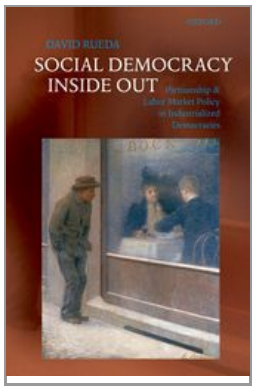

Social Democracy Inside Out: Partisanship and Labor Market Policy in Advanced Industrialized Democracies
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Unemployment Vulnerability and Active Labor Market Policies

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[–] Abstract and Keywords

This chapter analyses how the interaction between government partisanship and unemployment vulnerability affect the politics of active labour market policies (ALMPs) in Spain, the Netherlands, and the UK. The analysis of the Spanish case shows that government partisanship does not affect ALMPs. Social democratic governments in Spain have not promoted higher levels of ALMPs compared with conservative ones. Developments in the Netherlands are remarkably similar to those in Spain. The analysis of the UK case shows a clear temporal division. During the 1970s and 1980s, government partisanship did not affect a general disinterest in ALMPs. Employers did not want them, unions had incentives not to pay too much attention to them, and Conservative and Labour governments had no reason to favour them. High levels of insider protection made the Labour Party indifferent to ALMPs until the arrival of Margaret Thatcher. The decrease in insider protection promoted by the conservative governments of Thatcher

and Major facilitated a new interest in ALMPs by insiders and the emergence of Blair's Third Way (defined as a Labour strategy with employment promotion as a preeminent goal).

Keywords: government partisanship, ALMPs, unemployment, labour market policies, Spain, Netherlands, UK, conservative government, Third Way, Thatcher, Major, Blair

The aim of this chapter is to explore the effects of government partisanship and employment protection on ALMP. Chapter 5 has shown that a strong relationship exists between the partisan nature of governments and the employment protection enjoyed by insiders. In two of my country cases, Spain and the UK, Left government is characterized by the steadfast support of high protection for insiders. Conservative government, on the other hand, promoted immediate (and sometimes dramatic) decreases in insider protection. My analysis also showed that corporatist arrangements in the Netherlands muted to some extent the influence of partisanship on insider protection but facilitated the coordination of wage moderation (in a way that was impossible in Spain or the UK).

In the first half of this book, I have argued (and shown some systematic evidence to support) that social democratic governments are not willing to promote labor market policy unless it is accompanied by a decline in insider protection. Chapter 3 demonstrated that insiders feel sufficiently protected from unemployment not to feel labor market policy is worth its costs. It also showed that when employment protection levels go down, insiders become more like outsiders and therefore more likely to support ALMPs. In Chapter 4 we saw that social democratic governments promote policies in accordance with the preferences of insiders. Left government is in fact associated with low levels of ALMPs unless employment protection is low. A more detailed analysis of the developments in Spain, the Netherlands, and the UK since 1970 will shed some light on the causal processes affecting the relationship between government partisanship and ALMP and the intermediating effects of insider employment protection.

(p.148) This chapter's analysis of the Spanish case shows that government partisanship does not affect ALMPs. I suggest that social democratic governments in Spain have not promoted higher levels of ALMP than conservative ones. Insider employment protection remained high throughout the period of PSOE rule and outsiders became a high proportion of the labor market, effectively buffering insiders from unemployment threats. As the following pages show, the promotion of precarious employment was in fact understood by the PSOE leadership as the main weapon to combat unemployment. The behavior of the social democrats is, therefore, perfectly understandable from an insider–;outsider perspective. The conservative governments (starting in 1996) represented something of a change. Employment protection was reduced, and the demand for ALMP increased. The PP governments did not increase active measures in a significant way (training and public employment services remain very weak) but they did reduce the preponderance of temporary employment in the Spanish labor market.

This chapter will also show that developments in the Netherlands are remarkably similar to those in Spain. Although the levels of ALMP are higher through the period under

analysis, they are not influenced by partisanship in a clear way. As made clear in Chapter 5, in the Netherlands, just like in Spain, insider employment protection does not decline and outsiders emerge as a significant buffer for insiders. This mutes the vulnerability of insiders to unemployment and the influence of insider–;outsider differences on social democractic governments. Also as in Spain, this results in a general disregard for public employment service and training.

The analysis of the UK case, finally, shows a clear temporal division. During the 1970s and 1980s, government partisanship does not affect a general disinterest in ALMP. Employers did not want them, unions had incentives not to pay too much attention to them, and Conservative and Labour governments had no reason to favor them. The UK analysis demonstrates how high levels of insider protection made the Labour Party indifferent to ALMPs until the arrival of Margaret Thatcher. The decrease in insider protection promoted by the conservative governments of Thatcher and Major, however, facilitated a new interest in ALMPs by insiders and the emergence of Blair's Third Way (defined as a Labour strategy with employment promotion as a preeminent goal). Although the nature of ALMPs has changed (having acquired conditionality requirements not envisioned by traditional social democracy), New Labour has been characterized by an emphasis on active measures.

(p.149) 6.1. Active Labor Market Policies in Spain

ALMP is an area where there are not many detailed analyses of the Spanish case. Using the data available, a number of authors have argued, however, that Spain clearly belongs to the group of OECD countries where ALMPs have traditionally been given very little attention. This can easily be appreciated by comparing the ALMP levels in Spain with those of some other OECD countries. Table 6.1 presents ALMPs for a sample of countries considered to reflect the existing diversity in the OECD.

The measure for ALMP in Table 6.1 is the same as the one used in the analysis in Chapter 4. I mentioned then that the OECD data encompass the following five areas: (*a*) public employment services and administration, (*b*) labor market training, (*c*) youth measures, (*d*) subsidized employment, and (*e*) measures for the disabled. When I examined the existing cross-national diversity in ALMPs in Chapter 4, I placed countries into three general groups: those with high, intermediate, and low levels of active policies. I have chosen one country in each of these groups to compare Spain with. From the group characterized by low levels of ALMPs, I have selected Canada (others in this group were Australia, Austria, Italy, Japan, Switzerland, the UK, and the USA). I have included Finland from the second group (the only other country with intermediate levels was Norway). The representative from the group with high levels of ALMP is Sweden (the others were Belgium, Denmark, France, Germany, and the Netherlands).

As the figures in Table 6.1 indicate, Spain has dedicated considerably fewer resources to ALMPs than most of the OECD countries in the sample. In fact, the 0.18 percent and 0.33 percent of GDP that Spanish governments dedicated to ALMPs in 1980 and 1985 were considerably lower than the levels in Canada (the representative of the

Table 6.1. Active labor market policy in Spain and a sample of industrialized democracies, 1980–;2000

Country	1980	1985	1990	1995	2000
Spain	**0.18**	**0.33**	**0.83**	**0.51**	**0.93**
Canada	0.29	0.65	0.53	0.57	0.41
Finland	0.99	0.91	0.99	1.54	1
Sweden	1.21	2.12	1.67	2.23	1.31

Notes: ALMPs are measured as a percentage of GDP.

Source: Armingeon et al. (2005).

(p.150) low ALMP group). The investment in ALMP experienced a significant increase in 1990, but, at that time, the level in Spain was still considerably lower than in Finland (the example of intermediate levels of ALMP) and less than half that of Sweden. While in 1995 ALMPs became once more a very low 0.51 percent of GDP (in Canada the figure at this time was 0.57 percent), in 2000 they climbed back to levels more similar to 1990. Even in 2000, however, Spain remained below Finland in terms of resources dedicated to ALMPs. It seems accurate, therefore, to include Spain within the group of OECD countries where ALMPs are not emphasized. The low levels of ALMPs in Spain are particularly meaningful when we consider that, since the Essen Summit of 1994, a consensus had been reached by EU members to encourage active policies. It is also important to point out that a significant part of the resources directed to ALMPs in Spain is in fact provided by the EU's structural funds and, concretely, by the European Social Fund (Alvarez Aledo 1997: 24).

One of the main objectives in this section is to explore the relationship between government partisanship and ALMPs. To do this we turn now to Figure 6.1. The figure provides a timeline for ALMP in Spain reflecting the

Figure 6.1. ALMPs in Spain, 1980–;2001

(p.151) partisan nature of the government in power. Two major periods can be

distinguished, one characterized by PSOE government (1982–;96) and the second by PP government (1996–;2001).

It would be difficult to propose that a strong relationship between government partisanship and ALMPs exists after examining the numbers in Figure 6.1. While active measures received an increasing amount of resources from 1983 to 1989 (during the PSOE's first two terms), they experienced a dramatic decline from 1989 to 1996 (their last two terms in power). ALMPs increased from a dismal 0.27 percent of GDP in 1984 to a still relatively low 0.86 percent of GDP in 1989. From 1989 to 1996, ALMP levels dropped to 0.46 percent of GDP. Perhaps more importantly, the years of conservative government in Spain are characterized by an increase in the resources dedicated to active policy. As I've mentioned, by the end of PSOE's rule in 1996 the level of ALMPs was only 0.46 percent. Throughout the first term of conservative government in Spain, however, they climbed to 0.93 percent of GDP in 2000 (more than double the figure in 1996 and the highest level in our sample). I hasten to add that this increase needs to be put into the context of generally very low levels of ALMPs. In any case, it seems fair to say that social democratic government has not been associated with more ALMP in Spain.

The arguments presented in Chapters 1 to 3, however, emphasized that employment protection can mitigate the influence of insider–;outsider differences. As insiders become more like outsiders, I argued, their support for ALMPs will increase. This may have been part of the story from 1996 to 2001, when the PP governments decreased the employment protection of insiders. But it was clearly not the case during the years of PSOE government in Spain. Two factors contribute to the insulation of insiders from unemployment from 1982 to 1996. First, the social democrats in Spain did not reduce the high levels of employment protection that insiders enjoyed. Second, while insiders continued to be significantly protected from unemployment, outsiders were becoming a vast portion of the labor market. From 1982 to 1996 unemployment and precarious employment grew radically. The average unemployment rate during this period exceeded 16 percent of the labor force and, by 1992, more than a third of all employees worked under temporary contracts. Unemployment, moreover, was concentrated in the two groups that came to represent outsiders in Spain: young people and women. The proportion of the unemployed under the age of 25 increased dramatically throughout the 1970s and 1980s, although (due to the use of temporary contracts) youth employment was highly cyclical and experienced significant increases in **(p.152)** economic upswings (Alvarez Aledo 1997: 26).[1] A similar trend can be observed when analyzing unemployment in terms of gender. By 1991, women represented almost 52 percent of the unemployed and only one third of those employed (Jimeno and Toharia 1994: 35–;7).

It is clear that the expectations of the insider–;outsider partisanship model are supported by an analysis of aggregate ALMP expenditure in Spain. This general analysis, however, can be corroborated by a more detailed study of the labor market policies implemented since 1980. As a number of authors have pointed out, the absence of any coherent government effort defines the approach to ALMPs in Spain (see, e.g. Palacio 1991; Recio 1998). The attention paid to employment promotion by policymakers from all parties has

been both disorganized and very limited. The other aspect that most observers would emphasize is the fact that most labor market policies in Spain have had the objective of increasing temporary and cheap employment (Cachón Rodríguez 1997; Chozas 2000; González Calvet 2002,).[2] In fact, the paragraphs below will suggest that the promotion of precarious employment was considered the only (or at least their main) objective of ALMP since 1980.[3] Any other aspect (including training) received little attention and few resources. I concentrate my analysis on three ALMP areas: the measures implemented to promote nonstandard employment, public employment services and administration, and training.

6.1.1. General Promotion of Nonstandard Employment[4]

Given the emphasis on the promotion of temporary employment by policymakers in Spain, it is inevitable that an explanation of ALMPs would outline some of the legislative measures that were the focus of Chapter 5. Very little can be said about ALMPs before 1980. There had been a series of short-term programs mainly directed to the integration of **(p.153)** young people into the labor market. These programs had been part of the 1977 Moncloa Pacts and were subsequently developed by the center-right UCD governments. In 1978, the *Instituto Nacional de Empleo* (INEM) was created as the main agency to design and implement labor market policies in Spain.

In 1980, the UCD government approved the Workers' Statute. This was a measure that, for the first time in Spain, explicitly presented temporary contracts as a tool for the promotion of employment. The 1980 Workers' Statute and the Employment Law created several new forms of temporary employment as a solution to cyclical economic problems. Fixed-term contracts (*temporal*, *en prácticas*, and *en formación*), in particular, were designed for those experiencing difficulties in the labor market.

The socialist victory in the 1982 elections promoted an important transformation of the Workers' Statute. The 1984 labor market reforms reflected the development of an employment promotion strategy that would be maintained with only minor changes until the end of the PSOE governments in 1996. This approach rested on two pillars: a relatively incoherent and underfinanced training plan (the *plan de formación e inserción profesional*, also known as *Plan FIP*),[5] and the promotion of temporary employment as the main way of introducing new workers into the labor market. With the 1984 labor market reform, the PSOE government introduced a new form of temporary contract (the *contrato de fomento de empleo*, or contract for the promotion of employment) that allowed employers to use a temporary contract of up to three years without having to provide a reason.

After the success of the general strike of 1988, the socialist government waited to introduce any further modifications in the labor market regulations. The 1994 labor market reform, however, confirmed and, in fact, extended the use of temporary contracts as the most important measure to promote employment. At a time when official unemployment figures had reached the astounding 24 percent mark, the PSOE government proposed once again to facilitate precarious employment (González Calvet

2002; Ferreiro Aparicio 2003). The 1994 labor market reforms created two new kinds of contracts with very little social protection: the learning contract (*contrato de aprendizaje*) and the part-time contract (*contrato de tiempo parcial*) (Martín and Santos 1994; Recio and Roca 1998). It also legalized temporary employment agencies and private hiring intermediaries.

(p.154) The final policy initiative that will be analyzed in this section is the 1997 labor market reform, implemented, this time, by the PP government. The 1997 legislation moderated some of the emphasis placed on temporary employment by the previous social democratic governments. The reforms provided fiscal and social security incentives for creating indefinite jobs. They also created a new kind of contract (the contract for the promotion of indefinite employment, *contrato de fomento de empleo indefinido*) to help individuals who had experienced difficulties entering the labor market and those holding temporary contracts. Moreover, the use of temporary contracts was limited by reducing the kinds of activities covered. Finally, they improved temporary employment by increasing the levels of protection of part-time contracts. The goal of these changes was to improve the quality of the labor market by reducing the prevalence of temporary employment (see, e.g. Cachón and Palacio 1999; Ferreiro Aparicio 2003). And they did enjoy a degree of success in turning the tide against the overwhelming use of temporary contracts in the Spanish labor market (for some evidence, see Martín 2004).

6.1.2. Public Employment Services and Administration

The INEM is the main governmental agency in charge of employment promotion in Spain. Since 1978, its role has been to organize employment services, promote employment, provide training, and administer unemployment subsidies (Jimeno 1993: 235). As mentioned in section 6.1.1, until 1994, the INEM had a monopoly on employment placement services. This meant that workers needing a job and employers needing to fill a vacancy had a legal obligation to use the INEM's services (Rodríguez-Piñero 1996). This was also the case in a number of OECD countries, but Spain was one of the few in which all job openings had to be notified to the government and in which private employment agencies were prohibited (Jimeno 1993: 242–;3).

The monopoly on employment services of the INEM, however, did not produce a high degree of efficiency. It was in fact obvious very early on that the agency provided deficient placement services. In spite of its monopoly, the INEM only acted as an intermediary in 9 percent of the job offers that took place in the 1989–;92 period, for example. The rest were job offers that the INEM simply processed, having reached the agency with a candidate already nominated by the employer (Jimeno 1993: 246). When we look at the average for the 1990s, the numbers are not much better. During this decade, the INEM administered only 13 percent of job **(p.155)** offers (the average for public employment agencies in European Union countries was 25 percent).[6] Employers have repeatedly declared that using the INEM's services was a method that they seldom employed when looking for workers. As for the potential workers, in 1990, 90 percent of job seekers used the INEM as their main intermediary but, as shown above, only a very small percentage had any success (Alujas Ruiz 2002).

The low participation of the INEM in labor market placements and its lack of efficiency as an intermediary should not come as a surprise (see, e.g. Jimeno and Toharia 1994). It was the logical consequence of Spain being one of the OECD countries that, as was shown above, dedicated the fewest resources to ALMPs in general (and to public employment services in particular).[7] The 1994 reforms, legalizing temporary employment agencies and private employment services companies, did not change this general pattern. According to the legislation, private employment service companies needed to be nonprofit organizations and to develop a collaborative relationship with the INEM (see Alujas Ruiz 2002 for details). Employers were now free to fill vacancies without using the INEM; workers, on the other hand, were still required to sign up with INEM as the first step toward job searching. This turn to private intermediation was justified by the PSOE as an initiative to inject market dynamism and effectiveness into employment services (Casas and Palomeque 1994; Rodríguez-Piñero 1996). But private companies simply extended and facilitated the use of temporary employment.

The effect of the 1994 reforms was immediate. From 1995 to 1999, there was a dramatic increase in the use of temporary employment agencies. The proportion of temporary contracts administered by temporary agencies grew threefold and reached 16 percent of all temporary contracts registered in the INEM by 1999 (Malo and Muñoz-Bullón 2002). By 1997, there were more than 400 agencies and they processed about 2000 temporary contracts a day (Sáez 1997: 316). In 1996, however, the PSOE was defeated in the general elections and a new PP government came to power. This change in government partisanship had strong effects on employment protection legislation, as explained in more detail in section 6.1.1, but had few consequences in terms of public employment services. The role of the INEM continued to be that delimited by the 1994 legislation, with the exception of some power transferred from the **(p.156)** national government to some regional ones in 1998,[8] and its efficiency did not seem to have improved substantially.

6.1.3. Training

Training in Spain is generally considered a policy area characterized by low funding and poor performance. Pérez-Díaz argues that vocational training is one of Spain's most serious problems, contributing to 'both the lack of adjustment between supply and demand for skilled labor, and the difficulties Spanish companies face in adapting to technical, organisational and product changes' (1999: 206). This is the case fundamentally because vocational training was designed as a 'lower-level secondary education for the children of families with fewer economic possibilities and/or less ambition to move up the social scale' (Pérez-Díaz 1999: 207).

In the 1980s, vocational training was considered mostly a negative choice for Spanish students (Meijer 1991: 15). Many of them failed general education courses and entered vocational training as a last resort. Vocational training opportunities were limited. For those not continuing with general education at 14 years of age, two options were open: vocational training through *Formacion Profesional* or to take a vocational course through the INEM (although students could not do this until they were 16, when they could

legally enter the labor market). The main guidelines for this system were set up in the National Plan for Vocational Training and Entry into Working Life (*Plan Nacional de Formación e Inserción Profesional*) in 1985. According to most analysts, the effects of policies developed under this plan have been questionable. As Jimeno and Toharia argue:

> Theoretically, the case for this type of policy is obvious (reducing mismatch reduces unemployment) (…). What would seem a bad strategy would be the introduction of these policies without identifying the mismatch and the nature of the training courses needed to solve the problem, in particular in terms of the adequate balance between classroom and on-the-job training. Unfortunately, this may have been the situation in Spain, where many courses have been offered but without substantial reference to the skills needed, and with an excessive emphasis on theoretical matters too remote from the practicalities of real-world job tasks'.
>
> Jimeno and Toharia (1994: 127)

In general, training programs offered until 1993 lacked any degree of organization or coherence and were not well adjusted to the necessities of the labor market.

(p.157) The National Training Program (*Programa Nacional de Formación Profesional*) designed for the 1993–;6 period was developed with the explicit objective of unifying and providing a coherent guide for the diverse training programs that existed in Spain (Garrido Medina 1996: 251). In this program, the existing training system (*Formación Profesional*) was divided and put under the control of three different agencies. The education ministry was in charge of vocational training as a part of an alternative secondary education, vocational training for the unemployed was to be coordinated by the INEM (and the regional governments that had this policy area within their responsibilities), and training for workers in employment was organized by a newly created agency (the FORCEM, *Fundación para la Formación Continua*).[9]

The main instrument intended to accomplish a degree of cohesion within training was the establishment of a national system of vocational qualifications. The reforms, however, did not result in any appreciable improvement. Examining the number of people who benefited by existing labor market policies in the 1993–;6 period, Sáez (1997) observes that only the promotion of temporary employment seemed to have had any effect on employment. The influence of all measures in the National Training Program on the number of indefinite contracts was minimal (Sáez 1997: 319). The resources dedicated to the policies, moreover, were still surprisingly low, given the nature of the unemployment problem in Spain. This is especially the case when we consider that three quarters of the training programs were cofinanced by the European Social Fund.

The conservative electoral victory in 1996 was not followed by any significant change in training. In spite of the European Union emphasis on the necessity to improve ALMPs in Europe (clearly expressed in the Essen, Florence, and Amsterdam meetings, from 1994 to 1997), training in Spain was not substantially transformed. In 1998, a year after it was due (since the previous program had expired in 1996), the Second National Training

Program was signed by employers, unions, and the government. The stated goals of the program were, once more, to promote the coordination and coherence of training programs, but the proposed measures were very limited. The agreement was more like a wish list of objectives and intentions than a package of concrete policies. A national system of vocational qualifications, nationally coordinated, and related to the concrete needs of the market, was again declared an important goal, as **(p.158)** was a tighter collaboration between training centers and companies. But exactly how this was to be accomplished, or the amount of resources to be dedicated to these policies, was not clear (CES 1997: 311). It is true that a larger number of students entered vocational training at this time. But the weaknesses in the programs were still obvious. The analysis in Calero and Escardíbul (2005) puts in doubt that the vocational system in Spain after these reforms was well coordinated or well financed (in comparison with other European countries), or that the negative connotations associated with vocational training had been eliminated.

6.2. Active Labor Market Policies in the Netherlands

The levels of ALMP in the Netherlands can be put into context by comparing them to those in a sample of other industrialized democracies, just as was done in the Spanish analysis above. Table 6.2 presents Dutch figures for ALMPs together with those in three countries reflecting the existing diversity in the OECD. As in Table 6.1, Canada represents the countries with low levels of active policy, Finland those with intermediate levels, and Sweden those with high levels.

When comparing ALMPs across OECD countries in Chapter 4, I observed that the Netherlands belonged to a group characterized by high levels of ALMPs. The other nations in this group were Belgium, Denmark, France, Germany, and Sweden. I argued that, although there is a high degree of variation throughout the period for some of these countries, the averages for the members of this group tend to approach 1.2 percent of GDP. The figures in Table 6.2 support these assertions but they also make clear that ALMPs in the Netherlands have not received significant resources during the 1980s and early 1990s. ALMPs in the Netherlands are a greater percentage of GDP than those we saw in the Spanish case

Table 6.2. Active labor market policy in the Netherlands and a sample of industrialized democracies, 1980–;2000

Country	1980	1985	1990	1995	2000
Netherlands	**0.58**	**1.01**	**1.09**	**1.11**	**1.47**
Canada	0.29	0.65	0.53	0.57	0.41
Finland	0.99	0.91	0.99	1.54	1
Sweden	1.21	2.12	1.67	2.23	1.31

Notes: ALMPs are measured as a percentage of GDP.

Source: Armingeon et al. (2005).

(p.159)

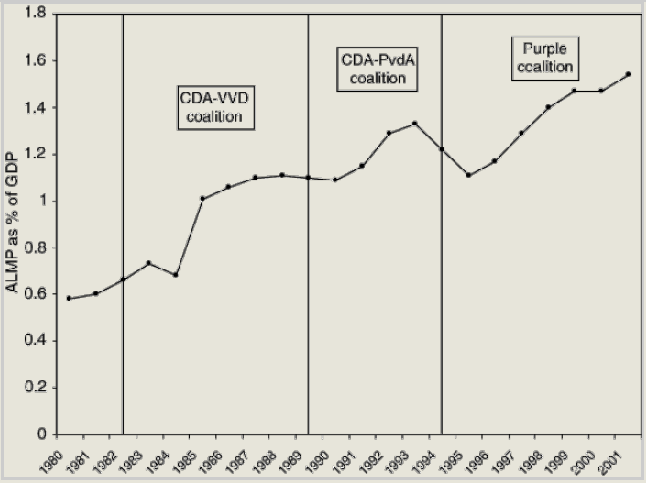

Figure 6.2. ALMPs in the Netherlands, 1980–;2001

(see Table 6.1), but, from 1980 to 1995, they are closer to an intermediate level of investment (like in Finland) than to a high level (like in Sweden, or Belgium in Table 4.2). However, by 2000, ALMPs are 1.47 percent of GDP, which places the Netherlands solidly within the group of countries with high levels of active measures.

To analyze the relationship between government partisanship and ALMPs, we turn now to Figure 6.2. As we saw in the analysis of the Spanish case, the figure provides a timeline for ALMP that reflects the partisan nature of the government in power. There are three main coalitions reflected in the figure: the two CDA-VVD governments led by Ruud Lubbers from 1982 to 1989, the CDA-PvdA coalition (also under the leadership of Ruud Lubbers) from 1989 to 1994, and the two purple coalitions (PvdA, VVD, and D66) of Prime Minister Wim Kok from 1994 to 2002.

Figure 6.2 shows that the levels of ALMP in the Netherlands are consistently higher than those we saw in Spain.[10] During the first Lubbers term, ALMPs increased to about 1 percent of GDP (from a much lower level close to 0.6 percent in 1982). From then on, they experienced a relatively steady increase (only interrupted in 1994 and 1995). The increase in the **(p.160)** importance of active measures may have been influenced by the high levels of coordination in the Netherlands. However, it would be difficult to argue for a clear partisan effect in Figure 6.2. In addition to the difficulties inherent in distinguishing among the ideologies of very diverse coalitions, there is the fact that ALMPs increase in a relatively constant manner, apparently unaffected by the nature of government.

Regarding the influence of employment protection, the Netherlands is remarkably similar to the Spanish case. As in Spain, two factors significantly contributed to the insulation of insiders from unemployment. First, the employment protection of insiders remained more or less untouched throughout the period under analysis. Second, outsiders became an important part of the labor market. The unemployment rate in the Netherlands experienced a slow but steady growth during the 1970s (when it increased from 2.3 percent in 1973 to 5.4 percent in 1979) and a sudden explosion in the early

1980s (it reached almost 15 percent in 1984). Like in Spain, Dutch unemployment disproportionately affected females and young people. During the 1980s, female unemployment was consistently about 5 percentage points above male unemployment (sometimes more). Younger people were also overrepresented among the unemployed. The registered unemployment rate for those under 19 years of age, for example was as high as 49 percent in 1983 and it only fell to 30 percent by 1987.[11] The unemployment problem of these two groups (females and youths) is compounded by a tendency for high persistence. The number of long-term unemployed rose sharply in the early 1980s. In 1980, about 40 percent of those receiving unemployment benefits had done so for more than a year, by 1988 the figure had risen to almost 70 percent (Engbersen et al. 1993: 44).

The solution for the unemployment problem in the Netherlands was the emergence of nonstandard employment. Between 1980 and 1984, full-time employment decreased by 12 percent and part-time employment increased by almost 28 percent (Visser 1989: 232). Very soon, the Netherlands had become the country with the highest proportion of part-time employment in the OECD. The composition of part-time employment, moreover, had also been very specific: young people and, especially, females were almost exclusively represented in the growing part-time sector (Hemerijck 1995). Fixed-term employment has also become an increasingly important sector of the labor market in the Netherlands, particularly since 1993, and is concentrated on the young (Visser and **(p.161)** Hemerijck 1997; Salverda 1999 *b*). From 1987 to the end of the 1990s, the number of young people in full-time jobs fell by 39 percent while the number of part-time and fixed-term jobs increased dramatically. This is the case even though a great majority of young people officially unemployed are looking for full-time employment.[12] Part-time and flexible jobs were, undoubtedly, the lion's share of employment growth between 1979 and 1997 (Salverda 1999 *b*).

Given the increase of unemployment and the prevalence of nonstandard employment, it is surprising that ALMPs did not receive more attention. The following pages will address this issue and explore in more detail the development of ALMPs in the Netherlands.

6.2.1. The 1980s: The Need for ALMPs

ALMPs are widely recognized as a policy area that historically received little attention in the Netherlands. Before the 1970s, the success of a low-wage strategy suggested to policymakers that ALMPs were not really needed. There had been, to be sure, some criticism of the Public Employment Service. In 1967, for example, the OECD published a fairly negative report about the absence of a coherent ALMP framework in the Netherlands. But, as Visser and Hemerijck explain, in the tight labor market context of the 1960s politicians did not pay much notice (1997: 164). Since the existing Public Employment Service was considered more than adequate to deal with the then limited levels of unemployment, the only response to the report was the introduction of the social partners into the Social Economic Council in 1969.

Consistent with this general lack of attention to ALMPs, before the mid-1980s the main

employment scheme had been 'the so-called *Loonsuppletie*, which offered a temporary wage supplement for all categories of unemployed people willing to accept a job with a wage below their previous wage level' (Van Oorschot 2004: 18). Unemployment, however, was becoming a much more visible problem at this time and policymakers started to search for alternatives. From 1979 to 1985, an effort was made (first by the coalitions led by Van Agt and then by the Lubbers government) to improve the Public Employment Service. The idea was to remodel the agency by following the suggestions of the Social Economic Council but, in practice, the restructuring of the service turned out to **(p.162)** be no more than 'an internal reorganization and facelift' (Visser and Hemerijck 1997: 164). Suggestions to turn the agency into a more effective and market conscious organization were not acted upon. At this time, the Public Employment Service was perceived (very much like the INEM, its Spanish counterpart) as a receptacle for unattractive vacancies. Employers, in particular, considered it the last place they would go to if they had a vacancy to fill (Visser and Hemerijck 1997: 165). The only change of any substance had been the creation of a temporary job agency within the employment service (called Start).

In the 1980s, the Lubbers governments did not change the fundamentals of ALMPs in the Netherlands. The conservative coalition's emphasis on fiscal austerity resulted, by 1985, in the elimination of job creation policies in the public sector and subsidies to firms in trouble (Visser and Hemerijck 1997: 160). Although some additional resources were dedicated to training for young unemployed people and handicapped workers, an overview of expenditures shows that the resources dedicated to active measures were very small. In 1985, the Lubbers government spent only about 1 percent of GDP on active policies (compared to the 3 percent of GDP spent on unemployment compensation) and, specifically, only about 0.2 percent on labor market training and youth employment programs.[13] This state of affairs makes Hemerijck and Vail describe the Public Employment Service during this period as a 'dormant state monopoly' which 'ran job-placement offices, shunned by employers and skilled workers and overrun by the unemployed for which little could be done' (2004: 21).

A number of reasons were presented to explain the high levels of unemployment experienced by the Netherlands in the 1980s (wage policies, labor costs, labor market inflexibility, female labor force participation, etc.). In an influential book, Therborn convincingly argued in 1986 that they were insufficient to explain Dutch unemployment in a comparative perspective. The high levels of unemployment were the results, in his view, of the lack of policies directed to promote employment (Therborn 1986). His argument was based on one main observation: the general philosophy of Dutch labor market policy was fundamentally passive. He supported this statement by pointing out that the Public Employment Service was part of a Ministry (Social Affairs) whose main objective was the distribution of social benefits and which lacked any independent resources for employment promotion (priority was given to passive measures). Other authors have added more elements to the list of employment **(p.163)** promotion weaknesses. Visser and Hemerijck point out that during the 1970s, the level of unemployment considered unavoidable by the government increased together with the growth in the actual

unemployment rate so that employment targets slowly receded (1997: 159). In addition to the mostly passive nature of policies, they explain, those that were active mainly consisted of measures directed to job creation in labor-intensive sectors (like public infrastructure and construction) or to job preservation through subsidies to ailing sectors.

Given the dramatic increase in unemployment experienced in the 1970s and 1980s and the obvious deficiencies of public employment initiatives, it is surprising, according to Kurzer, that the Dutch governments, unions, and employers so consistently failed to improve ALMPs (1997: 114). An assortment of quotes can be offered to confirm the lack of attention that governments of all ideological origins paid to ALMPs.[14] Marcel Van Dam (PvdA Minister of Housing in two cabinets and confidant to PvdA Prime Minister Den Uyl) confessed that 'Therborn is right in saying that the Netherlands never had an active labor market policy.' Will Albeda (CDA Minister of Social Affairs from 1977 to 1981) agreed and declared that 'we remained passive when it went wrong.' Even the Director of the Public Employment Service stated that 'with hindsight, we can say to have probably made the wrong choices' by conducting an 'inconsistent labor market policy, with patchwork measures based on ad hoc recipes.' It is therefore clear that ALMPs did not rate highly on the priority list of Dutch governments compared to other goals like wage moderation and the reduction of the public deficit (Hemerijck 1995).

6.2.2. The 1990s

It has been widely argued that, starting in the late 1980s, a change in thinking about ALMPs took place (see e.g. Visser and Hemerijck 1997). I will explore in this section the extent to which ALMPs did receive more attention in the 1990s. It is true that the advent of the CDA-PvdA coalition (in power from 1989 to 1994) coincided with the conclusion of the deliberations about the remodeling of the Public Employment Service. The reform of the employment service had been discussed for years but two issues kept preventing any advance. There was first the participation of the social partners (the tripartization of the ALMP system had often been requested by unions and employers). Then there was the demand **(p.164)** for a more decentralized employment service (mainly by the Association of Municipalities and the governing bodies of big cities). Throughout the 1980s, decentralization had been an attractive option for Lubbers, given the CDA's interests in a reduction of the public sector. So was the idea of a tripartite employment service (given the need for cooperation with the social partners in a period when wage moderation was very important). The CDA Minister of Social Affairs and Employment had decided to promote both from very early on (during the first Lubbers government). But it took until almost a decade later for the CDA (now in a coalition with the PvdA) to reform the employment agency through the Employment Service Act of January 1991. The Act established that the employment service would be decentralized and subject to tripartite control. Unions, employers, and municipalities were to participate not only in the implementation but also in the design of ALMPs.[15]

Going back to Figure 6.2, ALMP levels from 1990 to 1994 seem to suggest that the 1991 reorganization of the employment service resulted in a slight increase in terms of

resources. In 1990, active measures had been 1.09 percent of GDP and by 1994, they had become 1.22 percent.[16] Whether this increase did in fact result in more effective ALMPs is, however, questionable. In 1994, the remodeled employment service was reviewed by a government committee. The report (published in 1995) was very negative. The committee argued that the reorganization had been too expensive, 'decentralization had gone too far, finances were poorly managed, and decision-making procedures were unclear, slow and cumbersome' (Visser and Hemerijck 1997: 170; see also, Dercksen and de Koning 1995). The report explained, moreover, that policies directed to target groups (youth, long-term unemployed, and minorities) had failed and that the representatives of unions and employers had exhibited a tendency to act in the interest of their constituencies instead of promoting general goals.

The CDA tried to use the results of this report to put the design of ALMPs back in the hands of the central government but its attempts were interrupted by the 1994 elections and the formation of a new cabinet. Wim Kok (the prime minister of the resulting PvdA-VVD-D66 **(p.165)** coalition) did not openly espouse the CDA reform but he did promote some changes. His purple coalition used the review (and the reactions to it) to propose a change in the legislation reducing the policy scope of the agency (Public Employment Service was to concentrate mainly on vulnerable groups in the labor market). Also in 1994, Ad Melkert (PvdA Social Affairs and Employment minister) announced cuts in the employment service but also some new job creation programs, again mainly for target groups. At the same time, a different development was weakening the Public Employment Service agency. In the words of de Koning, at this time '(s)ubsidized labor gradually became the most important active measure. As most people entitled to subsidized labor were clients of the municipal social services, and municipalities were an important provider of subsidized jobs, municipalities were made responsible for job creation schemes' (de Koning 2004: 2).[17]

In 1996, the PvdA-VVD-D66 government implemented a new Employment Services Act that introduced the final element in the Labor Party's ALMP strategy. The 'activating' side of social policy was promoted by requiring unemployment recipients to register in employment offices and to show that they were actively seeking to enter the labor market. The 1996 Law on Penalties and Measures, moreover, extended the sanctioning powers of social security administration agencies to 'activate' the unemployed. 'As van Oorschot explains,

> (P)reviously, issuing penalties for non-compliance with job-search obligations was regarded as being within the competence of the administrative bodies, some of which acted quite leniently; with the new law, however, sanctioning became an obligation and penalties were nationally prescribed according to type of misbehavior; administrations were policed on their implementation.
>
> (van Oorschot 2004: 19)

The eligibility and entitlement criteria for unemployment benefits were severely limited as well.

Independent of the Public Employment Service agency reforms, three additional policies became relevant to the analysis of ALMPs in the 1990s. They are labor pools, the Youth Work Guarantee Plan, and Melkert jobs. These three programs share one important feature: they are mostly directed at target groups.[18] In 1991, labor pools were introduced in the **(p.166)** public sector for long-term unemployed people considered to have a low probability of finding a job. The program essentially facilitated minimum-wage jobs in the public sector (mostly in municipalities). The effectiveness of labor pools, however, was questionable. In practice, the outflow from labor pools to regular jobs was extremely limited. Between 1990 and 1995 less than 10 percent of those involved in labor pools left the public jobs for 'positive reasons' (Salverda 2000: 6). The Youth Work Guarantee Plan was established in 1992 and it offered 'a combination of training and work experience to school leavers up to the age of 23 who have not been able to find a job within six months and have less than one year previous work experience' (Visser and Hemerijck 1997: 173). As was the case with labor pools, however, very few youths participating in the Youth Work Guarantee Plan moved into other jobs. The effects in terms of assisting the transition between unemployment and work were not substantial (Salverda 2000). Melkert jobs received their name from PvdA Minister of Social Affairs and Employment, Ad Melkert. Some Melkert jobs (Melkert-I) were positions for the long-term unemployed in municipalities and health care institutions financed on a permanent basis by the central government. Others (Melkert-II) were jobs in the private sector that were made possible by reductions in taxes and social security contributions when the employer hired long-term unemployed or other vulnerable workers (see Salverda 2000; van Oorschot 2004 for more details). Melkert-I jobs were very similar to labor pools and they shared their effectiveness problem. They simply were not a successful policy tool to bring people from unemployment to standard work. There was an additional problem. Although the jobs were quite comparable to low-skilled 'normal' jobs, they received very low pay, were not covered by any pension rights, and had no protection over arbitrary management decisions. They in fact represented 'a separate and inferior labor market in which people become trapped' (Salverda 2000: 11). Melkert I and II jobs, in any case, were too few to cover more than a small portion of the groups at which they are targeted (van Oorschot 2004: 18).

6.3. Active Labor Market Policies in the UK

As in the two previous cases, it is revealing to put the levels of ALMP in the UK into context by comparing them to those in a sample of other industrialized democracies. Table 6.3 presents figures for ALMPs in the UK side by side with those in Canada (representing the countries with **(p.167)**

Table 6.3. Active labor market policy in the UK and a sample of industrialized democracies, 1980–;2000

Country	1980	1985	1990	1995	2000
UK	**0.56**	**0.73**	**0.59**	**0.44**	**0.36**
Canada	0.29	0.65	0.53	0.57	0.41
Finland	0.99	0.91	0.99	1.54	1

Sweden	1.21	2.12	1.67	2.23	1.31

Notes: ALMPs are measured as a percentage of GDP.

Source: Armingeon et al. (2005).

low levels of active policy), Finland (those with intermediate levels), and Sweden (those with high levels).

The table makes clear that, for much of the period, the UK has dedicated considerably fewer resources to ALMPs than all of the OECD countries in the sample. In the cross-national comparison of ALMP levels in Chapter 4, I argued that the UK belonged to a group characterized by low levels of ALMP. The other nations in this group were Australia, Austria, Canada, Italy, Japan, Switzerland, the UK, and the USA. Table 6.3 shows that the UK levels have been lower than those in Canada since 1995. It also shows that ALMPs in the UK have been about half as high as in Finland (the representative of the intermediate group) and just a third as high as in Sweden (in 1990 and 2000, much less than that). Compared with our two previous countries, the UK again distinguishes itself by its low ALMP levels. The resources dedicated to active measures in the UK are consistently lower than in the Netherlands (as expected). Perhaps more surprisingly, they are also considerably lower than those in Spain starting in 1990.

Once again I will use a timeline for ALMPs to explore their relationship with government partisanship. Figure 6.3 presents ALMP levels together with the partisan nature of the government in power. The period for which we have data can be divided into two sections: one characterized by Conservative government (from 1980 until 1997) and one by Labour governments (from 1997 to 2001).

Although conservative government is overrepresented during the years in our sample, it seems difficult to argue that the partisanship has greatly influenced the level of ALMPs in the UK. Figure 6.3 shows an increase in the resources dedicated to ALMP during the first two Thatcher terms, (from 1980 to 1987). In 1980, one year after Margaret Thatcher's first electoral victory, only 0.56 percent of GDP was dedicated to ALMP. By 1989, this figure had almost doubled (0.86%). Starting in 1987, however, **(p.168)**

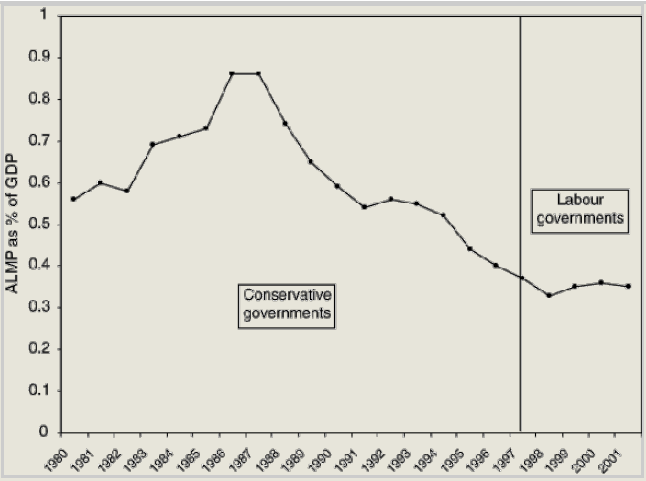

Figure 6.3. ALMPs in the UK, 1980–;2001

there is a dramatic decline in ALMP until the end of conservative rule (by 1997, ALMPs were only 0.37% of GDP). The decrease in ALMPs was not strongly related to changes in unemployment levels. Figure 6.3 makes clear that the steepest decline in ALMP takes place from 1987 to 1991. Unemployment in 1987 was 10.3 percent of the labor force (admittedly, one of the highest levels during the period under analysis), but it was still quite a high 8.6 percent in 1991. It would then climb steadily up to 10.2 percent in 1993, when the level of active policy was as low as in 1991. More significantly, it is also unclear that social democratic government resulted in higher ALMPs. In spite of the emphasis given to active policy by proponents of the Third Way (see e.g. Giddens 1998), ALMPs remained at an extraordinary low level during the Labour governments starting in 1997 (around 0.4% of GDP).

The evolution of ALMPs depicted in Figure 6.3 is even more meaningful when we think about the effects of employment protection. As convincingly shown in Chapter 5, the UK experienced a radical decline in insider employment protection in the 1980s and 1990s. The decrease in ALMPs during the years of conservative government is expected (conservative governments are not in favor of active measures), but the lack of a **(p.169)** significant increase during the years of Labour government is surprising. In the insider–;outsider arguments presented in previous chapters, I have explained that decreasing levels of employment protection will make social democratic governments more likely to promote ALMPs. A more detailed analysis of these policies in the UK will illuminate this issue and show that the numbers in Figure 6.3 do not tell the whole story.

6.3.1. Active Labor Market Policy before 1980

As noted by Crouch, in ‘the 1960s Britain had an apprenticeship model, but one in which weak employers’ organizations, and trade unions more concerned with keeping up trainee wages than with improving the flow of skills, failed to provide high standards of training or an adequate supply of trained young workers' (1995: 298). The initial impetus for public training in the UK can be traced back to the 1964 Industrial Training Act establishing industrial training boards (ITBs). The boards were financed by a levy imposed on employers and they provided grants to firms that would engage in training

following the guidelines established by the government (Bosworth and Wilson 1980). ITBs had a tripartite structure (both through participation in the boards and because they were overseen by the tripartite Central Training Council). In spite of the introduction of training boards, however, vocational education and training was provided for a very small portion of the workforce and most young people entered employment from general education. ITBs did not change the fact that training in the UK was rooted in the apprenticeship system (King 1995). As for the influence of government partisanship, Finegold and Soskice argue that '(t)hrough most of the postwar period, the use of ET [education and training] to improve economic performance failed to emerge on the political agenda' because both parties focused their efforts on general education and agreed that training was best left to industry (1988: 25).

In 1973, the conservative government led by Heath approved the Employment and Training Act, which created the Manpower Services Commission (MSC). The MSC was a tripartite agency (imitating similar ones in corporatist countries) with an equal number of union and employer representatives. The MSC was created to supervise the Employment Services Agency and the Training Services Agency. In Parliament, the Employment Secretary declared that the MSC 'will be able to take a national view of training needs, which no industrial training board can do' (quoted by King 1997: 393). However, because of the increasing unemployment problems of the early and mid-1970s and the lack of **(p.170)** strong commitments from either Conservative or Labour governments, the MSC did not develop a comprehensive training program. As Finegold and Soskice point out, although funds increased, the MSC did little to improve skills, having to dedicate its resources to temporary employment, work experience, and short-course training (1988: 30).

The 1973 Act was followed by a number of active measures in the 1970s (Bosworth and Wilson 1980). Policies were implemented to provide training and on-the-job experience for young people, to increase the number of youths going into craft and technical training, and to create temporary jobs. A number of subsidies were also made available to companies that provided employment to targeted groups (the young, school leavers, etc.). The Job Release Scheme was started to promote the exit from the labor market of workers who were close to retirement. The Employment Service was reorganized. A network of Jobcentres was created that separated the provision of unemployment benefits from the promotion of employment, increased the number of notified vacancies, and seemed to increase the number of placements.[19] These measures, however, did not stop the unemployment rate from exceeding 15 percent in 1978.

6.3.2. Active Labor Market Policy under Conservative Government

The attitude of the Thatcher government toward training was most influenced by the interests of employers. As King points out, the Thatcher governments of the 1980s satisfied 'the employers' desire to have tripartism weakened and the levy removed' (1997: 395). A number of analysts have argued that these government programs provided cheap labor without providing training gains (see Finn 1987; Ainley and Corney 1990; King 1995, 1997). It is true that in the early 1980s, the conservative government

increased the budget dedicated to training and extended the number of active policies (as shown in Figure 6.3). Crouch has argued that during the 1980s, the Thatcher governments used the MSC 'as a major policy instrument to introduce a more rigorous concept of VET [vocational education and training] into school and further education curricula, and to reduce youth wages' (1995: 298). This was particularly the case when Lord Young was the chairman of the MSC and a number of new training programs (e.g. for young and long-term unemployed) were **(p.171)** introduced. In 1987, these employment training initiatives were linked to the general reform of the education system promoted by the Thatcher government. Assistance to new labor market entrants was complemented by the development of technical education initiatives, the promotion of polytechnic centers, and the ensuing emergence of the Youth Training Program uniting all previous employment policies (Finegold and Soskice 1988). New antiunemployment initiatives like the New Job Training Scheme or the Youth Training Scheme were established and the budget for job formation policies increased from £1.1 billion in 1978–;9 to £3.4 billion in 1987–;8 (Boix 1998 *a*: 177).[20] But this was to a great extent the consequence of the spectacular increase in unemployment experienced during this time. The old training problems remained. As Crouch (1995) also points out, Thatcher abolished most industrial training boards and therefore removed one of the only existing instruments for employers to improve training schemes. Then, when the apprenticeship system almost collapsed in the early 1980s, the conservatives failed to provide any coherent alternatives. In 1989, a government study reported that training was directed to short-term necessities and that most workers had not experienced any vocational training (King 1997: 396).

The main training program of the conservative governments, the Youth Training Scheme, was started in 1983. The Youth Training Scheme was designed to provide unemployed people under 18 years of age with some vocational training. In 1986, the Council for Vocational Qualifications was created to provide different levels of vocational attainment. The goal was to have at least 60 percent of workers qualified at the third level of vocational attainment by 2000 (Rhodes 2000: 48). This was complemented by the creation in 1988 of the National Vocational Qualifications and of General National Vocational Qualifications in 1992 (Cruz-Castro and Conlon 2001).[21] One of the goals of the youth scheme was to replace the failed apprenticeship system but, as Crouch notes, '(n)ot surprisingly, the standards of the replacement apprenticeship schemes were rather low' (1995: 299). The share of employees receiving some training increased from 8 to 14 percent between 1984 and 1994. But the effectiveness of the training programs has been generally questioned (many youths left the Youth Training Scheme without any qualifications)[22] and the resources **(p.172)** dedicated to these programs were less than impressive (as will become clear below). The actual effects of these training initiatives were also far from unambiguous. Lovering argues that instead of providing workers with skills for the market place, for many employers the main value of the Youth Training Scheme and Employment Training lied in 'providing them with the opportunity for extended recruitment procedures' (1994: 354).[23]

Regarding the public placement service, most analysts agree that it was not improved

during the 1980s (see, e.g. Lovering 1994). Jobcentres handled only about a third of vacancies and became less involved in the labor market and less effective as the decade of Conservative government advanced. Private intermediation companies became very active in providing jobs, and other vacancies were mostly filled through the press and informal contacts. In addition to this, Jobcentres were severely limited by lack of resources. They lacked both the technology (e.g. no computerized records) and the staff to provide adequate employment services (Lovering 1994: 354). As their resources dwindled, Jobcentre workers saw their workloads increase and their salaries decrease. Their effectiveness was also limited by the government's decision not to allow Jobcentres to market themselves to employers. According to Finn (1988) and Lovering (1994), the public employment service had become more effective at funneling the unemployed into training programs (of dubious effectiveness) than at putting together potential employers and employees. As was the case in the analysis of the Spanish and Dutch public employment services, Jobcentres in the UK were not perceived by employers as an effective way to find workers. The Thatcher government's policies reinforced this perception. As Lovering argues, the more Jobcentres were seen as pushing unwilling claimants to apply for vacancies, the more reluctant employers were to use them (1994: 354).

In 1987, the TUC decided not to continue to cooperate with those programs administered by the MSC that were perceived to have as their main goal the reduction of youth wages (Crouch 1995). The government had already considered the idea of eliminating union participation from the MSC and in 1989 it decided to abolish the agency altogether. The 1989 Employment Act[24] eliminated the Training Commission (created in 1988 to replace the MSC) and removed unions from training boards. After the elimination of the Training Commission, most of its budget **(p.173)** was transferred to local Training and Enterprise Councils (TECs). By the early 1990s, 82 TECs had taken over responsibility for the administration of Youth Training, Employment Training, the Enterprise Allowance Scheme, and other programs (Boddy 1994). The majority of the board members in TECs were required, by law, to be executives of companies. Although employers dominated their administration, neither employers' associations nor, more importantly, unions belonged to (or had formal ways to participate in) TECs. The creation of TECs also coincided with a decrease in funding for training programs by the conservative government.[25] As King explains, the government even rejected European Union funding for retraining in new technologies because it required matching funds (1997: 397). TECs were created as ‘new kinds of “enterprise organisation” built around principles of performance, value for money and return on investment’ (Boddy 1994: 367). However, they did not have any power to penalize inadequate training. It was hoped that the involvement of local employers in TECs would result in increases in training by their companies but this proved to be too optimistic (King 1995).

The problem was that TECs were equipped with resources that they had to ‘spend in the market with various training providers in such a way as to show a maximum number of trainee places for a given expenditure’ (Crouch 1995: 300). Every incentive in the system, therefore, promoted cheap training, cheap providers, and low skills. As argued

by Finegold, TECs 'perpetuate the low-skill equilibrium; they can best satisfy their targets by providing narrow, employer-specific training, concentrating on low-cost, low-capital intensive courses (e.g. hairdressing over engineering), and focusing on those low-skilled occupations, such as retailing, where high turnover rates make it easier to place people in jobs' (1992: 242). King notes that there were two additional negative consequences of TECs on training: first, 'instead of linking state-based and firm-based training, TECs actually resulted in a lower level of co-ordination between the two types of training;' and second, 'they produced a further diminution in state participation in training' (1997: 404).

The final aspect of ALMP under conservative rule was the initiation of workfare. In 1988, the third Thatcher government made it a priority to couple training requirements with social benefits. The conservatives **(p.174)** implemented legislation that made unemployed people under 21 years of age face the choice of either enrolling in training programs or losing their benefits. Reminiscent of previous conservative initiatives, this measure contributed to transforming training 'into a means of supplying firms with temporary, low-cost labor' (King and Wood 1999: 388). Training, King and Wood continue, was now 'used as a threat of further insecurity rather than as an incentive to invest in employable skills' (1999: 388). In 1996, the training requirement was extended to all unemployed people who wanted to qualify for benefits. John Major's 1996 Job Seeker's Allowance program also added more restrictions to benefits and tightened the eligibility rules.[26] At the same time, Major did little to provide new financing or create new jobs for those whose benefits were being reduced (Cressey 1999: 176).

6.3.3. New Labour's Active Labor Market Policy

The ascendancy of Tony Blair can be identified with a change in employment promotion strategies in the Labour Party. It could be argued that the reorientation of Labour's training policies started earlier. Already in the mid-1980s, after the early defeats to Thatcher, there had been plans for a national training organization funded by a levy on all but the smallest firms. The Labour Party took vocational training and 'upskilling' seriously at that time.[27] In the 1990s, however, the party retreated somewhat and looked more toward policies promoting generic skills. Plans for a training levy were scrapped in 1996 in preparation for the 1997 elections. The new emphasis on active measures coincided with a distancing between New Labour and the unions. In the 1993 Labour Party Congress, union block voting was reduced to 70 percent (33 percent for leadership decisions) and a prior ballot of union members was instated.[28] Then in 1995, the union share in conference votes was further reduced to 50 percent. The decrease in union block voting was accompanied by a decrease in the Labour Party's economic dependence on unions. In recent years the union share of Party financing has decreased from the 90 percent averaged until the early 1980s to around 50 percent. It is **(p.175)** clear that the emergence of New Labour required a separation from the unions. The modernization of the Party envisioned by Blair was based on a closer relationship with business and a more arm's length one with unions (Taylor 2001; Ludlam, Bodah, and Coates 2002).[29] In fact, a strong association with the unions came to be perceived as an electoral handicap and a cause for the lack of support in previous elections (King 2002).

The new attitude toward employment promotion was highlighted in the 1997 manifesto as one of the points in the 'Contract with the People.' It stated the Labour Party's intention to get 250,000 young unemployed people into work (Labour Party 1997). Labour's approach to ALMPs was encapsulated in the Welfare to Work program (popularly known as the New Deal). In 1997, Blair established a windfall tax on profits of privatized utilities. It was estimated to provide £4.8 billion (over two years) which would be allocated to the New Deal (Burchardt and Hills 1999: 44). The New Deal initiative was aimed at young people, single parents, sick and disabled people, and the long-term unemployed. It included job subsidies for employers (£60 a week for participants in training programs), the establishment of 'taster' employment (short placement spells), and the provision of counseling and advice (Cressey 1999: 177). There was a commitment from New Labour to guarantee work for all 18–;24-year-olds unemployed for six months or more (Grover and Stewart 1999). After being unemployed for six months, young people are required to enter a 'Gateway' period. During the Gateway period, intense job assistance is provided. If a job is not obtained, four New Deal options are open: training, subsidized work in the private sector, voluntary sector work, or work with the new Environmental Taskforce (getting benefits is not an option).[30] The Department for Education and Employment provided £58 million to start Employment Zones to attack long-term unemployment, committed to a £150 million investment in individual learning accounts and an initial £15 million to start a University for Industry (Coates 2000: 132).[31]

(p.176) The Labour government also developed a number of additional policies that complement the New Deal. Blair has emphasized 'Lifelong Learning' (a process characterized by training and 'upskilling' throughout the professional careers of workers) as the goal for employment policy. In agreement with new priorities emerging at the European Union level, the focus of labor market policy has become the employability of workers (turning labor into a skilled and competitive resource). New initiatives addressing these objectives include the University for Industry (a national program to provide advice and training to workers at any stage in their professional careers), the 'Investors in People' program and plans for skills development under Objective 4 of the European Structural Funds (for details, see Cressey 2002). The Labour government also reformed the system of in-work benefits for families with children in ways directed to reduce the disincentives to work, especially in low pay activities. The most important of these 'make work pay' measures has been the Working Families Tax Credit. This initiative is considerably more generous than the Family Credit program preceding it and guarantees any family with a full-time worker £214 per week.[32]

The previous paragraphs suggest that New Labour is committed to ALMPs in a way that was not evident from the analysis of Figure 6.3. It is important to point out, however, the nature of ALMP has been transformed under Blair. There has been a certain discomfort about the link between ALMPs and social benefits (what critics have called the coercive side of Blair's training programs). The elimination of a benefits option for young people, for example, represents a continuation of conservative policies.[33] The emphasis on conditionality for social benefits is a complicated one. In defining modern social democracy in Europe, Vandenbroucke points out that '(a)ctive labor market policies presuppose a

correct balance between incentives, opportunities and obligations' (1999: 38, my italics). It is, however, this correct balance that is difficult to find. In many people's minds, New Labour's policies matching job-searching and social benefits (just like those promoted by its conservative predecessors) are punitive. Ainley has argued that the New Labour approach **(p.177)** to employability implies (in a very non-Leftist way) that if anyone is unemployed, 'they would only have themselves to blame through not having made themselves employable enough!' (1999: 100). The danger for New Labour is that initiatives like the New Deal end up 'alienating the traditional supporters of the Party while not producing the necessary wherewithal to keep new supporters happy' (Cressey 1999: 190).

Notes:

(1) The high level of youth unemployment is even more dramatic when considering that the relative weight of young people in the labor force had fallen substantially in those years. This is both because of a decline in birth rates and because young people spent more time in education and entered the labor market later in life (Alba Ramírez 1996: 16).

(2) Turning temporary employment into the norm for labor market entry (particularly for young people and females) can certainly be considered the guiding principle of social democratic labor market policy throughout this period (Cachón Rodríguez 1997: 88).

(3) This was done with the acquiescence, if not active approval, of unions. In his analysis of active policies in Spain, Pérez-Díaz argues that UGT and CCOO 'have acted as if they represented workers in permanent jobs (increasing their purchasing power and defending their job security), and have adopted a confused and ultimately unsatisfactory strategy towards those in other kinds of employment' (1999: 212).

(4) This is a brief summary of a number of measures examined in more detail in Chapter 5.

(5) More on this topic below.

(6) For details, see Alujas Ruiz (2002: 408–;9).

(7) Spain and Greece are, in fact, the countries with the lowest expenditure on public employment services in the OECD (Jimeno and Toharia 1994: 125).

(8) For details, see Aragón Medina and Rocha Sánchez (2003).

(9) The FORCEM was created as a result of the National Agreement on Continuous Training (*Acuerdo Nacional de Formación Continua*) signed by employers and unions.

(10) As well as those I present below in the analysis of the UK case.

(11) The unemployment data in this paragraph are taken from De Neubourg (1990).

(12) Wages have also declined. From 1977 to 1997, youth wages relative to adult wages

have fallen from 67 to 55 percent (Salverda 1999 *a*: 6). In other words, it seems that, as Salverda puts it, there is no 'Dutch miracle' regarding youth employment (1999 *a*: 3).

(13) See OECD, *Employment Outlook* (several issues) for details.

(14) All the following statements are taken from Pieter Broertjes's *Getto's in Nederland* and are quoted by Visser and Hemerijck (1997).

(15) Also of importance, the 1991 Employment Service Act legalized private employment intermediation agencies and temporary employment ones (requiring permits for particular activities).

(16) Data in the OECD *Employment Outlook* indicate that the increase in total ALMP levels was mainly instigated by a sharp rise in expenditures on public employment services and administration.

(17) More on the use of municipalities for subsidized employment below.

(18) The targeted nature of active policies is in fact one of the most important characteristics of the Labor Party's strategy for job growth in the 1990s.

(19) The effectiveness of the Employment Service reorganization of the 1970s is highly disputed. Layard (1979) argues that the changes may have been partially responsible for the increase in unemployment experienced since 1966 (because, for example, of the reduced ability of governments to limit unemployment benefits for those not accepting 'satisfactory' job offers).

(20) It did then go down to £3.2 billion in 1989–;90.

(21) This qualification system emerged as a way to assess performance. The government, however, did not specify how these standards were to be met. See Cruz-Castro and Conlon (2001) for details.

(22) See Rhodes (2000).

(23) For more details about Thatcher's ALMPs, see Finegold and Soskice (1988).

(24) See details in Chapter 5.

(25) The decreases in funding would continue under John Major's leadership. In 1994, the money going into training (including company incentives) decreased to £1.6 billion (from £2 billion in 1992 and 1993) and in 1995 the funding was reduced by a further 19 percent (King 1997: 398 and n. 69).

(26) As Ainley has noted, since the introduction of the Job Seeker's Allowance, the unemployed officially ceased to exist in the UK, having being redefined as job seekers (1999: 99).

(27) For the connection between Labour's employment strategies of the 1980s and those of the 1990s, see King and Wickham-Jones (1998).

(28) Previously union leaders could vote in place of their members (without needing to engage in a prior vote and being able to unify whatever diversity existed among the members). See Fielding (1995).

(29) Crouch argues that New Labour is not exceptional in its attempt to collaborate with the upscale groups; they are unique, however, in doing so 'with virtually no pressures from other social interests within their party to balance their influence' (1999 *b*: 81).

(30) Van Reenen (2003) calculates that unemployed young men were 20 percent more likely to get a job as a result of the New Deal.

(31) In spite of the significance of these numbers, it must be pointed out that New Labour's training policies are fundamentally voluntaristic, with no return to a training levy or to any form of employer compulsion to train.

(32) There is an additional subsidy to cover child-care expenses, and adjustments to the bottom end of the tax and national insurance schedules (Glyn and Wood 2001: 53).

(33) It is also a rejection of what the Labour Party had stood for as late as 1992. In January 1988, the National Executive Committee of the Labour Party endorsed *The Charter Against Workfare*, which contained the following statement about active measures: 'people should join the scheme because they want to, not because they fear they will lose all or part of their benefits if they don't. Compulsion is a recipe for lower standards, resentment and discrimination' (quoted by King and Wickham-Jones 1999: 257).