Tackling the recession: Employment-related public initiatives in the EU Member States and Norway

Executive summary

Introduction

The European economy is faced with the challenge of an economic downturn that globally is considered to be the deepest and most widespread recession since the end of the Second World War. In response, the European Union as well as individual Member States have introduced and/or adapted a wide range of public instruments to support the economy and the labour market.

This report, carried out by the European Restructuring Monitor (ERM), provides a systematic overview of public initiatives to address the current recession being carried out or planned in the EU Member States and Norway, as at April–May 2009. It is based on the contributions of its network of correspondents and in-house research. Only instruments that focus on maintaining or creating employment and/or on providing income support to the labour force are considered. The aim is to highlight the various approaches being taken in the Member States and Norway, rather than give an exhaustive list of all initiatives that have been implemented.

Policy context

In November 2008, the European Commission published its European Economic Recovery Plan, aiming to set out how ‘decisive and coordinated action could respond to the economic crisis’. Introducing the plan, the President of the European Commission, José Manuel Barroso, wrote that he was pleased to see that ‘as national governments work to address their own situations, they have been inspired by the common principles agreed for European action’. The ERM analysis examines both the wide array of measures taken by the EU Member States and the common strands that emerge.

The majority of Member States have launched a comprehensive ‘anti-crisis package’ to address the current recession, comprising various instruments and funds to cope with the economic, financial, employment and social problems inherent in the present situation. Nevertheless, across Europe, the type of practical approach taken to support companies and individuals during the economic downturn varies. Different emphasis is laid on specific types of instruments and target groups, and the particular design of measures addressing the same line of action may differ.

Similarly, although it is widely acknowledged that social dialogue plays an essential role in ensuring fair and inclusive arrangements in the framework of the recession, the involvement of social partners across Europe in the development and implementation of recession measures varies with regard to the level and extent of their integration in policy design.

Key findings

The employment-related instruments to tackle the recession in the Member States and Norway not only help to avoid mass dismissals, but also minimise the firing and hiring or rehiring costs for businesses. Thus, they simultaneously mitigate the labour market and social impacts of the crisis for the labour force, facilitate adjustments at company level and incorporate a medium to long term perspective, including investment in human capital and the safeguarding of company-specific skills.

The most widespread public initiatives can be broadly classified in three groups:

- measures to maintain employment having a ‘preventive’ character, in that they aim to keep people in employment by, for example, supporting enterprises or providing income support for workers who have accepted pay cuts to safeguard their jobs;
measures to create employment, based on instruments promoting the transition from unemployment to employment – with a focus on the individual jobseeker;

initiatives to financially support individuals in cases of redundancy, falling into the category of income support for unemployed people and those who are outside the labour market.

Examples of measures to maintain employment are the support of short-time work or temporary lay-offs, assistance for staff training activities, or the reduction or deferral of non-wage labour costs. This category also includes direct and indirect enterprise support. Several Member States have adapted or introduced initiatives with regard to short-time work or temporary lay-offs, usually with some level of social partner involvement. Most of the instruments cover all sectors of economic activity, with some provisions focusing on vulnerable industries. The type of worker eligible for financial support in relation to short-term work also varies, with temporary or part-time workers sometimes being included. Monetary assistance may contribute towards wage costs and/or social security. In addition to other training provisions, some countries combine training measures with support for short-time work, aiming to enhance the worker’s employability. However, the latter training is likely to be of short duration and therefore possibly of limited effectiveness. Furthermore, the added value of investing in skills development may not be clear to the employer if it is unclear whether or how long the employees will remain part of its workforce.

Measures to create employment include job-matching activities, incentives for companies to employ additional workers, training, mobility grants and support for self-employment. Job-matching involves actively looking for job vacancies and matching them with suitable candidates, providing advice to jobseekers and preparing them for their job application. Some countries emphasise individualised service provision and certain vulnerable groups or sectors may be targeted. During the current ‘credit crunch’, financial support – in terms of reducing non-wage labour costs, offering wage subsidies or facilitating access to finance – is an important incentive to encourage job creation, self-employment or business start-ups.

Income support measures mainly refer to the amendment of the regulations concerning unemployment benefits, generally in terms of eligibility, the amount and the duration of entitlement. Some governments have also offered help towards mortgage repayments.

Policy pointers

- Public support in maintaining and creating employment must be sustained even when the economic indicators improve.
- It is important to emphasise pro-growth policies to maintain and create employment, such as education, R&D, innovation, investment and access to finance.
- Bank restructuring should be implemented more quickly.
- Employment support should be temporary, apply to the whole economy and focus on keeping workers in employment, rather than on redundancies and retraining.
- Governments should strengthen income maintenance measures for unemployed people, such as unemployment benefits, social assistance and pensions.
- Support for large companies in traditional industries should be conditional on restructuring.
- Comprehensive crisis packages are favourable over isolated instruments focusing solely on fostering economic growth or the labour market.
- Good cooperation is important among national stakeholders, as well as a coordinated approach across Europe.

Further information

The report Tackling the recession: Employment-related public initiatives in the EU Member States and Norway is available online at: http://www.eurofound.europa.eu/emcc/erm/studies/tr0907020s/index.htm

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