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Job Creation: Lessons from Abroad

by Amna Silim

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Acknowledgements

I wish to thank Tony Dolphin, Kayte Lawton and Graeme Cooke for comments on earlier drafts of this report. I would also like to thank Nicola Smith and Richard Exell for their input and guidance on this project, which helped improve it.

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Executive summary

This report looks at the international experience of employment change since the recession, at how the British experience compares with other countries and at the lessons we can learn from this comparison.

Given the depth of the recession and the feeble recovery, we might have expected unemployment to rise by a million more than it actually did. There is no consensus among economists about why this should be the case, but one strong explanation has been the shift to "activation" policies by successive governments and reforms by the last government to 'make work pay', including the introduction of the minimum wage and tax credits. Suggestions that the de-regulation of the UK labour market is responsible for this performance are more contentious, with international comparisons not showing much of a relationship between labour market flexibility and job losses during the recent recession.

Only looking at UK experience can be misleading, however. Five years ago, the world passed through the worst recession since the 1930s (in some cases even worse) and the industrialised democracies still face tremendous difficulties because of it. But while labour market performance has varied, economists have been surprised that across many countries the rise in unemployment has generally been much less marked than might have been expected after such a large loss of output.

In this context the performance of Britain's economy could better be described as moderate than outstanding. The "Okun's coefficient" (the ratio of the rise in unemployment to the fall in GDP) for the UK has been 0.36, roughly the OECD average. Other countries, not just Germany, but also Japan, Belgium, Austria, Norway and Australia have seen unemployment return to near pre-recession levels. It is noticeable that these are typically countries that saw only a small increase in unemployment straight after the recession.

Across the OECD, governments increased spending on temporary programmes and in most (but not the UK) schemes to subsidise a period of short-time working was an important element. These schemes made it easier for employers and workers to adjust working hours to preserve jobs and studies found that hundreds of thousands of jobs were saved. The timing of these schemes is important – once a recovery has begun, governments should re-orient their efforts towards helping disadvantaged unemployed people.

Some politicians have argued that the short-time working scheme was not the only reason for Germany's labour market success, and have pointed to a number of reforms introduced before the recession. In Britain commentators have concentrated on the role that 'mini-jobs' have played in boosting employment growth, though their impact is questionable: the German 'miracle' has centred on rising manufacturing employment, but mini-jobs have been concentrated in the service sector.

Most OECD countries had direct job creation programmes before the recession, and many expanded them as the crisis deepened. The UK introduced the Future Jobs Fund, abolished immediately after the election by the current government. Studies have since shown that the Fund had a substantial and positive impact on the employment prospects of participants; internationally, however, there is no clear picture – some countries with substantial direct job creation saw lower than expected increases in unemployment but others fared less well.

These programmes are very diverse and the quality of design and implementation seems to be a key factor. If this is high, these schemes can help to keep disadvantaged unemployed people close to the labour market.

This paper suggests practical lessons that Britain can learn from other countries – although our employment performance was better than expected, other countries did even better. Measures include:

- **Short-time working subsidies** can help firms to make it through the recession by reducing their costs, but not their workforce. Such support should only be offered to firms that are viable in the long-term, combined with a requirement that participants get training to maintain their skills and withdrawn once the recovery has begun.
- **Direct job creation** can make a difference in recessions, especially for disadvantaged workers. Programmes should be targeted at particular groups (like young unemployed people), of limited duration and participation should be combined with continuing job search.
- **Hiring subsidies** may be another strategy for keeping disadvantaged people in touch with the labour market. They can be complex and there is a risk of displacement and deadweight, so it is important that they should be targeted at the groups who are less likely to succeed in the open labour market such as young people or the long term unemployed, and that they are used at the right point in the economic cycle.

Introduction

High levels of unemployment have significant impacts not only on the economy, but also on the well-being of affected individuals and families. For the individual, this may mean a lower income and reduced employment prospects; weak labour market performance also lowers aggregate demand in the economy, reduces tax revenues and increases public spending on benefits and other forms of state support. Unemployment is costly and most governments are committed to maintaining high employment rates. In the UK, to support high employment rates, full employment has been a goal of most governments since the Second World War. This is because full employment has been associated with many positive advances for the economy and society. For example, full employment helps to broaden the tax base, supports disadvantaged groups enter what would otherwise be a difficult labour market, and helps to reduce regional labour market inequalities.

There is a particular need for the state to pursue a policy of full employment to keep employment high in downturns and recessions, not least because cyclical unemployment during recessions can lead to structural unemployment as happened in the UK in the 1980s. Recessions also tend to have a significant negative impact on the labour market prospects of disadvantaged groups. Policies that maintain labour demand during downturns are vital to support those struggling to enter and stay in the labour market, and key to securing a strong and jobs-rich recovery.

This report examines the UK's recent labour market performance compared to other OECD countries and sets out the main lessons that UK policymakers can learn from those economies with the most successful labour markets over the last five years. Following the 2008–09 recession, the drop in aggregate demand led to a rise in unemployment across all OECD countries. However, the labour market response to the drop in output was relatively benign compared to previous recessions and Germany, the most extreme case, has seen unemployment fall over the last five years. Despite this mild response, there has been great variety in labour market outcomes across the OECD in recession and recovery. In the UK, economic output has barely increased over the last year, yet employment growth in the private sector has been strong. In contrast, Spain has experienced a disproportionately large rise in unemployment given the drop in GDP.

After a decline in output, the main government priority should be to encourage and support economic activity. Strong economic growth contributes to improving labour market performance as aggregate demand largely determines the rate of job creation and loss in the economy. However, labour market policies can play an important role in facilitating returns to work or helping to preserve existing jobs.

Active labour market policies introduced during the 1990s and 2000s appear to have contributed to the improved performance of the UK labour market during this recession relative to previous recessions. But other OECD countries have performed even better, suggesting that additional policies that help to prevent job losses and assist the transition back into work could raise employment in the UK in the recovery and help to maintain employment during future downturns. This report considers the extent to which differences in policies and institutions explain the varied labour market performance across the OECD.

The report begins with an analysis of the UK's labour market performance during the 2008–09 recession in an attempt to understand why its performance was better compared to previous recessions. The next section considers the available data on trends relating to GDP and labour market performance in OECD countries over the last five years and evaluates relative labour market resilience. The final section examines the policy approaches that have been adopted in OECD countries during the recession and recovery which may have helped prevent excessive falls in employment.

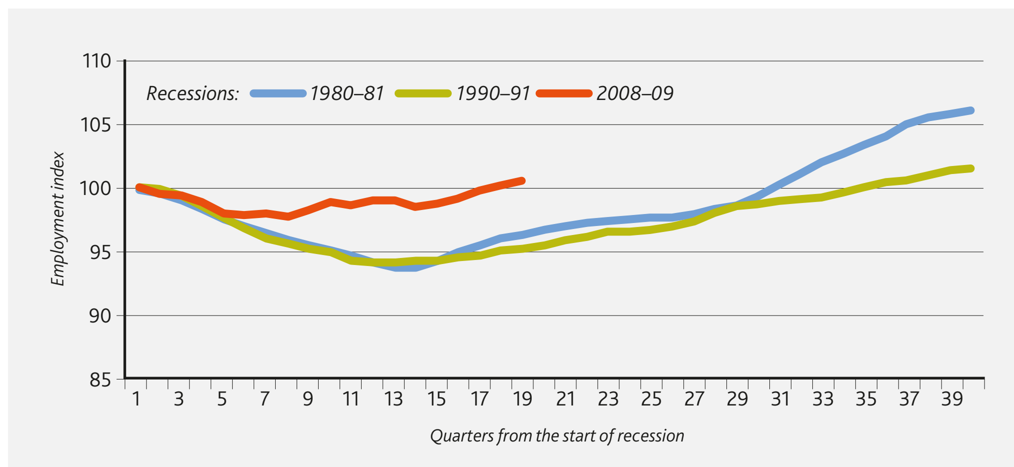
1 What explains the UK's labour market performance over the last five years?

Compared to other OECD countries the UK's labour market performance over the last five years has been middling, whether looked at in absolute terms or after taking account of the drop in output. But a comparison with the UK's own history is more positive, especially when the depth of the recession and the sluggish nature of the recovery are taken into account: Gregg and Wadsworth (2011) estimated that during the 2008–09 recession one million net jobs were preserved, compared to what would have been expected given the drop in output.

In addition, despite the UK sliding back into recession in 2012, the labour market began to recover in late 2011 and this recovery was sustained over the following 12 months. Historical trends show that GDP growth of two per cent is usually required before countries experience a jobs recovery, yet over the past year there has been little to no GDP growth (Gregg and Wadsworth 2011). It is therefore worthwhile exploring the possible reasons behind the UK's improved labour market performance.

Although unemployment rose during both the recession and the early stages of the recovery, this was to a lesser degree than previous recessions. Compared to the six per cent fall in the initial employment level after both the 1980–81 and 1990–91 recessions, employment losses were limited to two per cent after the 2008–09 recession. Additionally, employment losses flattened out earlier than in previous recessions – employment regained its pre-recession level 31 quarters from the start of 1980–81 recession, and 35 quarters from the start of 1990–91 recession, while employment levels following the 2008–09 recession employment returned to initial levels after 18 quarters (see Figure 1).

Figure 1: Employment levels from the start of recession



Source: ONS, (Gregg and Wadsworth 2011)

The most puzzling development in the UK labour market over the past five years has been the labour market recovery since late 2011. This is particularly curious given there has been little to no economic growth over the same period. The recovery of employment in an economy where growth is stagnant has created a "productivity puzzle".

Suggested explanations have included the decline in real wages, weak investment and a shift of employment to low productivity sectors, away from energy and finance. Productivity is one of the key drivers of economic growth and subsequently of living standards; any drop is worrying for the UK's economic prospects. It is important to determine why productivity has dropped, but there is no consensus about the relative importance of the various factors and more analysis is needed before the productivity puzzle can be fully solved. The web annex at **www.tuc.org.uk/tucfiles/615/The_Productivity_Puzzle_web_annex_1.pdf** looks at this issue in more detail.

What made the UK labour market more resilient to this recession than others? One explanation is the adoption of active labour market policies from the late 1990s. These policies have developed significantly over the past twenty years, providing those out of work with greater job search assistance and support to re-enter work. Additionally, the conditions attached to out-of-work benefits have increased over the last 15 years, placing increased requirements upon recipients to take active steps to find work. This 'mutual obligations' approach has meant there are now greater incentives in place for people claiming out-of-work benefits to find a job.

Prior to this recession, the government also introduced reforms to increase the returns to work relative to not working. This includes the national minimum wage introduced in 1999, alongside the Working Tax Credit (formerly the Working Families Tax Credit), both of which were introduced as a means to 'make work pay'. Analysis by the Resolution Foundation has found that in-work tax credits have had a positive impact on employment among parents (Gregg *et al* 2012). The impact of in work tax credits on employment is most pronounced for single parents and helped to bring down the number of children living in workless households (Gregg *et al* 2012). Overall, Gregg and Wadsworth estimate that these changes – working tax credits and national minimum wage alongside job search requirements – explain around one third of the less than expected fall in employment.

In the 1980s recession, large numbers of unemployed people – largely because of industrial restructuring – were encouraged to claim disability benefits instead of unemployment benefit. In this recession, the UK has increased job search requirements. In 2008, the government introduced reforms to disability benefits. The Employment and Support Allowance (ESA), replaced incapacity benefit and incapacity support, and has tighter conditions tied to its receipt. People claiming ESA are expected to participate actively in programmes that prepare claimants for (re-)entry into the labour market. Additional reforms that acted to increase the labour supply include measures to extend working lives such as extending the state pension age, and ending default retirement age have led more people to remain in work.

Another significant change to the labour market over the last thirty years has been the deregulation of the UK labour market, particularly in the 1980s and 1990s. Today the UK has one of the least regulated labour markets in the OECD. This is largely due to relatively weak employment protection legislation – measures to protect workers against dismissal- compared to other OECD countries* (Gregg and Wadsworth 2011). Some anti-regulation commentators argue these changes partly explain the relatively good labour market performance during the 2008–09 recession (referenced in Lansley and Reed, 2010). In contrast, Gregg and Wadsworth (2011) argue there is no relationship between the flexibility of a country's labour market and job losses during this recession. In fact, countries like the US have highly flexible labour markets and experienced significant hikes in the unemployment rate, while countries such as Germany with heavy employment protection legislation saw a marked improvement in their unemployment rates.

A flexible labour market does not by itself explain why particular countries have done better or worse than the UK, but it has allowed for greater internal flexibility over hours and wages. A reduction in real wages to producers during the 2008–09 recession has meant that firms were able to cut the cost of labour input to avoid excessive layoffs. It is estimated that the reduction in real wage growth during this recession saw a decrease of roughly three per cent in real wage costs for firms (Gregg and Wadsworth 2011). This may be a sensible approach during the recession in order to prevent excessive job losses, but the prolonged use of wage restraint is likely to have a negative impact on living standards.

The rapid expansion of involuntary part-time, temporary work and self-employment likely went some way towards maintaining the number of people in work during the recession despite the fall in demand. The number of people reported as self-employed has increased by nine per cent between 2008 and 2012, equivalent to an additional 330,000 self-employed workers. Involuntary part-time work has risen to record levels since the beginning of the recession; in 2012, 1.42 million people were in involuntary part time work, an increase of 696,000 since 2008. Although keeping people in work retains skills and incomes, given low pay associated with part time work, it can lead to greater numbers of people facing in-work poverty (OECD 2013).

Profit levels could also explain why the UK managed comparatively well this time round. Because firms entered this recession with healthier profit levels, the financial pressure facing firms immediately after the crisis hit was far less than in previous recessions (Gregg and Wadsworth 2011). This helped firms to retain workers despite the fall in output, partly contributing to the smaller fall in employment.

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*www.oecd.org/employment/emp/oecdindicatorsofemploymentprotection.htm

These factors: healthy profit levels, low producer real wages versus high consumer real wages, greater internal flexibility around remuneration, and the change in the composition of employment help to explain how excessive job losses were prevented during this recession. Gregg and Wadsworth (2011) argue these factors explain around two thirds of the lower-than expected fall in employment.

Unlike previous recessions, reduced hours this time round had little impact on preventing job losses. In contrast, during the 1980s the UK government had an explicit short time working programme, which led to average hour's reduction among workers of around four per cent, far more than this recession and the 1990s recession (Gregg and Wadsworth 2012).

Although the UK has had a relatively mild increase in joblessness compared to previous recessions, unemployment remains a concern, particularly the large increase in unemployment among certain vulnerable groups. At the start of 2008, 1.6 million people were out of a job; by the end of 2012, the number of unemployed people had reached over 2.5 million.

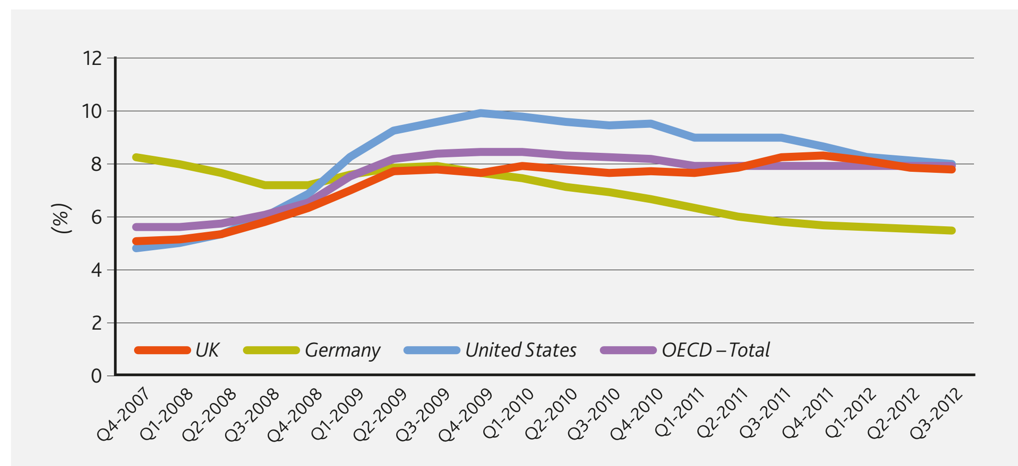
Both long term and youth unemployment have risen dramatically over the past five years. Youth unemployment increased from 744,000 in 2008 to 992,000 in 2012, while long term unemployment rose from 413,000 to 884,000 over the same period. This stark increase is particularly worrying as it can result in a scarring effect, damaging future employment prospects and earnings. These groups can also find it increasingly difficult to find a job during contractions, requiring greater assistance.

These significant employment losses have had serious implications on the lives of many people across the UK. And while the UK saw a labour market recovery between 2011 and 2012, the claimant count is close to double the pre-recession levels. Over the past four years, the count has remained stubbornly high at around 1.5 million. Therefore, there is still a strong case for additional measures to lower unemployment particularly during cyclical fluctuations.

2 How have OECD labour markets fared over the last five years?

The UK has not been the only country that has fared relatively well in employment terms during the 2008-09 recession and early recovery. The OECD unemployment rate rose from 5.6 per cent in Q4 of 2007 to a peak of 8.2 per cent in Q2 of 2009 (Figure 2). By the end of 2012, it had dropped to 7.9 per cent – a modest improvement from its peak. Although, the UK unemployment trend closely follows the OECD average, this average masks the different unemployment outcomes seen in each OECD country. The initial impact of the recession in the US was large in comparison to the OECD average, while Japan and the Netherlands had a relatively muted immediate response (see Figure 2). But Germany is the real outlier, having seen unemployment fall throughout most of the last five years to the point where it is considerably lower now than at the end of 2007 (5.5 per cent compared to 8.3 per cent).

Figure 2: Harmonised unemployment rates (%)



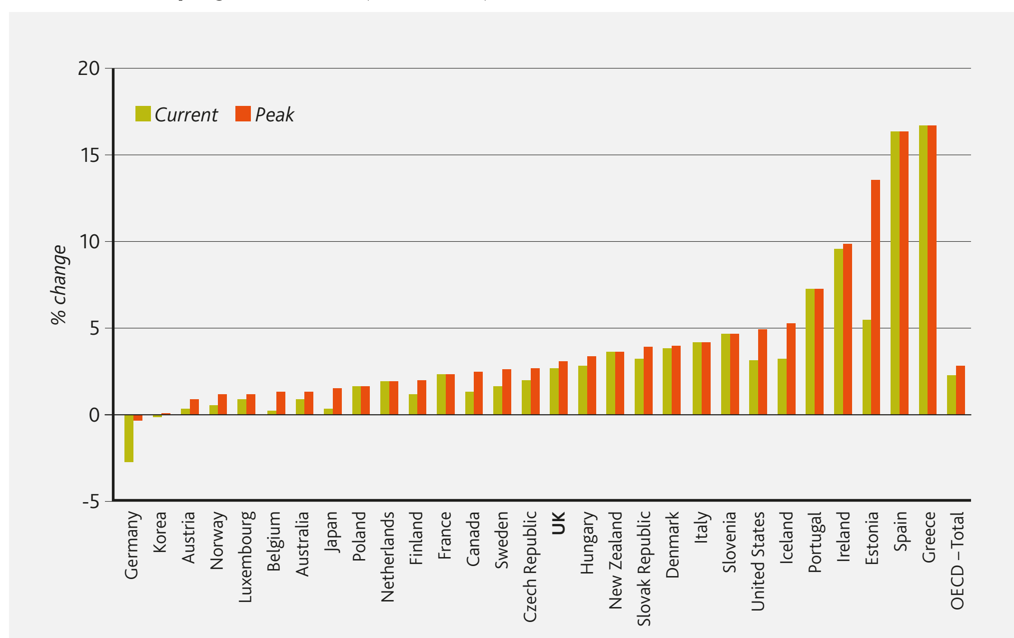
	Q4-2007	Q4-2008	Q4-2009	Q4-2010	Q4-2011	Q3-2012
United Kingdom	5.1	6.3	7.7	7.8	8.3	7.8
OECD – Total	5.6	6.6	8.5	8.2	7.9	7.9
G7	5.5	6.4	8.4	8.1	7.6	7.4
United States	4.8	6.9	9.9	9.5	8.7	8.0
Germany	8.3	7.2	7.7	6.7	5.6	5.5
Netherlands	3.3	3.0	4.2	4.4	4.9	5.3
Japan	3.9	4.1	5.2	5.0	4.5	4.2

Source: OECD.statextract

Figure 6 shows how unemployment has changed over the past five years across all OECD countries. It charts the change in unemployment from the last quarter of 2007 (pre-crisis level) to each country's peak unemployment level. Korea, Austria, Israel, Norway, Luxembourg, Belgium, Australia, Japan and France all had relatively mild unemployment responses to the crisis, with increases of less than 2.5 percentage points (OECD 2012a). The United Kingdom was in the middle of the pack, experiencing a 3.2 percentage point increase from the end of 2007 to its unemployment peak in the third quarter of 2012, although most G7 countries fared comparatively better than the UK with the exception of Italy and the US.

Five years on from the recession, most countries have seen a slow recovery from the jobs crisis. Germany, in particular, has by far seen the greatest unemployment improvement, leading many commentators to dub it the German miracle. While not to the same degree, there are have been other countries (Japan, Belgium, Austria, Norway, Australia) that have made notable advances in returning to pre-crisis unemployment rates (OECD 2012a). Countries whose unemployment rate is now close to the pre-recession level are typically those that saw a smaller unemployment response directly after the recession (See Figure 3).

Figure 3: The change in unemployment (percentage points) from 2007 to peak and current unemployment rate (Q3-2012)

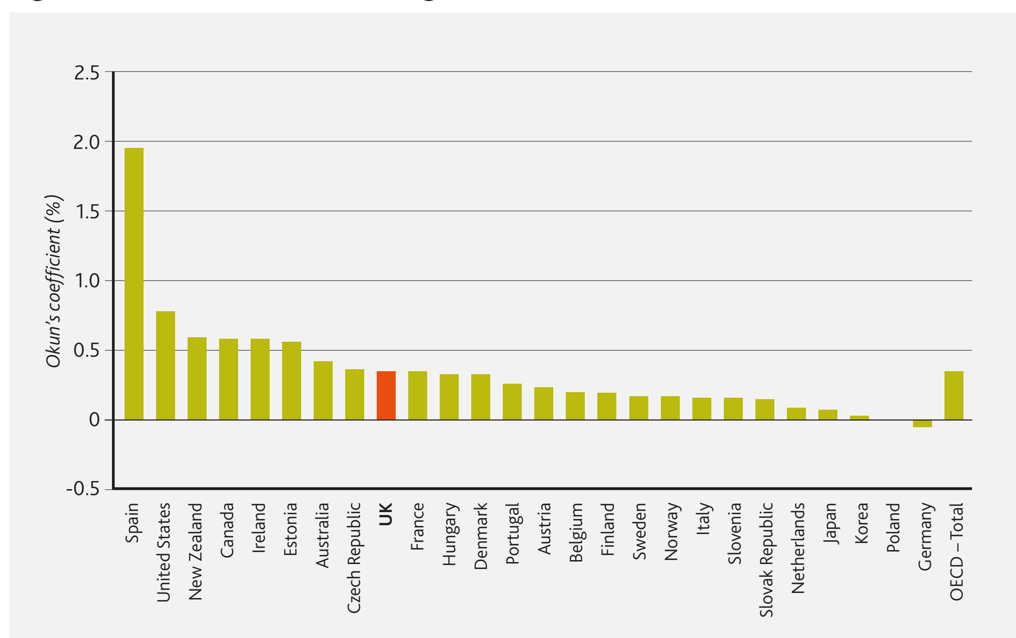


Source: OECD Employment Outlook 2012

Figure 4 highlights labour market resilience, or how well countries fared in response to the drop in output. It uses "Okun's coefficient": the ratio of the percentage point increase in the unemployment rate to the percentage fall in real GDP. Historically, in the USA, on average for every one per cent drop in GDP, the unemployment rate increases by one half of one percentage point: an Okun's coefficient of 0.5.

The unemployment response was generally milder during the recent recession, with a typical increase in the unemployment rate of one third of a percentage point for each one per cent fall in real GDP. Again, there was a wide range of outcomes across OECD countries. The UK had a middling performance with an Okun's coefficient of 0.36 – close to the OECD average.

Figure 4: Okun's Coefficient during the crisis



Source: OECD Employment Outlook 2012

3 The impact of different active labour market policies

In the 15 years up to the crisis, the UK introduced a range of active labour market policies (ALMPs) to expand the labour supply, improve the matching of workers to job and to increase the obligations of those in receipt of benefits to take steps to prepare for, find and take employment. These brought major benefits, but their success depended on a high level of overall employment and strong demand for labour. Post 2008, in a demand constrained economy this approach to labour market policy changed radically, and since then there has been increased interest in potential demand-side policies – measures that actually increase the total amount of work or boost the creation of jobs and hiring of people – drawing on the best of such approaches in other countries.

Prior to the financial crisis, many countries introduced or expanded demand side policies to encourage labour demand during the downturn. These measures aimed to keep people in their current jobs or support job creation re-integration into the labour market. In addition, most OECD governments used activation strategies alongside ALMPs to ensure greater complementarity between active labour market policies and passive labour market policies. Activation sought to strike a balance between providing an effective social safety net and encouraging benefit recipients to take up work. Most countries achieved this balance using a mutual obligations approach, where those out of work were required to actively search for work and participate in active labour market programmes as part of their requirements to continue receiving benefits. If well-designed, evidence suggests these approaches can create better incentives to find work and those out of work tend to be reintegrated into the jobs market at a quicker rate – leading to better employment outcomes (OECD 2012a).

As a result, going into this recession, there were more measures in place in most advanced economies to help get people back into work than in previous recessions. Although most changes were largely designed to address structural labour market problems, these changes may have contributed to improved labour market resilience during this recession (OECD 2012a). This suggests that even if boosting economic growth is the main government priority following a fall in output, there is still room for active labour market programmes, and in demand side policies to help people re-enter the labour market. Labour market policies (demand and supply side) also play an important role in keeping disadvantaged groups connected to the labour market, particularly during a recession when jobs are hard to come by.

Recognising the importance of both demand and supply side policies in a downturn, governments across the OECD have introduced additional temporary measures to boost the strength of such programmes over the last five years. Between 2007 and 2010, spending on these policies has increased by 21 per cent on average in the OECD area – more than in previous recessions (OECD 2012a). While spending did increase, it failed to keep up with the number of unemployed. This is important as this type of spending is far more effective during recessions if it is able to expand cost-effective re-employment

services quickly and sufficiently (OECED 2012a).Evidence shows Active Labour Market Programme (ALMP) spending is more responsive to structural employment than cyclical employment (OECD 2012a). But there are countries that have taken steps to improve the responsiveness of ALMPs to cyclical changes. In Denmark and Switzerland, ALMP expenditure automatically adjusts to changes in the labour market, increasing its responsiveness to cyclical unemployment (OECD 2012a).

Growing fiscal pressures and austerity measures adopted since the 2008-09 recession have meant some countries have had to cut back public spending on discretionary labour market policies during the recovery (OECD 2010). But this type of expenditure can be important in supporting employment during downturns and the return to growth, and therefore careful consideration must be given when considering where cuts are made. What follows is an assessment of the unorthodox, demand-side policies developed and advanced during the recent recession.

4 Short-time working

During and immediately following the recession many firms adjusted the cost of their labour input in response to the drop in output. This can be done by reducing average working hours or cutting the size of the workforce (quantitative adjustment) or reducing wages (price adjustment). Where firms were forced to use quantitative adjustment following the recession, the mix between reducing hours and reducing the workforce varied across OECD countries. For Denmark, Portugal, and Spain, less than 20 per cent of the downward reduction in labour input was a result of reduced hours, while in Korea, Norway, Australia, Germany, and the Slovak Republic over 95 per cent of the reduction came from reducing average working hours (OECD 2010). For those countries where firms largely reduced hours to lower costs, productivity fell, although by less than expected.

One popular mechanism for reducing hours during the crisis has been short time working (STW) programmes. This scheme offer firms a way to reduce their production costs during slumps without resorting to permanently losing excess capacity. STW operates as a type of unemployment insurance scheme, allowing employers to reduce worker hours, while at the same time compensating workers for a portion of their wages for the hours they did not work. Twenty-five out of 33 OECD countries used STW schemes to avoid redundancies during this downturn. Seventeen countries adopted these schemes for the first time in response to the 2008–09 recession, while other countries with existing schemes relaxed eligibility, duration and conditions of participation to encourage take-up (Cahuc and Carcillo 2011, OECD 2012b). The UK was one of the few countries with no national STW scheme (although a STW programme was implemented in Wales).

The scheme is typically financed through unemployment benefit funds – where contributions to the mandatory state-run unemployment insurance system include insured persons, employers and the state (EC 2010). However, some countries require employers to make additional contributions to the direct cost of STW, in order to minimise deadweight loss – where employers will use the scheme even if they were not originally going to fire employees (Hijzen and Venn 2010). The extent to which firms are required to pay for the cost of STW varies considerably across OECD countries – firms in Belgium are not required to contribute towards the cost of STW, while French firms are required to cover 39 per cent of normal total labour cost for hours not worked (Hijzen and Venn 2010).

Countries that do not require firms to take up any of the cost associated with STW include Belgium, Canada, Denmark, Finland, Ireland, and Spain (Hijzen and Venn 2010). However, other countries require firms to bear some of the costs. For example, in Norway and Switzerland firms pay full wages for the first five days of STW, while in Hungary and the Netherlands, firms are required not only to finance a proportion of wages for hours not worked but also to pay for a portion of training costs incurred by workers on STW. Many schemes come with conditionality clauses, eligibility criteria and duration limits to ensure appropriate take-up rates and to minimise deadweight losses or displacement effects. For example, the government can set restrictions on the maximum duration of participation to regulate the use of schemes. Additionally the generosity of schemes varies across countries. Table 1 below shows the design features of STW schemes in selected OECD countries.

Table 1: Design of STW schemes (eligibility, conditions and duration)

Country	*Name of scheme*	*Eligibility*	*Conditions*	*Duration*
Germany	Kurzarbeit	Firms must provide justification of economic need Programme requires social partner agreement at minimum between employer and employee Employee must be eligible for unemployment benefits to participate	Job search requirements attached to participation	In 2010, the duration of participation was capped at 1 8 months
Japan	Employment Adjustment Subsidy	Firms must provide justification of economic need Employee must be eligible for unemployment benefits to participate	Firm cannot dismiss participant for a short period of time after STW begins	300 days over three years
Denmark	Arbejdsfordeling-sordning (work sharing)	Programme requires social partner agreement at minimum between employer and employee	Training required as part of participation	26 weeks – regional employment council must authorise participation over 13 weeks

Source: Hijzen and Venn (2010), OECD Employment Outlook 2010 Annex

As output dropped across the OECD during the 2008–09 recession, take up rates of STW schemes increased dramatically in some countries. For example, in Germany 37,000 employees participated in STW in 2008; one year later in June 2009 the number of participants had jumped to 1.4 million (EC 2010). Table 2 shows take-up rates across OECD countries. Belgium, Japan and Germany have had significant take-up rates and good labour market performance over the last five years, with Okun's coefficients of 0.08 and -0.05 and 0.2 respectively. All of these coefficients are lower than the UK's (0.36) during the crisis.

Table 2: Take up rate (% of all employees using STW)

Country	*Take up rate (%)*
Belgium	7
Germany, Japan	4–5
Austria, Czech Republic, France, Ireland, Italy, Netherlands	1–2

Source: OECD 2012b

In Germany, manufacturing and construction were the main recipients of the short time working allowance. Prior to the recession, construction was the main recipient of the STW allowance, mainly due to the seasonality of employment. However roughly a year into the recession, in 2009 and early 2010, the main recipient of the Kurtzarbeit funds was the manufacturing sector. Roughly three quarters of workers in Germany who received assistance were employed in manufacturing, followed by construction workers – who made up six per cent of recipients overall. Around two fifths of participating firms were manufacturing firms, while six per cent were construction firms. Both manufacturing and construction are strongly cyclical industries and as a result, these sectors faced considerable drops in employment, but STW may have contributed to buffering excessive job losses (Eurofound 2010, EC 2010).

A recent OECD study evaluated the impact of STW on labour market outcomes across 23 OECD countries during the crisis and the early recovery, using differences across countries and time variation in take up rates to analyse their impact. It estimates the impact of STW programmes on employment and hours, and differentiates for permanent and temporary workers (OECD 2012b). Additionally, the model accounts for variations in institutional setting across countries. The study found that STW increased the elasticity of hours worked, which allowed greater flexibility in adjusting working hours to preserve jobs despite the fall in output (OECD 2012b). STW was thus able to preserve a substantial number of jobs in Germany (580,000), Italy (130,000) and Japan (445,000) during the crisis.

Another earlier study by Hijzen and Venn (2010) found similar results. Their analysis suggests that STW schemes helped retain permanent jobs during the recession, although STW did not have a significant impact on the employment or average hours of temporary workers. Their analysis shows there were associated deadweight costs, where the programme was effectively subsidising jobs that would have been preserved despite the recession (OECD 2012b). Similar studies by Boeri and Brucker (2011) and Cahuc and Carcillo (2011), who used similar datasets and a slightly different methodology also found similar results. In contrast, to the recent OECD study (OECD 2012b), this analysis was limited to 19 countries and covered a shorter period. As a result, this study was unable fully to capture the impact of STW during the early recovery.

Although STW preserved jobs shortly after the recession struck, its continued use during recovery or for long periods may hamper the job content of a recovery. Evaluation of STW schemes show that towards the end of 2010, the net effect of STW on jobs was marginal and in some instances may have even tended towards negative (OECD 2012b). As a result, the timing of STW is important: immediately following a recession the priority should be to preserve existing jobs, but once countries are in early recovery, governments should shift their energies towards re-integrating the unemployed, particularly disadvantaged groups, back into the labour market. Demonstrating this shift, in 2010, most countries saw a decline in short time working.

From the perspective of employers, STW can be a cost effective alternative to dismissals (Cahuc and Carcillo 2011, EC 2010). Countries with tight employment legislation tend to be associated with greater hours flexibility and schemes such as STW (Hijzen and Venn 2010). Because tight EPL results in reduced external flexibility, STW allows for greater internal flexibility (OECD 2010). This is particularly helpful if workers will be required once the economy emerges from recession. However, STW may be even more important in countries with low levels of employment protection legislation (OECD 2009). For

example, because the UK has relatively weak employment legislation, it is relatively easy to let go of workers during downturns compared to other countries such as Germany with high levels of employment legislation. As a result, there is greater external adjustment in the UK compared to Germany. Therefore, STW could be one way of enhancing job security in countries with weak employment legislation (EC 2010), as the scheme could incentivise firms to hold on to employees instead of firing them during downturns (OECD 2009).

Although the UK does not have a nationwide short time working programme, Wales implemented a temporary short time working scheme, ProAct, adopted in 2009 and closed in June 2010. The programme provided a wage subsidy alongside a training package to those on short time working. The focus of the programme was primarily on the manufacturing and automotive sector, but all sectors were eligible to participate. The Welsh government's two main objectives for the programme were to protect existing jobs, while boosting economic activity through improving the skill levels of STW participants. Over the duration of the programme, 10,400 workers and 211 apprentices received Pro-Act support.

A recent Welsh Government evaluation argues Pro-Act was a success, contributing to boosting profits, productivity and safeguarding just above 1,800 jobs over the duration of the programme that would have otherwise been lost. The evaluation, which included a survey of participating firms, shows that three quarters of firms said they would have made additional redundancies without the support of Pro-Act – particularly those in the automotive and manufacturing industry (Welsh Government 2011). The programme was estimated to have cost roughly £27 million, and initial estimates show that for every pound spent, £3.51 in GVA measure of the value of output produced – was generated from the extra sales generated because of ProAct training or the value of jobs retained because of the programme (Welsh Government 2011). The wage subsidy cost per job saved ranged from roughly £3,400 per job in the automotive sector to £7,404 per job in the finance, property and business services. However, when total ProAct costs and GVA considered the government evaluation estimates that the cost per job is on average £12,015 – a relatively conservative estimate.

Reducing hours during the recession was not only achieved using STW. In Germany, STW only accounted for 25 per cent of the downward adjustment in hours worked during the recession (OECD 2010). An alternative model of STW, called working time accounts (WTA), may have contributed to Germany's strong labour market performance during the recession. Unlike STW, WTA involves no state intervention; instead, its terms are negotiated between firms and employee representatives, primarily unions. This scheme allows workers to build up surplus hours in 'accounts' when demand is strong, rather than being paid overtime. Workers can then use these accumulated surplus hours to supplement their pay if their working hours are cut when demand is weak. The accounts allow employees to maintain a steady rate of pay even though their working hours are fluctuating in response to changing demand. If a worker's surplus hours are used up then the terms of the scheme still allow the employer to lay the worker off if production has not picked up sufficiently.

These accounts have been increasingly popular in Germany. The proportion of workers who had such an account increased from 33 per cent in 1998 to 48 per cent in 2007. Evaluations suggest that these programmes also contributed to the modest drop in employment during the 2008-09 recession. Burda and Hunt (2011) found that working time accounts were more important than short time working in explaining the modest rise in unemployment during the 2008–09 recession. There is also evidence that the WTA programme crowded out short-time work during this period (Burda and Hunt 2011, Eurofound 2010).

Some argue that deliberate programmes to reduce working hours were not the only reason Germany enjoyed great labour market success in spite of the recession. Instead, reforms introduced ahead of the recession may have contributed to the boost in employment. In 2003, the German government introduced a number of labour market reforms to lower labour costs and enhance poor incentives to work for second earners (a result of joint assessment for tax and social security). These reforms known as the 'Hartz' reforms included reforms that strengthened work incentives such as in-work benefits, increased access to childcare, labour market activation programmes and significant reforms to regulation including the introduction of mini-jobs. Some argue that these changes have been important in boosting employment over the past 10 years.

Mini-jobs, introduced in the 1960's were originally designed to improve the incentives to work for economically inactive women caring for children. These jobs required employees to work 15 hours or less a week, and in return, workers received a capped wage among other benefits. In 2003 the programme was revamped, the cap on hours was lifted, and the upper wage threshold was increased. People in mini jobs were exempt from paying tax and social insurance and were entitled to the same employment rights (Weinkopf 2009). Since the changes in 2003, these jobs saw a massive rise in popularity, between 2003 and 2010 the number of workers that held a mini-job increased from 1.6 million to 7.3 million (Blankenburg 2012), with some suggesting that the programme has been one reason Germany saw a significant rise in employment over the past decade.

However, the significance of mini-jobs in the German jobs and employment boom is questioned. When the higher wage threshold was expanded in 2003, a number of jobs were reclassified as mini-jobs. As a result, evidence shows that once this reclassification is taken into account, the actual number of new jobs created was up to 90 per cent lower than top-line figures suggested (Bargain *et al* 2005). Additionally, Germany's labour market performance was largely driven by a rise in employment within the manufacturing sector, however most mini-jobs were concentrated in the service sector (TUC 2012). Therefore, there is yet enough conclusive evidence to support the impact mini-jobs have had on Germany's labour market performance.

Taken together, it is evident that STW and other programmes that were designed to reduce average working hours had a significant economic impact on labour market outcomes in the countries in which they operated. Given the success of STW, this could be a sensible programme to use in future recessions. This would support firms to adjust their labour input without resorting to job losses – retaining crucial skills and talent. Although careful attention must be paid to the conditions, eligibility and duration of programmes in order to remain effective and avoid deadweight and displacement costs. The state must consider the risk of subsidising firms that are no longer viable, or subsiding jobs that were never at risk of being lost. There are also other downsides, for example, these programmes can have a negative impact on productivity per worker, the programme may increase the

possibility of a jobless recovery and it can have a negative net impact following prolonged use. Therefore, the use of STW should generally be restricted to cyclical fluctuations and have a time limit. Countries are already beginning to see a reduction in take up rates, perhaps indicating that these issues have been considered in their design.

If the UK were to consider a similar scheme, a few considerations would have to be borne in mind, given its labour market and institutional context. First, in the UK Gregg and Wadsworth (2011) found reduced hours were much less prevalent in the UK than in previous recessions. This is partly of weaker social partnership arrangements among unions, firms, and employees in the UK compared to many other EU countries. As a result, if this programme were to be adopted successfully, these agreements would need to be strengthened. Additionally, given the absence of a strongly insurance based welfare system, it would likely fall to the state to fund and administer the STW programme. This could come at a significant cost to the state, although the costs of not stimulating demand for jobs may be higher. The administrative cost associated with implementing such a scheme could also be significant. Given the structure of benefits and tax credit, an STW scheme would likely involve paying people a JSA-type payment to workers even though they were still in work – which could be administratively complex.

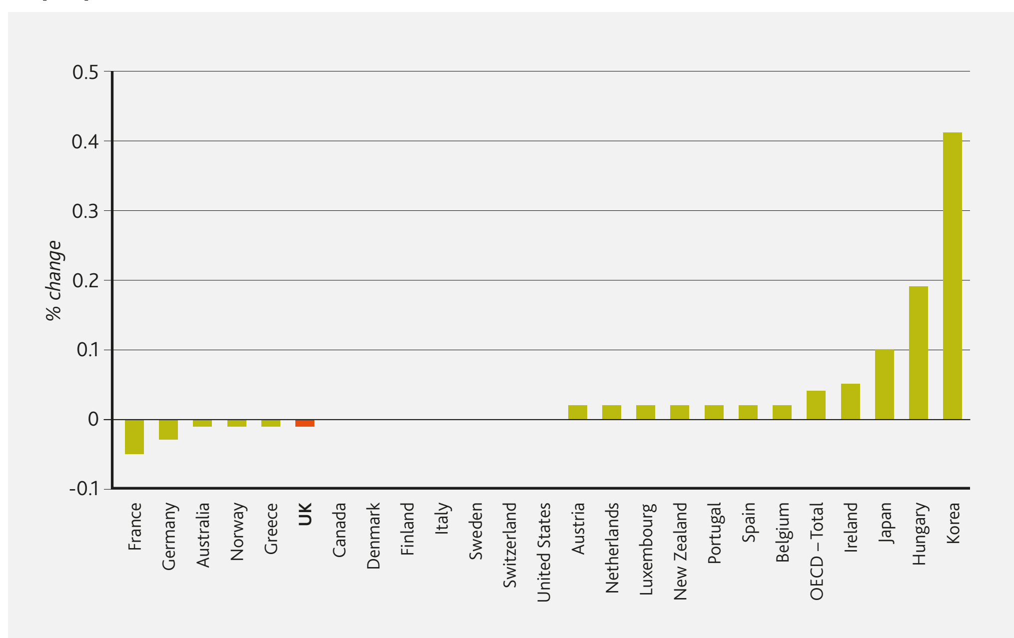
Another consideration is whether the Working Tax Credit already operates similar to a short time working scheme. Introduced in 2003, the Working Tax Credit provides workers with additional income if their income is low enough and if they meet certain criterion. The conditions required to receive this benefit vary depending on household characteristics. For single workers over the age of 25, they are entitled to this benefit if they work over 30 hours week, while single parents are eligible for the tax credit if they work a minimum of 16 hours per week. Therefore, if a worker was to shift to part time work, or reduced hours to a minimum of 16 hours (lone parent) or 30 hours (single individual) during a downturn, working tax credits could help to smooth their income during this period. However, because tax credits are not currently framed as a means for firms to reduce hours during cyclical fluctuations (not a deliberate programme for reduced hours), it is unlikely firms consider this as part of their business strategy during downturns. Additionally, this would benefit only targeted groups, and may not help to reduce the hours of those who do not qualify for working tax credits.

5 Job creation and job subsidies

Another option to boost labour demand is through direct job creation in the public sector. These programmes are often targeted at hard to place job seekers such as the long term unemployed (OECD 2009).

Most OECD countries had direct job creation programmes in place prior to the recession, and many expanded their public sector job creation programmes following the crisis. Between 2007 and 2009, countries that significantly increased expenditure on job creation as a percentage of GDP were Hungary, Korea, Ireland and Japan (Figure 5).

Figure 5: Direct job creation (2007 to 2009), percentage point change of spending as proportion of GDP



Source: OECD.statextract

Recently, the UK government introduced the Future Jobs Fund, a subsidised job creation scheme. The programme was introduced in 2009 but in 2011, the Coalition government terminated the scheme. Despite being prematurely cut, this labour market policy has been one of the most effective policies of the last 15 years. The aim of the programme was to help young people and those living in disadvantaged areas secure unsubsidised employment. The programme was designed to help to prevent 'scarring' among these groups and keep them connected to the labour market by improving their skills and building their work experience. Eligible individuals were offered a temporary position for up to six months, paid at least at the minimum wage. To encourage demand, the government contributed up to £6,500 per job to participating firms. Evaluations of the

programme have since shown it had a substantial and positive impact on the employment prospects of participants. Overall, the programme improved the chances of entering unsubsidised unemployment and was associated with net benefits to the employer, the participant and to society – although at a cost to the exchequer. Two years after starting the programme, participants were 11 per cent more likely to be in employment and less likely to be in receipt of welfare support, leading to substantial cost savings. These are significant results, suggesting that targeting job creation programmes at the disadvantaged may be worthwhile during recessions (DWP 2012).

Like many countries across the OECD, prior to the recession, Japan had shifted away from public sector job creation programmes. Since the downturn, it has expanded public sector job creation for nursing, medical care, agriculture, environment, energy, tourism and the local community (OECD 2010). In Korea, during the crisis, spending on active labour market programmes was scaled up significantly (up by 35 per cent), and a sizeable proportion of the increase was spent on direct job creation. The unemployment rate in Korea is now close to pre-crisis levels (OECD 2012c). Similarly, Japan has also improved its labour market performance since the onset of the crisis. However, it is unclear whether direct job creation can explain why these particular countries have had a mild unemployment response to the decline in output.

Overall, countries that have expanded use of direct job creation have had mixed labour market performance outcomes. Japan has expanded direct job creation and fared well since the recession in employment terms, while Spain has had particularly poor labour market outcomes and has expanded direct job creation programme. This may mean that direct job creation can be a determinant of better performance in countries such as Korea and Japan, or it can be a measure to support a labour market that is already in a rapidly deteriorating position.

Although there are no conclusive evaluations of direct job creation after this recession, based on prior evaluations of these programmes the OECD has taken the position that direct job creation is a largely ineffective way of supporting sustainable job creation. They argue the absence of market forces in allocating workers to particular jobs raises questions of efficiency; however, the market does not always lead to socially desirable outcomes (OECD 2009), while the 100 per cent wage subsidy means the programme comes at a high up-front cost, although equally the costs associated with unemployment may be higher. Another concern is the 'lock-in' effect, where individuals can end up in long spells of subsidised employment. Other studies have shown that direct job creation does not support participants in the transition to regular employment. This is because most programmes do not adequately incentivise individuals to continue with their job search once in employment. A meta-analysis of a large number of empirical studies evaluating a number of active labour market policies suggests that subsidised public sector employment programmes are the least effective type of active labour market policies (Card *et al* 2009).

Reflecting the OECD stance, many countries have reduced their public expenditure on direct job creation over the last three decades, although it continues to represent a significant portion of spending on active labour market policies. The share of active measures spending on public sector direct job creation has dropped from 22 per cent in 1985 to 20 per cent in 1995, and by 2007 direct job creation only made up 10 per cent of spending (OECD 2009).

Despite the OECD's criticism, it is important to distinguish that exists great diversity among these schemes. Although there can be disadvantages associated with poorly designed direct job creation programmes as previous evaluations of schemes have demonstrated, these measures, if planned and implemented correctly, can help to keep vulnerable job seekers close to the labour market throughout the business cycle (Dolphin *et al* 2011). So while particular direct job creation schemes have been ineffective, other well designed programmes similar to the Future Jobs Fund programme have made a significant contribution towards improving employment outcomes for particular groups. Therefore given the diversity of these schemes, and in spite of OECD criticism direct job creation should not be ruled out as a means to support employment. Recognising the potential contribution these schemes can have on employment outcomes, the decline in job creation schemes in some countries has since been reversed.

Additionally, lessons can be learnt from previous successful and unsuccessful direct job creation schemes. Based on previous evaluations, direct job creation programmes need to be responsive to cyclical fluctuations, and expanded during recessions – when job vacancies can be harder to come by. To avoid lock in effects, attaching conditions and eligibility such as job search requirements and access to support can help prevent the government from permanently subsidising employment (Dolphin *et al* 2011, OECD 2009). In contrast to the negative assessment from OECD, evidence in the UK shows that if job creation schemes are targeted and designed effectively they can be a successful means of improving the employment prospects of disadvantaged groups. Studies have shown positive results for schemes that offer paid work experience, alongside job search support and career guidance. Finn and Simmonds (2003) argue that programmes that offer employment alongside job search condition can have better job outcomes compared to government-led welfare-to-work programmes. The most successful programmes targeted people with the highest levels of labour market disadvantage, locally managed and designed, and included substantial support for those participating (Finn and Simmonds 2003).

6 Jobs subsidies: Stock and hiring subsidies

Job subsidies can support the demand for jobs. Under this scheme, depending on the type of subsidy, firms receive monetary assistance if they keep existing workers or hire new workers. There are three types of subsidies:

a) hiring subsidies support the creation of new jobs, either for all new jobs (gross hiring subsidies) or

b) only for jobs that would otherwise not be created (net hiring subsidies), while

c) stock subsidies support all existing jobs in order to prevent job losses.

Many countries have expanded or adapted their job subsidy programme in response to the recession – with many countries narrowing their focus on disadvantaged groups. For example, countries such as Austria, Korea, and Portugal introduced targeted hiring subsidies for the long-term unemployed, and Sweden made their existing programme permanent. The UK, New Zealand and Greece scaled-up their existing job subsidy programmes targeted at young people (OECD 2010). The OECD found that marginal hiring subsidies were little used in the 2008–09 recession and early recovery. This is likely due to the complexity of implementing the subsidies, given narrow eligibility requirements, placing administrative burdens on governments.

So far, there is no robust analysis assessing the impacts of hiring or stock subsidies on labour market outcomes following the 2008-09 recession. Similar to direct job creation, countries that have used hiring subsidies have had mixed labour market outcomes, although most subsidies are likely to have contributed towards keeping hard to place job seekers connected to the labour market.

The UK government introduced a wage subsidy as part of the Youth Contract in 2012. A wage incentive (worth up to £2,275) was offered to firms that have employed a young person through Jobcentre Plus or the Work Programme. The programme is due to run for three years out to 2015. So far early evaluations of the programme show little improvement in boosting youth unemployment figures, with only nine per cent of firms surveyed having created an extra vacancy because of the wage incentive scheme (Jordan *et al* 2013). However, these policies may be effective in incentivising employers to hire target groups, rather than boosting overall employment. So while this scheme may not stimulate overall demand for jobs, it may influence who employers choose to hire during downturns, which can be important during recessions when employers tend to 'skip over' disadvantaged jobseekers when hiring.

Analyses prior to this recession have shown subsidies are likely to have contributed to boosting employment of particular groups during contractions (Neumark 2011, IMF 2010, OECD 2010). However, a case can be made for the use of subsidies throughout the business cycle because subsidies can play an important role in keeping disadvantaged groups such as young people, and the long-term unemployed close to the labour market.

Given little to no restrictions to entitlements, stock subsidies, a subsidy available to firms for all existing employees, are likely to be most effective anti-recessionary job subsidy (OECD 2010, Kitao *et al* 2010). Because firms can claim subsidies for the entire workforce, they can help to prevent redundancies immediately following a drop in output. The downside is that, given the entire labour force is eligible for stock subsidies; they come at a high cost and are subject to deadweight costs.

In contrast, gross hiring subsidies are strictly limited to new hires, making them a more cost-effective alternative and less susceptible to deadweight loss than stock subsidies. However, their performance has been variable and has not proven to bring about significant net employment gains (OECD 2010). On the other hand, when these subsidies are targeted at particular groups, they can equalise the distribution of unemployment. This might be a worthwhile policy if the desired outcome during or following a recession is to bring particular disadvantaged groups back into the labour market.

Marginal hiring subsidies, those targeted at net hires, are the most complex subsidies to administer and as a result are rarely implemented. Despite their complexity, they are designed to boost net employment, particularly in the early phases of a recovery and as a result can be the most effective hiring subsidy to increase net job creation (OECD 2010). They also can be more effective when targeted at vulnerable groups (OECD 2010).

Similar to job subsidies, the government can reduce the cost of labour input by providing reductions in non-wage labour costs, such as social security contributions. Following the recession, 12 OECD countries adopted reductions in non-wage labour costs for both new and continuing employees. A large number of countries have designed these reductions to improve the employability of disadvantaged groups. For example, France has reduced social security contributions for low wage workers. In Spain, the measures are targeted at unemployed parents. In Germany and Japan, the state offered employers temporary reductions in employment contributions to unemployment insurance schemes. Despite these reductions, the programme did not have a significant impact on reducing costs, with a modest reduction in average labour costs (-0.2 percentage points in both countries). This was primarily because unemployment insurance only makes up a relatively small proportion of total labour costs in Japan and Germany compared with other social security contributions (OECD 2010). However, other countries such as Portugal and Hungary saw significant reductions in labour costs because of their chosen reductions, although it is difficult to determine their effectiveness in boosting labour demand.

Job subsidies may be an effective tool for keeping disadvantaged groups connected to the labour market particularly during downturns. Additionally, the inefficiencies associated with these programmes may be less harmful to society and the economy than the otherwise resulting increasing or persistent unemployment. However, as yet there is no robust evidence as to whether job subsidies have had an impact on labour market performance during the most recent recession and early recovery. In particular, there is very little evidence about the effect of the Youth Contract, the current government's wage subsidy for firms who hire a young person between the age of 18 and 24.

Conclusion: Lessons for the UK

The financial crisis brought to the fore the severe implications a prolonged downturn and weak recovery can have on living standards and employment. As many countries are yet to secure a strong economic recovery, the negative impacts resulting from the 2008-09 recession are still felt today. Given the absence of a strong recovery and as the number of long-term unemployed remains high there have been growing concerns about the implication this will have on labour market performance in the long-run, in particular the risk of cyclical unemployment becoming structural unemployment. Without a strong recovery, it will be difficult to achieve a sustainable jobs recovery across the OECD.

However, despite the lack of strong economic recovery, most countries across the OECD have done relatively better than anticipated with respect to the labour market. This was likely due to policies and institutions in place before the recession and early recovery, and the introduction and expansion of active labour market policies during and immediately after the recession. Although the focus of this paper has largely been on measures to boost demand for jobs, other measures such as job search assistance and activation strategies such as training and tying greater conditions to benefit receipt have played a significant role in keeping employment high during the 2008–09 recession, not just in the UK but across the OECD. Given that job vacancies tend to decline during downturns, governments should monitor activation strategies to reflect changing economic conditions.

However, more can be done to ensure labour market resilience. Although the UK managed to avoid a big fall in employment, other countries did even better. Additionally the dramatically different Okun's coefficients, a measure of labour market resilience, across the OECD suggests that different labour market policies may have played an important role in determining the labour market response to a fall in output.

There are valuable lessons for the UK based on the variety of labour market outcomes in OECD countries and from its own experience over the past five years. An overarching lesson for all labour market policies is that the design and targeting of policies is crucial to their success. Drawing on the analysis in this report, key lessons for the UK are set out below:

Short-time working

Short-time working has proved to be successful in buffering redundancies across the OECD during this recession. This subsidised jobs programme allowed firms to reduce their costs, while maintaining their workforce. The 'jobs miracle' in Germany has largely been attributed to the Kurzarbeit programme, while in Japan, short time working schemes helped to preserve a significant number of jobs. A well-designed short-time working scheme should include the following principles:

- STW should be limited to the recession, as over-reliance on the programme during the early recovery may lead to net negative impacts.
- Eligibility should be contingent on genuine need and upon long-term business viability.
- Conditionality should be part of the scheme, which could include participants taking part in training to maintain skills.

Other considerations when designing a STW programme include how firms, government, and employee representatives agree on the terms of the scheme, to what extent firms, government and employees contribute to the costs of the scheme. Some of the costs could be covered using a loan from the state to firms, this would help militate against deadweight loss, and reduce public spend on the programme. The degree to which the government, participants or employees contribute to the STW programme is important given public spending pressures facing most OECD governments.

Direct job creation

Direct job creation may have fallen out of favour in many OECD countries over the last couple decades, reflected in lower public spending on these programmes, yet the UK has had some previous success with job guarantee programmes. There is still a strong case for guaranteeing disadvantaged workers a job particularly during downturns. The longer people are out of work the higher the risk of scarring, making the return to work patchy and difficult. It is important to keep those with weak labour market attachment as close as possible to the labour market. To ensure there is no 'lock-in effect' associated with direct job creation, the state could incentivise participants to participate in activities that will improve their chances of entering unsubsidised unemployment.

The following are a few considerations for policy makers when considering such a programme:

- Programmes should be targeted at particular groups. For example the Future Jobs Fund was limited to young people and those living in disadvantaged areas.
- The duration of the programme should be carefully considered to avoid a lock-in effect.
- To encourage the transition into unsubsidised employment it is worthwhile attaching job search conditions and ensuring there is appropriate job-related support for participants.

If designed correctly, job creation programmes could go some way to keep disadvantaged groups such as the long-term unemployed and young people closer to the labour market, without permanently subsidising employment. This programme should not be strictly limited to recessions; a strong case can be made for its continuation even during good economic times for particular groups. Additionally, expansion during recessions will be necessary as the number of job vacancies tend to drop during contractions.

Hiring subsidies

Hiring subsidies may be another effective tool for keeping disadvantaged groups attached to the labour market. Although there is mixed evidence regarding it's effectiveness in boosting job creation and it is subject to deadweight and displacement costs, for disadvantaged groups this policy can increase the chances of getting hired. Depending on the level of targeting, hiring subsidy can be complex to implement. To avoid excessive displacement and deadweight costs, policymakers should consider the following:

- Hiring subsidies if implemented should be targeted at the right groups such as young unemployed people or the long term unemployed.
- The subsidies should be timed effectively. Marginal subsidies, aimed at boosting net job creation, should be used in the recovery. While stock subsidies, which can buffer excessive redundancies, should be used during the recession.

There are associated costs with all of these programmes, particularly deadweight and displacement costs. However, setting out clear conditions such as eligibility, duration and mutual obligations may help to minimise these costs. Some programmes are effective immediately after a crisis, while others may be more useful during the early recovery. Some programmes may need to be scaled back during good times as a cost saving measure, while other policies may need to continue throughout the recovery and perhaps even during booms to support vulnerable jobseekers.

Waiting for a strong economic recovery is not enough to promote jobs growth during downturns and early recoveries. There are important lessons the UK can learn from OECD labour market policies that have effectively supported labour demand. STW has been proven particularly effective in a number of countries, not least Germany, while direct job creation has been useful in keeping disadvantaged groups connected to the labour market in the UK. Policymakers in Britain could learn valuable lessons from the success of these programmes in both the UK and elsewhere as they develop plans for responding to future downturns and as the economy begins to recover from recent recessions.

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