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## An International Comparison of Trends in Labor Market Policy

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# An International Comparison of Trends in Labor Market Policy

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Presented at the Canadian Policy Research Networks conference entitled "Active Labor Market Policy in Canada: Lessons from the Labor Market Development Agreements," Edmonton, Alberta, February 22-23, 2002.

# An International Comparison of Trends in Labor Market Policy

1. Recent Themes in Labor Market Policy
2. Common Labor Market Programs
3. Impetus for Change
4. Trends in Program Spending
5. The OECD Jobs Study, 1994
6. Examples of Program Innovation
7. Future Directions

# 1. Recent Themes in Labor Market Policy

- Labor Market Flexibility
- Decentralization
- Accountability
- Targeting
- Service Coordination
- Privatization

## 2. Common Labor Market Programs

### Passive Labor Market Programs

- Unemployment Compensation
- Unemployment Assistance
- Early Retirement

## 2. Common Labor Market Programs

### Active Labor Market Programs

- Job Search Assistance
- Training
- Programs for Youth
- Job Subsidies
- Programs for the Disabled

### 3. Impetus for Change

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- Information economy
- Business cycles
- Globalization
- Economic restructuring
- Economic development
- Decline in lifetime employment
- Aging population
- Budgetary constraints

## 4. Trends in Program Spending

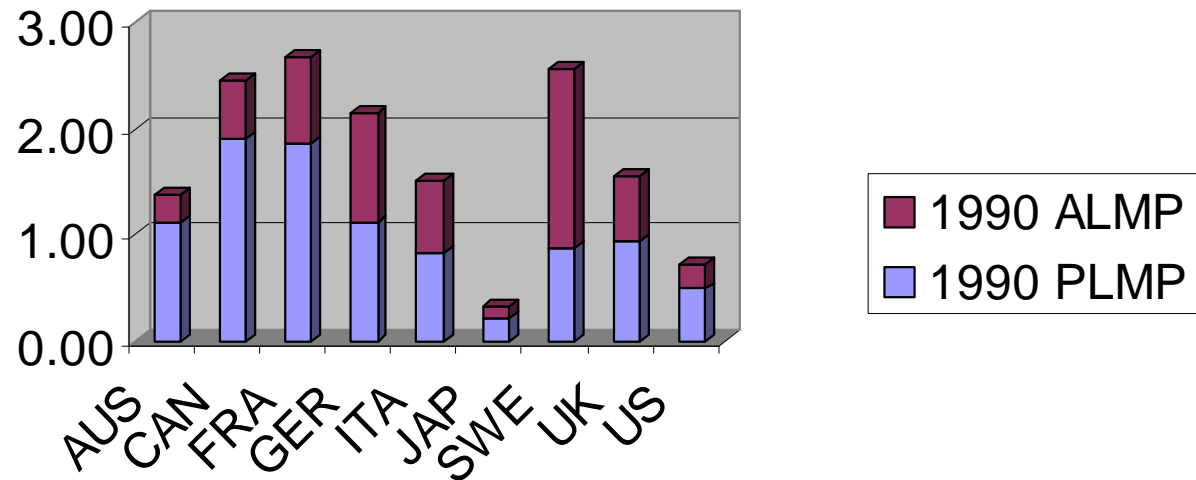
- North America
  - Canada, US
- Europe
  - France, Germany, Italy, Sweden, UK
- Asia/Pacific
  - Australia, Japan



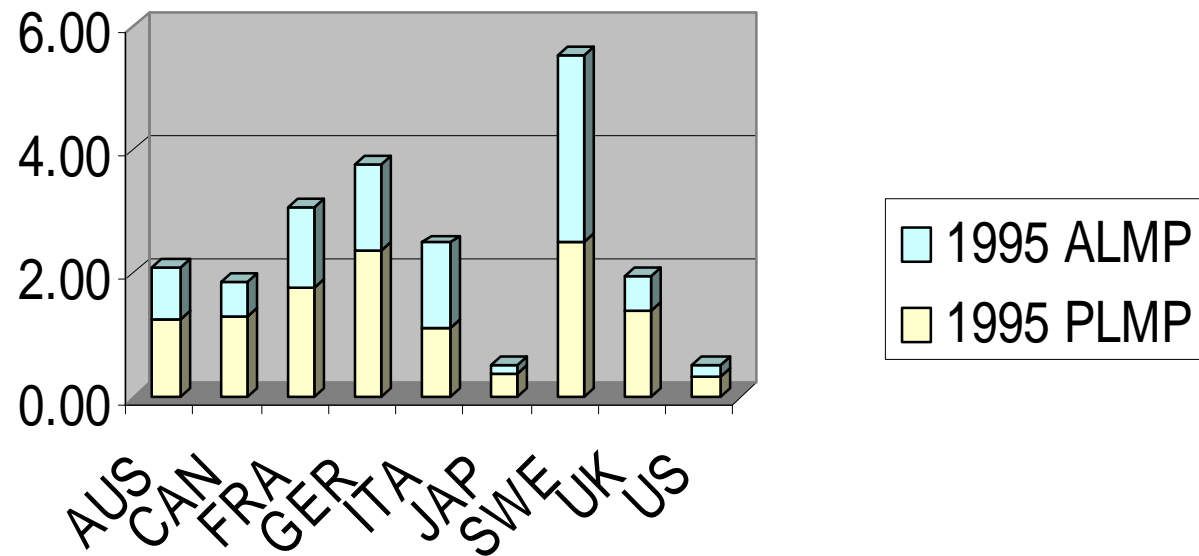
Spending on Labor Market Programs as a Percentage of GDP, 1990 - 2000									
	Australia	Canada	France	Germany	Italy	Japan	Sweden	UK	US
1990									
PES	0.09	0.23	0.13	0.22	0.08	0.03	0.21	0.18	0.08
Training	0.07	0.27	0.34	0.38	0.03	0.03	0.53	0.21	0.08
Youth	0.04	0.02	0.21	0.04	0.57	0.00	0.07	0.18	0.03
Job Subsidies	0.03	0.02	0.07	0.17	0.00	0.05	0.13	0.02	0.01
Disabled	0.04	0.00	0.06	0.23	0.00	0.00	0.74	0.02	0.04
UC	1.11	1.91	1.31	1.09	0.55	0.22	0.80	0.95	0.49
Early Retirement	0.00	0.00	0.56	0.02	0.29	0.00	0.08	0.00	0.00
1995									
PES	0.24	0.21	0.15	0.23	0.04	0.03	0.27	0.21	0.07
Training	0.15	0.25	0.38	0.38	0.01	0.03	0.77	0.13	0.04
Youth	0.06	0.02	0.27	0.06	0.46	0.00	0.23	0.13	0.03
Job Subsidies	0.31	0.06	0.40	0.44	0.86	0.06	0.90	0.03	0.01
Disabled	0.07	0.02	0.10	0.26	0.00	0.00	0.82	0.03	0.04
UC	1.28	1.28	1.43	2.09	0.92	0.39	2.51	1.41	0.35
Early Retirement	0.00	0.01	0.36	0.29	0.20	0.00	0.02	0.00	0.00
2000									
PES	0.20	0.20	0.17	0.23	0.00	0.11	0.26	0.13	0.04
Training	0.02	0.17	0.28	0.34	0.12	0.03	0.31	0.05	0.04
Youth	0.07	0.03	0.41	0.08	0.25	0.00	0.02	0.15	0.03
Job Subsidies	0.11	0.08	0.41	0.31	0.26	0.13	0.27	0.01	0.01
Disabled	0.05	0.03	0.09	0.27	0.00	0.01	0.52	0.02	0.03
UC	1.05	0.98	1.47	1.88	0.56	0.54	1.34	0.58	0.23
Early Retirement	0.00	0.00	0.29	0.01	0.09	0.00	0.00	0.00	0.00

Spending on Labor Market Programs as a Percentage of GDP, 1990 - 2000									
	Australia	Canada	France	Germany	Italy	Japan	Sweden	UK	US
1990 ALMP	0.27	0.54	0.81	1.04	0.68	0.11	1.68	0.61	0.24
1990 PLMP	1.11	1.91	1.87	1.11	0.84	0.22	0.88	0.95	0.49
1990 Total	1.38	2.45	2.68	2.15	1.52	0.33	2.56	1.56	0.73
1995 ALMP	0.83	0.56	1.30	1.37	1.37	0.12	2.99	0.53	0.19
1995 PLMP	1.28	1.29	1.79	2.38	1.12	0.39	2.53	1.41	0.35
1995 Total	2.11	1.85	3.09	3.75	2.49	0.51	5.52	1.94	0.54
2000 ALMP	0.45	0.51	1.36	1.23	0.63	0.28	1.38	0.36	0.15
2000 PLMP	1.05	0.98	1.76	1.89	0.65	0.54	1.34	0.58	0.23
2000 Total	1.50	1.49	3.12	3.12	1.28	0.82	2.72	0.94	0.38

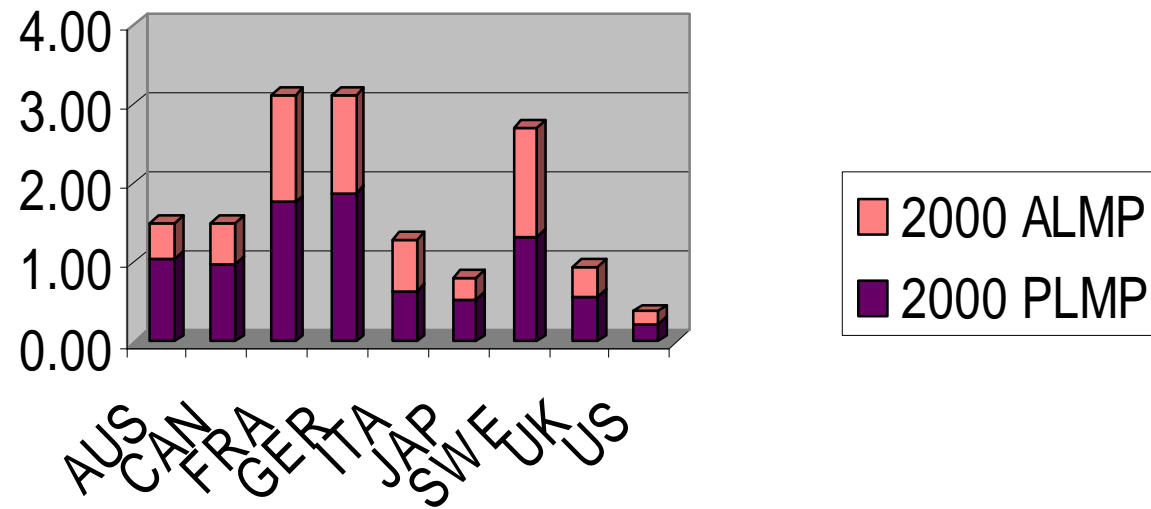
## Spending on Active and Passive Labor Market Programs as a Percentage of GDP, 1990



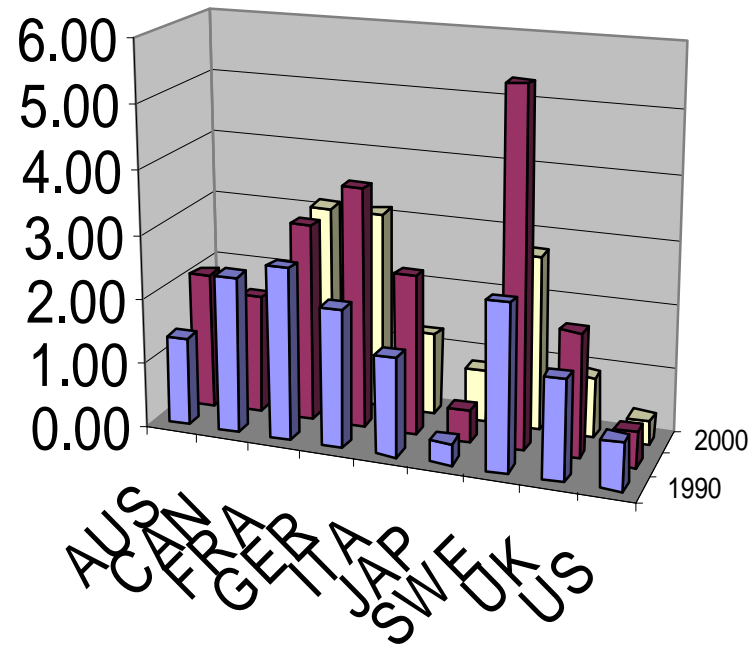
## Spending on Active and Passive Labor Market Programs as a Percentage of GDP, 1995



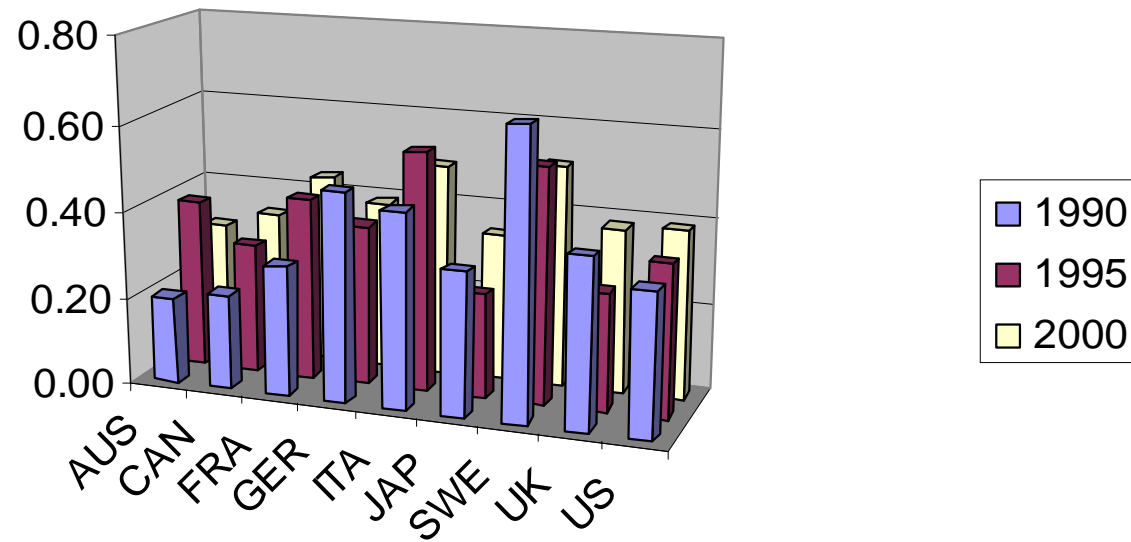
## Spending on Active and Passive Labor Market Programs as a Percentage of GDP, 2000



## Spending on All Labor Market Programs as a Percentage of GDP, 1990 - 2000



## Spending on Active Labor Market Programs as Percentage of Total Program Spending, 1990 - 2000



## 5. The OECD Jobs Study, 1994

- Macro policies for growth and price stability
- Share technical tools for development
- Increase flexibility of working-time
- Nurture entrepreneurial climate
- Promote flexible wages, hours, and youth rules
- Reform policies which inhibit employment
- Strengthen active labor market programs
- Improve skills through education and training
- Reform UC to improve labor market compatibility



## 6. Examples of Program Innovation

- Labor Market Flexibility
- Decentralization
- Accountability
- Targeting
- Service Coordination
- Privatization

# Labor Market Flexibility

- Lower non-wage labor costs to benefit youth, low-wage workers, and long-term unemployed - France, Germany
- Discretionary minimum wage changes - Canada, US
- Training wage exceptions to minimum - France, Australia
- Union wage bargaining at the regional level - Australia, Italy
- Non-standard work arrangements and regular jobs - Germany, US
- Relaxed employer training requirements - Italy, France, Sweden
- COLAs eliminated in wage agreement with social partners - Italy

# Decentralization

- United States
  - 1973 CETA, to regions, PICs
  - 1982 JTPA, to states, monitoring
  - 1988 JTPA, block grants, governor discretion
  - 1998 WIA, WIBs
- Canada
  - 1996 EI, LMDAs
- France, Italy, Sweden, UK

# Accountability

- US, UK, Canada
- Monitoring for Management
  - Labor Market Outcomes
  - Outcomes by Target Group
  - Work Process - Resource Use
  - Customer Satisfaction, Surveys
- Net Impact Estimation for Policy Development
  - Quasi-experiments
  - Experiments
  - Monitoring incremental impacts (MTI - data)

# Targeting

- Long term unemployed, dislocated, WtW
- Informal, expert opinion
  - Greatest incremental benefit
  - Program performance
  - Creaming
- Formal, statistical models or discrete rules
  - US - WPRS, FDSS
  - Australia
  - Canada - SOMS

# Service Coordination

- Administration of UC, ES, ALMPs, Disability, WtW
- One-stop shopping - Germany, US-WIA, UK, France
- Virtual one stops - Agency referral
- Separation of services - UC
  - Sweden, Trade unions
  - US, Finance departments - CO, MA, MI
  - France, ANPE-placement, AFPA-UC, UNEDIC-ALMPs
- Self-service - On site, Internet
  - OEIS Japan, AJB US, Sweden
- Automation - Telephone, Internet - work test
- WtW – New Deal UK, WIA US

# Privatization

- ILO conventions
- Market testing, vouchers, contracting
- Placements - US, Australia
- Services - US, Germany, Sweden, Canada
- Agencies - Australia

## 7. Future Directions

- Service coordination
- Reemployment emphasis
- Lifelong learning
- Entrepreneurship
- Non-standard employment
- Welfare-to-work
- Optimization of budgets



# Suggested Reading

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