legislation.

In the macroeconomics literature the explanation of a continued high level of unemployment (and hence of high VLTU) is explained in terms of a labour market consisting of "insiders" and "outsiders". In bargaining over wage rates unions are postulated to consider the well-being only of the employed labour force (the "insiders") and ignoring the unemployed (the "outsiders"). Thus when a shock (e.g. the oil price shock) reduces the equilibrium level of employment, in subsequent wage bargaining wages are determined only by keeping the existing work force employed. The outsiders (the unemployed) do not effect wage bargaining. Thus a high level of unemployed caused by a shock persists and the unemployed become LTU and VLTU - and they do not affect wages or inflation. This view is argued persuasively by Blanchard and Summers (1986).

The long term unemployed (whether LTU or VLTU) are not only a wasted resource (like all the unemployed people) they are also a wasting resource. The LTU and VLTU lose their skills, they lose motivation, they fall ill: in crude economic terms human capital is being depreciated. In human terms there is a mass of misery and suffering: often they live in poverty, they

have lost their self respect and dignity and they accept the verdict of the labour market with a mixture of resentment and resignation. The social implications of this are very serious: some people argue it leads to increased civil strife, riots, divorce, suicide, illness and death.

#### 1.4 Policy: A Preview

Many new policies have been introduced in the European Community aimed at the long term unemployed (greater than 12 months) but so far there has been little awareness of the growing problem of VLTU. There are three main approaches: firstly, increase aggregate demand to lower overall unemployment. After a lag, we would expect VLTU to decrease. The second approach would target policies at the VLTU: the major effect of this would be to "re-distribute" unemployment. Some of the unemployed people with shorter durations will now have extended spells of unemployment while those who are VLTU will (hopefully) leave unemployment. Even these policies can be targeted at those unemployed people who are already VLTU or at unemployed people with a set of characteristics (e.g. low education, skills, etc) who are likely to become VLTU. According to some evidence, (White, 1983) some people have recurring spells of unemployment lapsing into LTU and VLTU. If this is a general finding then policies should be targeted at this group before they enter LTU or VLTU. A third major approach for policy would be to affect the operation of the labour market e.g. by influencing trade union behaviour, firm behaviour in terms of wage offers, mobility of labour (via workers or firms), or "labour market flexibility" (to use a currently fashionable phrase). In the final Chapter we shall look at policies in more detail. In particular we shall recommend an expansion of aggregate demand in conjunction with regional employment policy measure targeted at the VLTU. We shall also recommend policies for firms to change their hiring and firing policies to help lower VLTU.

II COUNTRY REPORTS

Chapter 2

Very Long Term Unemployment in Belgium

by Daniel Weiserbs

## Chapter 2: Very Long Term Unemployment in Belgium

By Daniel Weiserbs  
Universite Catholique de Louvain

### 2.1. Introduction<sup>1</sup>

Very Long Term Unemployment (VLTU) has hardly received any attention from the authorities (and this is also reflected in a lack of statistical studies). The prevailing point of view is that a VLTU person faces a quasi zero probability of finding a job. Consequently, the only measures (with the exception of the "Troisieme Circuit de Travail" policy) concerning VLTU have consisted in eliminating this type of unemployed person from official statistics of labour demand. Thus, in examining the tables below, one should keep in mind that

- (i) since April 1985, VLTU of 55 years or more (50 years in the case of A.R.) are excluded from unemployment figures,<sup>2</sup>
- (ii) the various schemes for early retirement hide the real evolution of unemployment, especially by age groups, and lead to an underestimation of VLTU growth. The bias is somewhat reduced when only C.C.I. with A.N. is considered.

The major characteristics of VLTU are:

a continuous increase of VLTU (despite the measures mentioned above) and, in particular, of the extreme long term unemployment (five years or more). However, this trend seems to stop in 1986;

women and people below 40 are disproportionately affected;

the majority of VLTU have a low level of education;

regional differences exist in terms of level of unemployment rates but almost none in terms of structure.

The details are given in tables 2.1-2.8. Table 2.1 is derived from total unemployment while the others are established on the basis of C.C.I.

### 2.2. Trends in VLTU

The share of VLTU has continuously increased between 1977 and early 1986 moving from 19% to 49% with a strong acceleration during the sub-period 1982-1985. It is worth mentioning that VLTU increased by 44,000 while at the same time short or medium term unemployment was reduced by 66,400. The deterioration is especially marked for the very long term category whose share moves from 10% to 21% between 1982 and 1986.

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<sup>1</sup> A list of abbreviations is given at the end of this chapter.

<sup>2</sup> This represents 50,510 persons at the end of 1985 and 61587 at the end of 1986.

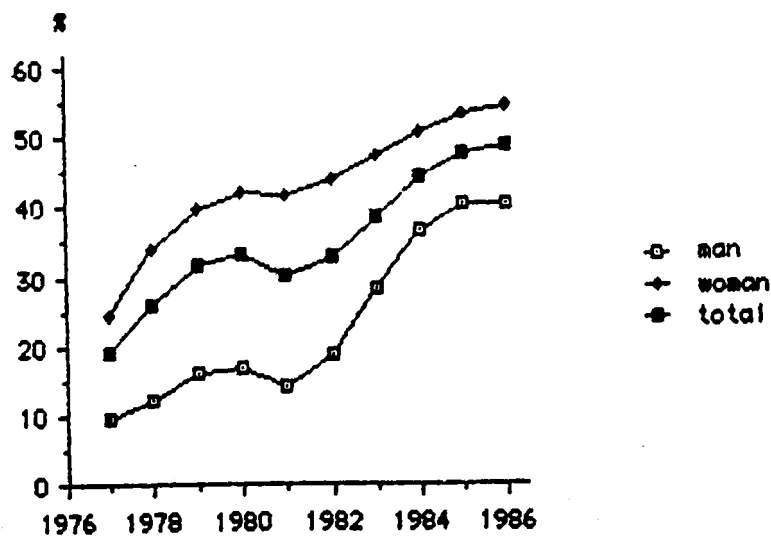
The proportion of VLTU is much higher for women than for men although the evolution through time is rather similar for both sexes (cf. diagram 2.1) at the end of 1986, two thirds of VLTU were women. Moreover, among the unemployed, one woman out of four has been jobless for more than 5 years (one out of seven for men).

Unemployment of the young is particularly worrying: at the end of 1986, 29.3% of the unemployed are below 25 years and 77.5% are below 40. The average age of a VLTU person is obviously higher than that of short or medium term; nevertheless people below 40 are clearly in the majority in both categories: 72% of VLTU are below 40 (16% are below 25). Especially striking is the increase in very long term unemployment for the group below 40 years: their number has been multiplied by 2.3 between 1982 and 1986.

The National Office of Employment distinguishes C.C.I. according to whether they were working or not before being registered as unemployed (one may be entitled to unemployment benefits after education provided that he is less than thirty). The large majority, 87.6% in 1986, belong to the first of these two cases. The latter percentage goes to 92% when only VLTU is considered. This can be explained by institutional factors and is only related to a major structural component of VLTU, namely the low level of qualifications. Indeed, very few of those having finished at least secondary school are VLTU persons.

The regional rates of unemployment show structural differences.<sup>1</sup> However the share of VLTU and its rate of growth is not very different between the three regions. However, in contrast to Flanders and Brussels the share of VLTU increased in 1986.

Diagram 2.1 Long-term Unemployment. (shares)



<sup>1</sup> In 1985 16.2% in Flanders, 22.3% in Walloon and 21.2% for Brussels (percentages in terms of "population active assuree")

Abbreviations

VLTU	very long term unemployment (2 years or more)
C.C.I.	(chomeurs complets indemnises) fully unemployed person entitled to unemployment benefits
A.N.	(aptitude normale) fully employable person (in terms of physical capacity)
A.R.	(aptitude reduite) person with reduced working capacity.

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(The Tables marked with an "a" give data in thousands with the "b" Tables present the data as percentages).

Sources

Eurostat, "Enquete annuelle sur les forces de travail" (table 7)  
Office Nationale de l'Emploi (tables 1-6 & 9).



Table 2.1                      Major Characteristics of Very Long-Term Unemployment

	1976	1981	1986
Share of very long-term unemployment in total unemployment	21.7	35.0	51.6
Share in total very long-term unemployment:			
Male: Flanders	22.2	12.4	14.5
Walloonia	17.0	9.5	14.9
Brussels	3.2	4.0	6.2
Total	42.4	25.9	35.6
Female: Flanders	23.4	42.2	36.0
Walloonia	29.1	26.0	22.3
Brussels	5.1	5.9	6.1
Total	57.6	74.1	64.4
Share in total of very long-term unemployment:			
< 20 years	0.5	0.7	0.5
20 - 25 years	7.8	13.4	15.1
25 - 30 years	10.1	18.9	21.8
30 - 35 years	6.4	15.2	18.2
35 - 40 years	6.4	8.9	14.0
40 - 45 years	8.2	8.3	9.9
45 - 50 years	11.6	9.9	10.4
50 - 55 years	15.1	12.1	1.7
55 - 60 years	15.3	9.6	3.6
60 - 65 years	18.6	3.0	1.8
Total	100.0	100.0	100.0
Share in total very long-term unemployment:			
Primary school	n.a	n.a	56.3
Secondary school (first three years)	n.a	n.a	24.6
Secondary school (completed)	n.a	n.a	11.1
Higher education	n.a	n.a	3.1
Training	n.a	n.a	1.9
Other education	n.a	n.a	3.0
Total	100.0	100.0	100.0

Table 2.2a C.C.I: Duration and Working Capacity (December 31st)

A.N.				
Years Duration	1982	1984	1985	1986
Less than 1 year	187.7	150.4	139.9	144.8
1 - 2 years	91.2	87.6	72.6	70.5
2 - 5 years	112.4	151.3	126.4	111.6
5 - 10 years	43.2	62.3	68.4	76.6
10- 20 years	1.1	3.7	5.9	9.8
≥ 20 years	0.0	0.0	0.0	0.0
Total	435.7	455.4	413.2	413.3

A.R.				
Years Duration	1982	1984	1985	1986
Less than 1 year	7.2	6.5	5.5	5.0
1 - 2 years	6.1	5.1	4.7	4.5
2 - 5 years	14.9	15.2	9.7	8.9
5 - 10 years	14.8	16.4	10.3	9.7
10- 20 years	5.2	6.9	4.0	4.1
≥ 20 years	0.6	0.6	0.2	0.2
Total	48.3	50.1	34.4	32.1

Total				
Years Duration	1982	1984	1985	1986
Less than 1 year	194.9	156.9	145.4	149.8
1 - 2 years	97.3	92.8	77.3	75.0
2 - 5 years	127.3	166.5	136.2	120.4
5 - 10 years	58.1	78.7	78.7	86.3
10- 20 years	6.4	10.6	10.1	13.9
≥ 20 years	0.6	0.6	0.3	0.2
Total	484.0	505.5	447.6	445.4

Table 2.2b C.C.I.: Duration and Working Capacity (December 31st)

Years Duration	A.N.			
	1982	1984	1985	1986
Less than 1 year	43.08	33.03	33.86	35.04
1 - 2 years	20.93	19.24	17.57	17.06
2 - 5 years	25.80	33.22	30.59	27.00
5 - 10 years	9.92	13.68	16.55	18.53
≥ 10 years	0.25	0.81	1.43	2.37
Total	100.00	100.00	100.00	100.00

Years Duration	A.R.			
	1982	1984	1985	1986
Less than 1 year	14.91	12.97	15.99	15.58
1 - 2 years	12.63	10.18	13.66	14.02
2 - 5 years	30.85	30.34	28.20	27.73
5 - 10 years	30.64	32.73	29.94	30.22
≥ 10 years	10.77	13.77	11.63	12.77
Total	100.00	100.00	100.00	100.00

Years Duration	Total			
	1982	1984	1985	1986
Less than 1 year	40.27	31.04	32.48	33.63
1 - 2 years	20.10	18.36	17.27	16.84
2 - 5 years	26.30	32.94	30.43	27.03
5 - 10 years	12.00	15.57	17.58	19.38
≥ 10 years	1.32	2.10	2.26	3.12
Total	100.00	100.00	100.00	100.00

Table 2.3a C.C.I and A.N.: Duration and Sex (December 31st)

Men				
Duration	1982	1984	1985	1986
Less than 1 year	104.5	78.6	70.1	71.7
1 - 2 years	47.7	42.5	32.1	30.2
2 - 5 years	38.1	68.1	51.7	42.9
5 - 10 years	7.7	14.7	17.1	22.6
≥ 10 years	0.2	0.8	1.1	1.6
Total	198.2	204.7	172.2	168.9
Women				
Duration	1982	1984	1985	1986
Less than 1 year	83.2	71.8	69.7	73.0
1 - 2 years	43.5	45.1	40.5	40.3
2 - 5 years	74.3	83.2	74.7	68.7
5 - 10 years	35.5	47.6	51.3	54.0
≥ 10 years	0.9	3.0	4.8	8.3
Total	237.5	250.7	241.1	244.4
Total				
Duration	1982	1984	1985	1986
Less than 1 year	187.7	150.4	139.9	144.8
1 - 2 years	91.2	87.6	72.6	70.5
2 - 5 years	112.4	151.3	126.4	111.6
5 - 10 years	43.2	62.3	68.4	76.6
≥ 10 years	1.2	3.8	6.0	9.8
Total	435.7	455.4	413.2	413.3

Table 2.3b C.C.I and A.N. Duration and Sex (December 31st)

Duration	Men			
	1982	1984	1985	1986
Less than 1 year	52.72	38.40	40.71	42.45
1 - 2 years	24.07	20.76	18.64	17.88
2 - 5 years	19.22	33.27	30.02	25.40
5 - 10 years	3.88	7.18	9.93	13.38
≥ 10 years	0.10	0.39	0.64	0.95
Total	100.00	100.00	100.00	100.00

Duration	Women			
	1982	1984	1985	1986
Less than 1 year	35.03	28.64	28.91	29.87
1 - 2 years	18.32	17.99	16.80	16.49
2 - 5 years	31.28	33.19	30.98	28.11
5 - 10 years	14.95	18.99	21.28	22.09
≥ 10 years	0.38	1.20	1.991	3.40
Total	100.00	100.00	100.00	100.00

Duration	Total			
	1982	1984	1985	1986
Less than 1 year	43.08	33.03	33.86	35.04
1 - 2 years	20.93	19.24	17.57	17.06
2 - 5 years	25.80	33.22	30.59	27.00
5 - 10 years	9.92	13.68	16.55	18.53
≥ 10 years	0.28	0.83	1.45	2.37
Total	100.00	100.00	100.00	100.00

Table 2.4a C.C.I. with A.N. Duration and Sex (yearly average)

Year	Male	Female	Male	Female	Male	Female	Male	Female
1977	55.118	65.124	12.297	34.882	7.009	32.370	74.424	132.376
1978	60.949	63.338	13.655	34.017	10.347	50.363	84.951	147.718
1979	57.158	64.939	14.849	32.158	13.657	64.594	85.664	161.691
1980	66.975	71.111	13.593	32.379	16.279	75.016	96.847	178.506
1981	97.110	79.234	24.823	39.076	20.283	84.273	142.216	202.583
1982	101.624	81.832	45.026	46.101	34.171	100.308	180.821	228.241
1983	101.364	83.879	47.681	46.975	58.341	117.580	207.386	248.434
1984	85.721	78.275	46.150	47.112	75.983	129.399	207.854	254.786
1985	75.364	72.611	36.623	43.529	75.774	133.430	187.761	249.570
1986	68.392	69.544	30.801	40.661	68.184	131.988	167.377	242.193

Table 2.4b C.C.I. with A.N.: Duration and Sex (yearly average)

Year	Male	Female	Male	Female	Male	Female	Male	Female
1977	26.65	31.49	5.95	16.87	3.39	15.65	35.99	64.01
1978	26.20	27.22	5.87	14.62	4.45	21.65	36.51	63.49
1979	23.11	26.25	6.00	13.00	5.52	26.11	34.63	65.37
1980	24.32	25.83	4.94	11.76	5.91	27.24	35.17	64.83
1981	28.16	22.98	7.20	11.33	5.88	24.44	41.25	58.75
1982	24.84	20.00	11.01	11.27	8.35	24.52	44.20	55.80
1983	22.24	18.40	10.46	10.31	12.80	25.80	45.50	54.50
1984	18.53	16.92	9.98	10.18	16.42	27.97	44.93	55.07
1985	17.23	16.60	8.37	9.95	17.33	30.51	42.93	57.07
1986	16.70	16.98	7.52	9.93	16.65	32.23	40.87	59.13

Table 2.5a C.C.I. and A.N.: Duration and Age (December 31st)

Less than 1 year				
Age	1982	1984	1985	1986
Less than 25	87.5	69.2	63.0	63.9
25-39	68.0	55.8	53.7	58.0
40-54	26.7	20.8	19.2	19.2
≥ 55	5.5	4.7	3.9	3.7
Total	187.7	150.4	139.9	144.8
1 - 2 Years				
Age	1982	1984	1985	1986
Less than 25	31.9	31.3	27.1	25.8
25-39	37.1	35.1	29.6	29.4
40-54	17.4	16.2	12.2	11.9
≥ 55	4.7	5.0	3.7	3.4
Total	91.2	87.6	72.6	70.5
2 - 5 Years				
Age	1982	1984	1985	1986
Less than 25	29.6	34.4	29.7	26.8
25-39	51.9	70.1	64.8	57.0
40-54	23.4	33.6	26.7	23.3
≥ 55	7.5	13.1	5.2	4.5
Total	112.4	151.3	126.4	111.6
≥ 5 Years				
Age	1982	1984	1985	1986
Less than 25	2.3	3.2	4.9	4.6
25-39	23.7	34.3	46.5	54.9
40-54	13.8	19.2	19.1	23.3
≥ 55	4.5	9.3	3.9	3.6
Total	44.4	66.1	74.3	86.5

Table 2.5a continued

Table 2.5a continued

Age	Total			
	1982	1984	1985	1986
Less than 25	151.4	138.1	124.7	121.2
25-39	180.8	195.3	194.6	199.3
40-54	81.3	89.9	77.2	77.6
≥ 55	22.3	32.2	16.7	5.3
Total	435.7	455.4	413.2	413.3



Table 2.5b C.C.I and A.N.: Duration and Age (December 31st)

Less than 1 Year				
Age	1982	1984	1985	1986
Less than 25	46.6	46.0	45.0	44.1
25-39	36.2	37.10	38.4	40.1
40-54	14.2	13.8	13.7	13.3
≥ 55	2.9	3.1	2.8	2.6
Total	100.00	100.00	100.00	100.00

1 - 2 Years				
Age	1982	1984	1985	1986
Less than 25	35.0	35.7	37.3	36.6
25-39	40.7	40.1	40.8	41.7
40-54	19.1	18.5	16.8	16.9
≥ 55	5.2	5.7	5.1	4.8
Total	100.00	100.00	100.00	100.00

2 - 5 Years				
Age	1982	1984	1985	1986
Less than 25	26.3	22.7	23.5	24.0
25-39	46.2	46.3	51.3	51.1
40-54	20.8	22.2	21.1	20.9
≥ 55	6.7	8.7	4.1	4.0
Total	100.00	100.00	100.0	100.00

≥ 5 Years				
Age	1982	1984	1985	1986
Less than 25	5.2	4.8	6.6	5.3
25-39	53.4	51.9	62.6	63.5
40-54	31.1	29.1	25.7	26.9
≥ 55	10.1	14.1	5.25	4.2
Total	100.00	100.00	100.00	100.00

Table 2.5b continued

Table 2.5b continued

Age	Total			
	1982	1984	1985	1986
Less than 25	34.8	30.3	30.2	29.3
25-39	41.5	42.9	47.1	48.2
40-54	18.7	19.7	18.7	18.8
≥ 55	5.1	7.1	4.0	3.7
Total	100.00	100.00	100.00	100.00

Table 2.6a C.C.I. with A.N.: Duration and Basis of Admission (December 31st)

	Work			
	1982	1984	1985	1986
Less than 1 year	165.7	126.4	116.2	121.3
1 - 2 years	85.8	76.8	61.5	58.5
≥ 2 years	147.6	205.9	187.4	182.2
Total	399.1	409.2	365.1	362.0
	Education			
	1982	1984	1985	1986
Less than 1 year	22.0	24.0	23.7	23.5
1 - 2 years	5.4	10.8	11.1	12.0
≥ 2 years	9.2	11.4	13.3	15.8
Total	36.6	46.2	48.1	51.3
	Total			
	1982	1984	1985	1986
Less than 1 year	187.7	150.4	139.9	144.8
1 - 2 years	91.2	87.6	72.6	70.5
≥ 2 years	156.8	217.4	200.8	198.0
Total	435.7	455.4	413.2	413.3

Table 2.6b C.C.I. with A.N.: Duration and Basis of Admission (December 31st

	Work			
	1982	1984	1985	1986
Less than 1 year	41.52	30.89	31.83	33.51
1 - 2 years	21.50	18.77	16.84	16.16
≥ 2 years	36.98	50.32	51.33	50.33
Total	100.00	100.00	100.00	100.00
	Education			
	1982	1984	1985	1986
Less than 1 year	60.11	51.95	49.27	45.81
1 - 2 years	14.75	23.38	23.08	23.39
≥ 2 years	25.14	24.68	27.65	30.80
Total	100.00	100.00	100.00	100.00
	Total			
	1982	1984	1985	1986
Less than 1 year	43.08	33.03	33.86	35.04
1 - 2 years	20.93	19.24	17.57	17.06
≥ 2 years	35.99	47.74	48.60	47.91
Total	100.00	100.00	100.00	100.00

Table 2.7a Job Search Spell

	After Job Loss		First Job		After Inactivity		Total	
	1983	1984	1983	1984	1983	1984	1983	1984
Months								
Less than 6	39	43	17	20	14	11	71	74
6-11	41	37	24	22	16	14	80	73
≥ 12	183	201	39	48	70	65	292 <sup>(1)</sup>	314 <sup>(2)</sup>
Total	263	281	80	90	100	90	445	463

(1) 2 years or more for 191

(2) 2 years or more for 211

Table 2.7b Job Search Spell

	After Job Loss		First Job		After Inactivity		Total	
	1983	1984	1983	1984	1983	1984	1983	1984
Months								
Less than 6	14.83	15.30	21.25	22.22	14.00	12.22	15.96	15.98
6-11	15.59	13.17	30.00	24.44	16.00	15.56	17.98	15.77
≥ 12	69.58	71.53	48.75	53.33	70.00	72.22	65.62 <sup>(1)</sup>	67.82 <sup>(2)</sup>
Total	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00

(1) 2 years or more for 65% of them

(2) 2 years or more for 67% of them



### 2.3. Employment Policies in Belgium since 1973

#### 2.3.1. Introduction

Belgium being a small open economy suffered particularly from the recession following the first oil price shock of 1973 and resulted in a massive destruction of employment. There was a widespread belief in the country that only a co-ordinated international economic policy could alleviate these difficulties, preferably through a fine tuned and well co-ordinated Keynesian policy conducted at the level of the European Community, or even at the O.E.C.D. level. Hence, the strong conviction that national policies were powerless in terms of employment has been shared in most economic and social circles in Belgium and explains why it has been politically possible to focus national economic policy on such issues as inflation, balance of payments, and public finance, and not directly on employment which was expected to benefit from these actions.

Therefore, the most efficient way to give an account of the employment policies in Belgium is to start with a brief analysis of the main phases of the macroeconomic policies and their consequences on the labour market, and then to detail the specific measures directly aimed at the creation of jobs or the curbing of unemployment.

#### 2.3.2 Macroeconomic policy and its Impact on Employment

Economic policy changed direction in 1981-1982 and it is operational to describe separately the 1974-1981 and the 1981-1986 periods. Table 2.9 presents some useful figures which will be used in this section.

##### (i) Period 1974-1981

Stabilisation policy and demand regulation by the volume of public expenditure remained the main ingredients of a macroeconomic policy inherited from the high growth sixties.

This implied:

- (a) massive recruitment in the public sector;
- (b) support of household incomes through
  - high growth of the real wage,
  - extension of the volume of social prestations (increase in the number of beneficiaries and revaluation in real terms of the unit allocations), and
  - generalised indexation of wages and social transfers;
- (c) subsidisation of declining enterprises aimed at limiting the social consequences of a deindustrialisation process more than at restructuring the productive capacity.

These actions sustained demand and incomes and maintained a minimum level of activity and employment. They would have been the correct answer to compensate a temporary decline in growth until an expected recovery of international activity. However, one should emphasise that, to a large extent,

the support of domestic demand results from mechanisms introduced in the early sixties rather than from a voluntary policy.

Table 2.9                      Selection of Macroeconomic Indicators

	1974-1981	1981-1986
<u>Macroeconomic objectives</u>		
Growth of GNP (1)	1.6	1.4
Inflation rate (1)	6.9	5.7
Unemployment in % of active population (2)	10.0	12.6
Current balance in % of GNP (2)	-4.7	1.8
Public sector deficit in % of GNP (2)	-14.4	-10.2
<u>Labour market indicators (3)</u>		
Active population	+187	+82
Total domestic employment	-118	-37
Employment in the private sector	-228	-61
Employment in the state sector (including unemployment absorption schemes)	+110	+23
Border workers (net inflow)	- 16	- 2
Unemployment	+321	+121
<u>Economic policy indicators</u>		
Real wage costs (1)	3.1	-1.0
Labour productivity (1)	2.5	1.9
Social security transfers in % of GNP (2)	20.4	19.2
Social security contribution in % of GNP (2)	12.9	14.4
Direct personal taxes in % of GNP (2)	15.7	15.5
Households' real disposable income (1)	2.6	-0.2

Notes

- (1) Average annual growth rate
- (2) At the end of the period
- (3) Variation in thousands during the period

(ii) Period 1981-1987

Policy makers became progressively conscious that slow growth was not a short-term disturbance and that it was necessary to stop the destruction of the productive capacity and of employment through a restoration of the fundamental macroeconomic disequilibria.

In 1981 the first changes in the orientation of the economic policy became perceptible through two significant measures aimed at the recovery of the competitiveness and the profitability of the enterprises, especially in the open sector:



The "interprofessional" agreement of 1981 through which the Government "persuaded" the social partners to agree on a limitation of the growth of real wages which would however remain fully indexed.

The "Maribel operation" of 1981: a reduction of the employers social security contributions on blue collar workers (to stimulate exports and construction sectors) compensated by an increase of the V.A.T. (hitting mostly imported products). Initially the operation amounted to a reduction of social security contributions equivalent to 1% of the GNP, it was halved after one year and transformed into a lump sum reduction; the compensatory rise in VAT has not been revised.

In 1982 a new governmental coalition, granted with "special powers" by the Parliament, initiated a new economic policy which is still in force today.

The 1982 package, and its later follow-up, had four principal targets:

- (a) Control the development of the wage costs by the quasi-suppression of real wage growth; this measure has been enforced from February 1982 to December 1986.
- (b) Creation of a "competitiveness norm" allowing the Government to prevent wage indexation if unit labour costs in Belgium grew faster than the average of the seven main trading partners; it has in fact not been necessary to apply this clause because the other actions were sufficient to prevent drifts of the labour costs.
- (c) Reduce public expenditure both to decrease public deficit and limit imports through a controlling of household incomes. Offset the deflationary effect of the preceding measures and increase, in national currency, the price of foreign relative to domestic production. After 40 years of stability the Belgian franc was devalued by 8.5% in February 1982. Income policy measures were implemented to prevent the repercussion of a rise in import prices onto the wages and incomes, by, in particular, temporary suspension of wages indexation.
- (d) Encourage through fiscal incentives the capitalisation of the corporate debts to restore companies profitability and induce self-financed investments.

This course of action proved rapidly efficient in terms of current balance but could not prevent a further decline of the construction sector which had nearly collapsed in 1981 as a consequence of the reduction of public investments, the low growth of real disposable income, the abandonment by the public sector of the social housing programmes, and the rising real interest rates. However, it could not significantly reduce the public sector deficit created by the "snowball effect" of the burden of the debt.

The 1982 package was completed by a time varying modulation in the VAT rate on residential investments and specific measures in favour of the construction sector, and by two additional packages aimed at the public

finances in 1984 and 1986.

These last governmental plans, imposed by the public finance constraints have a deflationary content with adverse effect on the employment front:

Systematic increase of the parafiscality: increase in 1983 of the employers' contributions' average rate (by suppression of "ceilings"); "index jumps" transferring three times to the State the product of the first indexation (2% of the gross wage) of the year. The index jumps of 1984 and 1985 have been levied, the third one will be taken as soon as the consumer prices will have increased by 2% with respect to the last jump. This will probably happen in 1988.

Contraction of the household's disposable income.

Reduction of all categories of public expenditure, with the exception of the crisis-led expenses: unemployment and public debt service.

### (iii) Assessment

As already pointed out this description of the economic policies reveals that the financial equilibria were the primary concern, not employment. This policy has been relatively efficient but it is likely that the same macroeconomic results could have been achieved with less adverse effects on employment, by using another policy mix to reduce the public finances deficit without changing the global target. It is also striking to note that economic policy has not been consistent with regard to employment: in particular measures increasing the wage cost have been coexisting with actions trying to reduce it. Similarly the huge increase in the wage wedge implied by the "index jumps" seems out of line with the current political discourse on flexibility and supply side effects.

## 2.4. Specific Employment Policies

As mentioned earlier, specific employment policies have often originated from the negative effects of macroeconomic measures taken with the aim of reducing external and public deficits. Indeed, several schemes described below have been introduced simultaneously with deflationary governmental decisions in order to limit their impact.

Broadly speaking, employment policies may be divided into three categories according to whether their main objective was (i) to act on the labour supply including cosmetic measures improving unemployment statistics; (ii) to act on labour demand either of the private or of the public sector; (iii) to affect the labour market organisation through various forms of work sharing.

### (i) Control of the Labour Supply

The relative failure of macroeconomic and sectoral policies have driven the Government to adopt several easy, although somewhat unattractive, measures to reduce unemployment by adjusting the labour supply.

a. Retarding entry to the labour force

Lengthening of military service and of mandatory education (up to 18 years of age) have been imposed. Unfortunately this latter measure had no noticeable effect upon the level of qualifications of the very few people concerned.

b. Restricting entry into the labour force

Immigration has been drastically reduced and various rules and controls for the entitlement to unemployment benefits have been introduced.

c. Reduction of the labour force by early retirement

Three forms of early retirement coexist. The first one, known as "prepension conventionelle", largely converts definite lay-offs into retirement rather than unemployment. A second one, the "prepension de retraite" consists in replacing an older worker by a young one. The third one, introduced in April 1985, is merely a change in reporting procedure which transforms elderly long-term unemployed (50 years old or more) into "young pensioners" (representing 65,635 persons in April 1987). Altogether, early retirement schemes have reduced the unemployment figure of June 30, 1985) by about 180,000.

The system of "prepension de retraite" merits some comment. In principle, it should result in redistributing work among generations at low cost, i.e. the difference between revenue of the pension and unemployment compensation. In reality, however, only 70% of workers retired under this system have effectively been replaced. Moreover, internal promotion schemes make it very difficult to decrease the overall wage bill while productivity gains are uncertain. As a result, the average budgetary cost of replacing older workers by younger ones turned out to be higher than creating a new job under the TCT (see below) and this ignoring the fact that medical care costs are significantly higher for retired people than for workers of the same age.

(ii) Job creation in Non-Market Activities

Starting in 1977, the Government has taken several direct measures to reduce employment by providing jobs to eligible unemployed through various temporary schemes all assumed not to crowd out private production.

a. Jobless employed by the public authorities (Chomeurs mis au travail")

This is the oldest system. It consists in allowing, under certain conditions, the employment of registered unemployed persons by a public authority for a limited (but renewable) period of time. The cost is only slightly higher than the unemployment allowance and it is nearly totally covered by a subsidy from the Ministry of Employment to the recruiting public authority. Until 1976 the system was mostly applied by local authorities, especially in rural areas. In the end of the seventies it was extended and culminated in 1985, occupying 31,031 persons in June of that year. The present tendency is a reduction because the central Government has decided a diminution of the share of the cost it financed. The system is

controversial as in practice it often permits the fulfilment of civil servants tasks by low paid workers without job security.

b. The "Cadre Special Temporaire" (CST) and "Troisieme Circuit de Travail" (TCT)

These programmes, occupying respectively 16,583 and 25,748 persons in June 1985, consist in creating temporary jobs outside of the private sector in "socially useful activities" which would not have been realised otherwise. Their main difference is that the T.C.T. is oriented to long-term blue-collar unemployed. Their relatively limited success may be explained by:

employers participation in the cost of the CST programme starting in the second year;

the administration's difficulty to find socially useful projects that did not crowd-out private production;  
the lack of motivation for accepting a temporary job and the constraints imposed by the TCT.

In practical terms, young workers move quite often from a mandatory training in a firm to some employment under the CST or TCT, experiencing successively periods of unemployment, and finding themselves at the age of 30 discouraged and without real professional experience. On the other hand the net average budgetary cost of those schemes is quite low (around BF 135,000 per year).

Table 2.10 details the evolution and the composition of public employment during the periods 1974-1981 already referred to in the first section. This table shows clearly that since 1981 the unemployment absorption schemes constitute the only source of growth of employment in the public sector. Their real effect was more to hold public employment constant at a lower cost than to reduce unemployment.

Table 2.10: Employment in the public sector (variation in thousands)

	1974-1981	1981-1986
Administration	+ 24	+ 3
Education	+ 33	- 3
Defense	+ 3	- 3
Jobless employed in the public sector	+ 27	+ 1
Other absorption schemes	+ 23	+ 26
Total	+110	+ 24

(iii) Job Creation in the private sector

Since 1983, firms with at least 50 employees have been required to absorb (up to 3% of the firm's enrolment) a few of the young people entering the labour market - and eligible for unemployment benefit - through mandatory training of 6 months ("stage des jeunes"). Several measures have been taken in order to raise labour demand on a more permanent basis. One

may distinguish here various types of marginal wage subsidy and incentives to unemployed to develop their own businesses. It is clearly impossible to isolate the respective impact of each measure. Nevertheless those which seem to have at least received an audience in the public are:

exemption during two years of contributions to social security for self-employed people hiring one unemployed person ("plan plus un");

reduction of employer's contributions to social security in the case of recruitment in 1987 of additional workers on the condition that they are fully unemployed for at least two years or belong to the category of "young unemployed" who have not yet found a job;

soft loan (15 years at 4% or 10 years at 5%) of 500,000BF to unemployed people creating their own business with no reimbursement in case of "bona fide" failure before the seventh year.

The net impact of these measures is difficult to assess it seems that the first one has permitted the creation of approximately 20,000 jobs at an extremely low cost for the state. The second measure is important because it is oriented towards certain categories of workers who are more or less excluded from the labour market because their level of qualification is not sufficient to make them recruitable at the minimum legal wage rate. The drawback of the system is that it must be temporary to remain a subsidy to marginal employment. It has been noted that many companies recruit young workers on the express condition that they register as unemployed for the minimum period to be taken into consideration for the subsidy.

(iv) Work sharing experiments

The idea of organising work sharing through a reduction of working hours has been widely discussed in Belgium and various experiments have been attempted. However, at the aggregate level one notes that, somewhat surprisingly, the tendential reduction of conventional working hours has been slower since 1975 than earlier (annual rate of growth 1960-1975: -1.2%, 1975-1985: -0.6%). It seems that organisational problems linked with the reduction of working hours are such that enterprises regard this policy as a cause of increasing rigidities notwithstanding the fact that they have been granted incentives to reduce working time (e.g. 5-3-3). Therefore work sharing has been introduced very cautiously and under two main forms:

a. Extension of part-time employment

Until recently part-time employment was less developed in Belgium than in other European countries, mainly because of strong opposition of the trade-unions.

After 1981 the legislation was progressively modified so that presently there is no more para-fiscal discrimination against part-time employment. Statistics on the subject are very poor but a recent study by R. Tollet reveals that part-time employment amounted to 4% of total employment in 1974 and to 8% in 1985. There is some evidence that since 1981 most newly created jobs were part-time jobs. For instance since 1986 all new civil servants are recruited on the basis of 4/5 of a full-time occupation during their first year of service. On average, in the private sector, part-time

workers are employed half-time.

b. The 5-3-3 programme

At the end of 1983, under governmental pressure, the social partners signed a collective agreement (legally enforced as is common practice in Belgium) through which enterprises (in specific sectors) would reduce by 5% the working time and recruit 3% additional workers or, in the case of enterprises which could justify a "state of economic difficulty", maintain in place workers they would normally dismiss. Hourly wages were maintained constant. The system was justified on the grounds that it would compensate the loss of income incurred by the wage earners as a consequence of the accompanying measures of the 1982 devaluation by an increase in employment instead of wages. This loss was estimated at 3%, hence the last 3 of 5.3.3. In case of non-compliance with the agreement the enterprise would have to pay a fee amounting to a fraction of the wage bill equal to the missing recruitment, i.e. maximum 3%.

It is extremely difficult to give an account of the results of this programme because the legislation is extremely complicated, especially as far as the verification of the net increase in employment is concerned due to the loose concept of enterprises and sectors in difficulty. A report of the National Labour Council evaluates a net increase of 7,500 jobs as a result of the programme (excluding the building sector where net losses were registered). In practice it seems that the main result was a stabilisation of employment in many sectors where otherwise it would probably have further declined.

#### 2.4. Conclusions

The unemployment problem in Belgium has been tackled without any economic or ideological rationale. Pragmatism has been the rule and a considerable effort of imagination has been carried on to find solutions to specific problems within the framework of a constraining political and economic environment. One can regroup and try to assess these policies under three headings: creation of productive jobs, unemployment absorption schemes and various forms of work sharing.

The creation of productive jobs, certainly the most promising way to reduce unemployment, is the objective of both the macroeconomic policy and the specific policies of subsidisation of investment and employment. The macroeconomic policy has been correctly directed towards the restoration of financial equilibria, but the same target could have been reached with more positive effects on employment. For instance numerous studies conducted in the Planning Bureau and universities have shown that investment subsidies and reduction of corporate taxes could have been advantageously replaced by marginal employment subsidies or reductions of employers' contributions to social security. Efforts in this direction have been relatively few but promising; the replacement of investment subsidies by marginal employment subsidies could prove interesting in terms of employment without cost for the public finances. It remains nevertheless that the eradication of unemployment through the creation of productive jobs will need long lasting efforts and that other solutions must be found.

The unemployment absorption schemes have proved quantitatively

efficient and they constitute an efficient method at a relatively low cost. They have several drawbacks:

they result in creating employment with precarious status, without necessarily increasing flexibility;

they have not always been oriented towards the production of public goods;

they tend to reproduce the inequalities of the labour market, i.e. the proportion of women and handicapped people which is high in unemployment figures is low in the absorption schemes;

they are a disincentive for a necessary adaptation of the education sector by providing a quasi-automatic issue to several otherwise futureless formations;

by recruiting registered unemployed people only these programmes tend to organise a period of unemployment as a necessary transition between school and profession, this is worsened by the fact that marginal employment subsidies are also restricted to the recruitment of registered unemployed;

it is not clear whether these programmes really absorb unemployed people, or offer the public and non market sectors the possibility to recruit at low cost and without permanent status workers they would need anyway.

The work sharing schemes are probably very promising but it is extremely difficult to assess their potential efficiency. They imply a reorganisation of the labour relations the implications and the modalities of which are not clearly understood.

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Chapter 3    Very Long Term Unemployment: The French Experience

by Rachid FOU DI and Francois STANKIEWICZ .

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### 3.1 The Growth of Very Long Term Unemployment

1. There are two statistical sources for the estimation of very long term unemployment (VLTU): data from the ANPE (National Employment Agency) and from the INSEE (National Institute of Statistics and Economic Studies).

Monthly statistics of 'End of Month Job-Seekers' (DEFM) can be calculated from registrations with the ANPE. Within this total, job-seekers registered for at least two years can be identified. It should be noted that DEFM statistics are affected by a number of variables:

- (i) changes in the public administration of job placements
- (ii) modifications in the benefit system
- (iii) employment policy measures

VLTU can be calculated from the annual Employment Survey, carried out by the INSEE in March. From replies to the Employment Survey, the INSEE estimates the PSERE (total of unemployed seeking employment), a total similar to the 'total of unemployment as defined by the BIT' (International Labour Office). In this case, VLTU can be defined as the number of PSERE who have been unemployed for at least two years. (The PSERE total has the advantage of being easily broken down for a more detailed analysis by sex, age, etc., which is not the case for the BIT-defined figure). The length of unemployment is established from replies given in the Survey.

Estimates of VLTU, defined as 2 years or more, will vary depending on whether the criterion used is the period of registration with the ANPE, or the period of unemployment, or even the period of job-seeking, as shown by a comparison of ANPE and INSEE statistical data. In either case, however, VLTU is undeniably showing a marked increase.

2. There is a marked absolute increase in VLTU.

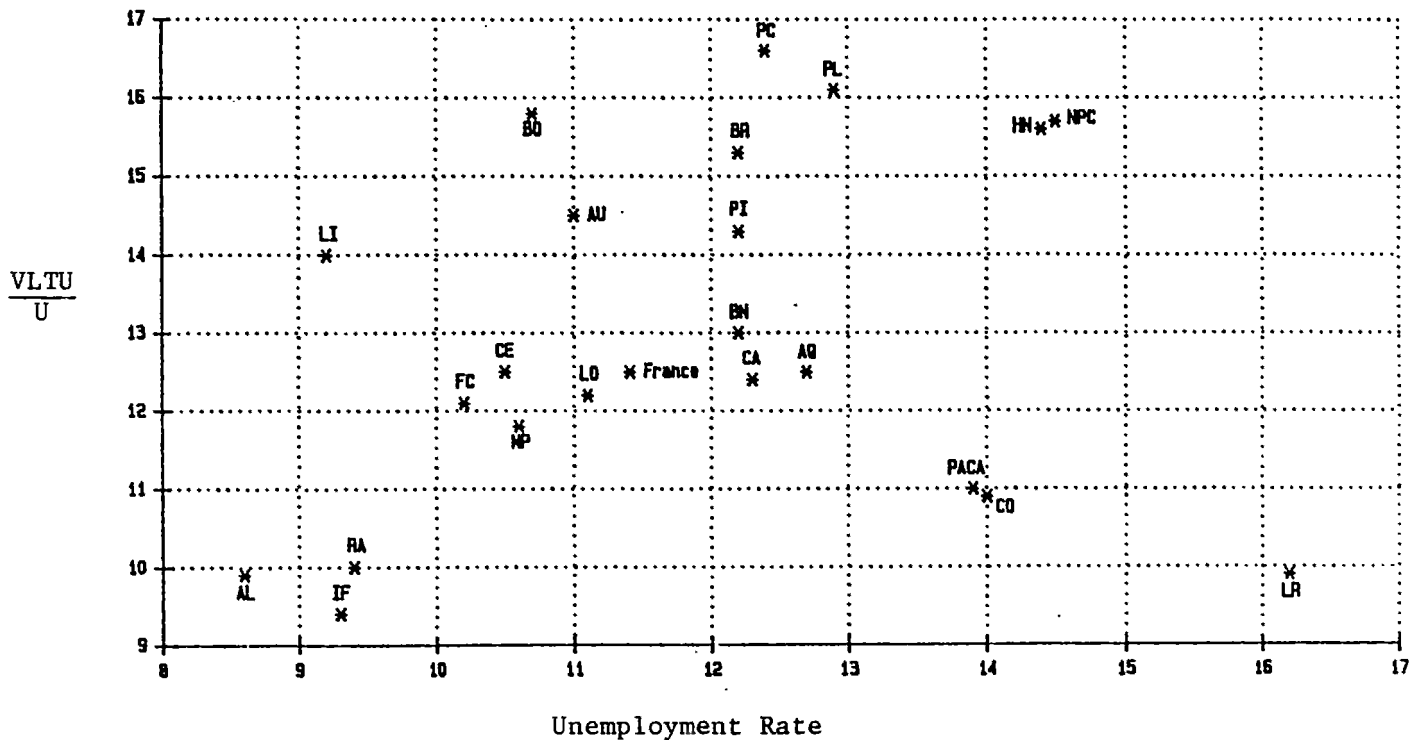
There are at present, according to the March 1986 Employment Survey (the latest available), 598,851 PSERE unemployed of 2 years or more compared with 175,946 in March 1980 - an increase by a factor of 3.4.

In the same period, March 1980 - March 1986, the DEFM registered with the ANPE for two years or more increased by a factor of 2.3, from 121,565 to 281,059. By the beginning of 1987 (latest available figures) this had increased to nearly 350,000.

Furthermore, the increase in VLTU has been continuous. Detailed statistics for the period 1980-1987 (see appendix for tables) show no slackening in the growth of the phenomenon.

3. Again, the relative amount of VLTU has also increased. VLTU, between 1980 and 1987 showed a stronger growth than either unemployment or LTU (Long Term Unemployment), defined as unemployment of 1 year or more. VLTU currently represents more than a quarter of the PSERE, and one in

COMPARISON OF FRENCH REGIONS: UNEMPLOYMENT RATE AND PROPORTION OF VLTU



	PSERE		DEFM		
	March 1980	March 1986	March '80	March '86	Jan 87
VLTU/U	13.2	26.7	8.6	11.7	12.7
VLTU/LTU	41.1	57.9	36.5	38.9	41.7

Table 3.1 Relative Size of VLTU, LTU, and U (Unemployment) as percentages.

eight job-seekers registered with the ANPE (Table 3.1)

4. A geographical analysis, conducted over the 22 French regions, shows variations in the relative size of VLTU, (DEFM of 2 years of more), compared with total unemployment. The variation is between 9.4 and 16.6%. But in general, the higher the level of regional unemployment, the higher the level of VLTU (see graph).

There are, however, three regions (PACA - Provence-Alps-Cote d'Azur; CO - Corsica; and LR - Languedoc-Rousillon) which have a high rate of unemployment together with a relatively low level of VLTU. The explanation is that these three regions share a common feature, namely a highly developed tertiary sector based on tourism, providing great opportunities for short term unemployment, which in turn reduces the possibility of VLTU developing.

5. There is finally one particularly alarming aspect of the growth of VLTU which needs emphasising. It is that already approximately half the VLTU have been unemployed for 3 years or more. More precisely, they total over 160,000 using DEFM data (46.4% of the DEFM of 2 years or more) and nearly 325,000 using PSERE data (54.1%).

### 3.2 Development of VLTU and Characteristics of the VLTU

6. It is evident from Table 3.2, Analysis by Sex and Age of the VLTU, that women form the majority of the total. As the total of women in the working population is less than men, it follows that VLTU affects women relatively more than men.

Furthermore, the break-down by age shows that the majority fall in the category of 25 - 49 year olds. Those over 50 represent about 22% (PSERE) or 35% (DEFM). Finally, those under 25 years old constitute about one 50th (PSERE) or just over one tenth (DEFM) of VLTU.

	Men	Women	Total	Under 25	25-49	50 and over	Total
PSERE - 2 years & over							
March 1986	45.0	55.0	100	22.4	55.1	22.5	100
March 1984	37.0	63.0	100	28.3	44.0	27.7	100
March 1980	32.6	67.3	100	18.9	42.8	38.3	100
DEFM - 2 years & over							
January 1987	45.4	54.6	100	11.6	52.6	35.7	100
March 1984	48.2	51.8	100	12.7	32.3	55.0	100
March 1980	40.3	59.7	100	-	-	-	-

Table 3.2 - Analysis by Sex and Age of VLTU (%).

It is however very important to note that the characteristics of the VLTU are changing with time. More fundamentally, the breakdown by sex and age of the VLTU cannot be understood without an analysis of the process by which it develops.

7. In interpreting this breakdown, the first factor to be considered is the employability of the different categories of job-seekers, i.e., their chances of escaping from unemployment. The lowest employability appears to be that of the over 50's, while the highest is that of the under 25's, while those aged 25-49 fall between the two. This remains true, whichever indicator is used. More precisely:

43.8% of PSERE unemployed over 50 have been unemployed for 2 years or more, whereas only 17.4% of those under 25 have. The figures are 30.5% and 4.6% respectively using DEFM data (Table 3.3).

The proportion on VLTU represented by those unemployed for 3 years or more is always higher for older job-seekers (Table 3.4).

The average unemployment period of job-seekers over 50 is generally double that of those under 25 (Table 3.5).

The disadvantages suffered by older workers in this respect is due to differences in their productive capacities and the cost of retraining. Low employability in older workers is seen in both men and women. Furthermore it is true throughout the period in question, 1980-1987.

8. Variations in employability do not however suffice to explain the composition of VLTU. While a significant proportion of older job-seekers are VLTU it is not the case that all the VLTU are in this age group. Also included are significant numbers of under 25's and, more particularly, those in the 25-49 group. For this reason, in explaining the composition of VLTU, we must consider, in addition to employability, the nature of the inflows into unemployment.<sup>1</sup> In this connection, a number of observations are in order:

The number of older VLTU has been reduced in France partly by the intensive use of various early retirement schemes, such as Redundancy Resource-Guarantees, Resignation Resource-Guarantees, Solidarity Grants, Special Grants from the National Employment Funds, etc.

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1. Unemployment at time  $t$ ,  $U(t)$ , is effectively equal to:

$$U(t) = \int_0^{\infty} I(t-T) \cdot s(t,T) \cdot dT$$

where  $I(t-T)$  is the inflow into unemployment at time  $(t-T)$ , and  $s(t,T)$  is the 'survival coefficient' at time  $t$  of individuals becoming unemployed at time  $t-T$ .

The lower the employability, the higher the survival coefficient. For a given survival coefficient, VLTU depends on the size and composition of the inflow into unemployment,  $U(t-T)$ .

These schemes have made possible the retirement at 55 or even 50 of people who, had they become unemployed, would have had a high probability of becoming VLTU. The number of early retirements (50-64 years) is estimated to have been 833,900 at the end of 1985. Such measures explain in part the relative reduction of older job-seekers among the VLTU and the levelling off in absolute terms within the total of ANPE-registered job-seekers (Table 3.2 and appendices).

The reduction of the average age of the VLTU is not to be explained solely in terms of measures taken to help older workers. It is also due to the marked imbalance in the labour market over the last decade. While total employment has decreased, and paid employment has remained constant (17,965 million in March 1986 compared to 17,977 in 1982), there has been a big increase in the size of the work-force, due to the inflow of school-leavers and the increasing numbers of women coming into the labour market, (Table 3.6).

Table 3.3 Percentage of VLTU (2yrs or more) as proportion

	Total			Males			Females			Total
	Under 25	25-49	50 & Over	Under 25	25-49	50 & Over	Under 25	25-49	50 & Over	
PSERE March 1986	17.4	28.4	43.8	14.1	26.9	40.8	20.2	29.8	48.1	100
DEFM January 1987	4.6	12.5	30.5	2.6	10.8	27.5	6.5	14.4	35.0	100

Table 3.4 Percentage of those unemployed 3 yrs or more as subset of 2 yrs or more.

	Total			Males			Females			Total
	Under 25	25-49	50 & Over	Under 25	25-49	50 & Over	Under 25	25-49	50 & Over	
PSERE March 1986	42.8	54.2	65.0	35.2	52.4	64.0	47.4	55.5	66.3	100
DEFM January 1987	31.0	43.3	55.9	23.1	43.7	53.4	33.8	43.0	58.7	100

Table 3.5 Average length of unemployment (months)

	Total			Males			Females		
	Under 25	25-49	50 & Over	Under 25	25-49	50 & Over	Under 25	25-49	50 & Over
PSERE Months									
March 1986	13	17.4	25.3	11.4	16.6	24.1	17.4	18.1	26.9
March 1980	8.6	11.7	19.5	6.6	10.5	17.7	9.6	12.4	21.4
DEFM Days									
January 1987	214	338	595	177	309	544	247	370	660
March 1984	213	270	618	179	243	572	243	304	688

Table 3.6 Variations in the work-force (thousands).

	March 1975 - March '80 annual average	March 1980 - March '85 annual average	March 1985 - March '86 annual average
Annual variation	246	134	232
Incidence of demographic mvt	216	209	159
Incidence of change of activity of which:	30	-75	73
Men	-69	-135	-125
Women	99	60	198

This prolonged stagnation of levels of employment, combined with a very sustained increase in the size of the work-force explains the marked increase, in both relative and absolute terms, of VLTU for the age group 25-49 years (Table 3.2).

It is the persistent shortage of job offers, rather than their personal characteristics, which has thrown these job-seekers into VLTU. It is reasonable to suppose that the majority of them, who are neither physically nor psychologically unfit for work, would have found work in the post-war decades of growth.

Of the young people coming onto the labour market, a proportion also find themselves permanently excluded from work. Between 1980 and 1984, the proportion of young people among the PSERE VLTU rose from 18 to 28% (Table 3.2). This trend was reversed in 1985-86 by the development of 'intermediate employment' and training schemes (see below).

9. No detailed study exists of the VLTU job-seekers. One may, however expect them to share the characteristics of the LTU (1 year or more). Detailed studies of the latter have consistently identified certain characteristics which are judged to be a handicap in the competition for work. These include poor qualifications (no examinations, even illiteracy) and a higher incidence of health problems.

It is also worth noting that a significant proportion of the VLTU have never worked. This is the case, according to the Employment Survey of March 1986, for 60% of under 25's (of whom 62% have no qualifications) and 10% of women aged 25-49.

Is it possible for these barriers to employment to be removed by policies designed to combat LTU?

### 3.3 Policies to Help the Very Long Term Unemployed.

10. There are at present no national measures specifically designed to help the VLTU. The very concept of VLTU is not recognised as far as policies to combat unemployment are concerned.

Nonetheless, the VLTU are more or less directly affected by existing measures and schemes to combat unemployment:

In the early 80's, the public authorities adopted a number of measures to combat LTU, defined as registration with the ANPE for 1 year or more (see above). By definition, the sub-set of those unemployed for 2 years or more are included as potential beneficiaries.

Secondly, a significant proportion of VLTU can expect to benefit from general employment policy measures, the access criteria for which are other than length of unemployment. In practice, the most frequent criterion is age (viz. the many training schemes for the under 25's). Other conditions do sometimes apply, however, such as educational qualifications.

Finally, the VLTU may be expected to benefit indirectly from general measures taken to combat unemployment, e.g., stimulation of the economy or reductions in working hours, the effects of which are to increase employment.

Measures of the latter type, which can only have a minimal impact on VLTU, will not be dealt with here. On the other hand we will proceed to a detailed analysis of policies to combat LTU, and among the categorical measures of employment policy, we will present those most affecting the VLTU.

11. Policies to combat unemployment have been developed along various parameters. For the VLTU, as for the rest, the ideal would be that the measures applied enable them to return to work (or start work in the case of those who have never worked).

However, it must be stated clearly that because of the imbalance in the labour market, the majority of the VLTU will not in the short term return to work in the private sector, however vigorously measures are applied by the public authorities. For this reason, it is essential that the struggle against VLTU should have as its primary objective a guarantee of adequate resources to the VLTU while they are awaiting work, to prevent them falling into



poverty.

As for measures designed to facilitate a return to employment, two approaches can be distinguished:

either the level of training is developed, to improve the competitive position of the unemployed

or the objective is to give direct access to employment, e.g. employment subsidies or direct job creation schemes, etc.

It would seem sensible, then, to set out those measures from which the VLTU might benefit, according to three categories: guaranteed income, training, and placement into employment, even though certain schemes ('alternating' training, for example) combine training and placement. Table 3.7 sets out the chronology of these three categories of measures. (Monitoring and diagnostic measures have been included under Training).

12. Table 3.7 shows that the first large-scale operation to help the Long Term Unemployed (1 year or more registration with the ANPE) in France was taken in the autumn of 1982.

Most notably, this operation provided a more detailed knowledge of the Long Term Unemployed. It began in October 1982, when the ANPE interviewed one 30th of them. Then, between November 1982 and March 1983, all job-seekers of more than 1 year registration on 31st August 1982 were invited to the ANPE for an in-depth interview concerning their employment situation. These interviews were designed to enable ANPE officers to assess the interviewees' employment prospects. The result was as follows: in 30% of cases direct placement was proposed; in a further 30% of cases some form of training was proposed; and for about 35% no form of action was proposed. It is worth noting that following this operation the ANPE set up its permanent system of assessment and monitoring for job-seekers in their 4th and 13th months of unemployment, as part of a preventative programme to combat LTU and VLTU.

13. Before examining in detail the measures which may benefit the VLTU, we feel it would be useful to review the changes which have affected the general orientation of policies to combat long term unemployment.

Firstly, as public authorities became aware of the increasing lengths of periods of unemployment, they widened the scope of existing measures to include the long term unemployed, or recommended that they should be given priority over other beneficiaries. More recently, particularly since 1986, measures specifically designed and reserved for the long term unemployed (1 year or more) and taking account of their particular characteristics have been developed. This is the case for all three categories: income guarantee, training, and insertion.

Table 3.7 Anti-unemployment measures of benefit for VLTU.

FRANCE	RESOURCE	ORIENTATION, TRAINING, MONITORING	REINSERTION IN EMPLOYMENT
1982		Specific training programme and grants for reinsertion of LT unemployed (LE GARREC Plan) <hr/> Training courses for LT unemployed organised by the National Employment Fund (October)	
1983	Government programme to combat poverty & insecurity (January)	ANPE sets up permanent evaluation and monitoring of unemployed in 4th & 13th months (April)	
1984	Reform of unemployment benefit system (April)	Extension of 'work preparation' programme to include 18-25 year-olds - 18-25 yrs. programme	Creation of TUC (Travaux d'utilit� Collective) - Oct.
	Emergency arrangement for the poor and insecure	Act setting up Adaption Contracts and Qualification Contracts for 16-25's (Feb)	
1985	Renewal of emergency arrangement for the poor & insecure (Oct.)	Act setting up Work Initiation Course. (SIVP) for 16-25's (January)	Incentives for part-time employment of LTU (March)
		Specific training programme and grants for reinsertion LT unemployed. Modular Courses (Known as DELEBARRE courses) - July.	Relaxation of rules on fixed-term contracts for LT unemployed. (April)
		Abolition of "Work Training" and "Work-Adaption" contracts for under 26 year olds - the former reserved for over 26's. Extra grant in case of LT unemployed. (December)	Extension of TUC to include 21-25's unemployed for 1 year or more (July) <hr/> PLIF (Programmes Locaux d'Insertion des Femmes) for women alone & without income (July)
1986	Zeller Plan - to combat poverty & insecurity. (October)		

Table 3.7 continued

FRANCE	RESOURCE	ORIENTATION, TRAINING, MONITORING	REINSERTION IN EMPLOYMENT
1987	Bill for prevention & mitigation of LTU (Council of Ministers, 22 April 1987).  Abolition of gap between end of entitlement to insurance allowance and entitlement to state solidarity allowance	Bill for prevention and mitigation of LTU (Council of Ministers, 22 April 1987). - Alternating Reinsertion Programmes (5 months) - Alternating Reinsertion Contracts (2 years) for LT unemployed.	Extension of TUC. Maximum period increased from 12 to 24 months (March)  Setting up of PIL (Programme d'Insertion Locale). (April)  Bill for Prevention & mitigation of LTU (Council of Ministers, 22 April 1987)  Exemption from 50% of employers' national insurance contributions for recruitment of LT unemployed having completed training course or PIL

The persistence of a high level of unemployment and its increasing average length (337 days for DEFM and 520 days for PSERE according to the March 1986 Survey), have resulted in a financial imbalance of the unemployment benefit system and an increase in the number of job-seekers having reached the end of their entitlement period. A reform of the benefit system became inevitable, and was carried out in 1984. The new system may be considered to provide adequate resources for one section of the VLTU, namely the over 50's. But it has to be said that it has not been able to prevent the development of poverty.

The 1984 reform introduced a dual structure into the benefit system, in setting up a 'National Solidarity Scheme' to provide for those excluded from the Unemployment Insurance Scheme (the long term unemployed and those never having worked). Subsequent developments have created the necessity for a scheme to provide for those excluded from the National Solidarity Scheme.

From the early 1980's, initiatives began to be taken at the local level (municipalities and departments) to deal with a rise of poverty associated with the increases in unemployment. But in 1984-85, with the widespread debate on the 'new poor', there came an awareness of the phenomenon at national level. The 'Plan of Action against Poverty and Insecurity', launched in the autumn of 1986, as well as other government programmes which preceded it (1983, 1984 and 1985) take cognizance of these 'new poor', who are not to be confused with 'social cases', but who through their enforced and prolonged exclusion from work have been driven into poverty.

The move towards setting up the Long Term Unemployed (1 year or more) as a distinct category requiring specific treatment can also be seen clearly in the field of training initiatives designed to combat unemployment.

The turning point in this area seems to have been the setting up in 1985 of Modular Training Courses, specifically for the long term unemployed, although prior to this courses had been organised to help the long term unemployed by the National Employment Fund, in line with recommendations from the EEC. It was generally true nonetheless that previously the long term unemployed had had no alternative (even assuming they could satisfy age and other conditions) to training courses open to all unemployed, irrespective of the length of unemployment. (It must be said that the range of training courses is particularly diversified in France).

This trend towards specific training for the long term unemployed was further reinforced by the passing of a bill set up ARS's (Alternating Reinsertion Schemes) and Alternating Reinsertion Contracts (ARC's), both reserved for those out of work for at least one year. Furthermore, these new training measures were similar in certain respects to direct insertion measures, as we shall see.

There were basically two types of insertion policy. First, the traditional method of employment was used. But it should be noted that jobs for which the engagement of the long term unemployed are encouraged (part-time work and limited duration contracts) seem to be rather peripheral forms of employment or provide only temporary employment.

Quantitatively more important was the development of 'intermediate employment' as a means of giving the long term unemployed access to work. Here again we note that the CSS (Community Service Scheme), set up in 1984 to reduce youth (under 21) unemployment, was subsequently extended to include 21-25 year-old long term unemployed. Most recently (1987) the intermediate employment schemes have been introduced, specifically intended for the long term unemployed.

But the most recent concern to emerge is the desire to achieve a durable insertion into work. This has led to the coupling together of training courses, intermediate employment, and subsidy. Thus recent measures envisage the financial incentive to the employment of the long term unemployed as the direct outcome of training, and not as something distinct and chronologically disconnected.

As has already been emphasised, no measures have so far been specifically aimed at VLTU (more than 2 years). Recent developments show that through a process of autonomisation a policy to combat LTU has evolved. The question now is whether the years to come will see the emergence of a policy to deal with VLTU.

### 3.4 Measures Designed to Guarantee Income

14. The main substitute income available to job-seekers are the benefits provided by the Unemployment Benefit System (appendix 3.i). Since the latest reform in 1984 (Order of 21 March 1984 and Decree of 29 March 1984), the French benefit system has included two schemes: the Unemployment Insurance Scheme, funded by contributions from both employers and

employees, and a Solidarity Scheme, which is entirely state-funded. The Unemployment Insurance Scheme provides two types of allowance: a basic allowance, and an end of entitlement allowance. These are available to job-seekers having already worked and made sufficient contributions. The solidarity scheme, on the other hand, is intended for job-seekers who are not entitled to employment insurance allowance because of an excessive period of unemployment, or because they never have been entitled. In both cases the objective is the same: to prevent the long term unemployed falling into poverty.

15. So the question today is not so much whether the benefit system has a disincentive effect, but rather whether it is effective in protecting the unemployed from poverty. In this connection it is to be noted that having previously been in employment is a prerequisite for entitlement under the unemployment insurance scheme, and that the longer the period of previous employment, the longer the period of benefit.

Where benefits for the VLTU are concerned therefore, the main distinction to be made between young first-time job-seekers and those who have previously worked.

Young long term unemployed first-time job-seekers are not entitled to unemployment insurance benefits. They are, on the other hand, entitled to an Insertion Allowance under the Solidarity Scheme of 41.40F a day for a non-renewable period of one year (equivalent to approximately one third of the minimum wage). Thus those unemployed for two years or more cannot claim the Insertion Allowance.

Job-seekers having previously worked receive more benefit and for a longer period, the longer their previous period of employment and the older they are.

Under the insurance scheme, the maximum benefit period, all allowances taken together (Basic Allowance and End of Entitlement Allowance) is between 30 and 60 months, depending on the length of time contributions were paid and whether the claimant is under or over 50 years old. After a period on Basic Allowance (related to the Reference Wage), claimants receive an end of Entitlement Allowance at a fixed rate of 65.28F or 90.78F a day (50 or 70% of the minimum wage) if they are over 50 and have been out of work for one year or more.

With the exception of claimants over 57-and-a-half years old, who can, in appropriate circumstances, receive insurance benefit until retirement age (60), the long term unemployed who have exhausted their entitlement to insurance benefit are eligible for the Solidarity Scheme, and may receive a Solidarity Allowance. This is granted, provided certain income conditions are met, for six months, renewable indefinitely. It consists of 64.50F a day, but can rise to 86F a day (respectively 50 and 66% of minimum wage) if the claimant is over 55 and has previously worked for twenty years.

The benefit system, as reformed in 1984, is therefore far from guaranteeing an adequate income to the VLTU. Only about one third of those out of work for between two and three years receive benefit, and only a quarter of those over three years. The main categories excluded are those of young first-time job-seekers, those with an insufficient previous period in work, and adults wishing to re-enter the labour force after an interruption

(mainly women). Even when the VLTU do receive benefit, it is at a low level, usually no more than 50% of minimum wage.

16. It would however be a mistake to assume that all the long term unemployed are poor. For the shortcomings of the benefit system can be compensated for by family solidarity. Indeed the main protection from poverty today appears to be the pattern of intra-familial support, in the form of the pooling of accommodation and resources within the domestic group. A study carried out by LAST (cf. AGNES, M. et al. 'The income, standard of living, and future of the long term unemployed') of 17,000 unemployed showed that the income of households where one member was out of work is, in the main composed of wages up to 60% (earned by partner), and pensions, while unemployment benefits represent only one fifth of total income (other social security benefits making up the rest). More generally, the absence of unemployment benefit does not imply poverty when the domestic group includes members in work. Conversely, the receipt of benefit does not always protect from poverty when its level is low and there are no other wage-earners.

But not all the unemployed benefit from the protection afforded by family solidarity, e.g. those who live alone or are in poor households, and others cannot meet living or housing costs which are excessive in relation to their income. The manifest development of cases of poverty arising from persistent and prolonged unemployment has thus forced local and state authorities to produce anti-poverty plans.

17. The latest plan of action to combat poverty and insecurity (the Zeller Plan) adopted by the Council of Ministers on 29 October 1986, comes in the wake of a 'Programme to Combat Poverty and Insecurity' of January 1983 and the 'Emergency Measures to protect those in poverty and insecurity' of winter 1984 and winter 1985. The Zeller Plan has the following four main features (cf Circular of 29 October 1986 and appendix 3.ii):

It is a national plan designed to deal generally with the problem of poverty and insecurity by linking the three essential facets of successful reinsertion, namely income, employment and accommodation. It is sometimes supported by public funds. Such initiatives come either from private charitable organisations, such as ATD-Quart Monde, Secours Catholique, and Secours Populaire, etc. or from local authorities, and usually seek to help the least well-off to cope with essential recurring costs (food, rent, heating, etc).

It is specifically targetted at those over 25 who are not entitled to unemployment benefit and in households not in receipt of a wage-income or a substitute income.

The basis on which aid is given is intended to break with the logic of social security - a minimum income of 2000F a month is allocated for six months, in exchange for part-time public service work and the prospect of other arrangements, notably training.

The application of the programme is entirely decentralised: having signed a convention with the state, the departments are made responsible for the constitution of dossiers, the payment of allowances to the beneficiaries, and the signing of contracts with the host organisations. The state pays 40% of the participants' remuneration and social security charges. Departments may require some financial contribution from the host organisations (local councils,

foundations, associations, public bodies etc).

The investment is considerable - 410 million francs have so far been allocated by the state. And yet this global sum is proving inadequate. It provides the beneficiaries (the households of the poorest unemployed) with only a tiny monthly income (2000F, 50% of the minimum wage), and that too only for a limited period of six months. For this reason, the plan can be no more than an element in a much wider socio-economic programme for the training of the long term unemployed and their reinsertion into employment.

### 3.5 Training Programmes

18. There are a range of training programmes which, while not specifically designed for the long term unemployed, are nonetheless available to them. The three most important of these are:

The programme for 18-25 year olds ('work preparation courses'). These courses were originally reserved for 16-17 year-olds, but were extended as early as 1972 to include first-time job-seekers from 18 to 21 years old, and again in 1984 to 18-25 year olds. They are intended to provide participants (usually first-time job-seekers) with the opportunity to choose a profession, to gain access to employment and to gain qualifications.

Training-Employment Contracts, set up by the decree of 20 December 1985 and reserved for job-seekers over 26 (appendix 3.iv). These are training courses based in part on the work-place. Their object is to facilitate insertion into employment or to enable job-seekers to gain additional qualifications. Depending on which of these two objects is chosen, the training period is 200-499 hours or 500-1200 hours. Article 9 of the decree of 20 December 1985 provides for an additional grant of up to 50% of the normal grant available to employers who receive long term unemployed (1 year or more) participants on these courses.

Alternating contracts and training courses (appendix 3.iii). These derive from various legislative and administrative measures, including the February 1984 act which created employment adaptation contracts and qualification contracts, and the 3 January 1985 act which created work experience courses (WEC's). Recent modifications (order of 17 July 1986, circular of 17 July 1986 and circular of 3 October 1986) have not fundamentally altered these three types of alternating training. All three are designed for 16-25 year old job-seekers.

Work experience Courses are aimed more specifically at those young unemployed experiencing difficulties in gaining access to training or employment. They are received by a firm and provided with a training supervisor, with the aim of gaining experience of the work place and forming a career plan. The contract period is between 3 and 6 months. The participant receives a grant from the state, supplemented by the firm.

Qualification Contracts are mainly designed for young people without qualifications or with qualifications inappropriate to employment. Courses are intended to lead to a recognised vocational qualification. The distinguishing feature of these courses is that they involve the signing of a work contract of 6-24 months. The participant is thus an employee of the firm and is paid a salary of between 653 and 2,884F (17-74% of the minimum wage) depending

on age and how long the contract has run.

Finally, Employment Adaptation Contracts are available to young people who are likely to find work quickly. Participants are again employees of the firm and receive at least the minimum wage, the actual amount depending on whether the contract is for a fixed or indeterminate period (minimum 6 months).

These training programmes, designed for the unemployed people in general, are not really suitable for the specific category of the VLTU.

In particular, access to courses presupposes a general educational level which most of the long term unemployed do not have. Thus many of them are rejected after failing course entry selection tests.

More fundamentally, the educational gap of the long term unemployed with respect to training is widened by a lack of motivation. Two thirds of those questioned in the LAST survey were not applying for training, either because they had no confidence in it (doubting that it would lead to employment), or because they had no confidence in themselves, (feeling they would be unable to follow a course).

19. Hence, since 1985, France has resolutely begun to set up training courses specifically designed for the long term unemployed - Modular Courses (appendix 3.v). This measure considerably widens the training opportunities available to those unemployed for one year or more, in comparison with refresher courses run by the ANPE and courses for the long term unemployed run by the National Employment Fund.

Priority access to training courses and reinsertion courses for the long term unemployed (known as 'modular' or Delbarre courses) is given to job-seekers aged over 25 years. The circular of 9 July 1985 states that priority must be given to those with the longest period of unemployment not receiving benefit and in a precarious financial plight.

The objective of modular courses is to devise individually tailored insertion routes linked invariably to employment. Training is the means adopted to achieve this goal.

The average programme length is to be 600 hours, but depending on the needs of individual participants, this can vary from 300 to 1200 hours. Of the modules on offer to job-seekers, two are compulsory (Evaluation-Review and job-search assistance - 5-10 hours per week), and 5 are optional (general knowledge refresher, skills up-date, skills extension, retraining for employment, work-place experience). Participants have the status of vocational trainees and are paid by the state.

Management of the programme is carried out entirely by the placement organisation (the ANPE) - informing and receiving participants, diagnosis and counselling on choice of modules, negotiating training with local bodies, monitoring of progress, and devising a thorough evaluation of the programme (reviews at course end, at 3 months and at 6 months).

Published statistics bear witness to the success of the scheme - 75,000 successful participants between September and April 1986. An analysis of monitoring records for 51,762 participants shows that there was a majority of



women (56%), and a significant proportion were VLTU (about one third had been unemployed for more than two years, and 12% for more than three). Priority had been given to the least well educated and qualified - 40% had an educational level equivalent to that of the school leaving age, while 43% were unskilled labourers or clerks.

The most significant result was the rate of take-up of employment at the end of the course. An evaluation carried out on a sample of 20,000 participants from 19 regions 3 months after the end of the course break down as follows:

One in three found work within 3 months, 2.5% of whom did so during the course itself. Of the jobs found, 38% were open-ended contracts, and 27% were with the host employer. Women were slightly more successful than men (33% compared to 29.6%). There were marked variations according to the type of organisation concerned, the length of the course (those over 700 hours showed an improved success rate), and the type of course (the more specialised ones having more success).

These results, then, given the characteristics of the participants on modular courses, seem satisfactory - 36% of participants find work, compared with an average of only 6% for the LTU. So the Ministry of Social Affairs and Employment were certainly justified in extending the programme by 25,000 courses in the last quarter of 1986 (circular dated 15 June and 25 July 1986) and 27,000 at the beginning of 1987 (100,000 planned for the year).

Nonetheless, a number of limitations have emerged which reduce the scope of these operations. Basically, these are:

the high cost - to make the programme available to all those unemployed for more than two years would require seven times the number of courses run in the first two campaigns. Taking an average of 190,000F per course, the investment would amount to 40 million francs.

the fact that two out of every three participants cannot expect to find work after taking a course. One third of these suffer from some handicap, whether personal, such a poor health, or social, such as illiteracy, and their training, even in this form, does not seem to be an effective means of giving them access to employment.

20. It is for this reason that measures recently adopted by the Council of Ministers (22 April 1987) combine training and employment (appendix 3.vi). They are intended to give 30,000 LTU over 26 years of age access to one or other of the two types of alternating course during 1987.

Alternating Reinsertion Programmes (les Stages de Reinsertion en Alternance, SRA), which last 5 months and include 600 hours of training. Participants (20,000 planned for 1987) are considered to be vocational trainees, and are paid the minimum wage by the state.

Alternating Reinsertion Contracts (les Contrats de reinsertion en Alternance, CRA) are considerably longer - two years with 600 hours of training. There are intended to be 10,000 participants in 1987. Unlike SRA's, CRA's involve a work contract with the employer, who pays the participant at least the minimum wage, while the state pays the training cost and social security contributions for one year.

The original feature of these measures is that they bring the most marginalised job-seekers, those who are being shut out of the job market, into contact with employers. What's more, the state provides an incentive to the employment of the LTU on completion of their training course, in the form of an exemption of 50% of the social charges the employer would normally be responsible for. This had already been applied to the emergency plan for youth employment (order of 16 July 1986).

### 3.6 Reinsertion Schemes

21. The first measures specifically concerned with the employment of the LTU followed the traditional policy of employment subsidies (appendix 3.vii). In this respect, a financial incentive was set up for the part-time employment of certain categories of job-seekers: those registered with the ANPE, whether or not in receipt of benefit, and those registered for more than a year (decree of 5 March 1985). A grant of 3000 francs is paid to the firm provided the work contract is open-ended.

In addition, there has been a relaxation in the rules concerning the employment of the LTU where the contract is for a fixed term (decree of 3 April 1985, circular of 3 September 1985).

Both these measures encourage the employment of the LTU in atypical types of employment - part-time or fixed term.

Where VLTU is concerned, the efficacy of these measures is necessarily limited, for at least two reasons:

The amount of financial incentive offered to an employer to take on the VLTU, part-time and on open-ended contract, may be seen as low. What is offered is less than one month's salary, which may appear derisory, in view of the applicant's productive capacities, at least as judged by the employer.

Secondly, the August 1986 order concerning differentiated work facilities the use of fixed term contracts, which gives employers a wider choice of applicants for this type of work, from which they can select, to the disadvantage of those judged to be least employable.

This selectivity, combined with a permanent shortage of jobs, has led the public authorities to develop new forms of action to help the LTU, for which the generic term 'intermediate employment' is used. (appendix 3.viii).

22. Intermediate employment may be defined as employment which does not conform to the norms of the private or public sectors of the economy, with regard to the type of work concerned, its end results, and its remuneration. It may also be seen as a type of training. It is thus half-way between employment and unemployment. In a number of European countries, intermediate employment is the main means used to combat LTU - Troisieme Circuit du Travail in Belgium, the ABM programme in Germany, the Community Programme in Britain, etc.

Compared with these countries, France began to introduce intermediate employment later, firstly setting up the Travaux d'Utilite Collective scheme (TUC) in October 1984 (decree of 16 October 1984), followed by the Programmes locaux d'Insertion des Femmes Isolees (PLIF) in 1985, and finally the Programmes d'Insertion Locale (PIL) in 1987 (decree of 3 April 1987).

23. The Travaux d'Utilite Collective are pre-training and work preparation schemes. Job-seekers are offered work which meets the needs of the community, especially in the field of social action, e.g. assistance for the elderly and for families, etc. or the environment, community equipment, cultural matters, sporting activities etc. Article 2 of the decree of 16 October 1984 sets out a list of the bodies authorised to use TUC's - non profit making bodies, charitable foundations, regional community associations, and public establishments. This list was extended by the decrees of 1 March 1985 and 26 July 1985 to include Social Security bodies, Mutual Societies and worker-management liaison committees.

The work required is 20 hours per week (an average of 80 hours a month). Participants are vocational trainees and receive 1200F a month, (about a third of the minimum wage), paid by the state, though the host body may pay a supplement of 500F a month.

Since 1984, two major modifications have been made:

Originally reserved for 16-21 year-olds, the TUC's were opened, by the decree of 26 July 1985, 22-25 year-old job-seekers registered for over a year.

The original duration of 3-6 months was extended to 24 months by the decree of 20 March 1987.

24. Access to intermediate employment for the LTU has been improved in recent years by two new types of programme:

The PLIF (Programmes Locaux d'Insertion des Femmes Isolees), whose objective is the re-employment of women living alone and without means. Priority is given to older women who have been out of work longest. They are entitled to 760 hours, including up to 225 hours of training. The most recent programme (autumn 1986) involved 4,000 women.

The PIL (Programmes d'Insertion Locale) are re-employment programmes designed for over 25 year-old job-seekers in receipt of the Solidarity Allowance (i.e. LTU). They involve 80-120 hours a month for 6 months, renewable once. In exchange for community work for one of the authorised bodies listed in the TUC decrees, the participant receives, from the state, at least the equivalent of the Solidarity Allowance.

It is important to note the stipulation that PIL applicants must be in receipt of the Solidarity Allowance. Given the rules of the benefit system, the VLTU may well not be entitled to this allowance, and are thus likely to be excluded from the PIL programme.

25. The effectiveness of these programmes may be judged by examining the one which has been used most, and which has been subjected to statistical monitoring, namely the TUC. Evaluations carried out in 1985 show that 320,000 young people had taken part, 84% of whom had been registered with the ANPE, 8% of these for more than a year. There was thus a significant impact on youth unemployment levels. The number of under-25's registered fell by 4% from December 1984 to December 1985, while in that period the number of adults in the 25-49 age range increased by 12%. Similarly, the effect on youth re-employment was considerable - 28% of those having completed a TUC found work, a third of these on open-ended contracts. Nonetheless, the proportion still seeking work and re-registered with the ANPE remains high (38%).

Even though the results in terms of permanent reinsertion in employment are far from satisfactory, intermediate employment would appear to be essential, given the stagnation in levels of employment and the severe competition between job-seekers which results, a situation which first and foremost penalises the VLTU. It is true that these forms of work involve the risk of those concerned being trapped in unskilled temporary work as a substitute for 'normal' work. But such a risk is admittedly less serious than that of VLTU itself, viz erosion of productive capacities, loss of motivation, pauperisation and marginalisation.

### 3.7 Conclusion

26. The persistence of a high level of unemployment increases the risk of the emergence of two lasses of unemployed - alongside those with a high employability level, an increasing proportion, those who have been without work longest, would have no chance of ever finding employment.

There are two sets of forces at play in the creation within the body of the unemployed of a separate core of those permanently excluded from work. On the one hand there is the process of selection of individuals in the job market. It is well known that the longer someone is out of work the less chance they have of finding work, due to factors such as loss of contact with the world of work, psychological difficulties, qualifications becoming obsolete, etc. But the process is, on the other hand, also linked to the macro-economic factor of job shortage.

The long term exclusion from employment of a growing number of individuals has led public authorities to combat the problem by various means. These include measures to prevent creation of LTU, such as, for example, retraining contracts [contracts de conversion], which have recently been introduced in France and are designed to help redundant workers find other employment, if necessary, undertaking further training. Despite this, long term exclusion from employment is already a reality. This is why preventive anti-LTU measures do not obviate the need for post hoc action.

27. It is now recognised that general anti-unemployment policies are inadequate to cope with LTU, and a *fortiori* with VLTU. It is obviously desirable that measures undertaken, nationally and regionally, to encourage the creation of new industry and to stimulate job creation should be continued. But it would be unreasonable to expect them to have any perceptible effect on VLTU. The beneficiaries will instead be the rising generations coming onto the job market, together with the short term unemployed. A policy of growth cannot by itself therefore ensure the return to work of the long term unemployed, given the present profound imbalance in the labour market. Measures aimed specifically at those who have been longest out of work are therefore indispensable.

In this perspective, recent years have seen the emergence in France of a policy to combat LTU (cf sections 3.3 to 3.4). Such measures have no real effect on the macro-economic job shortage. Their object is to improve the position of the long term unemployed waiting in the queue, which may, of course, produce a knock-on effect on other categories of job-seekers.

This policy to combat LTU has come into being in stages. At first eligibility, based on the criterion of one year or more out of work as simply tacked on to existing schemes, which were not originally designed for the

long term unemployed. Such was the case for the TUC (Travaux d'Utilite Collective) scheme, first set up for 16-21 year-olds, only later extended to include 21-25's out of work for a year or mote. But in the last two years particularly, there have been innovations. Examples are Modular Training and, more recently, Alternating Programmes and Contracts. These are not adaptations, but schemes specifically designed for the LTU.

Increasing LTU has thus given rise to an anti-LTU policy, using more and more specialised instruments to deal with the particular characteristics of the LTU.

Will the growth in VLTU in turn give rise to a specific policy designed to help this particular category? The high and rising rate of those out of work for two years or more makes this an urgent question.

APPENDIX 3.iThe Unemployment Benefit System

## Unemployment Insurance Scheme - Solidarity Scheme

References: Order of 21 March 1984 - Decree of 29 March 1984 - Convention of 19 November 1985.

## Unemployment Insurance Scheme

2 types of allowance: Basic Allowance (BA): exclusively for workers made redundant or having finished a fixed term contract or following a legitimately motivated resignation.

End of Entitlement Allowance (EA) - for claimants not entitled to BA.

Period of previous contributions + age	BA		EEA		Maximum Period, combined BA & EEA (months)
	Daily amount	Period in months <sup>1</sup>	Daily amount	Period in months <sup>1</sup>	
3 out of last 12 months	33.49F +30% RS*	3	-	-	3
6 months out of last 12					
under 50 -	44.66F	10	65.28F	7	15
50 & over -	+	15	or	12	21
	40% RS		90.78F		
12 out of last 24 months			increase after 1		
under 50 -		19	year	16	30
50 & over -		33	unemployed and over	24	45
			55		
24 out of last 36 months					
50 - under 55		33		24	45
55 and over		45		27	60

\*RS = Reference salary, based on salary of 12 calendar months preceding last paid day in work.

Solidarity Scheme			
Allowance	Beneficiaries	Daily Amount	Period
Insertion Allowance (IA)	- 16-25 year olds seeking first job		
	- 16-25 year olds having worked more than 3 & less than 6 months in preceding 12	41.40F	1 year non-renewable.
Solidarity Allowance (SA)	- claimants having exhausted maximum periods of benefit under insurance scheme		
	- long term unemployed	64.50F	6 months unlimited renewal
	- if over 55 and with 20 years in work previously	86.00F	indeterminate if having voluntarily abandoned search for employment.

<sup>1</sup> These periods include possible prolongations permitted by the ASSEDICS.

APPENDIX 3.ii The Plan of Action to Combat Poverty and Insecurity (The Zeller Plan)

Reference: Council of Ministers, 29 October 1986.

4 types of measure:

- a state/local authority agreement on the allocation of a Minimum Income.
- Housing (assistance with rent arrears, prevention of gas and electricity cut-offs to households in difficulty, setting up of F.A.R.G. (REHOUSING AND GUARANTEE FUND).
- Grants to charities for food aid
- specific measures to help LTU not receiving benefit

SPECIFIC MEASURES TO HELP LTU NOT RECEIVING BENEFIT

Beneficiaries Those over 25 not entitled to benefit and in a household without revenue from employment or a substitute revenue (other than housing or family allowances)

Objective To provide an income of at least 2000F a month in exchange for part-time community service work, with a view to participation in other schemes (training, intermediate employment etc.)

Duration Six months

Type of Contract Agreement between the state and the department concerned. The state responsible for 40% of the remuneration and national insurance contributions.



APPENDIX 3.iii Alternating Training for 16-25 year-olds

References: Act of 24 Feb. 1984 (Adaption contract and qualification contract)  
 Act of 3 Jan. 1985 (Work experience courses)  
 Order of 17 July 1986, circulars of 17 July and 3 October 1986.

	Work Experience Courses (WEC)	Adaption Contracts	Qualification Contracts
Beneficiaries	18-25's with particular insertion problems, after lengthy search for work.	18-25's, seeking work, likely to find a place quickly.	18-25's without qualifications, seeking work.
Objective	- Work place experience - formulation of a career project.	rapid adaption through extra training	acquisition of qualification
Type & period of contract	No work contract - 3-6 month course	fixed or open period work contract (min 1	Fixed period contract 6-24 months.
Minimum training period.	25 hours per month	200 hours min. out of work time.	25% min. of total period of contract.
Status of participant	Trainee	Employee	Employee
Monthly Salary/ allowance	State: 16-18 yrs. 535.00F 18-21 yrs. 1,185.30F 21-25 yrs. 1,580.40F Employer: 16-18 yrs. 17% of MW* 18-25 yrs. 27% of MW*	At least 80% of the legal minimum wage and the MW* during the contract if it is of fixed period or during training if this is of indeterminate duration.	17%-75% of MW, depending on age and how long on contract.
Exemption from employers obligation to pay social charges.	100%, for courses beginning before 1.2.87.	100% for contracts signed before 1.2.87 for period of contract.	100% in first year, 50% in second year.

\*MW - Minimum Wage (National) (SMIC).

## APPENDIX 3.iv

Training-Employment Contracts

References: Decrees of 19 May 1983 and 20 December 1985.

Beneficiaries	Job-seekers, 26 years and under.	
Objective	To facilitate insertion of job-seekers having particular difficulties, or needing extra qualifications.	
Period of Contract & Training	<u>Insertion in Employment</u> Contract: min. 12 months. Training: 200-499 hours (in work time)	<u>Qualifications</u> Contract: min. 24 months Training: 500-1200 hours (in work time)
State Aid	46F per training hour per employee, paid to employer. A supplementary payment up to 50% of the aid may be paid for job-seekers registered for over 1 year.	

APPENDIX 3.v The Specific Programme of Training and Reinsertion Assistance for the LT Unemployed: Modular Courses

References: Circular, 9 July 1985; Circulars, 20 June and 25 July 1986.

Beneficiaries - LTU, priority to over 25's and those registered longest and not receiving benefit.

Objective - to encourage the insertion of the LTU by increasing their employability through an individualised course of training.

Nature and period of training - A co-ordinated set of modules, totalling on average 600 hours (min. 300, max. 1200), at the rate of 36 hours a week. They should (a) take place with one or more training bodies and/or at the work-place, (b) be individualised, and (c) include whenever possible, a period of work experience.

The training modules - depending on the individual, training consists of one or more of the following modules: (a) review/evaluation - a compulsory module which determines the remainder of the course, (b) employment re-orientation, (c) educational and/or vocational refresher, (d) skills up-date, (e) skills extension, (f) job-search techniques and preparation of curriculum vitae (compulsory).

Funding - provided entirely by the state, which (a) remunerates participants as vocational trainees, and (b) pays the administrative costs of 20F per hour per participant on average. The scheme is administered by the ANPE.

Implementation of the scheme - Sept. - April 1986: 75,000 participants passed; last quarter of 1986: 25,000; first quarter 1987: 27,000; planned for 1987 in total: 100,000.

## APPENDIX 3.vi

A Parliamentary Bill to Prevent and Combat LTU

References: Council of Ministers, 22 April 1987.

The main points of the bill are:

- the abolition of the gap between the end of entitlement to unemployment insurance benefit and entitlement under the Solidarity scheme.
- an incentive to recruit the LTU by exemption from 50% of the employer's national insurance contributions for one year where the employee recruited has completed a training course or the PII programme and had been LTU.
- two new types of alternating training course, reserved for LT unemployed over 26 years old.

## ALTERNATING REINSERTION PROGRAMMES AND CONTRACTS

	Programmes	Contracts
Beneficiaries	LTU over 26 years old	
Period	5 months 300 hours work-place training, plus 300 hours in a training centre.	2 years 600 hours training
Status of Participant	vocational trainee	employee
Remuneration	by the state, at minimum wage	by the employer, at at least minimum wage. The state pays training fees and social charges for one year.
Target for 1987	20,000 courses	10,000 contracts
Total cost	1100 million francs.	

## APPENDIX 3.vii

Incentives for the Recruitment of the LTU:  
Part-time Work and Fixed Term Contracts.

Financial incentives for the recruitment to part-time employment of certain categories of job-seekers.

Reference: decree of 5 March 1985.

Category of applicant	ANPE - registered job-seekers, whether or not in receipt of benefit, or those registered for more than 1 year.
Grant and conditions	6,000F for every part-time employee engaged by 31 December 1985, (open contract) 3,000F for those engaged 1.1.86 - 31.12.87.
Period	Part-time open contract: 18-32 hours/week, or 1/5 of normal working time for that job.
Remuneration	By the employer - the state to top up in case remuneration less than benefit.

## Fixed Term Contracts for the LTU

Reference: decree of 3 April, 1985 - circular, 3 September 1985.

Category of applicant	ANPE - registered for more than 1 year.
Type of contract	Fixed term, 6-12 months, determined at time of signing.
	Renewable once, but cumulative total no more than 2 years.

APPENDIX 3.viii Intermediate Employment - TUC (Travaux d'Utilite Collective)

Reference: decrees, 16 & 25 October 1984, 1 March 1985, 26 July 1985,  
20 March 1987.

Beneficiaries	16-21's without work contract, seeking work, not in training  21-25's, ANPE-registered over 1 year.
Objectives	work 'pre-training' - carrying out of work to meet community-defined local needs.
Period	3 months - 2 years, 20 hours a week (80/month)  TUC organisers may offer optional training Participant receives work experience certificate.
Authorised bodies	Non-profit making bodies; charitable foundations; regional community associations state schools; pension funds and retirement institutions; worker-management liaison committees; directors of public services.
Remuneration and status	1,250F a month, from the state. Host bodies may supplement up to 500F a month.

PLIF: Programmes Locaux d'Insertion des Femmes

Reference: Circular, 9 July 1985

Beneficiaries	Women living alone with no income - priority to older women and those out of work longest.
Objective	To encourage their return to work
Period	760 hours, including max. 225 training.

## PIL: Programmes d'Insertion Locale

Reference: decree, 3 April 1987

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Beneficiaries	LTU of 25 and over in receipt of specific solidarity allowance.
Objective	work re-orientation, or preparation for work requiring different qualifications.
Period	community service-type work, 80-120 hours a month for 6 months with vocational training. Renewable once.
Authorised bodies	as for TUC
Remuneration and status	Paid by state - equal to solidarity allowance, plus 500-750F a month expenses (travel etc.) paid by host body.

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Chapter 4 Very Long Term Unemployment in the Netherlands

by P C Allaart  
R Kunnen

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and R Kunnen

### 4.1. Introduction

In the 1970s unemployment was relatively low in the Netherlands, although in the second half of this decade people were well aware of an unemployment problem. However, since 1980 there has been a dramatic increase in unemployment (Diagram 4.1), which has been accompanied by a more than proportional growth of long term unemployment. For some years now the share of the long term ( $\geq 1$  year) and the very long term ( $\geq 2$  years) unemployed in total unemployment is more than 50 per cent and more than 30 per cent, respectively (Diagram 4.2). Table 4.1 shows an estimate of the distribution of registered unemployment by duration for the period 1980-1986.

The rise in unemployment has led to successive changes in interpretation of "long term unemployment". In the 1970s the long term unemployed were considered to be those unemployed for more than six months. In the early 1980s this was moved up to one year and in recent years a usual interpretation is an unemployment spell of at least two years.

This paper is organised as follows. Section 4.2 gives an overview of several characteristics of the very long term unemployed and related statistical information. Some conclusions will be drawn on the most important factors that influence the probability of an unemployed person arriving in a situation of (very) long term unemployment. In section 4.3 attention is paid to the Dutch government policies towards the long term unemployed. For brevity long term unemployment or long term unemployed will be abbreviated to LTU and very long term unemployment or very long term unemployed to VLTU.

### 4.2. The very long term unemployed: facts and figures

#### 4.2.1 The measure of unemployment

In the Netherlands there is only one source of frequently published figures concerning unemployment, namely the Ministry of Social Affairs and Employment. These figures are based on the registers of the public labour office exchange services. Unless otherwise indicated, all figures in this paper refer to registered unemployment and are provided by the Ministry of Social Affairs and Employment.

Recent research has pointed out that registered unemployment differs to a considerable extent from actual unemployment (SRB, 1986). Reasons are, among others, lags in new registrations and in terminations of registrations and the fact that persons with a temporary job or a job for only a few hours per week, remain registered as unemployed. The latter is also true for the VLTU, so that by this reason VLTU is overestimated. On the other hand registration can be ended and renewed, without actual changes in the labour market position of the unemployed individual, which causes an underestimation of VLTU (see also Annex 4.B).

To give an impression of differences between registration figures with other sources, some information is presented for March-May 1985. At that time the number of registered unemployed was 806,000. The Labour Force Sample Survey indicated a number of 751,000 unemployed, of which 611,000 were registered and wanted a job for more than 20 hours per week. The number of people in receipt of unemployment benefits was 693,000 at that time. However, the conclusion that registered unemployment figures give an

Table 4.1 Composition of the registered unemployed by duration, 1980-1986  
(years' averages)

	1980	1981	1982	1983	1984a)	1985	1986
< 1 year	77	78	69	56	47	46	46
1-2 years	13	14	21	26	22	20	19
2-3 years	5	4	6	11	15	14	11
3-4 years	2	2	2	4	9	10	9
≥ 4 years	3	2	2	3	7	10	15
	<u>100</u>	<u>100</u>	<u>100</u>	<u>100</u>	<u>100</u>	<u>100</u>	<u>100</u>
N (x 1000)	325	480	655	801	822	761	711

a) The figures 1984 and later are not fully comparable with the preceding years because of a change in estimation method.

Diagram 4.1. Unemployment in the Netherlands (national definitions)

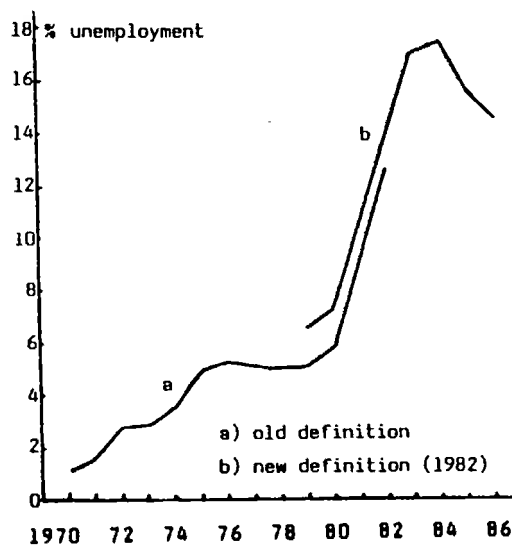
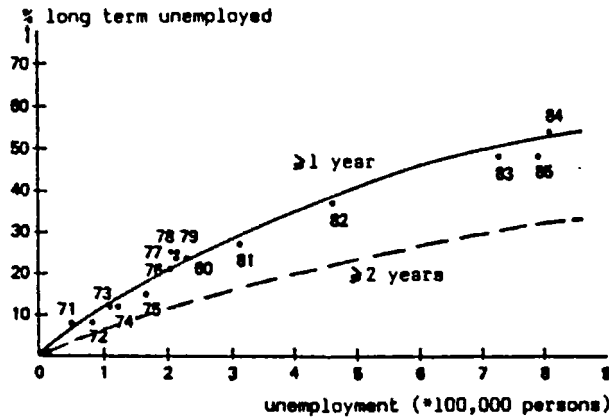


Diagram 4.2 Unemployment and the share of long term unemployment, 1971-1985



overestimation of actual unemployment would be too simple. In reality things are more complex. A well known fact is, for example, the hidden unemployment among the (officially) disabled. Hence, although the figures presented in this paper are not a 'correct' reflection of reality, they are the best available.

#### 4.2.2 Age and sex

Table 4.2 shows the distribution of the registered VLTU by age and sex. Before conclusions can be drawn from these figures, some remarks have to be made.

A first special category are the young. Many of them entered the labour market only a short time ago, so that they cannot belong to the VLTU by definition. Thus, a better measure for the position and prospects of unemployed youth is the probability of leaving unemployment. But in that case also, the position of the youngest age group is relatively favourable (see Annex 4.B).

A second comment is needed with respect to the oldest age group. Since 1984 unemployed persons over 57.5 years are no longer obliged to register, because they have little chance of finding a job and because of the priority given to reduce youth unemployment. As a consequence the number of VLTU of over 50 years is approximately 35,000 lower (30,000 men and 5,000 women) than it would have been without this administrative measure.

The position of women deserves special attention. According to the Dutch social security system all workers are entitled to unemployment benefits, but only for a limited period. After expiration of this period the right on financial support depends on family income. Hence, after some years of unemployment most married women are no longer in receipt of any payments and an important motive for registration has gone. This is particularly true as the chance of finding a job through mediation of public labour exchange

services will be very small.<sup>1</sup> As a consequence many women with an unemployment spell of more than two years are not registered. This effect can be seen most clearly from Table 4.2 sections C and D. For the younger age groups relatively more women belong to the VLTU, but with rising age the (statistical) position by sex is reversed.

Hence, two main conclusions can be drawn from Table 4.2. Firstly, the incidence of VLTU increases with age. Especially the position of the unemployed of over 50 years is very unfavourable.

However, because of the relatively large cohorts and high participation rates of younger age groups, the absolute numbers of VLTU are higher for them. Secondly, women have more chance to become VLTU than men. This is obscured by the non-registration effect mentioned before. But even if one would make a correction for this effect, the absolute number of long term unemployed women is much lower than that of men. This is due to the lower female participation rate.<sup>2</sup> The only exception in this respect is the

youngest age group, where the female participation rate is relatively high compared to men in the same age group.

The unfavourable position of older workers and women can be illustrated also by recent trends in VLTU (Table 4.3). The renewed employment growth has led to a decreasing number of VLTU since 1985-86. However, this general decline is the result of an important reduction for the young and for men aged 25-39 and a further increase for the other categories.

The detailed information, as presented in Table 4.2. and Table 4.3 is only available for the last few years. However, more limited information for the early 1980s (see Annex 4.A) indicates that the unfavourable position of women, as mentioned in this paragraph, is at least partly due to a cyclical effect. The increase in VLTU until 1984 seems to have hit men more strongly than women. In February 1982 the share of women in VLTU was 35 per cent. This percentage fell to 27 in February 1984 and rose again to 31 in February 1987. Hence, male unemployment is obviously more sensitive to fluctuations in economic activity.

- 
1. For only 10 per cent of the unemployed who are actively looking for a job, the public agency is the most important way of job search (Allaart et al., 1987).
  2. In the Netherlands, the participation rate of women in the age of 15-64 years is low, compared to most other industrialised countries. At the end of 1986 it was 43 per cent.

Table 4.2 The very long term unemployed by age and sex (February 1987)

A. Persons (x 1000)

<u>Age</u>	<u>Male</u>	<u>Female</u>	<u>Total</u>
<23	10	14	24
23-29	39	26	65
30-39	53	18	71
40-49	38	12	50
≥50	29	7	36
-----			
15-64	169	77	246

B. % by sex

<23	42	58	100
23-29	59	41	100
30-39	75	25	100
40-49	77	23	100
≥50	80	20	100
-----			
15-64	69	31	100

C. % by age

<23	6	18	10
23-29	23	34	26
30-39	31	24	29
40-49	23	15	20
≥50	17	9	15
-----			
15-64	100	100	100

D. % of total number of unemployed in respective groups

<23	12	18	15
23-29	32	35	33
30-39	45	36	41
40-49	48	36	45
≥50	58	52	56
-----			
15-64	37	31	35



**Table 4.3** Recent trends in the composition of the very long term unemployed

	Thousands of VLTU			Change in %	
	Feb. 1985	Feb. 1986	Feb. 1987	1985-86	1986-87
<b>Men</b>					
<25	28.4	25.6	20.0	-10	-22
25-39	88.1	88.9	81.7	+ 1	- 8
40-49	34.3	37.6	38.2	+10	+ 2
≥50	<u>23.8</u>	<u>27.8</u>	<u>29.3</u>	<u>+17</u>	<u>+ 5</u>
15-64	174.6	179.9	169.3	+ 3	- 6
<b>Women</b>					
<25	28.3	27.7	23.4	- 2	-16
25-39	30.6	33.7	35.0	+10	+ 4
40-49	8.8	10.0	11.5	+14	+15
≥50	<u>5.0</u>	<u>6.0</u>	<u>7.2</u>	<u>+20</u>	<u>+20</u>
15-64	72.7	77.4	77.1	+ 6	- 0

#### 4.2.3 Education

The incidence of VLTU differs considerably across levels of education. Table 4.4 shows the composition of the VLTU by global education levels. It is well known that poorly educated people have a relatively weak position in the labour market. In periods of unemployment they are often heavily hit,

**Table 4.4** The very long term unemployed by level of education, February 1987

	Number (1000 persons)	(%)	As a percentage of total unemployment in respective category
Only basic education a)	79	(32)	49
Uncompleted continuation b)	45	(18)	35
Completed continuation, of which: low level c)	122	(50)	29
medium level d)	76	(31)	30
high level e)	27	(11)	27
	19	( 8)	29
<b>Total</b>	<b>246</b>	<b>(100)</b>	<b>35</b>

Notes: a) primary school (age 4-12); b) secondary as well as higher education; c) junior vocational/intermediate secondary; d) senior vocational/higher secondary/pre-university; e) higher vocational/university

because employers prefer better educated employees if they have a wide choice. Therefore it is not surprising that a large proportion of the unemployed with only a basic education belong to the VLTU. It is more striking that so many better educated people are unemployed for such a long time, and that there is hardly any difference in position of the three distinguished levels of completed continuation.

This can partly be explained by the fact that especially in higher education there has been insufficient attention for work opportunities. Another, related, factor is the rather abrupt change in prospects for certain types of public sector jobs, mainly in social services. Long term unemployment for this category is mainly concentrated among graduates of social, cultural, pedagogical and political studies. Figures, published quarterly by the Ministry of Social Affairs and Employment, indicate that the recent decline in VLTU is completely concentrated among unemployed who have a type of education for which the job opportunities are connected to fluctuations in economic activity such as education in technical and administrative/commercial direction.

#### 4.2.4 Skill/occupation

There is little reliable information about the relation between skill and occupation and unemployment spells. Some figures are available dating from April 1986. These indicate that VLTU is of most frequent occurrence for low-skilled workers. Important examples are unskilled or low-skilled construction workers and navvies, factory workers, packers and warehousemen. For women also domestics and barmaids. There is no doubt that low-skilled workers without specific training are more likely to be affected by VLTU. This is in line with the results in 4.2.3 concerning levels of education.

#### 4.2.5 Nationality

As most other Western European countries the Netherlands have a significant number of immigrant workers. Some of them have Dutch nationality, but belong to the ethnic minorities (Surinam/Moluccas). Compared to indigenous Dutch workers, most of these groups are confronted with relatively high unemployment rates. In 1986 the share of non-Dutch nationalities in the registered unemployment and in the labour force was 9.5 and 4.5 per cent, respectively.

The proportion of VLTU is also relatively high (Table 4.5). This is true for all ethnic minorities. The major cause of the unfavourable position of these groups seems to be their low level of education. It is estimated that 36 per cent of the indigenous Dutch unemployed is educated only at a basic level or has not completed any continuation. This percentage varies from 50 for immigrants from EG-countries to 85-90 for immigrants from Morocco and Turkey. However, the differences between these categories can not fully be explained by level of education. Other factors must play a part too. There are plain indications that in many cases recruitment is discriminative (Brasse et al., 1986; Veeman, 1985).

A serious problem is the position of the youth of ethnic minorities. The incidence of VLTU among the second generation of immigrants is alarming. A few years ago 56% of the young unemployed of Moluccan origin (15-30 years) were unemployed for 2 years or longer. For low education levels this was

Table 4.5 The very long term unemployment by nationality and proportions in total unemployment (April 1986)

	Number (1000 persons)	As percentage of total unemployment in respective category
Indigenous Dutch	215	34
Surinam/Moluccas, Dutch nationality	9	42
EG-countries	4	35
Morocco	7	44
Turkey	10	42
Surinam	1	46
Other nationalities	6	35

68% (Veeman, 1985). Combined with a general unemployment rate which is more than double the rate for the indigenous Dutch, the picture is more or less disastrous. There has been no comparable extensive investigations into the position of the second generation of other minorities, but probably they have a very similar position. The causes of this misery are complex, but an insufficient cultural adaption and problems with the Dutch language seem to play an important part.

#### 4.2.6 Geographical distribution

In the Netherlands regional differences in unemployment are rather limited. This is also true for VLTU. In Table 4.6, Section A, figures are presented for the 12 Dutch provinces. In addition Section B shows how the situation is in the four biggest cities. In the provinces Groningen, Overijssel and Gelderland the unemployment situation is worse than in the rest of the country (see Table 4.6). However, the most significant concentration of VLTU is found in Amsterdam and Rotterdam. In both cities, but also in other urban areas, unemployment is strongly concentrated in a limited number of districts. This is caused by the fact that some of the most underprivileged labour market groups just live in these older parts of the cities where traditional employment has disappeared, and where rents are low. These underprivileged labour market groups consist of ethnic minorities as well as lowly qualified and unqualified indigenous Dutch from the lower social strata. Work-ethos of the former group is generally strong, but there is some evidence that among the latter some kind of unemployment-subculture exists in which striving for a job is hardly considered as normal.

A third group living in the older city districts are the young. Especially in Amsterdam and less frequently in other cities, there is a youth-subculture according to which unpaid work or paid work in the informal economy is preferred to that in the formal economy. Many of them are registered as unemployed in order to receive social security benefits.

It must be noted that beside these marginalised labour market groups there are large groups of VLTU who are victims of industrial restructuring. This is true for the provinces of Groningen, Overijssel, Gelderland and Limburg where traditional regional industries such as cardboard, clothing,

**Table 4.6** Geographical distribution of the very long term unemployed  
February 1987

**A. Provinces, including the four biggest cities**

	Number (1000 persons)	% of the Netherlands	% of the regional unemployed
Groningen	14	6	38
Friesland	10	4	32
Drenthe	6	2	30
North	30	12	33
Overijssel	18	8	38
Flevoland	2	1	20
Gelderland	34	14	39
East	54	23	38
Utrecht	11	4	28
Noord-Holland	40	17	33
Zuid-Holland	50	21	35
Zeeland	3	1	25
West	104	43	33
Noord-Brabant	33	14	34
Limburg	20	8	35
South	53	22	34
The Netherlands	241	100	34

**B. Four biggest cities (Province)**

Amsterdam (Noord-Holland)	27	11	39
Rotterdam (Zuid-Holland)	22	9	43
Den Haag (Zuid-Holland)	12	5	34
Utrecht (Utrecht)	6	3	30
Total of four cities	68	28	38

textile, and shoe industry and mining disappeared or dwindled. It is also true for the cities where for example the former workers on the shipyards are unable to find a new job in the expanding service sector (SRB, 1987).

#### 4.2.7 Probability of finding a job

People become long term unemployed because they have little chance to get a job. The longer a person has been unemployed, the smaller the probability of leaving unemployment (see also Annex 4.B). Among the category less than 1 year unemployed some 40 per cent find a job within a year. This is 18 per cent for the VLTU. Recent figures for March 1987 indicate that during this month 8 per cent of the less than 1 year unemployed and 1.5 per cent of the VLTU succeeded in finding a job.

There is no general agreement on the answer to the question whether the length of individual unemployment spells is an independent negative factor with respect to the probability of finding a job. The answer will be affirmative, if only a limited number of characteristics (e.g. age, sex, education, skill) of the unemployed is concerned. However, the outcome will be uncertain, if the possibility of specific individual characteristics (e.g. unsocial behaviour, physical or mental handicaps) is taken account of.

#### 4.3. Government-policy regarding long term unemployment

In 1979 policy-makers' attention was drawn to an economic study that revealed the negative relationship between the duration of unemployment and the probability of the unemployed to re-enter the work-force. The longer the period of unemployment, the smaller the probability to find a job (Van 't Eind and Ravestein, 1979). From that moment on, LTU became an issue of government-policy in the Netherlands.

However, LTU was still considered as a consequence of the discrepancies between skill requirements and the qualifications of the labour force, being the most important labour market problem of the moment. Those with an inadequate vocational training would have a bigger chance to become unemployed for a long time. Especially women, youths, older people, lowly qualified, racial minorities and handicapped people were considered to be the most disadvantaged groups. Policy was aimed at ameliorating the labour market position of the hard to place members of these groups. Although many of them were unemployed for a long time, policy failed to design specific measures for the LTU. According to the 1985 Annual Report of the Department of Labour Market Policy of the Ministry of Social Affairs and Employment the most characteristic feature of LTU policy was to give preferential treatment to the LTU in the application of regular labour market measures. Only in 1984 specific measures for LTU had been designed.

The whole of regular labour market measures can be divided in three groups, corresponding to three phase activities of public labour market agencies in favour of job searching people go through. The first phase is to offer intermediary services: the labour agency tries to bring the job searcher into contact with an employer offering a suitable job. After a time, when intermediary services seem to unsuccessful, the second phase is reached. The labour agency takes into consideration training and so called job placement measures, being mostly wage-cost subsidies. Thirdly, if these measures also fail to be successful, job creation programmes come into consideration. Training and placement measures are supposed to be most important for people who are unemployed for 3 to 6 months, while job creation schemes are meant for people who are unemployed for more than 6 months.

### 4.3.2 Placement Measures

The Placement Measures (Plaatsingsbevorderende Maatregel, PBM) had its start in 1981 and were a combination of three different wage-cost subsidies (30% wage-cost subsidy, provisional measure for long term unemployed, temporary wage-cost subsidy for youngsters). The objective of PBM was to stimulate lasting employment of hard to place job seekers in the private sector. The measure provided a one year wage-cost subsidy to employers, the amount being dependent on the age of the unemployed and the duration of their unemployment. Table 4.7 offers information about the number of new applications of PBM and its predecessors.

It seems that only a small proportion of the unemployed was reached with the measures. PBM was applied in many cases of LTU ( $\geq 12$  months). In 1982 this concerned 43% and in 1984 65% of all new applications. The effectiveness with regard to reducing LTU seems to be marginal, however. In 1982 as well as in 1984 only 1,6% of those being unemployed for one year or more could profit. No data are available about the extent of the VLTU ( $\geq 2$  years).

In 1985 the government ended PBM. According to the Department of Labour Market Policy the main reason was doubt about the effectiveness of PBM, but probably the actual reasons have been of a slightly different nature. The international tendency to strict restraints on public expenditure has led to a wide spread cut in targeted wage subsidy programmes, because they are rather expensive while there is no *communis opinio* about their effectiveness. Hence, the judgement of wage subsidy programmes has

Table 4.7 New applications of placement measures (1975-1986)

Year	30% wage-cost subsidy		Prov. measure for LTU		Temporary wage-subsidy for youth		PBM	
	A	B	A	B	A	B	A	B
1975	3.3	1.3						
1976	2.9	1.0						
1977	4.0	1.5			1.6	2.1		
1978	4.2	1.6	0.7	4.6	2.6	3.1		
1979	2.9	1.0	1.6	9.7	2.3	2.6		
1980	2.1	0.6	1.7	8.6	1.9	1.8		
1981	1.5	0.3	1.2	4.0	1.6	1.0	2.4	0.9
1982							9.3	2.3
1983							7.3	1.1
1984							7.8	1.1
1985							7.4	1.2
1986							-	-

Notes: A = number of new applications (x 1000)  
 B = number of new applications in % of unemployment of the target group

Sources: 1975-1984: De Wachter and Visser (1986)  
 1985: Annual Report Department of Labour Market Policy

changed with a more general shift to positive adjustment policies, as strongly promoted by the OECD (OECD, 1984).

In 1986 PBM has been replaced by a new scheme, the Measure to Support Adjustment to the Labour Force (Maatregel Ondersteuning Arbeidsinpassing, MOA), which will be discussed in section 4.3.7.

#### 4.3.3 Job Creation Schemes

The objective of Job Creation Schemes (Werkgelegenheidsverruimende Maatregel, WVM) was to create additional jobs in order to ameliorate the labour market position of the participants. This objective had to be attained by subsidising a great deal of the wage-costs. As was the case with PBM, WVM was the result of the combination of several measures in the late 1970s. Among these were the Temporary Job Measure (TAP), the Interim Measure for young unemployed and Experimental employment projects for women (Table 4.8).

At the start in 1979 the target group of WVM (WVM '79) was formed by all those who were unemployed for more than six months. The measure proved to be profitable especially for young women. Male participants were concentrated in the age category of 23-45. With the help of WVM '79, jobs were created in the non-profit sector. Administrative and nursing jobs were of growing importance, while the share of technical jobs was declining (Blomsma, 1987). WVM has been revised in 1982. On the one hand two target groups were specified. The measure was applicable to people aged younger than 23 years who were unemployed during more than 9 months and for people older than 23 years with a period of unemployment of more than 12 months. The employer would receive an age-dependent subsidy with a

Table 4.8 New applications of Job Creation Measures (1975-1986)

Year	Interim measure young unemployed		Experimental projects for women		WVM '79		TAP		WVM '82 and WVM-M	
	A	B	A	B	A	B	A	B	A	B
1975	0.3	0.5					7.5	2.9		
1976	1.3	1.6					7.4	2.7		
1977	2.0	2.6	0.2	0.4			3.8	1.4		
1978	2.6	3.2	0.3	0.6			3.7	1.3		
1979					6.6	2.3	3.0	1.1		
1980					7.9	2.4	3.1	0.9		
1981					8.4	1.7	4.0	0.8		
1982					7.6	1.2	2.1	0.3	11.2	3.8
1983									17.9	3.4
1984									13.7	2.3
1985									5.5	1.0
1986										

Notes: A = number of new applications (x 1000)  
B = number of new applications in % of unemployment of the target group

Sources: 1975-1984: De Wachter and Visser (1986)  
1985: Annual Report Department of Labour Market Policy

maximum of 40,000 dfl. a year if hiring an unemployed belonging to one of the target groups for a period of 6-12 months. On the other hand, besides WVM '82, which was directed at the non-profit sector, a WVM for the market sector has been established. This WVM-M was experimental and had a limited scope. The target group was formed by young people under the age of 23 and longer than 9 months unemployed. The contract-wage was fully subsidised plus 25% as a compensation of the employer's share in social security premiums. Motives for the revision of 1982 were a simplification of the job creation measures and making them more efficient. For that reason TAP and WVM '79 were linked up and the target groups of WVM '79 were specified in detail. The way this was done reflects the priority combatting youth unemployment was given in social policy in those days. By introducing the experimental WVM-M the objection had been met that an insufficient number of young unskilled unemployed, for whom no employment could be created in the non-profit sector was reached (De Koning en Stolk, 1984; Blomsma, 1987).

After a few years, however, serious doubts have arisen with regard to the effectiveness of WVM. As total unemployment increased, the reach of WVM relatively decreased as is clearly shown by Table 4.8. In 1983 government stated that WVM should be applied especially in the case of LTU youth and women in the target groups. Two years later it seemed also that these newly set goals had not been achieved. An evaluative study revealed that WVM had not attained lowly skilled unemployed, that it had not been very successful in ameliorating the labour market position of the participants and that it had been very expensive (De Wachter en Visser, 1986). In the case of WVM-M there had probably been a considerable amount of substitution of regular jobs by subsidised ones in the private sector (De Koning en Stolk, 1984). Furthermore, a part of the target groups profited from other measures e.g. those regarding unpaid work for persons in receipt of benefit (see section 4.3.6).

Since 1983 the budget available for WVM has been diminished and at this moment the measure is applied only to some specific groups as women and youth of ethnic minorities.

#### 4.3.4 Going to long term unemployment measures

From the preceding sections the conclusion must be drawn that regular labour market measures have been insufficient to solve the problem of unemployment. Although no data are available, it is not likely that VLTU will have benefitted more than average.

There are several reasons for the fall in new applications and the ultimate abolition of PBM and WVM demonstrated by Tables 4.7 and 4.8. Firstly also these measures have been affected by the financial policy of the government. After all, economic recovery is the most important way to reduce unemployment, and reduction of the public budget deficit by means of cutting expenditure is seen as a main contribution to economic recovery. Secondly, some common characteristics of these kind of measures are that their implementation is often based more on a political consensus than on economic judgements, and their effectiveness can be defined in different ways (OECD 1982). Combination of both characteristics lead to frequent changes in measures. Thirdly, a pure political reason is the importance for policy-makers and politicians to demonstrate that they are actively combatting



unemployment. Therefore it is necessary to get into the limelight by presenting new labour market measures (cf Van Dijk et al., 1987). Some of these new measures are discussed in the next sections.

#### 4.3.5 Youth

Combatting youth unemployment has been given priority in social policy since in the mid 1970s large numbers of school leavers could not find a job. We have already mentioned the fact that with the revision of WVM young unemployed have been designated as a special target group.

With respect to long term youth unemployment in 1984 a special scheme has been introduced. Youth Job Placement Scheme (Jeugdontplooiingsbanen, JOB) is actually a placement measure. JOB allows employers to place in temporary jobs persons under the age of 25 who are officially registered as unemployed for two years or more. Authorities subsidise 33% of wage-costs. The young are contracted at the national employment agency, START, for one year, during which period they can get one or more jobs. They receive the minimum wage for youth.

The aim of the JOB-scheme is to ameliorate the labour market position of the young VLTU firstly by setting limits to the duration of their unemployment and secondly by allowing them to acquire work experience. An evaluative study of the JOB-scheme was rather positive about the results. Approximately 30% of the target group has been reached and at least half the number of the former participants have found a job afterwards. Some negative aspects are noticed. A considerable number of participants had occupied a job only for one month, hardly acquiring any work experience thatway. Females have been under represented in the group of participants, probably because relatively many placements have taken place in manufacturing. Another critical point is the significant displacement effect. In 80% of the cases there had been displacement of non-subsidised workers, in most cases to a considerable extent. Conclusion of the study is that the JOB-scheme has ameliorated the labour market position of the participants, but that total employment has hardly increased (De Koning et al., 1987).

#### 4.3.6 "Plough-back" schemes

The more the number of unemployed persons receiving unemployment benefits was growing, the more suggestions have been heard to make these benefits more productive for society. In 1978 already the Secretary of State for Social Affairs allowed unemployed to do unpaid work while receiving unemployment benefits. Since that time this directive has been extended and at this moment a law regulating unpaid work by unemployed in receipt of benefit is in preparation. Many unemployed are making use of the possibility offered trying to maintain their work pace and work experience, or simply to pass their time. In 1985 their number is estimated between 36,000 and 44,000 (De Lange et al., 1986).

Also "plough-back" schemes (Terugploegexperimenten, TPE) are meant to use unemployment benefits in a productive way and to reduce LTU. Additional jobs are created for LTU partly financed by the unemployment benefits saved of the re-entried unemployed ("ploughing-back"). TPE has been introduced in 1984 in the construction industry and the educational sector. In the construction industry additional projects valued at one billion dfl. were expected during the year 1984. 250 million dfl. should be "ploughed-back", authorities should contribute 100 million dfl., while 650

million dfl. should come from extra investments by others. The projects were estimated to create 8,700 man-years of extra employment.

There were some conditions for approval of the projects, the most important being:

- at least 70% of the newly created jobs had to be occupied by persons who were unemployed for one year or more;
- the projects had to be additional, that is they should not displace other projects nor regular employees.

Evaluative studies are rather positive about the results of TPE. In the construction industry average costs of newly created jobs proved to be higher than expected, and as a result the estimated number of new jobs had not been achieved. It also seemed that in some cases substitution of regular projects by subsidised ones had occurred. With respect to the hiring of LTU, the study notes that at the time of selection and preparation of the TPE-project insufficient account had been taken of their qualifications and skills. To solve the problems generated that way, construction employers changed LTU on TPE-projects and regular workers on other projects. The study advises a more careful selection of labour intensive projects (Van Groesen et al., 1985).

In the educational sector conditions for TPE were slightly different. Two categories of persons were pointed to who the scheme was applicable:

- A. Personnel who would be dismissed without TPE;
- B. Unemployed for one year at least under the age of 32.

As expected, the 8,400 additional jobs were created during the school years 1984/85 and 1985/86. Of these 2,700 belonged to category A and 5,700 to category B.

School directories were content about the performance of the LTU. Some 40% of them have found a regular job after the end of the TPE-project. A complication has arisen by a judicial judgement after a complaint of female unemployed teachers. According to this judgement also unemployed not in receipt of unemployment benefits are entitled to occupy jobs created by TPE (Veerman en Bijker, 1986). Evidently, "ploughing-back" of benefits is not possible in these cases, which can take away the attractiveness of the measure.

The positive evaluation of TPE in the construction industry has led to a second series of projects. A total amount of 1,275 million dfl. is concerned. The projects are expected to create 7,100 man-years of additional employment. After a final evaluation at the end of 1987 the government will decide either to continue TPE in the construction industry and maybe other areas, or to end it.

Some general remarks can be made on the applicability of TPE. In fact it is a kind of wage subsidy and most objections against wage subsidies are also relevant for TPE. This is true for displacement effects as well as for interference of competition and labour market allocation. Hence, some strict conditions must be fulfilled:

- A significant number of LTU with a narrowly defined skill or occupation (on a local or regional level);
- A foreseeable future improvement in labour market conditions for workers in that skill of occupation;
- Strictly selected additional projects, which last for a relatively long time period, are characterised by a large amount of similar work and have a high labour intensity.

In practice, these conditions can be met to a certain extent only. For this reason there is no general agreement on the desirability of TPE, and a wide-spread application is not to be expected.

#### 4.3.7 Renewed attention for training

As has been demonstrated in section 4.2.3, VLTU's are generally poorly qualified. There is a considerable discrepancy between the qualification structure of the supply of VLTU and the demand for labour.

Table 4.9 Vacancies and VLTU to level of education (%)

	<u>Vacancies</u> (Jan. 1986)	<u>VLTU</u> (March 1986)
Only basic education	6.9	49.9
Primary general and vocational education	34.0	32.1
Secondary general and voc. education	35.6	11.0
Higher education	23.5	4.1
Total (100%)	66,200	254.100

Clearly there is a shortage of vacancies for the poorly qualified VLTU. For that reason recent policy-initiatives towards LTU pay attention to training as well as to the duration of employment. In order to reduce youth unemployment and to meet future needs of sufficiently experienced and qualified labour supply, the government has introduced the Youth Employment Guarantee Scheme (Jeugwerkgarantieplan, JWG). According to this scheme in its original form a temporary job or training place would be offered to people younger than 21 years who are unemployed for half a year or more. Evidently, JWG should totally eliminate long-term youth unemployment. Also in the long run it was expected to reduce considerably LTU among the more than 20 year olds, because JWG-participants would relatively easily find a regular and lasting job.

In practice, the scheme proved not to be feasible in its original form. The basic idea behind the scheme was to replace the income-guarantee offered by the social security system to unemployed school leavers by an employment-guarantee. However, the government had to withdraw its proposal to refuse social benefits to young people not accepting a JWG-job offered to them.

Other problems were caused as the unions and the employers -organisations raised objections against the implementation of the scheme. Employers found it hard to create additional jobs in the private sector without displacement effects and distortion of competition. Unions

ended co-operation as a lasting job could not be guaranteed after the expiration of the JWG-job.

By now JWG-jobs will be offered by the public sector. Especially the municipalities are expected to play a major part. Training will not be offered in separate training-places but training facilities will be offered complementary to the JWG-jobs.

After serious doubts had arisen about the effectiveness of PBM and WVM a new measure has been developed to stimulate the re-entry of LTU into the work force (Maatregel Ondersteuning Arbeidsinpassing, MOA). MOA has been introduced in 1986 and aims at people who are unemployed for more than one year. By subsidising wage-costs (1,000 dfl. monthly, during half a year at most) employers are encouraged to hire LTU for 6 months or more. No unlimited duration contract is required, what is an important difference with PBM. The employer is expected to take care of training and guidance of the hired unemployed. MOA can be applied in the profit-sector and in the non-profit sector. In the profit-sector LTU can be placed on already existing jobs, while in the non-profit sector additional jobs must be created.

The number of applications MOA has steadily risen from 1,300 at the start of the scheme in July 1986 to 6,845 in April 1987. At that moment almost 2% of the LTU was reached.

Uncertainty exists about the future of MOA due to the existence of another Measure for Long-Term Unemployed (Maatregel Langdurig Werklozen, MLW). MLW is meant for persons older than 21 years who are unemployed for more than 3 years (officially registered or not) or who have been looking for a job for 2 years and have followed retraining courses. If an employer appoints such a VLTU for at least 6 months he will be exempt from the employers share of social security premiums for a period of 4 years at most. That means a reduction of wage-costs of approximately 20%. Another, once-only subsidy of 4,000 dfl. is endowed to employers as compensation for training and guidance costs. Condition for this subsidy is a hiring-spell of at least 2 years. MLW is applicable in the private sector as well as in the public sector.

MLW has been applied for only a short period of time and a evaluation is not yet available. Nevertheless, after some months adjustments have been carried through. Contrary to the description above, the original scheme provided a period of placement of at least 2 years (instead of 6 months) as a condition to exempt premiums. Also the group VLTU following retraining courses was excluded in the original version of MLW.

#### 4.3.8 Concluding remarks

Since the increase in LTU a variety of measures has been originated. During the first years these measures were characterised by a preferential treatment of LTU in the application of the existing policy-tools. Later on special schemes were introduced for LTU. Only very recently policy measures with respect to VLTU have been set up.

Table 4.10 Overview of unemployment schemes

<u>Scheme</u>	<u>Year</u>	<u>Age</u>	<u>Unemployment Spell</u>
PBM	1979	-	≥ 3 months
WVM '79	1979	-	≥ 6 months
WVM '82	1982	< 23 years	≥ 9 months
		≥ 23 years	≥ 12 months
TPE	1984	-	≥ 1 year
JOB	1984	< 25 years	≥ 2 years
JWG	1986	≤ 20 years	≥ 6 months
MOA	1986	-	≥ 1 year
MLW	1986	≥ 21 years	≥ 3 years
	1987		also ≥ 2 years + 1 year retraining.

Most recent measures include wage-costs subsidies with a training-component.

Retraining of VLTU is considered to be an essential condition for re-entry into work. The discrepancy in educational level between labour demand and the supply of VLTU has been shown in Table 4.9. However, this Table also demonstrates a large shortage of labour demand. It is clear that measures with respect to VLTU will be effective mainly at the individual level. Retraining and work experience may ameliorate the competitiveness of the VLTU against other job seekers. If there are effects on total employment, these will be small and partly indirect.

A final remark concerns the implicit presupposition of VLTU as a homogenous group, only to be distinguished by age. Recent research shows that among the VLTU some groups have better chances to find a job than others and that there are groups which have no chance at all, although they are very willing to work. A lot of factors play a role in limiting the (re)-entry opportunities of the VLTU, such as age, educational level, occupation, former work experience, working friends and relatives, access to labour market information, ethnicity, and the way of looking for a job, etc. etc. The point is that some VLTU or some groups of VLTU are affected by more such factors than others. Thus, ten clusters of VLTU have been distinguished (SRB, 1987). Clearly, up till now, measures with respect to VLTU are not as differentiated as that.

Annex 4.A

The very long term unemployed by age and sex (February 1982)

A. Persons (x1000)

<u>Age</u>	<u>Male</u>	<u>Female</u>	<u>Total</u>
<23	2	5	7
23-64	27	12	39
<hr/>			
15-64	29	17	46

B. % by sex

<23	32	68	100
23-64	70	30	100
<hr/>			
15-64	65	35	100

C. % by age

<23	7	27	14
23-64	93	73	86
<hr/>			
15-64	100	100	100

D. % of total number of unemployed in respective groups

<23	2	5	4
23-64	10	12	11
<hr/>			
15-64	8	9	8

Annex 4.B

Probability of leaving the unemployment registers\* within a year,  
April 1985

Age at registration date	Duration of unemployment (years)							
	Male				Female			
	<1	1-2	2-3	≥3	<1	1-2	2-3	≥3
15-24 years	73	49	54	53	67	54	50	46
25-54 years	60	48	34	23	51	44	42	29
55-64 years	54	42	27	18	59	46		

Source: Ministry of Social Affairs and Employment, Rapportage  
Arbeidsmarkt 1986, Table 5.2

\* It must be stressed that this is not the probability of finding a job. For some 40 per cent registration is ended for other reasons. This is about 35 per cent among the short term unemployed (<1 year) and 50 per cent among the VLTU. Other reasons than work are for example study or military service, (especially for the young), illness/disability and withdrawal for other reasons. A special category arises from pure administrative reasons when registration is ended and renewed, without changes in the labour market position of the unemployed individual (e.g. in the case of moving or of simply forgetting to extend the registration).

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Chapter 5    Very Long Term Unemployment in the UK  
by P N Junankar

## Chapter 5 Very Long Term Unemployment in the UK

P N Junankar

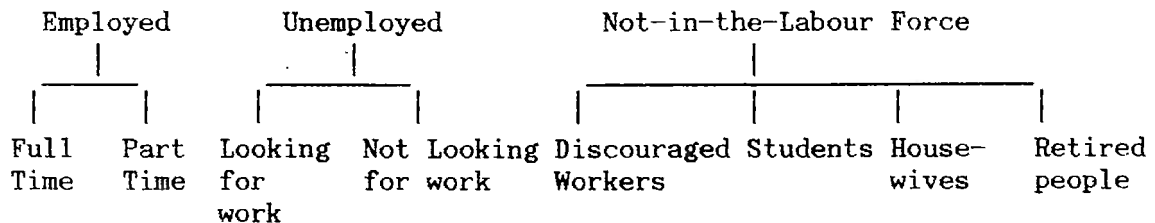
### 5.1. Introduction

There has been a dramatic increase in Very Long Term Unemployment (VLTU) since the beginning of the 1980s in the UK. From April 1981 to April 1987 VLTU increased from 219,648 to 811,412, an increase of 269%. As a percentage of total unemployment, VLTU increased (over the same period) from 8% to 26%. To some extent this is simply a reflection of the growth in total unemployment from 2,525,200% to 3,107,100% (over the same period). It is important to note that the nature of long term unemployment (LTU) or VLTU has changed over time: in the fifties and sixties the LTU (or VLTU) were "secondary" workers: the old, the sick, the unskilled, the uneducated. Now they are "primary" workers: younger (youths and prime age workers, 16-24 and 25-44), often skilled workers and many educated professional workers. The international recession, Government policy, and structural changes in the British economy have devastated the manufacturing and industrial sectors and left a trail of misery in Britain's industrial heartland, especially the West Midlands.

The plan of this chapter is as follows: Section 2 discusses some concepts and measurement problems, Section 3 provides a description of VLTU, Section 4 discusses some explanations, Section 5 discusses various policies towards LTU, and Section 6 concludes the chapter.

### 5.2 Concepts and Measurement Problems

Although there is no agreed definition (or method of measuring) unemployment, most people would agree that there has been a dramatic increase in the past few years. It is possible to distinguish three labour market states (for those past school-leaving age):



It is clear that those people who are employed full time are not unemployed, but some of the people who are employed part-time may prefer to work full time so that in fact they are partially unemployed (or under-employed). Of those people who are unemployed, most may be looking for work, but a minority may not be looking for work (either because they do not expect to find work, or because they are not really interested in finding work). Of the 'not-in-the labour force' category, there may be a group who are "discouraged workers": those people who have given up hope of finding work (some of them may have become full-time housewives or "encouraged students"). Unemployment in the UK has been traditionally measured by an administrative process. Up to 1982 those people who registered at an unemployment office (and hence demonstrated their

willingness to work and search for work) were counted as ("registered") unemployed. Since 1982, only those people who were claiming benefits ("claimants") have been included. This move excluded several people (especially married women) who were ineligible to claim benefits.

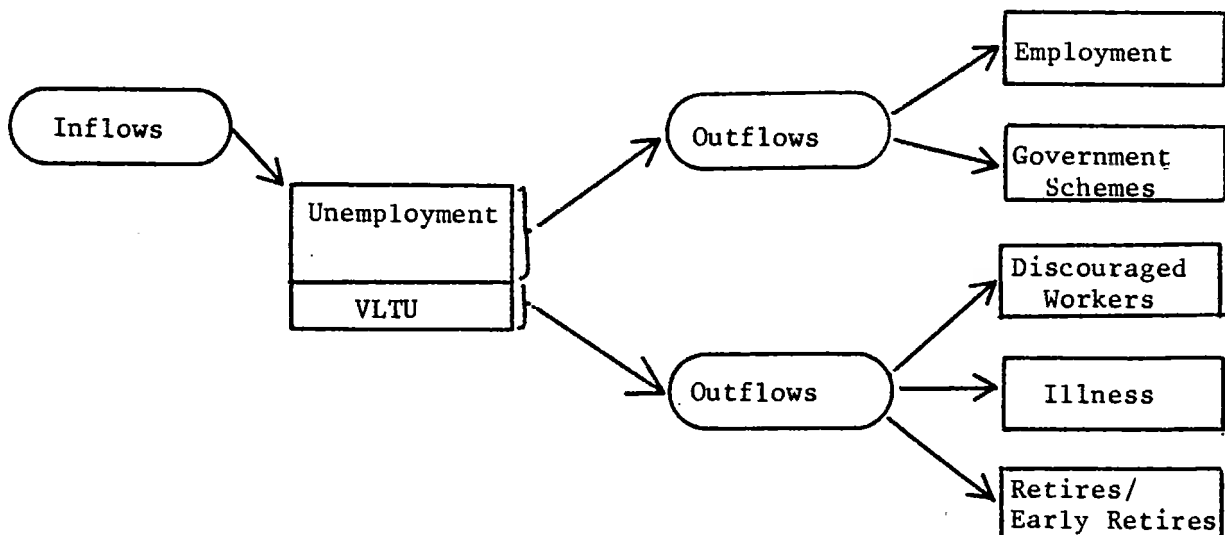
In recent years a fourth labour market state has made a significant impact:

(Government) Special Employment Measures

These include the Youth Training Schemes (YTS), Community Programme, Enterprise Allowance Scheme, etc. People on these schemes are not formally employed or unemployed, although in response to questionnaires they may claim to be employed or unemployed.

Besides the measure of unemployment based on registration or claimants basis, there is now an annual Labour Force Survey (LFS) which provides estimates based on asking respondents their labour market status. This provides a measure based on "availability" and "looking for work". If the respondent is not employed, available for work, and looking for work in the past week then (s)he is counted as unemployed. But for various reasons an unemployed person may not have looked for work in the past week, so in recent years the sample are asked if they looked for work in the past four weeks. These LFS estimates provide an interesting alternative source: comparisons are provided in the Employment Gazette (June 1983, August 1984, October 1985, October 1986 and April 1987).

A Schematic Presentation of Unemployment Flows



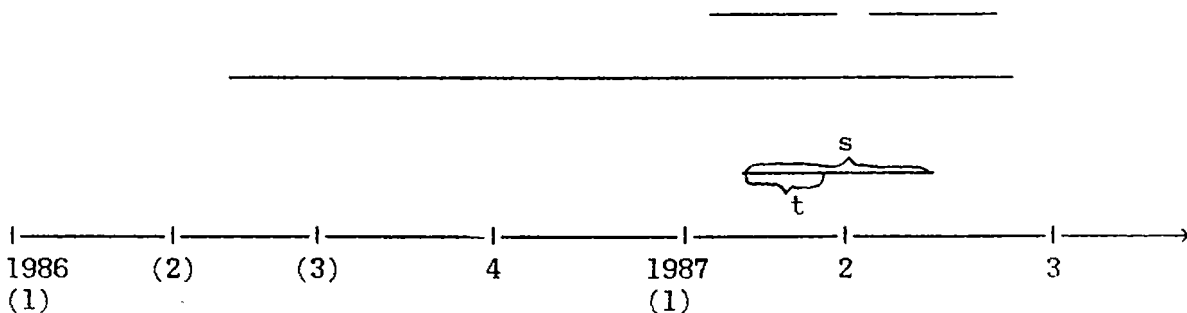
It is important to note that the labour market is continually changing with people moving between the different states. In particular, unemployment is a stock with inflows (consisting of new entrants, voluntary quits and involuntary separations - redundancies, dismissals, etc) and outflows (new hires, people leaving due to illness, old age, or discouraged workers, as well as those joining Government schemes, e.g. YTS, etc.) This is presented

schematically in Diagram 5.1. Although, it is a simplification, the short term unemployed have a greater probability of "escaping" from unemployment into employment or Government schemes. The long-term unemployed or very long-term unemployed (LTU or VLTU) have a smaller probability of 'escaping' and are more likely to give up (discouraged workers), fall ill, or take up early retirement. It is possible to imagine the unemployment stock as a big tank of water with a net about one-third from the bottom: those who fall through the net remain for a long time while those who do not fall through the net (the more skilled, better qualified etc) manage to leave (outflow) from the unemployment stock. The size of the unemployment stock (the tank of water) has clearly increased over the past few years but so has the level of the "net".

Once we look at the dynamics of unemployment we need to distinguish between an interrupted spell of unemployment and a completed spell. If we look at the unemployment stock we get a snap-shot at an instant in time: the people who are unemployed at that point in time may remain unemployed for (say) another year. To look at unemployment durations of the unemployment stock may give us some information, but we need to know how many of the presently short term unemployed will (eventually) become LTU or VLTU. A simple diagram illustrates this problem:

#### Interrupted and Completed Duration Spells

Diagram 5.2



If we measure unemployment in 1987(2) we are more likely to sample the longer durations (length bias) but also measure an interrupted spell ( $t$  is the unemployment spell and  $s$  the completed spell) and hence have an interruption bias, (see Salant (1977)). This leads to the result that at the onset of a recession the proportion of LTU or VLTU in total unemployment falls and only after a period of time the proportion rises.

A particular problem with measurement of LTU or VLTU in Britain is that if an unemployed person falls ill (s)he comes off the claimants register and the unemployment duration is terminated. In getting well again the person re-joins the unemployment stock but as a new person with a zero duration of unemployment. As LTU and VLTU are more likely to be ill this is likely to provide a downward bias to the numbers. Similarly, if a VLTU person joins some Government scheme (e.g.. Community Programme) and then fails to find regular employment and joins the unemployment stock, (s)he is treated as a person with a zero unemployment duration. Finally, some people may have recurrent spells of unemployment (and hence suffer as much as the VLTU)

but little information is available for this group (but see Disney (1979), Moylan, Millar and Davies (1984)).

To summarise, measured LTU or VLTU may be an underestimate because of (a) interrupted spells, (b) illness terminating a spell, (c) recurrent spells, (d) joining special employment measures, and (e) early retirement.

Comparisons over time using data from the Department of Employment is very difficult and misleading because of a series of changes made in the method of measuring unemployment, see Unemployment Unit Briefing No 10 (March 1986), Charter for Jobs Vol. 2, No. 7, May 1987, Employment Gazette October 1986 p. 422. Both the old registration method and the new claimants measure under-records female unemployment and a *fortiori* LTU and VLTU.

### 5.3. The Growth of VLTU: Trends and Characteristics

Let us first look at the trends in VLTU in recent years. As mentioned earlier, the time series data on unemployment are now based on an administrative count of those people who are claiming benefits. Due to various administrative changes since 1979 the numbers counted as unemployed have been lowered and as such comparisons over time are misleading. However, in spite of these "statistical" changes, there has been a significant increase in VLTU for both males and females. Tables 5.1 and 5.2 present a summary picture of the growth of VLTU by age for males and females respectively. For males VLTU increased from 180,960 in 1981 to 643,002 in 1987: from 9.9% of total male unemployment to 29.8%. For females VLTU increased from 38,688 to 168,410 (over the same period): from 5.5% of total female unemployment to 17.8%. This growth, as mentioned earlier, is in fact an under-estimate of the real growth in VLTU. (There appears to be a slight fall in VLTU in 1987).

#### (i) Age and Sex Distribution

A look at the trends in VLTU for different age groups (Tables 5.1, 5.2 and 5.3 and Diagrams 5.3 and 5.4) is revealing. For males an interesting shift has taken place over time: the proportion of the prime age group (25-44) in total VLTU has displaced the older workers (45-64) (see the columns labelled "c"). Even young people (16-24) have increased their representation in total VLTU (this is even though 16-18 year olds cannot be unemployed for more than 2 years and a large number of them are in the Youth Training Scheme).

In 1981, 58% of total VLTU males were 45 years or older, while in 1987 only 38% were 45 years or older. The fastest growth in VLTU was for the 16-24 age group. In any case for each age group there is an increase in VLTU in absolute numbers as well as in the share in total unemployment of the respective age groups.

The labour market for females has been relatively buoyant, but nonetheless there has been a continuing growth in unemployment and VLTU (except in 1987). However, the data on females based on a "claimant" basis are particularly suspect. This is because unemployment benefits are paid out for up to twelve months to people who have worked for an appropriate length of time prior to becoming unemployed. After this twelve month period, unemployed persons are eligible for discretionary supplementary allowances. These are paid taking account of family incomes and resources: hence a

married woman with an employed husband is unlikely to be eligible for supplementary allowances and hence will not be counted as unemployed. We would, therefore, expect VLTU to be seriously underestimated for married women. Notwithstanding this problem, VLTU has increased for all age groups (Table 5.2) although the proportions of total VLTU for different age groups are remarkably stable (columns "c"). For females, VLTU appears to be a greater problem the older they get.

The seriousness of the problem of VLTU is more clearly seen in Table 5.4. In 1987 27 per cent of unemployed males and 13 per cent of unemployed females had been unemployed for more than four years. It is difficult to appreciate the impact on these people in terms of demoralisation, and on their physical and mental health etc, see Harrison (1976), Junankar (1986).

Table 5.3 provides an alternative way of looking at VLTU by providing a measure of the VLTU rate: the numbers who are VLTU divided by the working population of the appropriate age/sex group. The decline in VLTU rates for males aged 60 and over is clearly a reflection of the early retirement policy encouraged by the Government. This again shows the growth in VLTU rates for prime age males. VLTU is no longer a problem only for the old (or the infirm). In 1987 we note that males between 25 and 34 had a VLTU rate higher than the overall rate (while in 1981 it was below the overall rate).

(ii) Regional Distribution

Table 5.5 and Diagram 5.2 provide a regional dimension to the VLTU problem. The table provides unemployment rates and VLTU rates for 1981 and 1987. Unfortunately, since 1986 the Department of Employment includes self-employed people and Armed Forces & employees in the working population when they were previously excluded. Thus the figures for 1981 and 1987 are not really comparable. However, it is clear that regions with high unemployment rates also have high VLTU rates. A simple ordinary least squares regression of the log of male VLTU rate on log of male unemployment rates (using this cross-section of regional rates) gave the following results:

$$\text{Log Male VLTU Rate (1987)} = -2.493 + 1.485 \text{ Log Male Unemployment Rate (1987)}$$

$$(-10.602)(16.638)$$

$$\bar{R}^2 = 0.96 \quad n = 12.$$

$$\text{Log Male VLTU Rate (1981)} = -4.949 + 2.022 \text{ Log Male Unemployment Rate (1981)}$$

$$(-14.608)(15.490)$$

$$\bar{R}^2 = 0.96 \quad n = 12.$$

This suggests that a one per cent increase in the male unemployment rate in 1987 (1981) increased the VLTU Rate by 1.485 in 1987 (2.022 in 1981). There is a more than proportionate increase in the VLTU Rate: a redistribution of aggregate demand over regions would lower the VLTU Rates.

The regional distribution of VLTU rates emphasises the North-South divide (which reflects the general problem of unemployment): the decline of the manufacturing sector has hit the Northern regions.



Diagram 5.3: Very Long Term Unemployment By Age: Males

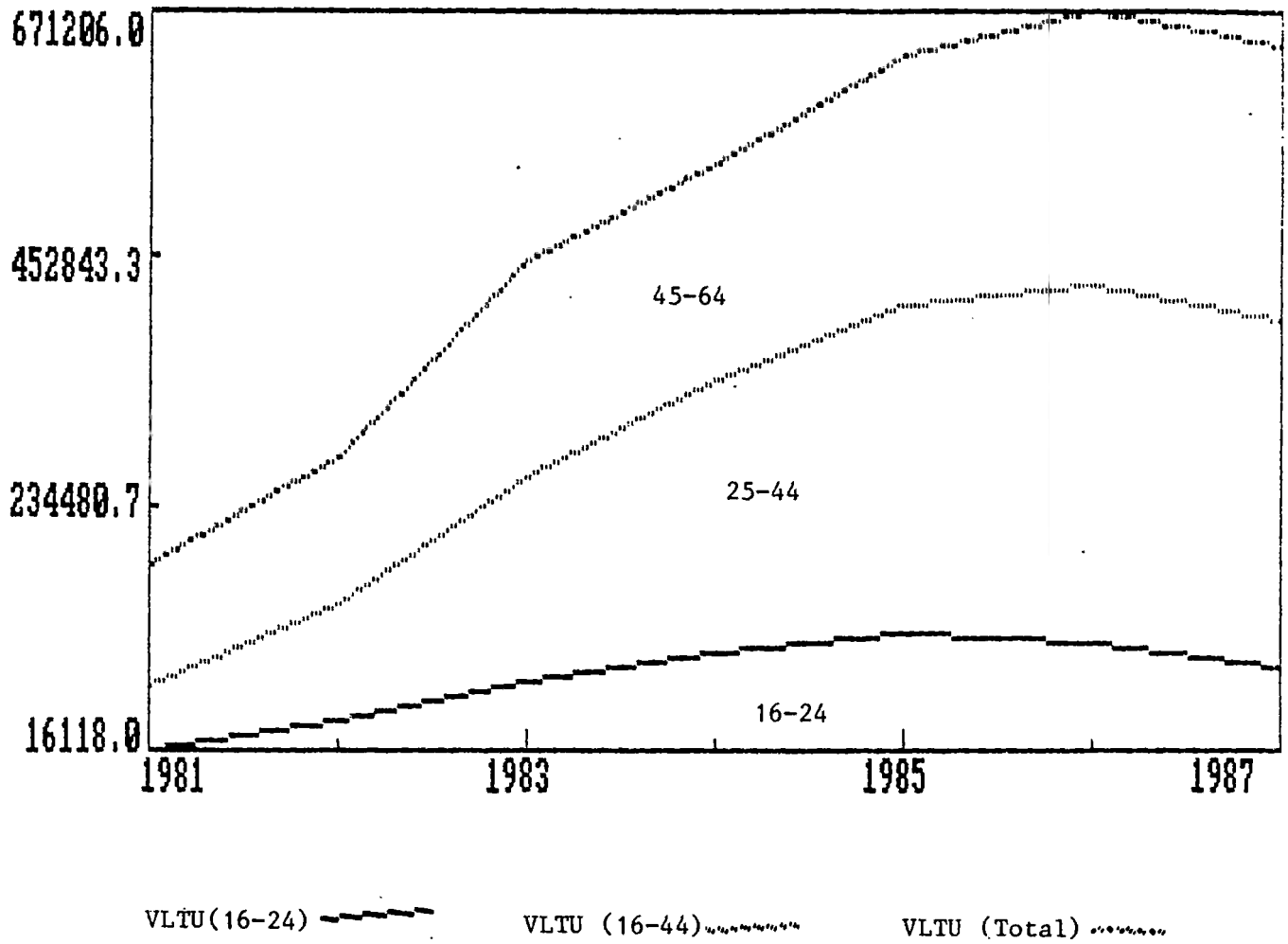


Diagram 5.4: Very Long Term Unemployment by Age: Females

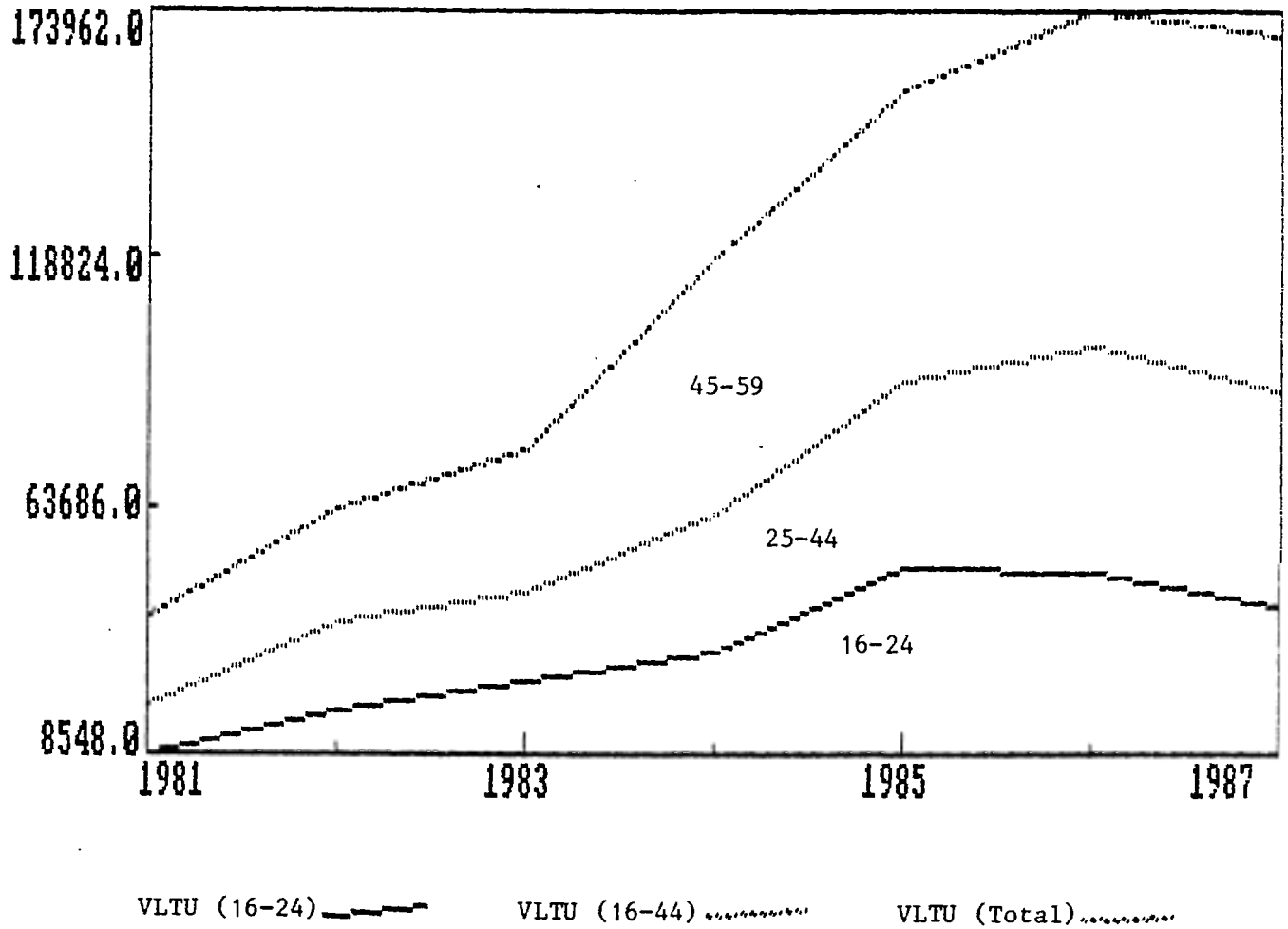


Table 5.1 Very Long Term Unemployment in UK (Males)

Year	16-24		
	VLTU (000s)	VLTU/Unemployment	Share of VLTU
	(a)	(%) (b)	(%) (c)
1981	16,118	2.85	8.91
1982	41,516	6.07	15.07
1983	78,324	10.52	17.38
1984	103,021	14.20	19.22
1985	118,340	15.71	18.68
1986	110,552	15.12	16.47
1987	90,556	14.16	14.08

---

Year	25-44		
	VLTU (000s)	VLTU/Unemployment	Share of VLTU
	(a)	(%) (b)	(%) (c)
1981	57,969	8.43	32.03
1982	106,631	13.24	38.71
1983	180,425	21.43	40.03
1984	244,010	28.65	45.51
1985	292,368	32.17	46.16
1986	317,227	34.00	47.26
1987	309,027	34.19	48.06

---

Year	45-64		
	VLTU (000s)	VLTU/Unemployment	Share of VLTU
	(a)	(%) (b)	(%) (c)
1981	105,516	18.70	58.31
1982	125,484	18.76	45.55
1983	191,006	26.60	42.38
1984	188,869	31.35	35.23
1985	222,469	36.58	35.12
1986	243,447	38.89	36.27
1987	243,419	39.59	37.86

---

Year	VLTU Total	Total Male Unemployment	VLTU/Unemployment (%)
1981	180,960	1,819,757	9.94
1982	275,482	2,161,954	12.74
1983	450,727	2,207,516	20.42
1984	536,108	2,180,060	24.59
1985	633,385	2,270,721	27.89
1986	671,206	2,290,027	29.30
1987	643,002	2,158,222	29.79

Table 5.1 continued

## Table 5.1 continued

Source: Employment Gazettes (various)

- (a) Numbers (000s) unemployed for 2 years or more in April of each year
- (b) Very long term unemployed as a percentage of total unemployment of that age group
- (c)  $\frac{\text{Very long term unemployed in age group (i)}}{\sum \text{very long term unemployed in age group (i)}}$  = Share of VLTU  
i

Table 5.2 Very Long Term Unemployment UK (Females)

16-24			
Year	VLTU (000s)	VLTU/Unemployment (%)	Share of VLTU (%)
	(a)	(b)	(c)
1981	8,548	2.43	22.09
1982	18,180	4.32	28.83
1983	25,371	5.67	33.12
1984	31,274	6.87	26.13
1985	50,554	10.98	32.26
1986	49,080	10.84	28.21
1987	41,268	10.68	24.50

25-44			
Year	VLTU (000s)	VLTU/Unemployment (%)	Share of VLTU (%)
	(a)	(b)	(c)
1981	10,986	4.69	28.40
1982	19,632	7.00	31.13
1983	19,259	7.21	25.14
1984	30,725	10.04	25.68
1985	41,649	11.74	26.58
1986	49,970	13.07	28.72
1987	48,745	13.42	28.94

44-59			
Year	VLTU (000s)	VLTU/Unemployment (%)	Share of VLTU (%)
	(a)	(b)	(c)
1981	18,602	15.91	48.08
1982	24,480	17.13	38.82
1983	31,465	21.19	41.07
1984	49,060	29.52	40.99
1985	63,593	34.25	40.58
1986	74,178	37.29	42.64
1987	77,306	39.06	45.90

Table 5.2 continued

Table 5.2 continued

Year	VLTU Total	Total Unemployment (Females)	VLTU/Unemployment (%)
1981	38,688	705,457	5.48
1982	63,060	845,842	7.46
1983	76,610	841,563	9.10
1984	119,660	927,622	12.90
1985	156,701	1,001,844	15.64
1986	173,962	1,035,031	16.81
1987	168,410	948,906	17.75

Source: Employment Gazettes (various)

- (a) Numbers (000s) unemployed for 2 years or more in April of each year
- (b) Very long term unemployed as a percentage of total unemployment of that age group
- (c)  $\frac{\text{Very long term unemployed in age group (i)}}{\Sigma \text{ very long term unemployed in age group (i)}}$  = Share of VLTU

Table 5.3      Very Long Term Unemployment Rates by Age: UK

<u>Age</u>	April 1981		April 1987	
	Male	Female	Male	Female
18-19	0.2	0.2	1.4	1.2
20-24	0.8	0.5	3.5	1.9
25-34	0.8	0.3	4.1	1.1
35-44	1.0	0.2	3.8	0.8
45-54	1.4	0.5	4.5	1.9
55-59	1.9	1.0	8.1	4.4
≥ 60	3.9	0.1	0.9	0.2
All Ages	1.3	0.4	3.9	1.5

Source: Employment Gazette, May, Oct. 1981 and June, September 1987.

Notes    VLTU Rate =  $\frac{\text{VLTU(000s)}}{\text{Working Population (000s)}} \times 100$

Table 5.4 Unemployment Durations: UK

	Males		Females	
	1981	1987	1981	1987
Percentage of Unem- ployed with Duration				
≥ 12 months	22	46	16	33
≥ 24 months	10	30	6	18
≥ 36 months	6	22	3	12
≥ 48 months	n.a	16	n.a	8
≥ 60 months	n.a	11	n.a	5

Source: Unemployment Unit Statistical Supplement June/July 1987.

- Notes: 1. Data are for April  
2. n.a. = not available.



(iii) Inflows and Outflows

As mentioned earlier (see Diagram 5.1) we can analyse unemployment in terms of the inflows into the unemployment stock and the outflows from the unemployment stock. In fact, in analysing the labour market we would like to know the origin of the inflows (new entrants, voluntary quits, redundancies, dismissals etc) and the destination of the outflows (employment, Government schemes, retires, etc). However, British time series data does not provide this kind of information. However, we do have information on uncompleted and completed durations and can thus obtain estimates of the probability of leaving unemployment for individuals with different periods of unemployment to date. This evidence suggests that the labour market operates on a last-in-first out (LIFO) basis, whether it is from the employment stock or the unemployment stock. (According to usual industrial relations procedures employers normally dismiss the newest employee except when they are providing redundancy to get rid of older workers). There is much evidence to suggest that the probability of leaving the unemployment stock decreases with the length of the duration experienced.

A recent article in the Employment Gazette (September 1986, pp. 358-364) discusses various aspects of the dynamics of unemployment with the large numbers of people flowing in and out of the unemployment stock. Most of the people joining the unemployment stock leave unemployment very quickly (25% within 4 weeks, 50% within 3 months, and 66% within six months). However, from each cohort that joins the unemployment stock, some (about 20%) sink into long term unemployment. Table 5.6 provides a look at the probability of reaching VLTU for those who have currently reached different unemployment durations. For example, for males and females, 7% of the new inflow will enter 2 years duration. Going down column 2 we can see the longer the current duration the greater the probability of entering VLTU. The age/sex breakdown also shows that older people are more likely to enter VLTU than younger people and males more likely than females. The difference between males and females may simply be a reflection of the social security system of paying unemployment benefits for only one year, followed by discretionary supplementary benefits. As mentioned earlier, these estimates must be treated as under-estimates because of the outflows into early retirement, Government schemes, leaving the labour force (discouraged workers) etc.

(iv) Characteristics of VLTU

There are no studies known to us of the VLTU that give an account of their characteristics. The best known study, White (1983) looks at long term unemployment (duration greater than one year) which can be used to give some point of comparison with our results from the Labour Force Survey, 1984. The White (1983) study done for the Policy Studies Institute (PSI) was a stratified sample of those who had been continuously unemployed for one year or more in June 1980. Since that time the economy has gone through one of the deepest and longest recessions so that more recent results may be different from the PSI study.

Table 5.5 Unemployment Rates by Regions: UK

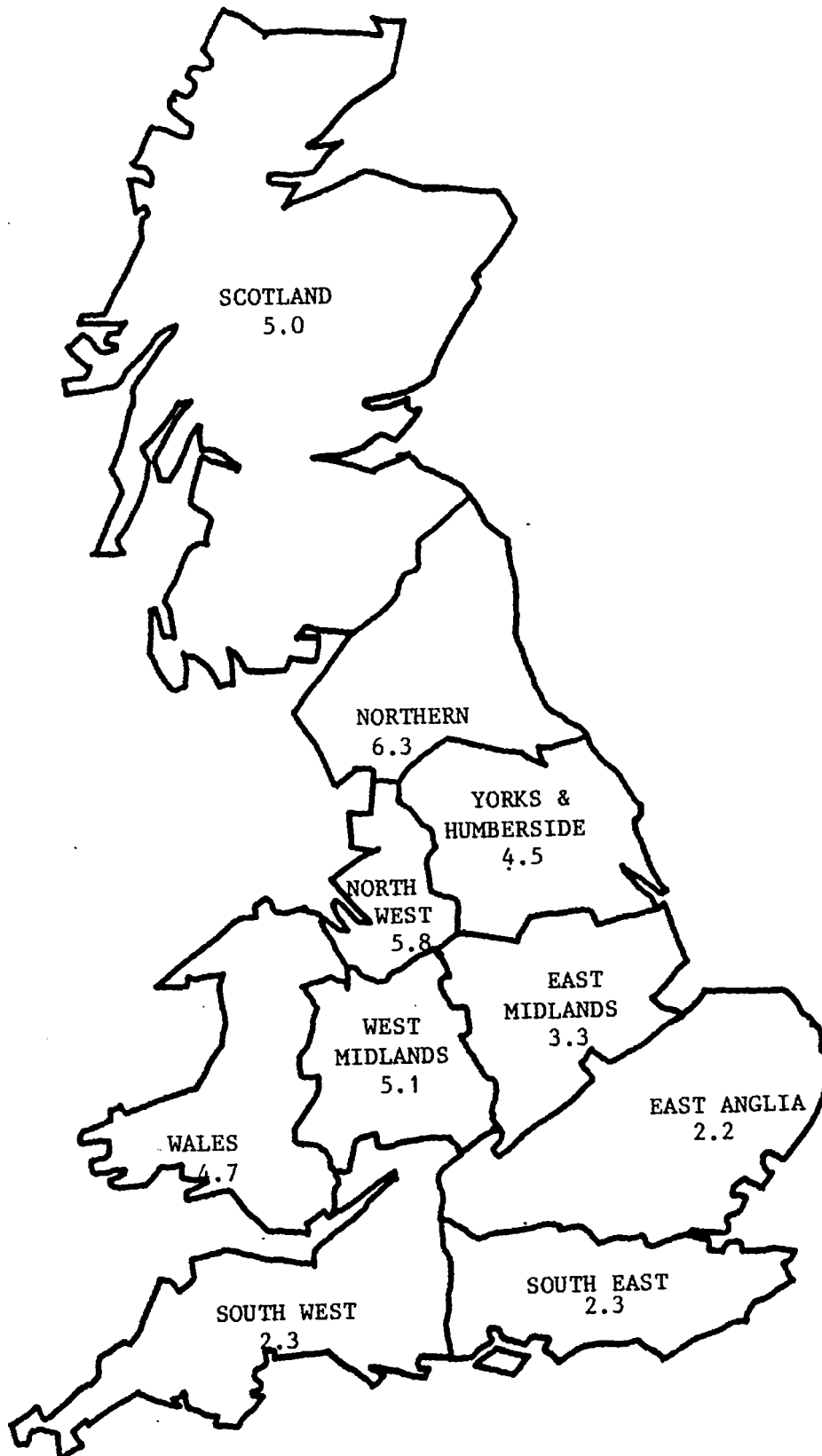
		Unemployment Rate (%)		Very Long Term Unemployment Rate (%)	
		April 1981	April 1987	April 1981	April 1987
South East	Male	9.2	9.2	0.6	2.3
	Female	4.5	6.1	0.2	1.0
Greater London	Male	8.8	10.3	0.6	2.8
	Female	4.3	6.6	0.2	1.2
East Anglia	Male	10.7	9.3	0.8	2.2
	Female	5.4	7.3	0.3	1.1
South West	Male	11.4	10.1	1.1	2.3
	Female	6.6	8.0	0.4	1.2
West Midlands	Male	14.8	14.3	1.3	5.1
	Female	8.6	9.5	0.1	2.0
East Midlands	Male	11.7	11.7	1.1	3.3
	Female	6.2	8.0	0.3	1.3
Yorkshire & Humberside	Male	13.5	15.1	1.3	4.5
	Female	7.4	9.2	0.4	1.6
North West	Male	15.2	17.0	1.9	5.8
	Female	8.8	9.9	0.5	2.0
North	Male	16.4	19.0	2.2	6.3
	Female	9.5	10.3	0.6	2.1
Wales	Male	16.0	15.8	1.7	4.7
	Female	10.1	10.1	0.6	1.7
Scotland	Male	15.0	17.4	1.8	5.0
	Female	9.7	10.8	0.6	1.8
N. Ireland	Male	21.2	22.4	3.6	8.9
	Female	11.6	12.6	0.7	2.4

Source: Employment Gazette, May 1981, June and September 1987.

Note: 
$$\text{VLTU Rate} = \frac{\text{VLTU(000s)}}{\text{Working Population (000s)}} \times 100$$

where VLTU are those unemployed for  $\geq 2$  years.

Diagram 5.5  
Regional Very Long Term Unemployment Rates for Males, April 1987.



Source: Table 5.5

In the PSI sample 58% of the male LTU and 45% of the female LTU were over 45 years old. In general they had lower educational qualifications and about 50% were previously unskilled or semi-skilled workers. Most of the LTU had been working immediately prior to becoming unemployed (85% of the male LTU and 77% of the female LTU). 51% of males and 41% of female LTU were made redundant or were dismissed, and 38% and 50% respectively left voluntarily (see White Table III.8). An important finding of this study was that there was downward mobility (or downgrading prior to the present spell of LTU), i.e. people had held skilled or non-manual jobs then after spells of unemployment taken unskilled jobs before finally becoming LTU. The LTU also had a high proportion of people with disabilities and a greater proportion of illness. White suggests that illness may be partly a cause and partly a consequence of unemployment.

The general findings were that the LTU had come mainly from the manufacturing sector, that the LTU had been through recurrent spells of unemployment, occupational downgrading until eventually falling into a trap of LTU.

Let us now turn to the results from the Labour Force Survey, 1984. The LFS results are usually different from the administrative count (Department of Employment, DE, statistics) and have been compared in various articles in the Employment Gazette. In particular, women are more likely to be counted as unemployed in the LFS method than in the DE method. In the LFS 1984, 62.2% of the unemployed people were males and 37.8% females. 45% of males and 63% of females were short-term unemployed (<1 year), 17% males and 16% females were unemployed for between 1 and 2 years, and 37% of males and 21% of females were unemployed for 2 or more years.

Table 5.7 and 5.8 show that for males and females the highest proportion of all the unemployed, and of all the VLTU, came from the prime-age group, 25-44 years. For males (females), almost three-quarters of the VLTU were under 45 years of age. This contrasts with the PSI study where a majority of the LTU were over 45.

A majority of the male VLTU were married, came from large adult households, and lived in rented property. All but 8% of male VLTU claimed unemployment benefits, while 45% of female VLTU claimed no unemployment benefits. Of the unemployed males 60% had no qualifications, and 74% of male VLTU had no qualifications. For females 48% of the unemployed and 62% of the VLTU had no qualifications. A large majority (79%) of the unemployed males (who had left their job less than 3 years before) had left them either because of redundancy or because the contract had terminated.

A look at the class composition of the unemployed (Tables 5.9 and 5.10) shows that a majority of the unemployed and of the VLTU came from the unskilled, partly skilled, and manual skilled groups. The unemployment rates for blacks is almost double that for whites but the absolute numbers in the sample for VLTU are too small to derive any firm conclusions. (See Employment Gazette, December 1985, pp. 467-477).

**Table 5.6** Probability of Reaching Particular Duration Thresholds, Jan. 1985  
- Jan. 1986, GB (%).  
Duration to reach:

	3yrs Males & Females	2yrs Males & Females	3yrs Males all ages	2yrs Males all ages	3yrs Females all ages	2yrs Females all ages
<b>Duration Already Reached</b>						
Inflow	4	7	5	8	3	5
3 months	8	13	10	15	5	9
6 months	12	20	14	23	8	14
9 months	17	27	21	33	11	19
12 months	22	36	26	41	15	27
15 months	33	55	36	58	27	18
18 months	42	70	45	72	36	61
2 years	61		62		56	
	3yrs Males & Females Under 25 years		3yrs Males & Females 25 years and Over			
Inflow	1	3	7	10		
3 months	3	8	12	17		
6 months	6	13	16	24		
9 months	9	19	21	32		
12 months	13	29	27	40		
15 months	20	44	41	61		
18 months	27	60	50	74		
2 years	44		68			

Source: Employment Gazette, September 1986, Table 1, p. 361

Table 5.7 Age and Duration: Males

Count				
Row %				
Column %		Time		Row
Total %	< 12	1-2 years	≥ 2 years	Total
Male age				
16-19	539	161	151	851
	63.3	18.9	17.7	16.2
	23.2	17.5	7.6	
	10.3	3.1	2.9	
20-24	464	187	424	1075
	43.2	17.4	39.4	20.5
	19.9	20.3	21.3	
	8.9	3.6	8.1	
25-44	850	361	884	2095
	40.6	17.2	42.2	40.0
	36.5	39.2	44.4	
	16.2	6.9	16.9	
45-59	378	176	431	985
	38.4	17.9	43.8	18.8
	16.2	19.1	21.7	
	7.2	3.4	8.2	
60-64	96	36	99	231
	41.6	15.6	42.9	4.4
	4.1	3.9	5.0	
	1.8	0.7	1.9	
Column Total	2327	921	1989	5237
	44.4	17.6	38.0	100.0

$$\chi^2(8) = 198.3$$

Table 5.8 Age and Duration: Females

Count % Row % Column % Total %		Time			Row Total
		< 12	1-2 years	≥ 2 years	
Female Age					
16-19		415	122	79	616
		67.4	19.8	12.8	19.5
		20.9	23.8	12.0	
		13.2	3.9	2.5	
20-24		383	102	130	615
		62.3	16.6	21.1	19.5
		19.3	19.9	19.7	
		12.1	3.2	4.1	
25-44		925	211	276	1412
		65.5	14.9	19.5	44.8
		46.6	41.1	41.9	
		29.3	6.7	8.7	
45-59		260	78	174	512
		50.8	15.2	34.0	16.2
		13.1	15.2	26.4	
		8.2	2.5	5.5	
Column Total		1983	513	659	3155
		62.9	16.3	20.9	

$$\chi^2(6) = 84.6$$

Table 5.9 Social Class and Duration: Males

Count %		Time			Row
Row %			1-2 years	≥ 2 years	Total
Column %					
Total %		< 12			
Social Class I	53	14	13	80	
	66.3	17.5	16.3	2.1	
	2.4	1.7	1.5		
	1.4	0.4	0.3		
Social Class II	350	110	89	549	
	63.8	20.0	16.2	14.2	
	16.0	13.3	10.5		
	9.1	2.9	2.3		
Social Class IIIN	191	70	56	317	
	60.3	22.1	17.7	8.2	
	8.7	8.5	6.6		
	4.9	1.8	1.5		
Social Class IIIM	946	346	352	1644	
	57.5	21.0	21.4	42.6	
	43.3	41.8	41.6		
	24.5	9.0	9.1		
Social Class IV	432	185	194	811	
	53.3	22.8	23.9	21.0	
	19.8	22.3	22.9		
	11.2	4.8	5.0		
Social Class V	213	103	142	458	
	46.5	22.5	31.0	11.9	
	9.7	12.4	16.8		
	5.5	2.7	3.7		
Column	2185	828	846	3859	
Total	56.6	21.5	21.9	100.0	

$$\chi^2 (10) = 50.2$$

Notes: The social class is that of the head of household.  
 Social Class I: Professional Occupations  
 Social Class II: Intermediate Occupations  
 Social Class IIIN: Skilled, not manual  
 Social Class IIIM: Skilled: manual  
 Social Class IV: Partly skilled  
 Social Class V: Unskilled.



Table 5.10 Social Class and Duration: Females

Count % Row % Column % Total %	Time			Row Total
	< 12	1-2 years	≥ 2 years	
Social Class I	86 74.8 4.7 3.2	17 14.8 3.9 0.6	12 10.4 3.0 0.4	115 4.3
Social Class II	349 73.6 18.9 13.1	78 16.5 18.0 2.9	47 9.9 11.9 1.8	474 17.7
Social Class IIIN	239 68.9 13.0 8.9	62 17.9 14.3 2.3	46 13.3 11.6 1.7	347 13.0
Social Class IIIM	702 70.1 38.0 26.3	140 14.0 32.3 5.2	159 15.9 40.2 5.9	1001 37.4
Social Class IV	355 64.8 19.2 13.3	103 18.8 23.8 3.9	90 16.4 22.7 3.4	548 20.5
Social Class V	114 60.3 6.2 4.3	33 17.5 7.6 1.2	42 22.2 10.6 1.6	189 7.1
Column Total	1845 69.0	433 16.2	396 14.8	2674 100.0

$$\chi^2(10) = 30.4$$

Notes: The social class is that of the head of household.  
 Social Class I: Professional Occupations  
 Social Class II: Intermediate Occupations  
 Social Class IIIN: Skilled, not manual  
 Social Class IIIM: Skilled: manual  
 Social Class IV: Partly skilled  
 Social Class V: Unskilled.

#### 5.4. Explanations

The causes of the increase in VLTU are to be found in the causes of the growth in unemployment. In general, VLTU follows the same path as unemployment, with a lag. Earlier studies, OECD (1983), MSC(1982) have demonstrated the fairly close relationship between LTU and unemployment. In our study using quarterly data for UK, (see Appendix) we find that VLTU (whether the level or proportion) can be "explained" by lagged unemployment. However, this is a superficial explanation of VLTU.

There are two alternative ways of analysing VLTU:

- (i) Cross-section analysis
- (ii) Time series analysis.

(i) Cross-section This method involves using individual level data (preferably longitudinal) to estimate "hazard" functions: the possibility of leaving the unemployment stock. Pioneering studies in this genre are by Lancaster (1979), Nickell (1979) and Chesher and Lancaster (1983). The models "explain" duration in terms of various characteristics of the unemployed individuals: age, qualification, skills, etc. They also attempt to see if there is "state dependence" (or duration dependence) - whether the length of the unemployment spell itself affects the probability of leaving the unemployment stock. Although there are several technical problems involved, a consensus view would be that the longer an individual has been unemployed (other things being equal) the lower the probability of finding work. (Last-in-first-out from unemployment). This could be for one of two reasons: firstly, the unemployed person gets demoralised and searches less intensively, and secondly, the potential employer uses the unemployment duration of the individual as a "signal" of some poor characteristic. Of course, both these reasons may operate simultaneously. In terms of the stock of unemployment, over time the proportion of people with the least "marketable qualities" will increase, see Budd, Levine and Smith (1987). The aggregative data based on flows, see Table above, supports the view that the probability of leaving unemployment decreases with duration.

(ii) Time-series This analysis may be based on looking at VLTU stocks, proportion of VLTU in total unemployment, or outflows from the unemployment stock. One of the most comprehensive studies done on LTU is for Australia by Trivedi and Hui (1987) where they estimate transition probabilities, and the proportion of LTU. They explain the latter in terms of earnings, unemployment benefits, vacancy rates, lagged unemployment, and lagged inflow rates. Some recent studies for Britain by Budd, Levine and Smith (1987) and Pissarides (1987) provide interesting attempts at explaining LTU. Pissarides (1987) in his provisional paper has a model to explain the differences between the outflow rate for short term and long term unemployment in terms of replacement rates, vacancy rates and unemployment rates. He finds that the persistence in the unemployment rate is due to the decline in the rate at which workers of all durations leave unemployment.

The evidence we presented in the previous section suggests that the growth in VLTU is regionally concentrated: it is in those regions which have had structural change in terms of a decline of the industrial sector. Unlike the earlier period people who are VLTU now are younger, more of them have some skills and qualifications. The big growth in VLTU, many of whom held long term jobs before becoming unemployed themselves. The growth of VLTU

is primarily due to a fall in aggregate demand and a decline of the industrial sector. In addition, most of the new jobs created have been part-time in the service sector for skilled workers. Many of the VLTU who are male and unskilled have lost their jobs from the industrial sector and are therefore unable to 'escape' from the trap. The older they are the more difficult it is to escape.

### 5.5. Policies

In this section we shall first outline the policies introduced by the British Government to tackle the problem of growing LTU and then evaluate their success.

Since 1986 the Government introduced an integrated approach designed to help the LTU. The comprehensive package brought together various existing schemes and introduced new initiatives in a package called Action for Jobs. Of the £3,000 million spent on various special employment measures in 1986/87, over half the sum was devoted towards the LTU problem. These policies have been met with some scepticism by various pressure groups who act on behalf of the unemployed: thus the Unemployment Unit and Charter for Jobs (to name a couple of groups) have accused the Government of attempting to affect the unemployment count rather than the problem of unemployment and LTU.

The new scheme begins with "Restart" and includes "Job Clubs", "Job Training Schemes", "Community Programmes", "Enterprise Allowance Schemes" and "Jobstart".

(i) Restart This plan was announced in the Autumn of 1985 and a pilot scheme launched in January 1986 and extended nationally in July 1986. The object of Restart is to provide counselling to the LTU (for those over 18 years of age who have been unemployed for a year or more): the LTU are invited to an interview where various alternatives are discussed. Since April 1987 the scheme was extended to those with durations of six months or more and at six monthly intervals thereafter for those remaining unemployed. However, those who do not respond to this "invitation" are refused unemployment benefit. Once interviewed, the unemployed may lose their right to benefit if they refuse the alternatives offered to them (see below) by the counsellors. As there was simultaneously a tightening of the "availability for work" test for benefit recipients this measure has been severely criticised. It should be noted that for some of the LTU or VLTU an interview may be daunting and frightening, but for others it may be the first time someone has shown an interest in their future. However, the Unemployment Unit argues that these interviews are aimed at persuading the unemployed to lower their wage expectations, accept less skilled jobs, or accept poorly paid part-time work. The counsellors at the Restart interview provide the unemployed person with a menu of choices which include:

(ii) Job Clubs These are meant to motivate the LTU to apply for jobs and to help with free stationery, telephones, photocopying, postage, etc. First introduced in 1984, they have been expanded to 1,000. These have been very successful with a high proportion (about 60%) finding employment (as always the longer the unemployment duration the lower the probability of finding work). As yet these operate on a small scale so that the entrants into job clubs may be a self-selected (highly motivated) group.

(iii) Job Training Scheme First introduced in January 1987 it was extended to a national level on 1st April 1987. This is aimed at providing training for 18-25 year old LTU people. The training (which lasts for six months) is towards a recognised qualification. There are rumours that refusal to join this scheme will make young people ineligible for benefits, and by definition no longer unemployed. In addition those who leave the scheme would be counted as "new entrants" into the unemployed stock. This would obviously affect the count of LTU and VLTU.

(iv) Community Programme (CP) This was introduced in 1982 to supersede the Community Enterprise Programme. Eligibility was dependent on age and duration of unemployment: the 18-24 age group were eligible after six months duration and the rest after twelve months duration. Unemployed persons would be employed on projects of benefit to the community (mainly environmental projects) for up to twelve months at the "local rate for the job". The intention was to re-integrate LTU persons into the labour market. It was hoped to have up to 300,000 employed on these schemes in 1987. By February 1986 approximately half a million of the LTU (mainly under 25 years of age) had joined the CP (over the years) and a large number re-entered unemployment on leaving the CP. The idea behind CP is certainly worthwhile and further changes should include training for the entrants. In addition, the CP could be expanded from the simple projects to important activities like construction (housebuilding, road building, etc).

(v) Enterprise Allowance Scheme This was introduced as a pilot scheme in 1982 and extended nationally in 1983. The scheme pays an allowance of £40 per week for upto a year to those people who have a £1,000 to set up a new business. As with many small businesses there is a high rate of bankruptcies. In addition there is an element of 'deadweight' (firms that would have been set up anyway) and displacement of existing employment. The hope of this scheme is to foster self-employment and a "free market economy" culture.

(vi) Jobstart Allowance LTU people are offered an allowance of £20 per week to those accepting jobs at less than £80 per week. The allowance is paid for up to six months to encourage the LTU to accept low paid jobs and obtain some work experience.

(vii) Job Release Scheme This scheme is to encourage older workers to take early retirement so that they can be replaced by an unemployed person (not just LTU). The scheme was introduced in 1977 and revised in 1984 and essentially encourages men aged 64 and women aged 59 and all disabled men over 60 to take early retirement.

(viii) Early Retirement Schemes for LTU In November 1981 and March 1983 men over 60 were given higher supplementary allowances and encouraged to leave the working population. This is, of course, simply a redefinition of the LTU and not really a measure to help the LTU.

In evaluating the impact of these special employment measures to tackle the problem of LTU or VLTU we need to consider:<sup>1</sup>

(a) deadweight loss: the number of jobs which are being subsidised which would have been created independently of the subsidy.

(b) substitution effect: the extent to which the VLTU are employed at (say) the expense of the LTU. In other words, the employment measures succeed in helping the target group at the expense of the rest.

(c) displacement effect: the employers receiving subsidies hire from the target group but other employers are forced to shed labour because of competition from the subsidised firms.

(d) registration rate effects: those not in the labour force remaining in the labour force to benefit from the special employment measures. In recent years, many may leave the labour force because of the Special Employment Measures (e.g. Restart).

Not surprisingly the Government announces and publishes statistics which are highly favourable to their efforts while the "unemployment lobby" is critical of them. In a comprehensive and critical review, the Unemployment Unit (1987) in Half Measures: A Review of MSC Special Employment and Training Programmes argues that the net impact in terms of job creation is fairly small although it has a significant impact on the unemployment count. In particular they argue that the outflow from unemployment due to Restart was no greater than the average outflows for LTU before the policy was introduced.

The numbers involved in these schemes are fairly large as seen below in Table 5.11.

Table 5.11 Special Employment Measures

	March 1987
Community Programme	244,000
Enterprise Allowance Scheme	81,000
Youth Training Scheme	318,219
New/Young Workers Scheme	34,103
Community Industry	8,000
Job Release Scheme	24,000
Job Splitting Scheme	297
Job Training Scheme	2,131
Jobstart Allowance Scheme	5,692
Total	717,442
Register Effect Totals	538,957
Register Effect less YTS	298,383

Source: Unemployment Unit Statistical Supplement, May 1987.

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<sup>1</sup> See the Institute for Manpower Studies submission of evidence to the House of Commons Employment Committee 1985/86; and MSC Review, 1981.

Overall there are approximately 400,000 people on various schemes (excluding the Youth Training Scheme) which lowers the unemployment count by about 300,000. A proper evaluation of these schemes would require a detailed longitudinal sample of all the unemployed (including those on these schemes) and study the longer run impact on employment experience of these people. It is often the case that the LTU are removed from unemployment temporarily and then return to unemployment. It is not clear whether this temporary relief helps the individual or whether the subsequent spell of unemployment causes even more stress.

Most of the special employment measures would be much more beneficial in a buoyant labour market: a concerted expansion of the economy would initially favour the short-term unemployed while the special employment measures could help the LTU and VLTU.

#### 5.6. Conclusions

There has been a very large increase in VLTU in the UK and this chapter has reviewed some of the evidence on trends and characteristics of the VLTU. Various policies towards the LTU were discussed. It was suggested that these policies would be more successful in the context of an expanding economy with increasing aggregate demand. Given the regional concentration of VLTU (as of unemployment) regional employment policies would have the greater impact on the problem.

Appendix to Chapter 5

Using quarterly data for UK from 1979 (1) to 1986 (4) we carried out a simple regression analysis to explain VLTU. We regressed the VLTU (total) on the unemployment rate lagged upto eight quarters and including a lagged dependent variable. After carrying out tests of zero restrictions on various lags, the best equations are presented in Table 5.A1. Equations 2 and 5 were the preferred equations using a non-nested test.

Table 5.A1: Regressions Analysis of VLTU (1979 (1) to 1986 (4))

Dependent Variable Total LTU	Eq.No	Constant	Unemploy- ment Rate	Unemploy- ment Rate (-4)	Unemploy- ment Rate (-8)	Lagged Dependent Variable
	1	-48354.2 (-.870)	3579.9 (.4349)	11215.2 (2.075)	-2896.9 (-.361)	.896 (8.370)
	2	-23826.4 (-1.951)		12282.8 (5.324)		.857 (32.316)
	3	30360.1 (1.556)			9048.5 (1.193)	.842 (8.298)

Proportion  
of LTU in  
Unemploy-  
ment

4	-.019 (-1.053)	.001 (.461)	.003 (2.369)	.001 (.377)	.807 (6.115)
5	-.012 (-3.536)		.004 (7.435)		.839 (30.590)
6	.005 (1.003)			.007 (2.719)	.656 (5.629)

	$\bar{R}^2$	DW	h
1	.99	1.87	.38
2	.99	1.82	.48
3	.99	1.13	2.46
4	.99	1.99	.03
5	.99	2.39	-1.06
6	.99	1.20	2.40



PART III POLICIES

Chapter 6 Policies and Policy Recommendations

by P N Junankar

## Chapter 6 Policies and Policy Recommendations

by P N Junankar

### 6.1 Introduction

In this study we have discussed the growing problem of very long term unemployment (VLTU) and various policies that have been introduced in Belgium, France, the Netherlands, and the U.K. In looking at policies towards the VLTU we can consider the implications for equity and (economic) efficiency. Most of the policies that have been introduced are with a bias towards equity. However, it is very difficult to estimate the efficiency costs: government policies to employ or train the VLTU at the expense of the short term or medium term unemployed may involve a higher cost because of the worse qualifications (productivity?) of the VLTU. But the continuation of VLTU may also increase the burden on society in terms of increased expenditure on health care: medicines, doctors, hospitals etc. It is generally accepted that the problem of LTU and VLTU is so severe that we must be willing to sacrifice some of the "efficiency costs". We shall argue in this chapter that we need an integrated policy approach which expands aggregate demand and targets various policies towards the VLTU. We may also wish to target policies at people who are likely to become VLTU.

In some earlier work, Junankar (1986a,b) we argued that the cost of unemployment (economic, budgetary, individual and social) were enormous. These arguments will not be repeated here to justify our policy recommendations.

### 6.2 Analysis of Policies

Before we turn to analysing policies to decrease VLTU let us differentiate between "real" and "cosmetic" policies. It is easier to define "cosmetic" policies, which we shall ignore in the remainder of this chapter. By cosmetic policies we mean policies introduced by various Governments simply to affect the administrative count of unemployment, LTU and VLTU. Thus policies which simply redefine the old VLTU as "young pensioners" clearly decrease the numbers in VLTU: but this is purely a cosmetic device. Similarly, policies which are introduced to make it harder to claim benefits (or register as unemployed) are not a serious attempt to solve the problem. For example, in Britain there has been a tightening up of the "availability for work" criterion which has affected the unemployment count.

It is important to note that the economy is an integrated whole with (on a macroeconomic scale) an output market, a labour market and a money market (and in the longer run, a capital goods-real investment-market). Policies that affect the output or money markets have secondary effects on the labour market. In a Keynesian paradigm, the problem of unemployment is due to a lack of aggregate demand: there is unemployment because the output market is constrained. In our view the major method of tackling VLTU is by an increase in aggregate demand, which will then increase the demand for labour and hence increase employment. However, because the labour market operates in a way that leads to a hiring of the short run unemployed first, it would take a continuing recovery to lead to a fall in VLTU. To lead to an improvement in the VLTU more quickly would require other policies targeted specifically at them.

It is possible to treat the impact of policies on unemployment, LTU and VLTU schematically in terms of the impact on

- (a) Labour demand
- (b) labour supply
- and (c) the operation of the labour market.

Keynesian economists, as mentioned earlier, argue that we should introduce policies to affect labour demand via expanding aggregate demand. Neoclassical economists recommend policies to affect labour supply and the operation of the labour market. (For analytical simplicity we are considering only "pure" types).

Most policies introduced in the European Community can be covered by the above classification. We shall not provide details of all the policies introduced in the member countries since they are essentially variations on those introduced in the four countries we have looked at in detail above, viz. Belgium, France, the Netherlands and the United Kingdom. The most "advanced" set of policies towards long term unemployment have been introduced in Denmark, and we shall refer to them below. A summary of various policies in the European Commission was provided in InforMISEP (No. 17, March 1987) which is included as an appendix to this Chapter.

(a) Labour Demand

Policies can be introduced to increase labour demand either by increasing aggregate demand or by changing the "price" of labour (or the labour costs, broadly defined to include wages, employer's national insurance payments, etc).

(i) Aggregate Demand This can be increased by either monetary or fiscal methods. Monetary methods would include lowering real interest rates while fiscal methods would include tax cuts or increases in public expenditure. One reason many Governments have not followed this path is that they are worried about the Public Sector Borrowing Requirement and the possibility of renewed bouts of inflation. It has been argued by the Centre for Labour Economics at the London School of Economics<sup>1</sup> that the LTU (and a fortiori the VLTU) have little or no influence on wage determination so that an increase in aggregate demand targetted at LTU (or VLTU) should be introduced. Others have argued that the acceleration in European inflation was caused by commodity price inflation (especially oil) so that, again, aggregate demand may be stimulated.

Most discussion about stimulating aggregate demand has been over the question of whether tax cuts or public investment expansion is better. The House of Commons Employment Committee (1986) argued that tax cuts would cost more per unemployed person and would take longer to have any effect. On the other hand public investment would have a lower cost and would be quicker in its effects. Public expenditure via Special Employment Measures, according to them, would be the least cost method of decreasing, especially, long term unemployment. (The estimates they quote are £47,000 for income tax cuts, £26,000 for public investment, £15,000 for public current expenditure, and £2,650 for Special Employment Measures (all estimates to remove one unemployed person from the count). Although there can be a debate about

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<sup>1</sup> See for example Jackman et al (1986)

the precise estimates quoted, there would be a consensus amongst most economists about the above ranking.

One way of conceptualising the effects on labour demand is to consider the impacts on the flows into and out of unemployment. An overall stimulus to the economy via tax cuts or expansion in public expenditure would decrease the inflow into unemployment and increase the outflow from unemployment. Eventually, LTU and VLTU would fall: in the first instance the short term unemployed would be hired and the medium term would not flow into LTU and into VLTU. The income tax cuts method would take longer to have any impact on unemployment and on VLTU. However the public expenditure expansion could be targetted to have a maximum impact on VLTU. The targetting can be in terms of expansion of those kinds of industry that hire unskilled workers and use labour intensive methods. Thus it is argued that public expenditure in construction (house and road building) would mop up some of the unemployed and some of the VLTU. The public expenditure should also be targetted at those regions which have the highest levels or rates of VLTU. Finally, the public expenditure can be targetted by specifying that the public (or private) authorities must hire a specified number (or proportion) of their labour force from among the VLTU. Examples of this type of expansion are via Special Employment Measures like the Community Programme in the U.K. and the TCT in Belgium. (The Belgian TCT is almost unique in being targetted at the VLTU, most other measures are usually aimed at the LTU). Voluntary Work Schemes are, to some extent, similar.

The Danish Job Offer Scheme is an extremely enlightened one. Every insured person who has been unemployed for a cumulative period of 21 months out of 27 months (or 12 months out of 15 months for young people less than 25 years of age) is guaranteed a temporary job for nine months in the private sector or seven months in the public sector. The Government pays a subsidy to the employer (private or public) but the local authorities are responsible to provide employment for those who cannot find work in the private sector.

Schemes to provide unemployed people a grant to set up as self-employed people (e.g. the European Allowance Scheme in the U.K.) unfortunately are not appropriate for the VLTU who are least likely to be sufficiently motivated or have the necessary funds to start an enterprise.

(ii) Labour costs There are various ways in which Governments alter the 'price' of labour to the private or public sector. They can provide marginal employment subsidies for any extra unemployed person hired. This can be directed towards employing of VLTU as, for example, in Belgium. Alternatively the Government can lower (say) the employer's national insurance contributions for any new VLTU hired. However, studies of the operation of these schemes suggest that these are not very effective because of "deadweight" and "displacement" effects (see Chapter 5). Similarly, the Government could subsidise early retirement of employed workers conditional on hiring a LTU (or VLTU person) e.g. the British Job Release Scheme.

#### (b) Labour Supply

Many of the policies introduced by various Governments to affect the quantity or quality of labour supply are to some extent "cosmetic" policies. Thus, early retirement schemes of long term unemployed people, in say

Belgium, France and the U.K., simply cover up the problem by re-definition. Similarly, many training schemes may simply interrupt a spell of unemployment and prevent the person from becoming LTU or VLTU. For example, if all VLTU were required to join a training scheme then VLTU would disappear. But if at the end of the training scheme all of them were still unemployed they would be treated as newly unemployed people.

Of course, many training schemes do provide (useful) training and some of the people do find work. These schemes vary in whether the training is "on-the-job" or in special educational or quasi-educational centres. Again, there is a variation in whether the subsidy is paid to the unemployed individual or to the employer. Unfortunately, most of these training schemes "cream off" the unemployed - those who are VLTU or likely to become VLTU are unlikely to get onto these schemes. It is clear that in a changing industrial environment there is need for training and retraining. These schemes are likely to be successful in a buoyant labour market rather than in a slack one.

An alternative method is to extend schooling. This, of course, decreases labour supply and should therefore lower unemployment. But in some sense this may also be a cosmetic measure: if we raised the school leaving age and lowered the retiring age, unemployment (and hence VLTU) would certainly fall. But it would be an enormously expensive method.

There have been attempts, say in the U.K., to encourage people to accept low paid jobs by paying them a subsidy for a limited period of time. In some countries unemployment benefit continues to be paid if the unemployed accept part time low paid work. These methods are unlikely to have any significant impact on VLTU.

It is worth making the following point: if a helicopter went over all the unemployed people in Europe and scattered PhDs or engineering qualifications on all of them, unemployment is unlikely to fall. In a quantity constrained labour market the "faces" of the employed and unemployed may change without any net impact on the labour market.<sup>1</sup>

Again, a VLTU person loses motivation and searches less intensively for work. Any policy to re-motivate the VLTU may help some individuals, but if this simply involves someone else not finding work and becoming longer term unemployed, all that may happen is a redistribution of unemployment.

### (c) The Labour Market

Some neoclassical economists (and many Conservative politicians) believe that the problem of unemployment and VLTU can be cured by improving the functioning of the labour market. They argue that removing restrictions on employers' freedom to hire and fire (e.g. employment protection legislation) and removing the power of unions would make real wage rates more sensitive to states of excess supply and demand. The current term for this is "flexibility" in the labour market.

It is in this context that special employment measures like "Restart", "Job Clubs", etc were introduced. By providing the unemployed with

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<sup>1</sup> With apologies to Milton Friedman's experiment of scattering money from a helicopter.

information about the labour market in terms of vacancies, improving their job search techniques, increasing mobility of labour (occupationally, geographically etc), and altering their "expectations" (i.e. accepting low paid jobs) would decrease VLTU.

Besides this view, it is possible to lower VLTU by changing the operation of labour markets by persuading employers not to make older people redundant (since they are likely to become VLTU), by encouraging firms to provide alternative employment in their subsidiaries (or other plants) to those people they plan to dismiss. The Government could provide a "mobility allowance" to VLTU workers in high unemployment regions to enable them to move and look for work in low unemployment regions. This mobility allowance could be in two parts: one for job search purposes and another to cover the (higher) costs of housing in the low unemployment region. This mobility allowance could be paid for (say) upto twelve months.

Some of the policies we have discussed may have a short-run impact while others may have a long-run impact. Some policies may simply re-distribute unemployment and in some equity sense may still be preferable to no policies. Targetted employment policies can be aimed at those currently VLTU or those people who are likely to become VLTU (e.g. the old, the handicapped, ethnic minorities).

### 6.3 Policy Recommendations

Our study leads to us to the following recommendations:

- (i) A co-ordinated European Community expansion of public sector expenditure in housing, health services and education. This expansion to be concentrated in those regions with the highest VLTU.
- (ii) A Job guarantee scheme for all the Very Long Term Unemployed (cf. the Danish Job Offer Scheme).
- (iii) Subsidies to employers who hire VLTU people.
- (iv) A regional employment subsidy.
- (v) A regional investment subsidy to firms that hire a certain proportion of their labour force from the VLTU.
- (vi) A mobility allowance to be paid to the VLTU for up to 12 months to move from high unemployment regions to low unemployment regions. This payment to be made whether or not the person has found employment.
- (vii) Training schemes at the work-place with the employer and trainee receiving an allowance.

In addition to these recommendations, we would propose the setting up of an agency of the European Commission to gather information on labour market flows and the setting up of a pilot longitudinal study of the unemployed.

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These recommendations would need to be properly costed. Obviously, they would involve an increase in public expenditure. However, we feel that there is a crisis in the labour market and it requires crisis measures.

## Appendix 6.1 MISEP Measures in Favour of the Long Term Unemployed

	BELGIUM	DEMARK	GEMANY	SPAIN	FRANCE	GREECE
PERSONALISED COUNSELLING			• Personalised counselling after every 3 months of unemployment (APG, '69 Labour Promotion Act)		• Personal interviews, assessment and programme after 13 months unemployment ('82)	
POSTERING SELF-HELP			• Add financial aids for travel etc to enable in. LTUs to find and take up jobs			
POSTERING SELF-EMPLOYMENT		• Enterprise allowance to help start up own firm instead of (überbrückungsgeld) receiving a second Job Offer ('85)	• Bridging allowance for 3 mths ('86)	• Reduction of interest on loan + technical assistance grant (TAG) + ECU 1800 grant (G) ('86)	• Helping the unemployed set up own business • Départemental youth initiative fund: +25 yr LTUs ('84)	
FINANCING SPECIALISED TRAINING			• Training to improve placement prospects • Grant for training period within an employment contract (Mitarbeitungsvertrag)	• Basic + vocational retraining (VT) 25+ yr old LTUs (75% stat min wage)	• Modular traineeships 300-1200 hours of integration itinerary for 25+ yr olds ('85) • Training and Reinsertion Aid Programme ('86): 950 hours training + 2 mths in enterprise (young): 300-700 hours (adults)	
INSERTION INTO EXISTING TRAINING		• Training allowance for up to 2 years for 25 yr olds ('81) • Training allowance instead of second Job Offer ('85)	• LTUs are encouraged to participate in existing courses only once they have come to grips with their personal and vocational situation so as to reduce the number of drop-outs	• Vocational training (VT) in rural areas: 25+ yr LTUs receive 75% min wage • Free VT for 45+ LTU after being given indefinite employment contracts	• 10-25 traineeships ('85) • Employment-training contracts ('85) • AFPE upgrading ('85) • FFE traineeships ('85)	• Priority on courses to LTUs
WORK CONTRACTS			• Fixed term trial employment (befristete Probeschäftigung)	• Indef contracts for 45+ yr olds: ECU 2860 grant + -50% Soc Sec ('83) • Indef contracts for employing women +45 in underemp. occupa. - ECU 1800 G ('86)		
SPECIAL WORK PROGRAMMES	• TCP-Third work circuit: new permanent, non-market community jobs. State pays 95% of wage + social security ('82/'86)		• ANW - public interest job creation (APG '69)	• Priority in Collaborations contracts of public sector bodies with IREN: max. 100% G ('85)	• POC: part-time collective utility jobs for 16-24 year olds ('84) 21-25 ('85) • PFL (25+) p-t work for 6 mths ('86)	
SUBSIDISING NORMAL WORK	• Inter-departmental Budgetary Fund for Promoting Employment in the non-market sector ('82)	• Job Offers for jobs lasting at least 7 mths in public (9 in private) sector after 2 yrs ('81)	• LEZ - wage subsidies for 50+ yr old LTUs hired for additional jobs • Loans or subsidies for organising, equipping firms and departments aimed at providing work for older workers (APG 1984) • Settling-in allowance (Mitgliederzuschuss) • Occupational trial periods (Arbeitsproben)	• In cooperatives: loan interest reductions (CR) + TAG + ECU 1800 G ('86) for LTU • Encouraging local employment initiatives: CR + TAG + ECU 1800 ('86) for LTU • Work experience contracts -25 yr old with dependants: Soc Sec reduc. + grant 30% (25%) for 6 (+6) mths ('86)	• Aide d'ECU 450-900 to employer + topping up US to p-t employment ('85) • Financial compensation for LTUs accepting p-t jobs at wages below US	• 12,000 12-mth grants to firms for hiring LTUs ('84)
POSTERING EARLY RETIREMENTS	• Early retirement by collective agreement (revised Aug '86) for workers aged 57+ (replacement required by an unemployed person)	• Voluntary Early Retirement Scheme: replacements by LTUs are encouraged ('79)	• Early retirement scheme enables LTUs to be hired in replacement ('84)			
EXTENDING UNEMPLOYMENT ALLOWANCE			• Extension of max. duration of receipt of UE for 43+ yr olds ('86)	• 55 yr olds on unemployment assistance qualifying for retirement pension can receive 75% minimum statutory wage.	• LTUs 57+ yrs get US without signing on until 60, when they receive early retirement pension	
OTHER ACTIONS			• Working group on LTU measures ('86)			

Source: InforMISEP (No. 17, March 1987)



## Appendix 6.1 continued

	IRELAND	ITALY	LUXEMBOURG	NETHERLANDS	PORTUGAL	UNITED KINGDOM
PERSONALISED COUNSELLING	<ul style="list-style-type: none"> <li>Direct Action (pilot) Prog. grouping manpower measures into integrated package - counselling + job or place on m/p prog ('86)</li> </ul>					<ul style="list-style-type: none"> <li>Restart offering all LTUs practical advice and help: to jobs, Jobclubs Restart training ('85)</li> </ul>
POSTERING SELF-HELP	<ul style="list-style-type: none"> <li>Job Search Scheme: coaching in job-search techniques ('86)</li> </ul>					<ul style="list-style-type: none"> <li>Jobclubs providing LTUs with meeting place, coaching and material facilities ('85/'86)</li> </ul>
POSTERING SELF-EMPLOYMENT	<ul style="list-style-type: none"> <li>Enterprise Scheme: LTUs constitute 40% of participants ECU 40-60 per wk ('83)</li> </ul>			<ul style="list-style-type: none"> <li>Start-up assistance scheme: income supplement + loan (ECU 10,000)</li> </ul>	<ul style="list-style-type: none"> <li>Self employment aid programme ('86)</li> <li>Capitalised unemployment insurance scheme for enterprise creation ('86)</li> </ul>	<ul style="list-style-type: none"> <li>Enterprise Allowance Scheme: ECU 55 per wk for 1 yr to set up own business - not just LTUs ('82/'83/'85)</li> </ul>
FINANCING SPECIALISED TRAINING	<ul style="list-style-type: none"> <li>Building on Experience (25-44): 6 mths alternating formal training and on-the-job training ('84)</li> <li>Management Development Prog - LTU users</li> </ul>		<ul style="list-style-type: none"> <li>Voc train, voc reeduc, general educ courses</li> <li>Introductory courses in companies - 25yrs</li> <li>Temp manpower prog contracts - 25 yrs</li> <li>Initiation training contracts - 25 yrs</li> </ul>			<ul style="list-style-type: none"> <li>Restart training course for updating basic skills and job search techniques of 1 wk + 1 day for 13 wks ('85)</li> </ul>
INSERTION INTO EXISTING TRAINING	<ul style="list-style-type: none"> <li>Special Employable Skills programme</li> <li>Enterprise Training programmes</li> <li>Educational Opportunities Scheme + 25 yrs ('86)</li> </ul>				<ul style="list-style-type: none"> <li>Priority access to reconversion and upgrading courses of state training centres</li> </ul>	<ul style="list-style-type: none"> <li>Vider Opportunities Training Programme</li> <li>Job Training Scheme: 6 mths training + work experience</li> <li>Training for Enterprise (entrepreneurship)</li> </ul>
WORK CONTRACTS	<ul style="list-style-type: none"> <li>Part-Time Job Allowance Scheme for LTUs having found regular part-time (-24 hrs/wk) work - ECU 33-55 ('86)</li> </ul>	<ul style="list-style-type: none"> <li>Training-work contracts for 18-29 yr olds with 15-30% wage subsidies ('83/'86)</li> </ul>		<ul style="list-style-type: none"> <li>JOB: Temporary work contracts (20-32 hrs/wk) for young LTUs through national agency (START) enables employers to receive subsidy of 33% youth rate</li> </ul>	<ul style="list-style-type: none"> <li>Grants (12x min wage to firms giving 25+ yr old LTUs open-ended employment contracts ('86)</li> </ul>	
SPECIAL WORK PROGRAMMES	<ul style="list-style-type: none"> <li>Social Employment: part-time work in non-profit making organisations, paid ECU 92-112 on half weekly basis ('85)</li> </ul>	<ul style="list-style-type: none"> <li>Enhancing cultural assets: finance for projects hiring additional -29 yr old LTUs on fixed term contracts for max 36 mths ('86)</li> </ul>	<ul style="list-style-type: none"> <li>Aids for creating jobs of socio-economic utility</li> </ul>	<ul style="list-style-type: none"> <li>VYN: temporary jobs for LTUs in non-profit bodies ('79/'83)</li> </ul>	<ul style="list-style-type: none"> <li>ATD programme (25+ yrs) of temporary employment (6 mths) + community activities ('86)</li> <li>Local employment initiatives' finance ('86)</li> </ul>	<ul style="list-style-type: none"> <li>Community Programme of jobs of max 1 yr of value to the community and raising LTU's future job prospects ('83/'85/'86)</li> </ul>
SUBSIDISED NORMAL WORK	<ul style="list-style-type: none"> <li>Employment Incentives Scheme: subsidy to employers hiring additional workers. Weighted (double premium) in favour of LTUs ECU 79 per week ('77)</li> </ul>	<ul style="list-style-type: none"> <li>Jobs in state administrations, autonomous bodies, local authorities: priority to +8 months LTUs</li> </ul>	<ul style="list-style-type: none"> <li>Incentive premium to hire LTUs - 200% of reference minimum social wage ('83)</li> </ul>	<ul style="list-style-type: none"> <li>MCU: On hiring for at least 6 mths an LTU an employer receives max ECU 400 per mth for 6 mths for training etc costs ('86)</li> <li>"Plough back" scheme: Job creation in building financed by VB + public funds. 70% must be LTUs ('83)</li> <li>Verwend/Hoor measure soc sec exempt. for hiring &gt;3 yr LTUs on indef or &gt;2 yr work contract + grant ECU 1750 for retrain cost</li> </ul>		<ul style="list-style-type: none"> <li>Jobstart Allowance: ECU 28 per week to LTU who finds a full-time job paying less than ECU 111 per week ('85)</li> </ul>
POSTERING EARLY RETIREMENTS					<ul style="list-style-type: none"> <li>62+ early retirements (no replacement required)</li> </ul>	<ul style="list-style-type: none"> <li>Job Release Scheme: early retirees replaced by unemployed (not just LTUs) ('77 - '83 part-time JBS)</li> </ul>
EXTENDING UNEMPLOYMENT ALLOWANCE			<ul style="list-style-type: none"> <li>Possibility of extending unemployment compass for 182 dys for partic-diff-to-place unemployed</li> </ul>		<ul style="list-style-type: none"> <li>Extended unemployment assistance payments for 50+ yr olds</li> </ul>	
OTHER ACTIONS						ACH/ha 03.87

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