

WORKING PAPERS

## **THE NEW SOCIAL AGENDA: REFORM OF ACTIVE EMPLOYMENT POLICIES**

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### **Executive Summary**

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## Executive Summary

The main problem faced by the Spanish economy over the coming years will be that of reducing the high levels of unemployment generated as a result of the international financial crisis and the bursting of Spain's real estate bubble. The transition towards a new, sustainable economic model will, however, serve to open up new opportunities for employment in sectors with great potential for growth, such as renewable energies, sustainable tourism, cultural industries, social and health industries, eco-industries, etc. Indeed, in a report issued in early 2010, the IDEAS Foundation estimated that the ten main sectors of the new economy could generate up to 3 million additional new jobs between 2010 and 2025<sup>1</sup>.

Now, once the crisis has bottomed out in Spain, the time has come to shift from a logic of economic rescue to a policy of activating idle resources and unemployed people. Against this backdrop, the three elements on the Government's agenda (austerity, reform and the new social policy) must be linked up in a form of virtuous circle. In other words, austerity will reduce the interest paid on our debt, allowing for new investments in productive capital; this productive capital will only generate growth within the context of the full development of the reforms under way in the service market, the financial market and the labour market; and all this will only lead to a cohesive emergence from the crisis (the distinguishing hallmark of the progressive vision for the future) if growth is turned into new investment in social capital and new employment opportunities for those who suffered the harshest consequences as a result of the crisis.

In order for the unemployed of today to be in a position to take up the new job opportunities which will be the key to the future, it is crucial that they be able to acquire the new skills needed, and that they can themselves become agents of change

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1 See the Report *Ideas for a New Economy: Towards a More Sustainable Spain in 2025*.

through new ventures in these fields. Active employment policies represent a fundamental tool in achieving this.

In 2011, according to the Draft Bill of the General State Budget, Spain will spend some 40 billion euros on employment policies, more than 30 billion of which will be allocated to passive policies (benefits and subsidies), with barely 7.5 billion spent on active policies. This sum represents a substantial financial effort on the part of the State; under the current design of active employment policies in Spain barely 2.5 billion of this overall allocation will be specifically assigned to training for employment (since the remainder will go on employer rebates or direct public employment). Meanwhile, only 1 billion of this sum will be specifically dedicated to training activities for workers who are currently registered as unemployed (with the remainder going on training for workers who are still in employment).

In short, we now spend 4% of GDP on employment policies, but only 0.1% is devoted to developing the qualifications of the unemployed. These percentages lie well below those allocated in other European countries which achieve better results in the process of talent recovery and second opportunities as achieved through active policies. Thus, the make-up of our employment policies clearly leaves considerable room for improvement, and modifications here must lie at the core of the new social agenda announced by the Socialist Government.

Within the European context we find a number of extremely interesting experiences which could serve as a guide for the changes which need to be instigated in Spain. This study presents an overview of the most noteworthy cases and proposes a series of general lines of action for Spain, based on the experience of some of our EU partners.

The main conclusion of this study is that the future reform of the active employment policy system must face up to the following challenges:

- Need to dedicate greater resources to active employment policies: the volume spent on active policies should be doubled in order to match the level in the most advanced EU countries.
- Such an increase would not necessarily involve a substantial rise in the overall public budget dedicated to employment policies. Other countries combine active and passive policies in a more coherent and integrated manner: unemployment benefits and subsidies are not seen simply as an income safety net, but incentivise the training and employability of the unemployed.

- We must increase the number of unemployed people receiving training courses, achieving a figure of at least 50% of those out of work pursuing a training initiative. The situation in Spain in terms of training lags far behind the European average: in 2007 fewer than 20% of unemployed people underwent training courses, a percentage which as a result of the crisis has dropped below 10%. We must meanwhile expand the training available, improve quality and increase levels of specialisation.
- Public employment services should be serving as a dynamic catalyst for the unemployed, through job search guidance initiatives and the design of professional and training pathways.

We raise, in particular, a series of proposals to improve active employment policies in order to help in achieving the following goals:

### **Improve the performance of public employment services**

1. Transform public employment services to achieve effective cooperation between Spain's autonomous regions and central information services and so encourage/allow geographical mobility.
2. Customise the services received by the unemployed in order to track each case, so that job centres are not simply "benefit offices" but offer true "professional guidance".
3. Evaluate the results of public employment services in order to foster the sharing of best practices.
4. Foster cooperation between public employment services and private recruitment agencies, allowing the specialist private sector to help certain groups. In order to perform these tasks private agencies should be in a position to administer both training and the recruitment of unemployed people.

### **Achieve a greater tie-up between active and passive employment policies**

5. Progressively link the benefits received by the unemployed to their involvement in training processes and their active approach to seeking employment.
6. Allow flexible retirement alternatives both for those who have already taken early retirement and workers who could be covered by future workforce

restructuring programmes. A system making early retirement compatible with part-time working would have a positive effect in bringing the black economy out of the shadows and making a contribution to the Social Security system.

### **Devise training itineraries and career paths for the unemployed**

7. Draw up specific training and professional conversion programmes for the unemployed in certain sectors or activities (in particular from the construction sector to eco-industries or social industries).
8. The employment services should be making efforts to provide every unemployed person with an individual career path for the next decade, in accordance with their prior training and professional experience.

### **Improve the range and quality of training**

9. This will require an increase in the training courses available, with efforts focused above all on those workers and unemployed people with lower skills levels (since the focus is currently on the most highly skilled).
10. It is vital to increase the average level of quality of training courses provided for unemployed people in Spain. This process would be made easier by the availability of results indicators for the courses in order to assess their effectiveness.
11. The unemployed could be given the right to choose where they wished to train, with the training/placement system for the unemployed being opened up to specialist agencies and universities themselves.

### **Promote innovative initiatives on the part of the unemployed**

12. Incentivise the creation of “work-experience enterprises”. One important task which public employment services could be performing, and are not doing now, is to link up unemployed individuals in different regions with compatible profiles who could potentially form enterprises. The generation of pilot groups of unemployed people to set up “work-experience enterprises” could be accompanied by an increase from 60% to 110% in the percentage currently allowed for lump-sum benefit payments.

13. Active employment policies focused on promoting enterprise ventures by unemployed people should be based on activities of particular interest for the sustainable economy in each autonomous region.

### **Generate new forms of employment + training**

14. Create the concept of the “working unemployed”, meaning that those who have lost their jobs but find part-time and/or low-paid work would not spurn such opportunities or be tempted not to declare them, but could supplement their monthly income (on which they would pay Social Security) with a proportion of the benefits to which they would still be entitled. This initiative would lead to net savings in the system and reduce the long-term unemployment rate.
15. Create a rotational/substitution system (similar to that in Denmark, Sweden or Germany), under the terms of which the unemployed could receive practical training at companies or public authorities while the workers occupying the jobs in question are temporarily absent (maternity leave, illness, etc.) or while they are on leave to complete training courses to improve their promotion prospects.
16. Generate public jobs with a substantial training component. Regional and local authorities provide citizens with a great many services which could be tied to the re-skilling of the unemployed.

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