

Welfare states amid economic turmoil: adjusting work-oriented policy

Neil Gilbert and Douglas Besharov

This article analyses the socioeconomic context within which a range of active labour market policies (ALMPs) were initiated in many countries of the Organisation for Economic Co-operation and Development (OECD) and the extent to which these measures had an impact on unemployment over the last several decades prior to the contraction of economic growth in 2008. Examining how the downturn of the economy has altered this context, the analysis goes on to scrutinise the choices that confront policy makers and the implications of alternative approaches to ALMPs in times of high unemployment.

Introduction

With the rise in unemployment and the contraction of economic growth that began in 2008, we have entered a period of hard times that poses a stern test to the resiliency of welfare states in advanced industrial countries and a special challenge to their active labour market policies implemented prior to the onset of the recession. Starting in the mid-1990s, a wave of work-oriented reforms swept through countries of the Organisation for Economic Co-operation and Development (OECD) (Gilbert and vanVoorhis, 2001). Stretching across the political spectrum from Sweden to the United States (US), active labour market policies (ALMPs) created new incentives and firm pressures for moving social welfare beneficiaries, particularly those receiving unemployment, disability and public assistance payments, into the paid labour force.

The impact of work-oriented measures has been seen as transformative by many analysts (Torfing, 1999; Gilbert, 2002; Dingeldey, 2007). According to Streeck (2007: 545), these reforms represent ‘an almost universal restructuring of national welfare states in the direction of investment rather than consumption, re-commodification instead of de-commodification, strengthening “employability” instead of raising workers’ reservation wage, “activation” for the market instead of protection from it’. In a similar vein, Alber (2009) views the new emphasis on activation as a profound transformation of European social democracy which is of historic proportions. He suggests that around the turn of the 21st century the European Labour movement abandoned support of welfare policies designed to de-commodify labour by providing benefits that endowed a means of livelihood outside the market in favour of work-oriented measures to enable people to participate in the market.

Among the OECD countries, the US 1996 welfare reforms were arguably the most stringent work-oriented policies, introducing lifetime limits on eligibility, firmly administered incentives and sanctions, and a ‘work-first’ approach to activating the unemployed that favoured job placement over increasing human capital via skills training and education. If social safety nets for the unemployed are perceived as mechanisms that can be adjusted to be made more or less taut, then the ‘work-first’

Key words: activation • conditionality • unemployment • financial crisis • recession

approach represents a tightly strung net, which acts as a trampoline that quickly springs works back into the paid labour force. Conversely, a slack safety net absorbs the shocks of workers falling off the ladder of employment by providing a soft landing that includes longer benefits and training opportunities aimed at increasing human capital.

Although social safety nets for the unemployed in Europe tend to have greater slack than those in US, the policy reforms of the 1990s generally moved in the same direction on both sides of the Atlantic – tightened eligibility criteria, trimmed benefits, and contracts to activate people receiving public assistance, unemployment and disability benefits. The 1992 White Paper on Rehabilitation, for example, launched what Norwegians termed the ‘Work Approach’ to social welfare policy, a basic premise of which was ‘that individual rights are not exclusively tied to cash benefits; each individual has, as far as possible, a right and a duty to work, to participate in rehabilitation programs or enter education...’ (Gilbert, 2002: 64). The reconfiguration of social protection in the OECD countries was aptly summarised by the motto of the Dutch ‘purple coalition’ (red Social Democrats and blue Liberals), ‘Work, work and work again!’, which formed a new government in the mid-1990s (Gilbert, 2002).

Indeed, since the 1990s, public assistance, disability and unemployment policy reforms have followed a general pattern of change that involves restricting access and accelerating exit, introducing contractual obligations, and applying diverse incentives to obtain employment. For example, Germany significantly reformed unemployment insurance, shifting what were long-term (over one year) benefits into the system of social assistance (at a much lower benefit rate); countries such as Denmark, Finland, the Netherlands, Spain and the United Kingdom (UK) extended the period of paid employment required to access benefits; and Belgium, Finland, France and Sweden introduced or extended waiting periods for benefits (Daly, 1997). Norway intensified the requirement to demonstrate a causal link between a disability claimant’s medical condition and the reduced capacity to earn a living (Dahl and Drøpping, 2001). Of the many countries that implemented more rigorous examination to qualify for disability benefits, the 1991 Dutch reforms are among the most extensive and widely cited (OECD, 1991; Kuptsch and Zeiter, 2000).

Almost everywhere, work contracts (activation or action plans) have been introduced along with conditions attached to benefits that were heretofore distributed without requirements. Conditionality has shaped contemporary reforms – even among the Nordic welfare states, which Esping-Andersen (1990) strongly identified with policies that de-commodified labour. The Social Services Act of 1991 gave local administrations in Norway authority to institute work requirements as a condition of eligibility for welfare benefits. After Swedish welfare expenditures nearly doubled in the first half of the 1990s, similar reforms were initiated that qualified the longstanding social right to public assistance. Although it was not adopted everywhere, the Uppsala model (named after Sweden’s fifth largest municipality) required public assistance applicants to develop individual career plans in consultation with welfare officers and employment counsellors and to search actively for work. The Danish Social Assistance Reform of 1997 required that all persons receiving social assistance must participate in formulating individual action plans, which are designed to improve their working skills and to facilitate gainful employment.

Activation entails job placements, training and educational opportunities. And all recipients under the age of 30 are expected to be activated within their first 13 weeks on welfare. Those who reject a fair offer of activation could have their welfare benefits reduced by up to 20% (Gilbert, 2002).

The impact of work-oriented policy reforms on changes in welfare caseloads and labour force participation rates is difficult to untangle from the effects of economic growth. A survey of seven studies on the effects of various welfare reforms in the US shows results with estimates of the caseload decline attributed to the business cycle ranging between 18 and 78% during the period of welfare waivers just before the Temporary Assistance for Needy Families (TANF) reform of 1996 and from 8 to 12% between 1996 and 1998 (Gilles and Parent, 2004). Analysing the impact of welfare reform policies on employment, Matsudaira and Danziger (2004) found the results varied widely across states. While estimates of the exact level of impact vary, there are convincing data and general agreement that up through 2005 work-oriented reforms have had a positive impact on labour force participation as reported in a wide-ranging review of active labour programme evaluations throughout the OECD countries (OECD, 2005).

The critical point to bear in mind, however, is that this positive impact occurred within the context of the expanding economy of the 1990s, which greatly facilitated the movement from welfare to work (Grogger et al, 2002). The OECD total Gross Domestic Product (GDP) grew on average by 2.6% a year from 1994 to 2007. Over this period the unemployment rates in Europe and the US declined and the proportion of the working-age population in the labour force increased among the EU15 countries from 60.2% in 1993 to 66% in 2006 (OECD, 2009a). This socioeconomic context changed rapidly after 2008. By January 2010, the unemployment rate for the Euro area (EU16 countries that have adopted the Euro) was 9.9% up from 8.5% in 2009 and from 7.2% a year earlier.² In 2009, the GDP in OECD countries declined by an average of 3.4%, ranging from 5% in Germany to 2.2% in France. Estimates for 2010 show a smaller, but continuing, decline in the GDP average for OECD countries (OECD, 2009b). The recession is forecast to persist and unemployment rates are expected to rise well into 2010.

Adjusting policy to the changing context

Policy makers must now come to grips with the question of how effectively the work-oriented policies put into practice over the last decade will operate during a period of increasing unemployment and economic contraction. The work-oriented policy reforms from the mid-1990s to 2007 drew on a range of specific measures, which in different ways facilitated the movement of social welfare beneficiaries (particularly people receiving public assistance, disability and unemployment benefits) into paid employment. Broadly speaking, the various measures incorporated under the rubric of ALMPs can be divided into four categories, as summarised in Table 1.

These elements of active labour policy are neither exhaustive nor mutually exclusive. Many of the advanced industrial welfare states have started to refine and expand the various measures in response to the rising levels of unemployment. As the list of measures in Table 1 reveals, policy makers have a wide range of choices in crafting strategies to address the hardships imposed by the shrinking economies.

Table 1: Categories of active labour market policies

| | |
|-----------------------------------|--|
| (1) Raise costs of non-work | <ul style="list-style-type: none"> • Job search • Penalties for non-participation in work programmes • Lowering of benefits, duration, lifting the bar of eligibility • Making work a condition of eligibility for social benefits |
| (2) Increase benefits of work | <ul style="list-style-type: none"> • Making work pay through EITC tax credits, social bonus, tax relief (etc) • Extending eligibility for social benefits (Medicaid, daycare, etc) • Providing childcare |
| (3) Increase availability of work | <ul style="list-style-type: none"> • Public works employment • Subsidised private jobs via direct payments to employers or partial unemployment payments for reduced working hours and via indirect employer subsidies through waiver or reduction of social insurance payments) • Special sheltered public employment • Lowering hours/part-time work • Subsidised sabbaticals/educational leaves for hiring unemployed • Lump sum unemployment benefits and subsidised loans to start a business |
| (4) Increase readiness for work | <ul style="list-style-type: none"> • Education/vocational training • On-the-job training • Social/therapeutic skills |

In considering these choices they are faced with a number of questions about the appropriate mix, timing and consequences of alternative policies. Above all, however, they must first decide: *Are some approaches more practical than others during a sustained period of high unemployment?*

Examining the measures in Table 1, it is evident that the first three categories of activity, which involve lowering the barriers against going to work (such as daycare provisions), increasing the benefits of working (such as the Earned Income Tax Credit) and imposing penalties that raise the costs of not going to work, all generate what might be called ‘push and pull’ towards paid employment. As previously noted, studies of the US and other OECD countries indicate that during the economic growth of the 1990s, these policies produced some positive results, particularly when job search was personalised and linked to strict conditions (Martin and Grubb, 2001; Daguerre and Etherington, 2009). A random-assignment evaluation of 59 employment offices for welfare recipients throughout the US found that programme strategies that emphasised a personalised service and a quick entry to a job had the strongest impact on participants’ earnings (Bloom et al, 2003). Along the same lines, a systematic review of European active labour market programme evaluations found that programmes involving job search related services and sanctions showed the most promising effects (Kluve, 2006). It stands to reason that services, incentives and sanctions work best to move people into employment when there is plenty of work to be had – quick entry to a job stalls when work is scarce. Of course, even when jobs are in short supply, some people find employment. But as the percentage of unemployment moves up towards two digits, the push and pull of incentives and sanctions are likely to produce more social frictions and stress than get-up-and-go among jobseekers being thrust into a shrinking market.

In light of the above, some might expect that until economic recovery is well under way, active labour policies designed to increase the availability of jobs and the readiness of workers would be more beneficial than the other three categories of activity. One approach to increasing the availability of work involves the support of private jobs through several forms of public subsidy, such as waiving or reducing employer social insurance contributions, providing partial unemployment benefits to compensate for reduced working hours and giving direct wage supplements to employers who hire unemployed people. In the Netherlands, for instance, firms are offered a four-year reduction in social security contributions for each long-term unemployed person hired, along with a recruitment bonus. The Workstart programme in Britain offered employers subsidies for hiring a person who had been out of work for at least two years. And in the US, the WorkFirst programme in Mississippi provides employers hiring welfare recipients a TANF subsidy of \$3.50 an hour, towards the minimum wage. In response to the recession, recent efforts to generate and save jobs have included revving up existing schemes (OECD, 2009c). Austria, for example, has expanded public subsidies for enterprises that keep employees on the payroll with reduced working time, providing compensation for up to 90% of the employees' basic salary for 18 months. Firms are encouraged to use the subsidised hours for retraining (OECD, 2009d).

Although direct and indirect subsidies of private jobs are expected to create and sustain employment, familiar criticism of these measures points to the fact that subsidies are often paid for jobs that would have been filled without them and that subsidised workers may displace non-subsidised employees. When these 'dead weight' losses and 'substitution' effects are factored into evaluations, the net impact of subsidised employment schemes is substantially reduced. An assessment of the Dutch scheme estimates that about four out of 10 long-term unemployed persons placed in jobs with subsidies would have found jobs on their own – without the public subsidy (de Koning, 1993).

Similar findings indicate that more than half the unemployed people offered subsidised jobs under the British Workstart scheme would have been offered work regardless of the employer subsidy. Marx's (2005) review of 10 studies of subsidised employment schemes conducted between 1993 and 2000 found deadweight losses of over 50% in seven out of 10 cases. And when the substitution effects of these subsidised work programmes were added in, the overall net gain in employment, in most cases, was 20% or less. These results did not include the difficult-to-measure displacement costs of job subsidies, which involve the job losses caused by the weakened competitive position of firms that do not receive subsidies. Although most evaluations of subsidised private sector employment find large deadweight and substitution effects, some evidence suggests that these schemes can stimulate employment without sizeable substitution and displacement effects (Kangashariu, 2007). There is also evidence that employment subsidies targeted to disadvantaged groups, such as the long-term unemployed may yield higher net employment gains (Snower, 1997; Martin and Grubb, 2001).

As an alternative to subsidising jobs at existing private firms, ALMPs have sometimes included measures that offer lump-sum unemployment benefits to provide start-up funds for new businesses. This is a small programme, accounting for about 2% of the total spending on active labour policies in OECD countries, which

encourages the entrepreneurial skills and competitive drive possessed by a minority of unemployed people. Research suggests that these schemes yield employment gains, primarily for young men, with relatively high levels of education (Martin and Grubb, 2001). A study of the start-up scheme for needy unemployed people in Germany found after two years that, compared to the control group, participants had lower rates of unemployment and receipt of means-tested benefits. The extent to which this limited programme might expand, however, depends on the number of potential entrepreneurs among needy unemployed people (Wolff and Nivorozhkin, 2008).

Another approach to increasing the availability of work involves creating new jobs in the public sector. The challenge here is to design public employment programmes that serve as more than disguised unemployment subsidies. Studies on public sector experience as the employer of last resort have found these measures to yield little in the way of productivity and employment gains. A public programme to create 'socially useful jobs' in Italy, for example, was supposed to generate special innovative activities dealing with environmental protection and urban renewal. In practice, however, most of these jobs ended up as routine paper-pushing efforts (Fargion, 2001). In Denmark, when unemployment was halved from 12% in 1993 to 6% in 1998, during this period only 1,000 jobs were added to the private sector compared to 15,000 jobs to the public sector (Andersen, 1999). The Danish success was criticised for leaving too many participants stranded in artificial work, without access to regular employment in the private sector and discounting the large flow of workers into early retirement and leave schemes (Hinrichs, 2000; Madsen, 2002).³ In 2000, about 15% of the public social expenditure on active labour market programmes in OECD countries was devoted to job creation in the public sector. On average, the amount of public spending on subsidies for private employment in OECD countries is similar to spending on public employment programmes. According to Martin and Grubb (2001: 26), most evaluations of public employment schemes conclude that these measures 'have been of little success in helping unemployed people get permanent jobs in the open market'. The same conclusion is drawn by the OECD's (2005) assessment of the public job creation programme and Kluge's (2006) meta-analysis of 73 microeconomic evaluations of 137 specific active labour market programmes.

While public sector job schemes may not generate significant employment gains in the long term, in the short term they give unemployed people something to do, which engages them in activities that reinforce basic work-related habits – showing up on time, accepting supervision, working with others. Thus, when compared to the alternative of an unemployment check, a secondary benefit of public employment may be that it promotes readiness to work, which brings us to the final category of active policies – those designed primarily to increase work-related habits of unemployed people.

Several types of ALMPs have been devised with the expressed intent of increasing readiness to work via education, vocational training and therapeutic measures. Therapeutic measures are intended mainly to overcome psychological impediments to work. They involve relatively brief interventions aimed at raising self-esteem and confidence. Therapeutic services may help to motivate the long-term unemployed to seek work but are not directly relevant to the challenge posed by job scarcity.

Education and vocational training programmes are designed to increase skills and raise the human capital of unemployed people. A wide range of these programmes has

been drawn on to support active labour market schemes. In discussing their impact it is important to recognise that efforts to build human capital under the rubric of educational and vocational training vary considerably in terms of the programmes' duration, targeted groups and quality, substantive skills – basic education, occupational training, college. Between the 1970s and 2000, many studies were conducted on training programmes in the US, which came under the Comprehensive Employment Training Act 1973, the Job Training Partnership Act 1982, Job Opportunity and Basic Skills Training (JOBS) programme in 1988 and the Greater Avenue for Independence (GAIN) demonstrations in California operating under the JOBS programme. Although the evidence on these programmes is somewhat mixed, the extent to which they affected employment rates and earnings was generally small to negligible (Grubb, 1995; Hamilton, et al, 1997; Kim, 2009). Lalonde (1995) suggests that the limited gains reflected the modest level of investment relative to the high levels of need among programme participants. There is some evidence that vocational training programmes can have a positive impact on employment rates and earnings, particularly for adult women and for programmes that focus on quantitative and technical subjects (Heckman et al, 1999; OECD, 2005). Several features of successful programmes for disadvantaged youth include having close links to the local labour market, combining academic education with occupational skills and on-the-job training, and providing a range of individualised supportive services (Grubb, 1999).

Although the mixed evidence concerning the impact of various human-capital development measures is not entirely encouraging, we must bear in mind that these results were shown for the period from the 1980s through to around 2003. During that time, in an expanding economy, the objective was to increase programme participants' rates of employment and earnings compared to those of unemployed people who did not partake in training and educational schemes (but may have been subject to other ALMPs involving the push and pull of 'work-first' incentives and sanctions). However, the time may be approaching to reorient the objective of ALMP during the slow recovery in the wake of the severe economic downturn of 2008. The high unemployment rates in 2010 signal that in many countries jobs will be hard to come by for an extended period. During a protracted spell of economic contraction education and training schemes of significant duration can hold labour in reserve for a year or two while building human capital and enhancing the potential long-term productivity of those currently unemployed.

Shifting the emphasis: implications for US policy

This wide-angle survey of the approaches to ALMP outlined in Table 1, reveals some of the strengths and weakness of each category. However, in assessing the evidence on these initiatives we must bear in mind the dramatic difference between the socioeconomic context of 2010, which embodies the bleakest job market in decades, and that which framed almost all of the evaluation research conducted on active labour market programs from the mid-1980s through 2008. Recognising that none of the programmes offer a panacea to the current economic turmoil, the question for policy makers is which approaches to emphasise, that is, what makes the most sense in the present context?

Our analysis suggests that rather than trying to squeeze an increasing number of unemployed people into a contracting job market, the current situation calls for advancing policies that reinforce work habits and build human capital. In selecting among ALMPs this translates to less emphasis on promoting the ‘push and pull’ strategy of employment-oriented job search, brief training courses, and incentives and sanctions (which lower barriers to work, increase benefits of work and raise the costs of non-work) and more emphasis on measures that generate public works employment, support private jobs and provide extended educational and vocational training programmes.

These policy preferences are derived in full recognition of the research findings, which show:

- that ratcheting up public works to alleviate unemployment tends not to generate productive new jobs so much as to shift public spending on an unemployment check to a salary for contrived jobs that often involve some type of menial work-related activity;
- the ‘deadweight’ cost inefficiencies of subsidised private work;
- to date human capital development measures have had a negligible impact on employment rates.

It is also recognised that these measures are more costly than programmes that rely on brief-training and job search and sanctions. The objectives here are less to increase the immediate rates of employment and productivity than to maintain a connection with the quotidian habit of work and to upgrade skills for future job mobility and productivity gains. During an extended period of economic stagnation and high unemployment, this may be the best that ALMPs can accomplish. The timing and coordination of these ALMP measures are critical to insure they do not impede economic recovery. Already, some see this as an issue. In July 2010 the European Central Bank (2010) was suggesting that a timely dismantling of measures aimed at maintaining employment was needed to facilitate restructuring of the job market.

Many of the OECD countries already implement ALMPs that emphasise human capital development through vocational training and education along with public works employment. In some cases, these policies are incorporated in a broader strategy that also includes a well-padded social safety net of generous benefits. This broader strategy is dubbed ‘flexicurity’, a term first coined in the Netherlands in the mid-1990s and since widely promoted at EU summits, which refers to the idea of balancing a high degree of flexibility in the labour market (polite discourse for rules that make it easier to lay off employees) with a high level of security for workers (van Oorschot, 2004; Wilthagen and Tros, 2004; Madsen, 2006). There are several versions of ‘flexicurity’, among which the Danish model is one of most prominent. The model is framed by three elements, known as the ‘golden triangle’, which combine a low level of job and wage protection (or more positively a high level of worker mobility) with a generous system of social welfare benefits (unemployment, pensions and healthcare) that provide income security and ALMPs that offer vocational training and advanced education to develop human capital, which can facilitate worker mobility to higher levels of employment (Blanpain, 2008). The Danish model involves trade-offs and tensions, and is very costly (Madsen, 2002; Viebrock and

Clasen, 2009). In 2007, Danish labour market policies (active and passive measures) consumed around 2.81% of the GDP, the highest in Europe – and relatively more than twice that of labour market policy measures in Norway, Switzerland and the UK, and almost seven times that of the US (OECD, 2009e). How labour market policies as expensive as the Danish-style of ‘flexicurity’ will perform as costs mount over a sustained period of economic contraction and high unemployment is a lesson yet to be understood. Under the pressure of rising costs, by 2010 Denmark started to trim its benefits by limiting its generous unemployment payments to two years instead of four and to tighten up on job search requirements (Alderman, 2010)..

Compared to the Danish version of flexicurity and similar work-oriented policies in most other European countries, the US ‘work-first’ strategy not only invests less money proportionately on active labour market measures, but also spends considerably less on passive income supports, which provide a cushion of economic security for the unemployed. Up until recently this has not been an excessive disadvantage for US workers because of the large difference in the length of unemployment spells between Europe and the US. Prior to the recession, in Europe many people were unemployed for two or three years, compared to the three to four months that most unemployment spells lasted in the US (Freeman, 2007). This is no longer the case.

In response to the recession, several measures have already been initiated that mark a palpable shift in US policies from ‘work-first’ job search and rapid placement efforts to education and training programmes for building human capital, along with the extension of passive supports to cushion against the insecurities associated with job loss. Under the American Recovery and Reinvestment Act 2009, for example, federal funds are provided for extending the duration of eligibility for unemployment benefits and increasing the level of benefits by \$25 per week, for exempting the first \$2,400 of unemployment benefits from federal income taxes and for providing an emergency contingency fund to help states meet the increasing costs of social assistance. The Act also includes a provision that provides a 65% subsidy for the COBRA health benefit premium, which would assist unemployed workers to maintain continuation of their employee healthcare coverage for nine months. COBRA coverage can be extended to 18 months, but the employee would have to pay the full premium costs after the first nine months. Eligibility is limited to individuals with annual incomes below \$125,000 or \$250,000 for couples. Even with this subsidy, however, unemployed people have to pay for 40% of the health insurance costs. The risk of losing healthcare insurance due to unemployment will eventually be diminished by the Patient Protection and Affordable Health Care Act, which was signed into law on 23 March 2010. While some provisions of this law will come into effect in 2010, the full range of costs, benefits and protection will not be implemented until 2014. Finally, the Obama administration plans to invest \$12 billion in community colleges over the next decade to prepare a new generation of workers in the coming years. Although new benefits are still not as generous as those provided by most other OECD countries (where, for example, the duration of unemployment insurance is much longer, replacement rates are much higher and universal health insurance is generally available), the increased public spending on new measures has moved the US labour market policies much closer to those of Western European countries.

Whether US policy will continue to move in this direction and how far are not clear. Education and care are two potential focal points for new work-oriented reforms. Under the TANF programme of public assistance, activities that are counted as work include vocational education for 12 months and providing childcare to another recipient's child to allow that person to participate in a community service programme. Since community college degrees usually involve two years of study, lengthening the duration of training under TANF would advance the objective of building human capital. TANF regulations that count providing childcare for other people's children as work might be taken a step forward and grant recognition to parental childcare work as functionally equivalent to gainful employment.⁴ Many countries provide a cash allowance for homecare for older people, which can be used to pay relatives. And cash payments for homecare of children are already offered in several European countries including Finland and Norway (Gilbert, 2008).

As the US strategy begins shifting from an emphasis on 'work-first' measures towards the type of more liberal schemes offered in other OECD countries, policy makers have to weigh the appropriate mix, timing and consequences of alternative choices. In so doing, they must grapple with the essential questions of:

- How to limit the displacement and 'deadweight' effects of subsidised private employment?
- How long to continue such subsidies?
- How to design public employment programmes that serve as more than disguised unemployment subsidies?
- What types and length of training and educational programmes contribute most to building human capital?
- What is the proper balance between incentives designed to activate the unemployed and measures that generate enhanced social benefits, which might act as disincentives to work?

This is the challenge of crafting ALMPs in hard times.

Notes

¹ Corresponding author.

² These averages mask a wide range of variance. For example, Spain had one of the highest levels of unemployment at 18.8% and Denmark had one of the lowest with 4.2% unemployed.

² Hilbers et al (2006) point out that other countries such as Ireland, Sweden and the UK with different policy models have been able to do as well as Denmark if not better in reducing unemployment rates.

³ A movement to recognise care work as equivalent to other work is on the rise in the US, advanced by a strand of feminist thought in the US sometimes referred to as 'care feminism' or relational feminism. Supporting this position, Alstott (2004) proposes the development of caretaker resource accounts that would pay an annual grant of \$5,000 to assist individuals who provide continuity of care for a child, and who sacrifice their

own opportunities in doing so. The debate about care work goes well beyond the US. In Germany, Leipert and Opielka (1999) have argued for a new social contract based on the understanding that parental childcare work amounts to gainful employment. They propose a monthly salary of approximately \$1,360 for the first child and \$680 for additional children up to the age of seven. Although this proposal stirred some debate in the late 1990s, it did not carry the day. For a wide-ranging analysis of the current debate about how to legitimise care work and provide caregivers with income security, see Daly (2001).

References

- Alber, J. (2010) 'What the European and American welfare states have in common and where they differ: facts and fiction in comparisons of the European Social Model and the United States', *Journal of European Social Policy*, 20: 102–25.
- Alderman, L. (2010) 'Denmark starts to trim its admired safety net', *New York Times*, 16 August.
- Alstott, A. (2004) *No exit: What parents owe their children and what society owes parents*, New York, NY: Oxford University Press.
- Andersen, J.G. (1999) 'Welfare crisis and beyond: Danish welfare policies in the 1980s and 1990s', in S. Kuhnle (ed) *Survival of the European welfare state*, London: Routledge, 69–87.
- Blanplain, R. (2008) 'The world of work in the twenty-first century: challenges and opportunities, the explosion of the social contract?', Paper presented at the Workshop on Work, Employment and Industrial Relations in the New Social Contract, Foundation for Law Justice and Society in association with the Centre for Socio-Legal Studies, University of Oxford, 30–31 October.
- Bloom, H., Hill, C. and Riccio, J. (2003) 'Linking program implementation and effectiveness: lessons from a pooled sample of welfare-to-work experiments', *Journal of Policy Analysis and Management*, 22 (4): 551–75.
- Daguerre, A. and Etherington, D. (2009) *Active labour market policies in international context: What works best? Lessons for the UK*, Working Paper No. 59, London: Department for Work and Pensions.
- Dahl, E. and Drøpping, J.A. (2001) 'The Norwegian work approach in the 1990s: rhetoric and reform', in N. Gilbert and R. Van Voorhis (eds) *Activating the unemployed: A comparative analysis of work oriented policies*, New Brunswick, NJ: Transaction Publishers.
- Daly, M. (ed) (2001) *Care work: The quest for security*, Geneva: International Labour Office.
- Daly, M. (1997) 'Welfare states under pressure: cash benefits in European welfare states over the last ten years', *Journal of European Social Policy*, 7 (2): 128–46.
- de Koning, J. (1993) 'Measuring the placement effects of two wage placement subsidies for the long-term unemployed', *Empirical Economics*, 18 (3): 447–68.
- Dingeldey, I. (2007) 'Between workfare and enablement – the different paths to transformation of the welfare state: a comparative analysis of activating labour market policies', *European Journal of Political Research*, 46 (6): 823–51.
- Esping-Andersen, G. (1990) *The three worlds of welfare capitalism*, Princeton, NJ: Princeton University Press.

- European Central Bank (2010) 'Labour market adjustments to the recession in the euro area', *ECB Monthly Bulletin*, (July): 53–66.
- Fargion, V. (2001) 'Creeping workfare policies: the case of Italy', in N. Gilbert and R. van Voorhis (eds) *Activating the unemployed: A comparative analysis of work oriented policies*, New Brunswick, NJ: Transaction Publishers.
- Freeman, R. (2007) *America works: Critical thoughts on the exceptional US labor market*, New York, NY: Russell Sage Foundation.
- Gilbert, N. (2002) *Transformation of the welfare state: The silent surrender of public responsibility*, New York, NY: Oxford University Press.
- Gilbert, N. (2008) *A mother's work: How feminism, the market and policy shape family life*, New Haven, CT: Yale University Press.
- Gilbert, N. and van Voorhis, R. (eds) (2001) *Activating the unemployed: A comparative analysis of work oriented policies*, New Brunswick, NJ: Transaction Publishers.
- Gilles, C. and Parent, A. (2004) 'Welfare reform, economic growth and poverty in the U.S.', in N. Gilbert and A. Parent (eds) *Welfare reform: A comparative assessment of French and U.S. experiences*, New Brunswick, NJ: Transaction Publishers.
- Grogger, J., Karoly, L. and Klerman, J. (2002) *Consequences of welfare reform: A research synthesis*, DRU-2676-DHHS, Prepared for the Administration for Children and Families, US Department of Health and Human Services, Santa Monica: Rand.
- Grubb, N. (1995) *Evaluating job training programs in the United States*, Columbus, OH: National Center for Research in Vocational Education, Ohio State University.
- Grubb, N. (1999) 'Lessons from education and training for youth: five precepts', in *Preparing youth for the 21st century: The transition from education to the labour market*, Paris: OECD.
- Hamilton, G., Brock, T., Farrell, M., Friedlander, D., Harknett, J., Hunter-Manns, J., Walter, J. and Weisman, J. (1997) *National evaluation of welfare to work strategies: Evaluating two welfare-to-work program approaches*, New York, NY: Manpower Demonstration Research Corporation.
- Heckman, J., Lalonde, R. and Smith J. (1999) 'The economics and econometrics of active labor market programs', in O. Ashenfelter and D. Card (eds) *Handbook of labor economics vol 3a*, Amsterdam: Elsevier.
- Hilbers, P., Tchaidez, R. and Zhou, J. (2006) *Denmark: Selected issues*, International Monetary Fund Report 06/342, Washington, DC: IMF.
- Hinrichs, K. (2000) 'Combating unemployment: what can be learned from whom?', Paper presented at the International Social Security Association Research Conference, Helsinki, 25–27 September.
- Kangashariu, A. (2007) 'Do wage subsidies increase employment in subsidised firms', *Economica*, 74 (293): 51–67.
- Kluge, J. (2006) *The effectiveness of European active labor market policy*, IZA discussion paper 2018, Bonn: IZA.
- Kim, J. (2009) 'Does job training yield positive outcomes for women on public assistance', *Journal of Policy Practice*, 8 (3): 204–23.
- Kuptsch, C. and Zeiter, I. (2000) 'Public disability programs under new complex pressures', in D. Hoskins, D. Dobbernack and C. Kuptsch (eds) *Social security at the dawn of the 21st century: Topical issues and new approaches*, Rutgers, NJ: Transaction Publishers.

- Lalonde, R. (1995) 'The promise of public sector-sponsored training programs', *Journal of Economic Perspectives*, 9 (2): 149–68.
- Leipert, C. and Opielka, M. (1999) *Child-care salary 2000: A way to up-grade child care work*, Bonn: Institute for Social Ecology.
- Madsen, P.K. (2002) *The Danish model of 'flexicurity' – a paradise with some snakes*, Dublin: European Foundation for the Improvement of Living and Working Conditions.
- Madsen, P.K. (2006) *Flexicurity: A new perspective on labour markets and welfare states in Europe*, Research Paper 2006:03, Aalborg: Centre for Labor Market, Aalborg University.
- Martin, J. and Grubb, D. (2001) *What works and for whom: A review of OECD countries' experiences with active labour market policies*, IFU Working Paper, 2001:14, Copenhagen: IFU.
- Marx, I. (2005) 'Job subsidies and cuts in employers' social security contributions: the verdict of empirical evaluation studies', Paper prepared for the Conference 'Changing Social Policies for Low-Income Families and Less-Skilled Workers in the E.U. and the U.S.', University of Michigan, 7–8 April.
- Matsudaira, J. and Danziger, S. (2004) 'Work, welfare and economic well-being after welfare reform: do state policies make a difference', in N. Gilbert and A. Parent (eds) *Welfare reform: A comparative assessment of French and U.S. experiences*, New Brunswick, NJ: Transaction Publishers.
- OECD (Organisation for Economic Co-operation and Development) (1991) *Economic surveys: The Netherlands*, Paris: OECD.
- OECD (2005) *OECD employment outlook*, 2005, Paris: OECD.
- OECD (2009a) *The OECD factbook, 2009*, Paris: OECD.
- OECD (2009b) *OECD interim economic outlook, March 2009*, Paris: OECD.
- OECD (2009c) 'Unemployment: the language of crisis', *OECD Observer*, March.
- OECD (2009d) 'Economic survey of Austria, 2009', OECD Policy Brief, June.
- OECD (2009e) OECD Stat data, extracted 31 July 2009.
- Snower, D.J. (1997) 'The simple economics of benefit transfers', in D.J. Snower and G. de la Dehesa (eds) *Unemployment policy and government options for the labour market*, Cambridge: Cambridge University Press.
- Streeck, W. (2007) "'Globalization" nothing new under the Sun', *Socio-Economic Review*, 5: 3.
- Torfig, J. (1999) 'Towards a Schumpeterian workfare postnational regime: path-shaping and path dependency in Danish welfare state reform', *Economy and Society*, 28 (3): 369–402.
- van Oorschot, W. (2004) 'Flexible work and flexicurity policies in the Netherlands: trends and experiences', *Transfer – European Review of Labour and Research*, 10 (2): 208–25.
- Viebrock, E. and Clasen, J. (2009) 'Flexicurity and welfare reform: a review', *Socio-Economic Review*, 7 (2): 305–31.
- Wilthagen, T. and Tros, F. (2004) 'The concept of "flexicurity": a new approach to regulating employment and labour markets', *Transfer – European Review of Labour and Research*, 10 (2): 166–87.

Wolff, J. and Nivorozhkin, A. (2008) *Start me up: The effectiveness of a self-employment programme for needy unemployed people in Germany*, IAB Discussion Paper 20/2008, Nuremberg, Germany: Institute for Employment Research.

Neil Gilbert, School of Social Welfare, University of California, Berkeley, USA,
ngilbert@berkeley.edu

Douglas Besharov, School of Public Policy, University of Maryland, USA,
besharov@umd.edu