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## Activation Policies in Switzerland

Nicola Duell and Peter Tergeist with contributions  
from Ursula Bazant and Sylvie Cimper

112

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## ABSTRACT

This report examines the performance of public employment services and the effectiveness of activation strategies in Switzerland. It covers the role of the key actors in labour market policy, the placement function of the Public Employment Service (PES), the structure of out-of-work benefits and the related incentives and disincentives for taking up work, and discusses the main features of active labour market programmes (ALMPs).

Switzerland is characterised by relatively strong labour market performance, with high employment rates, low unemployment and high wage rates. The global financial and economic crisis has nevertheless led to some deterioration in labour market conditions, including a 30% hike in unemployment during the crisis. Going forward, among the important challenges for labour market and social policy are the expected impact of population ageing on the Swiss economy, integration deficits of immigrants and their descendants, the comparatively high share of long-term unemployment, and the insufficient activation of people with disabilities.

A number of actors are involved in the design and delivery of labour market policy and employment services, reflecting the strong decentralisation of the political system. Although labour market policy is governed to some extent by federal laws, the cantons constitute the main level of government responsible for public employment services and the administration of ALMPs. The main element of federal control is the publication of benchmarking results for local PES performance, which is expected to exert peer-group pressure on local offices for continuous improvement of performance. Contrary to many other OECD countries, the benefit and placement functions are separated between the unemployment funds and local placement services.

The Swiss PES is well equipped to intervene in the unemployment spell by means of counselling interviews, direct referrals and strong job-search controls. However, international comparison shows that the PES has quite limited market shares in vacancies and placements. This is due to the historically important role of private placement agencies. The PES could be more active in collaborating with these agencies in placing its jobseekers.

The Swiss road to activation is characterised by a relatively generous benefit system as compared with other OECD countries, combined with strict job-search enforcement requirements, comparatively high expenditures on active labour market programmes and strong incentives to move into jobs, including in-work benefits. The 2010 unemployment-insurance reform has led to cuts in the maximum benefit duration for certain categories of jobseekers, in order to restore the financial equilibrium of the unemployment-insurance fund. Also, Switzerland is (together with Denmark) the only OECD country where ALMP spending increases quasi-automatically with unemployment levels, a feature that has been important in the current financial and economic crisis.

The ratio of active to passive labour market expenditure is well above European and OECD averages, underlining the importance of active instruments in Switzerland, particularly in view of the relatively low number of jobseekers. The largest ALMP expenditure categories are *Supported employment and rehabilitation*, *Training*, *Temporary employment in the public sector*, and *Intermittent pay*. In a given year, over a quarter of all registered jobseekers participate in at least one active programme. The implementation of activation measures for the long-term unemployed, benefit exhaustees and social assistance recipients remains a problem, however, due to different benefit structures and uneven follow-up strategies across cantons.

## RÉSUMÉ

Ce rapport examine la performance du Service public de l'emploi (SPE) et l'efficacité des stratégies d'activation en Suisse. Il analyse le rôle des acteurs clés des politiques du marché du travail, la fonction de placement du SPE, la structure des prestations sociales dont bénéficie la population d'âge actif qui ne travaille pas et l'effet de ces prestations sur l'incitation au travail. Il donne également un aperçu des différents programmes de mesures actives du marché du travail.

La situation du marché du travail suisse est très favorable avec un taux d'emploi élevé, un taux de chômage bas et des salaires élevés. Néanmoins, la crise financière et économique mondiale a entraîné une détérioration des conditions du marché du travail, et surtout une hausse du chômage de 30 % pendant la crise. Dans l'avenir, la Suisse va essentiellement devoir relever le défi du vieillissement de la population et de son impact sur son économie et faire face au déficit d'intégration des immigrants et de leurs descendants, à la part relativement forte des chômeurs de longue durée ainsi qu'à l'activation insuffisante des personnes souffrant d'un handicap.

Un grand nombre d'acteurs sont impliqués dans l'élaboration et la mise en œuvre des politiques du marché du travail et des services de l'emploi, ce qui tient à la forte décentralisation du système politique. Bien que la politique du marché du travail soit régie pour une grande partie par les lois fédérales, ce sont les cantons qui sont compétents pour le fonctionnement des services de l'emploi et la mise en œuvre des mesures actives du marché du travail. L'outil principal du contrôle fédéral est la publication des résultats des offices régionaux de placement (ORP), le but étant d'exercer ainsi une pression sur les offices régionaux pour qu'ils améliorent constamment leur performance. Contrairement à beaucoup d'autres pays de l'OCDE, les fonctions d'administration des prestations et de placement sont dissociées entre les caisses de chômage et les ORP.

Le SPE Suisse est bien équipé pour intervenir dans une phase de chômage par des entretiens-conseils, des placements directs et un contrôle strict des activités de recherche d'emploi. Par contre, une comparaison internationale montre que la part des offres d'emploi traitées par le SPE ainsi que sa part dans les placements sont limitées. Ceci est lié au rôle historiquement important des services privés de l'emploi. Le SPE pourrait renforcer la coopération avec ces derniers pour le placement de ses demandeurs d'emploi.

La voie suisse d'activation est à la fois caractérisée par un système de prestations relativement généreuses par rapport à d'autres pays de l'OCDE, une application stricte de l'obligation de recherche active d'un emploi, des dépenses relativement élevées pour les mesures actives du marché du travail et une forte incitation à exercer un emploi, reposant notamment sur l'attribution de prestations liées à l'emploi. La réforme de l'assurance-chômage de 2010 a visé à réduire la durée maximale des allocations-chômage pour certaines catégories de demandeurs d'emploi afin de rétablir l'équilibre financier de l'assurance-chômage. Par ailleurs, la Suisse est (avec le Danemark) le seul pays de l'OCDE où les dépenses pour les mesures actives du marché du travail augmentent quasiment automatiquement avec le niveau du chômage, ce qui s'est révélé très important pendant la crise financière et économique actuelle.

Le rapport entre les dépenses pour les mesures actives du marché du travail et les mesures passives est largement supérieur à la moyenne OCDE, ce qui souligne l'importance des mesures actives en Suisse, surtout si on tient compte du nombre relativement faible des demandeurs d'emploi. Les programmes *Emploi protégé et réadaptation*, la *Formation professionnelle*, les programmes d'*Emploi temporaire dans le secteur public* ainsi que le dispositif concernant les *Gains intermédiaires* sont les mesures les plus importantes en termes de dépenses. Plus d'un quart des demandeurs d'emploi participent à au moins un des programmes actifs. Par contre, la mise en œuvre de mesures actives pour les chômeurs de longue durée, les chômeurs en fin de droits et les prestataires de l'aide sociale pose encore un certain nombre de problèmes, ce qui est dû aux différentes structures des prestations et à des stratégies de suivi inégales d'un canton à l'autre.

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## GLOSSARY

AI	<i>Assurance invalidité</i> (Disability Insurance, <i>Invalidenversicherung – IV</i> in German)
ALMP	Active Labour Market Programme
AVAM	PES Intranet database including registered jobseekers and vacancies
BAZ	Special outplacement centre (in German)
CII	<i>Coopération interinstitutionnelle</i> (inter-institutional co-operation)
COAI	<i>Conférences des offices de l'assurance invalidité</i>
CSIAS	<i>Conférence suisse des institutions d'action sociale</i> (Swiss Conference for Social Assistance)
DFE	<i>Département fédéral de l'économie</i> ( <i>Eidgenössisches Volkswirtschaftsdepartement – EVD</i> in German)
EFTA	European Free Trade Association
EU	European Union
EU15	15 European Union member countries (Denmark, Sweden, the United Kingdom and 12 Euro-area countries)
FÁS	Training and employment authority (Ireland)
GDP	Gross Domestic Product
GP	General Practitioner(s)
ISIC	International Standard Industrial Classification
LFS	Labour Force Survey
MAMAC	<i>Medizinisch-arbeitsmarktliche Assessments im Rahmen des Casemanagements</i> in German
NAV	Norwegian Employment Service
OCDE	<i>Organisation de Coopération et de Développement Économiques</i>
OECD	Organisation for Economic Co-operation and Development
OFAS	<i>Office fédéral des assurances sociales</i> (Federal Social Insurance Office in English, <i>Bundesamt für Sozialversicherungen – BSV</i> in German)
OFS	<i>Office fédéral de la statistique</i> (Federal Statistical Office in English, <i>Bundesamt für Statistik – BSF</i> in German)
ORP	Local/Regional employment centre
PES	Public Employment Service
PPPs	Purchasing Power Parities
RAV	<i>Regionales Arbeitsvermittlungszentrum</i> (German term for Regional employment centres – ORP)
RMS	Regional Medical Service
SAPS	Statistically Assisted Programme Selection
SECO	<i>Secrétariat d'Etat à l'économie</i> (State Secretariat for Economic Affairs)
SKOS	<i>Schweizerische Konferenz für Sozialhilfe</i> (German term for CSIAS)
SME(s)	Small and Medium-sized Enterprise(s)
SPE	<i>Service public de l'emploi</i> (Public Employment Service – PES)

**List of the 26 Swiss cantons**

	<b>English</b>	<b>French</b>	<b>German</b>
AG	Aargau (or Argovia)	<i>Argovie</i>	<i>Aargau</i>
AI	Appenzell Innerrhoden (Appenzell Inner-Rhodes)	<i>Appenzell Rhodes-Intérieures</i>	<i>Appenzell Innerrhoden</i>
AR	Appenzell Ausserrhoden (Appenzell Outer-Rhodes)	<i>Appenzell Rhodes-Extérieures</i>	<i>Appenzell Ausserrhoden</i>
BS	Basel-City or Basle-City	<i>Bâle-Ville</i>	<i>Basel-Stadt</i>
BL	Basel-Country, Basle-Country, or Basel-Land	<i>Bâle-Campagne</i>	<i>Basel-Landschaft</i>
BE	Bern	<i>Berne</i>	<i>Bern</i>
FR	Fribourg	<i>Fribourg</i>	<i>Freiburg</i>
GE	Geneva	<i>Genève</i>	<i>Genf</i>
GL	Glarus	<i>Glaris</i>	<i>Glarus</i>
GR	Graubünden (or Grisons)	<i>Grisons</i>	<i>Graubünden</i>
JU	Jura	<i>Jura</i>	<i>Jura</i>
LU	Lucerne	<i>Lucerne</i>	<i>Luzern</i>
NE	Neuchâtel	<i>Neuchâtel</i>	<i>Neuenburg</i>
NW	Nidwalden	<i>Nidwald</i>	<i>Nidwalden</i>
OW	Obwalden	<i>Obwald</i>	<i>Obwalden</i>
SH	Schaffhausen (or Schaffhouse)	<i>Schaffhouse</i>	<i>Schaffhausen</i>
SZ	Schwyz	<i>Schwyz (or Schwytz)</i>	<i>Schwyz</i>
SO	Solothurn	<i>Soleure</i>	<i>Solothurn</i>
SG	St. Gallen (or St. Gall)	<i>Saint—Gall</i>	<i>St. Gallen</i>
TG	Thurgau (or Thurgovia)	<i>Thurgovie</i>	<i>Thurgau</i>
TI	Ticino	<i>Tessin</i>	<i>Tessin</i>
UR	Uri	<i>Uri</i>	<i>Uri</i>
VS	Valais	<i>Valais</i>	<i>Wallis</i>
VD	Vaud	<i>Vaud</i>	<i>Waadt</i>
ZG	Zug	<i>Zoug</i>	<i>Zug</i>
ZH	Zurich	<i>Zurich</i>	<i>Zürich</i>
<b>CH</b>	<b>Switzerland</b>	<b><i>Suisse</i></b>	<b><i>Schweiz</i></b>



## SUMMARY AND RECOMMENDATIONS

### 1. Background

#### *Switzerland has an above-average employment performance ...*

1. The Swiss labour market has outperformed those of most other OECD countries: it is characterised by high employment rates, low unemployment and high relative wages. The main factors underlying this good performance are a high degree of labour market flexibility, with decentralised wage bargaining and relatively low employment protection regulation, a strong focus on active labour market policies (ALMPs), and employment services characterised by strong “mutual-obligation” principles. Indeed, the Swiss activation regime seems to work well in international comparison. In addition, there is a strong evaluation culture for ALMPs.

2. Over the past three decades, the Swiss labour force participation and employment rates rose to over 82% and 79%, respectively, in 2008. The total employment rate is over 10 percentage points higher than the average of the EU15 countries, and the female employment rate is 13 points higher. The high share (almost 50%) of part-time work in total female employment plays an important role in explaining the high employment rate of women; in fact, adjusted for hours worked, the Swiss female employment rate would only be in an intermediate position in the OECD ranking. This can be largely explained by the limited availability of pre-school education that makes it difficult for Swiss mothers to reconcile full-time work with raising children. Thus, there is still much potential for raising labour utilisation in Switzerland.

3. Despite its impressive performance over the past decades, the Swiss labour market did not escape the global economic downturn of 2008-09: GDP declined by 1.5% in 2009 – although the subsequent upswing in 2010 has been stronger than expected – while the labour force survey unemployment rate was 4.4% in the second quarter of 2010 (a 30% rise compared with 2008), and is projected to remain close to that level well into 2011.

#### *...but the picture is not entirely rosy*

4. Swiss labour market and social policy faces a number of challenges. First, while the public employment service, established in its current form only 15 years ago, has become an important labour market player, there is wide variation in PES performance, both within and across cantons. Decentralisation of responsibilities implies that some of this may be inevitable, but there is a case for more top-level incentives to reduce this dispersion in PES performance. Moreover, unemployment is considerably above-average for foreigners (three times as high) and the low-skilled (twice as high). Also, for a country with traditionally low unemployment and a flexible labour market, Switzerland has a comparatively high share of the long-term unemployed in total unemployment (30% in 2009). Other European countries with similarly low unemployment rates have a significantly lower share of long-term unemployment (*e.g.* Norway, Denmark, Austria or Luxembourg).

5. Social welfare spending has risen more than expenditure on any other main category in the national budget and risks becoming untenable in the medium term. In particular, invalidity-benefit reciprocity has increased considerably since 1990, and is now over 5% of the working-age population;

combined spending on invalidity benefits and sick pay is over three times as high as spending on unemployment benefit. At about 3% of the population (18 years and older), the number of social assistance recipients is also large and, among this group, the share of long-term social assistance recipients is considerable, with three-quarters of beneficiaries having received assistance for over a year.

### ***Important challenges are posed by population ageing and immigration***

6. Population ageing will have large impacts on the Swiss economy and labour market. Life expectancy in Switzerland, at about 80 years for men and over 84 years for women, exceeds that of most other OECD countries, and the fertility rate has declined substantially since the 1970s. The country is therefore ageing rapidly, like its European neighbours and, in the longer-term, population and labour force declines are expected to set in; the current excess of births over deaths is due primarily to the resident foreign population. Vigorous public policies to combat labour force decline by promoting higher labour utilisation and a postponement of the retirement age will be necessary to respond to population ageing.

7. Immigrants have had a considerable impact on population growth as their number has increased steadily – although with a pronounced cyclical pattern – over the past half-century, reaching a total of 1.7 million in 2008. Currently, two-thirds of foreign residents come from EU member countries; in this respect, immigration in Switzerland differs from that in many other European countries, where the bulk of immigrants are non-European nationals. Most immigration is economic, and currently the share of resident immigrants in the labour force exceeds their share in the total resident population (23% *versus* 21%).

8. The skill levels of foreign workers arriving in Switzerland have been improving steadily since the early 1990s, although there is also a large group without upper secondary education. In the aggregate, foreigners have lower wages and higher unemployment rates than Swiss nationals. Due to the increasing number of migrants with permanent residence permits, the cyclical pattern of migration has considerably diminished, and migration flows play a much smaller role than previously in mitigating the labour market effects of cyclical downturns. In view of persistent problems of labour market integration of older immigration cohorts, and of continuing second- and third-generation skill and language deficits compared with their native peers, the pursuit of vigorous integration policies focusing on skills and competences is called for.

## **2. The institutional framework of activation policies**

### ***A number of actors are involved in a decentralised set-up***

9. Federalism is the cornerstone of the Swiss political system. Policy decision making is strongly decentralised and the cantons hold all powers not specifically delegated to the confederation. Consequently, labour market and activation policies, although governed to some extent by national laws – the Unemployment Insurance Act and the Job Placement Act, in particular – are also widely decentralised. Invalidity insurance is governed in a similar way, with a strong role of cantonal insurance offices under broad supervision by the Federal Social Insurance Office (OFAS). By contrast, social assistance falls under cantonal laws, with further delegation of powers to the municipal level and limited federal co-ordination.

10. The Swiss Labour Market Authority at federal level is the Directorate of Labour of the State Secretariat for Economic Affairs (SECO) at the Economics Ministry; it sets the basic parameters of labour market policy and is responsible for financing and administering active labour market programmes, as well as for advice and follow-up of cantonal employment services.

11. Following what is sometimes called the guiding principle of the Swiss Confederation, “*La fédération propose, les cantons disposent*”, the cantons constitute the main level of government responsible for public employment services and the administration of ALMPs. The cantonal labour offices

implement the federal laws and supervise the unemployment funds. Most importantly, they are charged with establishing and supervising local employment offices and the logistical centres for labour market measures which are responsible for planning and buying the needed services. Cantons use their considerable autonomy to set up varying implementation mechanisms. In addition to federal ALMPs designed by SECO, most cantons also design and implement labour market programmes of their own.

12. Cantonal autonomy and relative lack of coordination raises the issue as to whether more regional synergies could not reduce administrative costs. Further, with a view to increasing the effectiveness of ALMPs, SECO could strengthen its role as a coordinator. This would involve, *inter alia*, improving the federal monitoring of the ALMP implementation at cantonal level by type of measure and participant structure, as well as collecting data on ALMPs designed and financed by the cantons themselves. More regular exchanges among cantons of experiences gathered with the different types of ALMPs and, in this context, qualitative evaluations of cantonal and/or local office performance in addition to the existing quantitative evaluation studies, should be envisaged. Such studies should attempt to understand better why some ALMPs are used in some cantons more than in others, and what impact these choices have on the outcomes for the participants.

### ***Local employment services and unemployment funds***

13. Local PES offices carry out placement, refer clients to ALMPs and monitor job-search requirements – a particularly important element of the “activation” strategy, given the generous unemployment benefit levels. They are supervised and co-ordinated by the cantons, but financed essentially by the federal unemployment-insurance scheme. The important modernisation of the PES in the mid-1990s has brought Switzerland on a par with most other OECD countries, although the PES has not yet achieved the market position characteristic of the historically more entrenched employment services in many other developed countries.

14. In contrast to many other OECD countries, the benefit and placement functions are separated between the unemployment-insurance funds, on the one hand, and the local employment services, on the other. Each canton manages a public unemployment fund and, in addition, there are privately organised funds, which employers and employees are free to choose among. The reform of the public employment service in the mid-1990s did not use the opportunity to reform the whole institutional framework, and there remains a potential for economies of scale.

### ***PES performance indicators: finding a balance between rapid and durable placement***

15. The significant expansion of employment services through federal legislation in 1996 raised the issue of the extent of federal control over the implementation of activation strategies. After experimenting for a while with input-oriented governance, performance management switched to the setting of *output targets* to measure the attainment of agreed strategic objectives. On the basis of a rating system of local office performance based on off-benefit outcomes, the government developed a bonus-malus system with financial rewards and penalties. However, a number of cantons queried the validity of the ratings and their funding implications. Finally, it was decided to implement a system of benchmarking local office performance, with aggregated results by canton published annually by SECO; the bonus-malus system was dropped quietly.

16. Employment service performance is regularly monitored by means of four indicators which are assigned different weights: *i*) Speed of reintegration of the unemployed into the labour market (weight 50%); *ii*) Prevention of long-term unemployment (weight 20%); *iii*) Prevention of benefit exhaustion (weight 20%); and *iv*) Prevention of repeated registration for benefit (weight 10%).

17. Benchmarking results are adjusted by selected economic characteristics of the cantons. If cantons underperform repeatedly, an in-depth performance evaluation by SECO can be carried out with a view to

finding solutions to improve performance. The published ranking is expected to exert peer pressure on local PES offices to continuously try to improve their performance. These indicators, which govern cantonal and local activation strategies, give priority to *quick placement* into a job, rather than its *durability* or promise of career progression. SECO should assess whether this priority-setting is harming the objective of durable placement and, if so, reflect on ways and means to strengthen that objective (for example by changing some of the weights involved). Performance management should also consider the inclusion of indicators relating to services for clients from other welfare systems, such as social assistance, as well as activities for employed workers at risk of dismissal: the current indicators only measure activities for unemployment benefit recipients.

### ***PES finance and staffing***

18. Switzerland is one of the few OECD countries where funding of labour market policies responds quasi-automatically to changes in the level of unemployment, since federal funding of PES offices varies annually with the number of (projected) registered unemployed. In order to reduce unemployment-insurance expenditure, SECO recently introduced a new degressive financing system for the implementation of active measures, where cantons with low unemployment rates receive more money per jobseeker. SECO argues that running local employment offices and implementing ALMPs involves fixed costs which decrease with a higher number of jobseekers. However, it should be considered that a context of more difficult labour market conditions increases the risk of long unemployment spells and would call for a more intensive follow-up of jobseekers, including referrals to ALMPs. Thus, the degressive financing rule may not create appropriate incentives for the cantons to keep unemployment down. It is also the case, however, that in times of rising unemployment, temporary employment policy measures can be decided by the federal government outside of the unemployment-insurance fund, as has been the case in the recent economic downturn.

19. Under variable office funding, staff fluctuation and the maintenance of adequate staff/client ratios are important issues. As a general rule, employment offices aim for a ratio of about 100 jobseekers per counsellor, which seems an adequate measure (in 2008, the ratio varied from 82 to 125 across cantons). In periods of rising unemployment, cantons receive additional funding to hire new staff, while they need to lay off staff in periods of declining unemployment. However, even after having completed PES staff training, it can take up to half a year or more for new recruits to become fully operational and efficient. Thus, there is usually a delay in staff adjustment to varying unemployment, and consequently sometimes considerable temporary changes in staff/client ratios. This is exemplified in the current economic downturn when staff workload has risen in most cantons.

### ***Organisation of social assistance***

20. As in most other OECD countries, social assistance is the most decentralised of the three major working-age benefit systems (unemployment, invalidity and social assistance). It is based exclusively on cantonal legislation, and municipalities have a large range of discretion in administering the scheme. There are guidelines for the application of assistance issued by the national conference on social assistance (CSIAS) which are not binding, however, and leave the final say to local authorities. Nevertheless, cantons tend to seek equivalent assistance structures and benefit levels, to minimise the phenomenon of so-called “welfare tourism”, *i.e.* the migration of beneficiaries from one canton to others with higher benefits. CSIAS guidelines recommend social and occupational re-integration measures, and in particular the larger municipalities provide counselling and placement services for social assistance recipients and organise their own active labour market measures. They may also send clients to private providers for re-integration purposes. While many municipalities tend to refrain from organising more substantial re-integration instruments, more innovative schemes such as the Zurich *Chancenmodell*, which includes the obligation for applicants to enrol in a basic employment programme, would be welcome.



### ***Organisation of disability insurance***

21. Switzerland has a separate system of invalidity insurance, regulated by federal law. Each canton has one invalidity insurance office, supervised by the federal Social Insurance Office and, in principle, independent from the cantonal administration. Financing the scheme *via* insurance contributions is far from sufficient; less than half of the receipts come from social security contributions, the rest being financed by general revenue. The offices are charged with the early identification of potential disability cases – and this function has been strengthened by recent reforms – with reviewing eligibility for benefits, assessing the degree of invalidity and the prospects for integration, and referring people to rehabilitation. Recent revisions in the law have also emphasised the placement services of the invalidity insurance offices and attributed additional staff to this function.

22. Regional medical services were created under a revision of the law in 2005. Compared with the assessment undertaken by general practitioners (GPs), these services allow a more impartial and professional assessment of individuals' remaining work ability. They advise the cantonal offices on assessing reported disability cases and in particular claimants' employability, as well as their prospects for vocational rehabilitation. To do this efficiently, however, staff needs to receive appropriate training in rehabilitation matters in order to implement an equitable system of "rehabilitation instead of benefits". The extent of involvement of the regional medical services differs widely across cantons, but as a general tendency, it seems that the role of the GPs in determining eligibility for benefit has already diminished. Future reforms should consider ways to further increase the role of the regional medical services, for example by increasing the number of staff doctors and strengthening their role in the assessment of potential disability benefit recipients over that of GPs; for example, the latter could be required to seek advice from the regional services and exchange information with them.

### ***Separate placement structures for cases of disability***

23. New placement structures have been set up in invalidity offices as part of the early recognition and early intervention process. Employees on long-term sick leave or disabled persons assessed as capable of being re-integrated into the labour market are entitled to receive the active support of invalidity offices in job-search and occupational counselling. In contrast to the employment service offices, invalidity offices, as a rule, accompany their clients after placement. Clients with reported health problems are also entitled to have their existing jobs adapted to suit their conditions, for example through analysis of their workload, and of possible work re-organisation or physical workplace adaptation.

24. Overall, existing evidence suggests that past placement efforts of PES offices were inadequate when it came to people with disabilities, not the least since the PES favours rapid over sustainable integration. At present, however, local employment offices face a certain competition from invalidity insurance offices concerning contacts with companies in order to place their clients. Such competition cannot be avoided under the present structure, even though invalidity offices may favour to a certain extent contacts with companies with stronger "social responsibility". But it remains important that invalidity offices seek co-operation with cantonal and local PES offices, to build on each other's strengths.

### ***Inter-institutional co-operation needs to be strengthened***

25. Co-operation between the different institutions of the social security scheme is a key issue, since many long-term unemployed suffer from multiple handicaps and a certain number of benefit recipients move from one system to another. In recent years, inter-institutional co-operation has been formalised and fostered through the introduction of a number of schemes involving several actors. One model is the *Coopération interinstitutionnelle MAMAC* – developed jointly by SECO, OFAS and cantonal actors – which is focused on persons with multiple problems. The overall goal of such initiatives is to overcome the

boundaries between the various support systems, to provide integrated placement assistance and to combine benefit payment more effectively with re-integration measures. This approach is promising and it is important to strengthen such types of co-operation in those cantons where the respective bodies show too little commitment.

### **3. Placement and activation measures by local employment offices**

26. The PES in Switzerland, as in other OECD countries, provides a range of job-broking services, counselling jobseekers, processing vacancies reported by employers, and matching those vacancies to suitable candidates. The PES has historically been strong on status control and job-search verification, corresponding to a mutual-obligation approach where, in return for benefits, recipients are required to engage in active job search and participate in employment and training programmes. Registered unemployed need to be “apt for placement”; undertake pro-active steps to shorten their unemployment spell; be ready and capable to take up suitable work and participate in reintegration measures; and submit to regular monitoring of their activities. This approach is enforced by the threat, and substantial use, of benefit sanctions (the incidence of benefit sanctions in Switzerland is among the highest in the OECD). However, the PES has relatively low market shares in vacancies and placements, mainly due to the historically strong role of private placement agencies.

27. The main clients of local PES offices are unemployment benefit recipients, but they may also implement ALMPs for social assistance recipients and help them find employment, although large municipalities tend to organise their own reintegration programmes. Office procedures and organisational structures differ across cantons, in line with the decentralised make-up of the employment service. For example, some cantons have decided that local offices should establish separate units for employer contact and vacancy acquisition. Offices may also differ as to whether counsellors decide themselves on benefit sanctions or delegate such matters to other specialised staff in or outside the local office.

#### ***Registration and interview procedures***

28. Unemployed jobseekers in most areas register with municipal offices before seeing the PES. This registration procedure involving both municipal government and the local employment office is unusual from an international perspective. The delay in holding the first interview with a PES counsellor may result in the loss of some opportunities for referral, even if, as a counterbalance, prospective unemployed are required to start their job search before applying for benefit. A preventive approach would work better if the initial registration were at the local employment service rather than the municipal office. Indeed, those cantons that now require initial registration at the employment office have achieved substantial reductions of the delays before the first in-depth counselling interview.

29. At the first interview, key personal details, such as work history and type of employment sought, are entered into the electronic jobseeker database, and jobseekers need to submit written proof of the vacancies they have already applied to. There is, however, no national “profiling” system in place at the initial interview (or at a later stage), where jobseeker characteristics are used for estimating their chances of finding work quickly or becoming long-term unemployed, so as to filter out the potentially harder-to-place jobseekers who could be offered services of greater intensity. Cantons are free to set up such systems, but they have not developed such an approach to any significant extent. For example, there is no information available from cantons as to the set-up of more or less intensive case-management depending on jobseeker characteristics. SECO should reflect on whether it could be useful to come forward with proposals for a profiling system, based on experiences in other OECD countries.

### ***Vacancy handling***

30. While growing numbers of employers today opt for open advertising of vacancies *via* Internet, some Swiss employers prefer to ask the local PES to make a pre-selection of candidates. The information about these vacancies can then be anonymised for the electronic database and applicants need to request employer contact details from the PES counsellor. The advantage of this approach is that counsellors can decide to refer only the most suitable candidates, potentially improving the PES image with employers. Further, direct referrals bring jobseekers who use inefficient search strategies into contact with vacancies. However, the method raises the work intensity of PES job counsellors by not fully exploiting self-service, notably by those who are job-ready.

31. If the choice is indeed to focus on direct referral, then the efficiency of the referral process is a key issue. Based on results from a recent employer survey, there may indeed be room for improvement in this area: for example, one-third of employers who received PES candidates did not get the impression that there had been any pre-selection, and about half of the candidates sent over did not match job requirements, with “lack of required skills”, and “lack of motivation” cited as major causes. Counsellors who wish to refer long-term unemployed or other candidates with a large distance from the labour market, should be transparent about such referrals to employers, in order to minimise any negative reactions afterwards.

### ***Comparatively strong job-search controls***

32. Studies from several countries have shown that strong job-search controls can have a considerable impact on re-employment rates. Switzerland stands out as one of the countries with the strongest job-search requirements in the OECD. Even at initial registration for placement, Swiss jobseekers are liable to be sanctioned if they cannot present evidence of recent job-search actions. During the subsequent monthly face-to-face meeting with their counsellors, jobseekers need to present proof of their job applications during the past period. The approximate number of job-search actions they need to report is often as high as 10 per month. Even during participation in an active measure, job-search efforts (as well as placement efforts by counsellors) need to be continued, albeit to a more limited extent. It should be noted, however, that too-rigid requirements, such as high minimum frequencies to be reported, may risk generating perverse effects, such as too many *pro forma* job applications, or pressure on jobseekers to accept quick job matches that do not maximise their individual productivity.

### ***Interventions during the unemployment spell***

33. The Swiss PES seems well equipped to intervene in the unemployment spell by means of counselling interviews, direct referrals and job-search monitoring. The *intensity* of interventions depends to a large extent on the ratio of counsellors to jobseeker clients, as already mentioned above. The law requires counsellors to hold at least one interview with a jobseeker per month. In recent years, this requirement seems to have been fully met by PES offices in terms of the national average. The number of monthly meetings varies widely among cantons, however, ranging from 0.8 to 1.6 in recent years. The frequency of meetings has also declined with rising unemployment during the current slowdown and efforts should be made to maintain the activation stance, and the intensity of interventions even in the context of higher unemployment.

34. In situations of longer unemployment durations, referrals to active programmes can help improve employment prospects by keeping up work habits; they can also serve as a surrogate work test, an approach now increasingly followed also by municipal social assistance departments. The distribution of active measures to which employment offices refer their clients is another example of cantonal prerogatives in deciding activation strategies, since there are very wide variations by canton in the shares of either employment or training measures among total referrals. SECO needs to improve its understanding of these variations in cantonal resources to ALMPs and how they impact on outcomes.

*Quantitative analysis of PES job-brokering activities*

35. SECO collects and publishes monthly and annual data on stocks and flows of vacancies, registered unemployed and registered jobseekers (the latter category including programme participants). These data show that Switzerland is among the lower-performing countries on indicators relating to vacancies and placements handled by the public employment service. For example, Switzerland has relatively low shares of PES-registered vacancies in relation to registered unemployed and total hirings in the economy. In a typical year, only one in three incoming vacancies is filled with a PES referral. Also, according to labour force survey data, among the search channels most commonly used by jobseekers, contact with the PES comes a long way behind applications to press advertisements, search through the Internet, and help from friends and relatives. SECO is well aware of the importance to increase the relevance of the PES as a recruitment channel for employers and of the need to improve the quality of jobseeker counselling. Current efforts to enhance communication of the PES brand are a small step in the right direction to overcome these deficits. Significant improvements in service quality will also have the longer-term effect of increasing the PES market shares in vacancies and placements.

*The role of private actors*

36. In Switzerland, private actors play an important role in activation and placement. On the one hand, private placement agencies and temporary work agencies have long had substantial freedom to operate matching services and, according to the detailed accounts that private agencies need to submit annually to the PES, they still today place several times more applicants than the PES. On the other hand, active measures themselves are typically implemented mainly by private (sometimes also public not-for-profit) organisations. These service providers usually are commissioned by the cantonal labour offices, but also conclude service contracts with the disability insurance and municipal welfare offices.

37. While some of these contracts include outsourcing of jobseekers for placement, and while there has been a long tradition of cooperation with private placement agencies, the public employment service in Switzerland could be much more active in this area. For example, although the law encourages PES offices to do so, in recent years they only commissioned 1 out of 130 to 150 jobseekers for placement to private agencies. Australia, the Netherlands and the United Kingdom are the countries that have so far gone farthest in the direction of market-type arrangements, where private-sector and non-profit organisations compete for the acquisition of publicly-funded contracts for the reintegration of jobseekers into employment. In the Netherlands, since the early 2000s, unemployment benefit and social assistance recipients who are not expected to find work within six months are in principle contracted out to private providers. In Germany, also, the unemployed after six months are entitled to be referred to private placement agencies. With its historically strong role of private agencies, Switzerland should be well-placed to venture more strongly in this direction and sign more contracts with private agencies, setting incentives for placement using payment-by-results principles. However, the role of private agencies in monitoring benefit eligibility and imposing sanctions is often problematic, and this could be a factor limiting the interest in outsourcing of jobseekers for placement.

**4. The role of benefits***Switzerland's unemployment benefits are generous*

38. The unemployment-benefit system is characterised by relatively generous benefit levels, a maximum benefit duration somewhat above the OECD average and a high sanction rate resulting from strict enforcement of job-search requirements and sanctioning of job or training refusals. *Net* replacement rates, taking taxes and welfare payments, such as child benefits, into account, are among the highest in OECD countries, reaching up to 90% for several types of family situation. However, in contrast to some

other countries in OECD Europe, there is little use of unemployment benefit as a form of early retirement for the older unemployed. The recent government reform of the Unemployment Insurance Act (the fourth revision) – recently approved by referendum – is mainly motivated by a desire to re-establish financial equilibrium *via* higher contribution rates and reductions in spending.

39. The maximum duration of unemployment benefit varies with age and length of the previous contribution period:

- For the unemployed having contributed at least for 12 months, the maximum duration of benefit receipt is 18 months. The 2010 unemployment-insurance reform foresees a reduction of the maximum unemployment benefit duration from 18 to 12 months for those unemployed having contributed for 12 to 18 months. This would affect in particular workers with temporary contracts or a short work history. The reduction in their maximum benefit duration will no doubt speed up their job-search process; however, it can also be expected to lead to some rise in the number of benefit exhaustees, who will no longer be registered with PES offices, although they will remain in need of activation and intensive follow-up;
- Under certain conditions, jobseekers can be entitled to a maximum benefit duration of 2 years. This will not be changed by the reform. Such a benefit prolongation for older workers, which is also in force in some other OECD countries, can be justified by the greater difficulties which older workers face in finding a new job. But it needs to be accompanied by intensive efforts to help them find work;
- By contrast, for those exempt from the obligation of prior contributions, mostly younger jobseekers, the current maximum duration of unemployment benefit is 12 months. The reform will reduce it to 4 months for persons without recent insurance contributions. For university graduates, a waiting period of 120 days will be introduced. These changes seem reasonable so as to reduce benefit dependency; the regulations are still relatively generous when compared with benefit standards in many other OECD countries; and
- The cantons can request an extension of duration for all recipients to 2 years, if their unemployment is unusually high; this has the side-effect that they can save on social assistance expenditure. The revised unemployment insurance law will abolish the possibility for high-unemployment cantons to extend benefits upon request. However, considering there will be other economic downturns in the future, it is doubtful whether this possibility should be abolished once and for all.

***Better follow-up of benefit exhaustees is needed***

40. Those who exhaust their entitlement to unemployment benefits are supported in different ways in the Swiss cantons. Some cantons implement an unemployment-assistance scheme (usually means-tested), while in others benefit exhaustees without sufficient financial resources need to claim social assistance. Generally, only a minority stay registered as jobseekers in PES offices, despite the fact that they offer placement services for non-recipients as well. This implies that cantons have less recourse to the well-organised resources of a national network of PES offices, although municipal responsibility for managing clients can also be effective, if benefit eligibility conditions are strictly enforced. Intensive follow-up and activation are particularly important for the long-term unemployed, and instead of varying cantonal schemes one could envisage a federally co-ordinated unemployment assistance programme, with common standards to be followed.

41. An important element of the recent revision of the unemployment-insurance law is the abolition of all renewal of eligibility to unemployment benefits after participation in a publicly-funded employment programme. Although it is correct to stop such carousel effects, this will add to the caseload of social assistance recipients who need intensive follow-up and activation, and to the number of unemployed without benefits who need a continuing offer of high-quality PES services on a voluntary basis.

***A high incidence of benefit sanctions***

42. Switzerland has a relatively high incidence of benefit sanctions. In 2008, about a quarter of all benefit claimants received a sanction, with an average of two and a half weeks of benefit suspension. The main motives were insufficient personal effort (usually lack of sufficient job search), followed by voluntary quits and non-compliance with instructions (mainly job or programme refusal). Although there is evidence to the effect that sanctions help to keep unemployment low, other evidence from Switzerland reveals a risk that sanctions negatively affect the *quality* of jobs the unemployed obtain under the threat of a benefit cut. Again, this poses the issue of a trade-off between rapid placement as opposed to placement in a job that matches the worker's skills and offers some career prospects.

43. In contrast to some other countries, *suitable job* rules do not vary with the length of the unemployment spell. There is a degree of "occupational protection" in that job offers need to correspond to previous activity. A supplementary clause to the effect that jobs need to be sought outside of one's profession "if necessary", leaves considerable discretion to counsellors who are rewarded for the speed more than the quality of job placements, and it would be better to introduce a graduation of this requirement by unemployment duration. Unemployed persons can refuse a job offer if it pays less than 70% of previous salary – again without any graduation as is common in other countries. Here too, graduation would make sense in order to optimise job-matching in the initial unemployment period.

***Issues in disability insurance***

44. Although starting at a comparatively low level, after 1990, the inflow into the invalidity-pension system was among the highest in OECD countries. Arguably, this strong trend increase eased pressure on the labour market. In any event, it provoked important legislative reactions leading to substantial reductions in the inflow since 2003.

45. The newly introduced early-notification requirement can potentially act as a preventive mechanism, and it is to be hoped that it will help strengthen the principle of "priority of integration over pensions", and increase the frequency of vocational rehabilitation measures among new inflows, including for persons diagnosed with a mental disability. One remaining weakness of the early notification system is its voluntary character, since employers may tend to notify possible disabilities only for parts of their core workforce.

46. From a legal point of view, it may be more difficult to reduce the large *stock* of existing invalidity pensioners than it is to reduce the *inflow* of new pensioners. However, the government plans to apply new rules concerning the non-eligibility of certain illnesses to the reassessment of "old cases". Indeed, at least in the initial pension period, re-testing and re-assessment at regular intervals should become the rule; this could also be facilitated through the introduction of a "temporary pension" scheme. The Dutch experience of increasing employment rates of persons with disabilities through re-assessment of recipients below the age of 45 illustrates that the strategy of re-integration through medical reassessment can be successful.

47. Other principal recommendations relating to the reintegration of people on invalidity benefits, some of which were already outlined in the 2006 OECD review of sickness and disability policies in Switzerland, are:

- Employers (who still have insufficient incentives and obligations to bring sick employees back into work) should be required to set up sickness or disability management plans and prepare and follow up personal reintegration plans, in close co-operation with invalidity offices and regional medical services;
- To raise outflows from invalidity benefits, allow pensioners to explore going back to work without the fear that their benefits will be cancelled automatically; and
- Continue a comprehensive monitoring system (recently set up) of reintegration success by cantonal invalidity offices, akin to the performance monitoring of PES offices.

***Participation incentives for social-assistance recipients***

48. The *net* replacement rate for the long-term unemployed (after five years of unemployment) in Switzerland is among the highest of OECD countries. Five years after unemployment-benefit exhaustion, four out of ten benefit exhaustees are still not back in work and about a quarter still receive social assistance. Activation of assistance recipients is therefore a key issue. To increase the incentives to take up work or participate in ALMPs, the Swiss Conference for Social Assistance has recently adopted a set of guidelines for the introduction of earnings disregards and activation supplements. The large majority of the cantons are implementing these guidelines and provide earnings disregards of between CHF 400 and CHF 600 (6% to 9% of the Swiss average full-time monthly wage).

49. Introducing work incentives in the social-assistance scheme is the right way forward; earnings disregards correspond to a similar scheme under the unemployment insurance, and can support implementation of the principle that employable social assistance recipients should take up even part-time or low-paid work. As a rule, they should benefit from intensive follow-up, including referrals to ALMPs. Large municipalities have set up their own job-creation programmes or send social assistance recipients to the local employment offices, where cantons co-finance ALMPs for them. However, the activation of this group is not a priority for the local employment offices, due to the design of their performance-rating system. Notwithstanding cantonal prerogatives in social assistance, the introduction of common elements of an activation strategy for assistance recipients, beyond the financial incentives set up recently, would be desirable. This could include a systematic referral of employable social assistance recipients to the PES; and/or a close liaison with the local PES in case a municipality implements its own ALMPs.

**5. The effectiveness of active labour market programmes*****ALMP expenditure***

50. In 2008, expenditure for active programmes accounted for a bit less than half of total labour market expenditure. This ratio (which subsequently declined during the economic downturn) is well above European and OECD averages, underlining the importance of active instruments in Switzerland, in particular in view of the relatively low number of jobseekers. In fact, in terms of active labour market expenditure as a percentage of GDP relative to the unemployment rate, Switzerland is in the top group of OECD countries, together with the Nordic countries and the Netherlands. In all of Switzerland, more than a quarter of all jobseekers registered in 2008 participated in at least one active, but usually short-duration, measure, a relatively high share when compared with other OECD countries. The cyclical sensitivity of ALMP expenditure to the business cycle is also relatively strong, not least because of the automatic link between ALMP spending and the number of jobseekers noted above.

51. The largest ALMP expenditure category is “supported employment and rehabilitation”, followed by training and employment incentives. There is also some focus on subsidised employment (*via* the temporary employment scheme) and, some of the larger municipalities now use direct job creation under a “work-first” approach.

***In-work benefits and temporary employment programmes***

52. In-work benefit schemes are important measures for both unemployment insurance and social assistance. The intermittent pay scheme for unemployment benefit recipients (a subsidy paid to registered unemployed if their income from a new job is lower than their unemployment benefit) guarantees that income in work is in all cases above the previous benefit level, with savings for the unemployment-insurance fund from paying out less benefit. Evaluations of the scheme tend to show positive results, *i.e.* participation increases employment prospects more than other active programmes, although it tends to affect mainly lower-skilled benefit recipients. This is probably due mainly to the signalling effect concerning their motivation to work. Jobseekers stay in contact with the labour market, can expand their personal network and work in a “real” environment. Furthermore, in the intermittent pay scheme, participants tend to work less than half-time on average, which leaves them much time for job search.

53. Data on participation of social assistance recipients in active programmes are less transparent. Some cantons and municipalities have set up employment programmes for people who are not, or no longer, eligible to receive unemployment benefits, but data on these measures are not aggregated and there is a lack of knowledge at national level about employment programmes for employable social assistance recipients, even though employment assistance for these groups is of prime importance. SECO should assign a high priority to collecting and publishing such data on a regular basis.

54. Temporary employment programmes organised by the PES are usually scheduled in the area of public administration, welfare facilities or environmental protection and they are designed so as to avoid competition with the private sector. Evaluation results for such schemes are mixed, possibly due to stigma effects and to an insufficient impact on employability, as the non-competition requirement may lower the relevance of the experience gained for private-sector jobs. Results tend to be more positive for direct job-creation programmes of local authorities, used as a work-motivation and employability test for social-assistance recipients, such as in the City of *Zurich*. The international evaluation literature indicates that temporary employment measures can have a positive effect on the motivation of hard-to-place participants, although when participation renews benefit entitlements, carousel effects arise, or if repeated participation is allowed, the lock-in effect can become significant. In the light of the disappointing evaluation results of the PES-administered scheme in Switzerland, SECO should investigate how the effectiveness of these measures could be enhanced, *e.g.* by a closer follow-up of hard-to-place people during and after the measure and by giving more incentives to providers to get clients into regular work.

### ***Training measures***

55. Institutional training measures are mainly organised and purchased as collective measures and are set up especially for registered jobseekers. Individual measures are often more flexible in their timing and may be more targeted as regards the acquisition of specific skills. Although it is sensible to refer jobseekers primarily to collective training measures, it would be important to also refer them to individual training courses when the waiting periods for participation in collective courses are too long.

56. Participation in training courses shows contradictory results across Swiss evaluation studies: different time horizons and the differentiation by target groups and sectors seem to be important elements in explaining the varying outcomes. The average length of training courses is relatively short in Switzerland (five weeks on an annual average) and could well be increased. International evaluation literature suggests that the employment effects of longer training measures with formal qualification elements can be higher than those of short training courses. This does not mean that acquiring Swiss-language skills by foreigners or improving computer literacy are of limited value, but they are not sufficient to markedly increase participants' employability.

### ***Job-insertion subsidies and business start-ups***

57. Job-insertion allowances are paid to employers to compensate for the expected productivity loss attached to hiring older jobseekers, the long-term unemployed, and people with health-related problems or obsolescent vocational knowledge. Evaluation results of this measure are relatively positive. The practice of employment offices to ask employers to set up a job-insertion plan may contribute to the success of the programme. As long as this type of programme is not run on a large scale, so that it is tightly targeted on individuals with lower productivity, displacement effects tend to be low. Given the favourable outcomes, greater recourse to this measure would be desirable, especially during the current period of relatively high unemployment and risk of an even larger share of long-term unemployed. But this should be accompanied by well-designed regulations for companies and participant selection, as well as strict follow-up of the outcomes of the measure.



58. The PES can support the planning stage of a business start-up with benefits for up to 90 days. This scheme, unlike those in a number of other European countries, provides support only during the planning or preparation phase, not the start-up phase itself. However, provision during the planning phase includes training in business management. Evaluation results show a positive effect of the start-up incentives, which may be linked to the small scale of the programme, as selection of projects seems to be tight. However, little is known about deadweight effects.

### *Programmes for foreigners*

59. Foreigners are over-represented among ALMP participants since they face a higher risk of unemployment. Compared with Swiss nationals, they tend to participate more often in short-term training, such as language courses, as well as in temporary employment programmes. In evaluations, both types of programme show poorer employment effects than other measures. This may be partly linked to the average composition of the participants, as immigrants tend to have lower educational attainments than their Swiss counterparts and thus face higher labour market risks.

60. However, the PES should provide more substantial up-skilling measures and improved methods of recognising prior learning, especially for immigrants who have acquired professional certificates abroad, so as to avoid excessive or automatic focusing of training measures for foreigners on basic courses. Furthermore, job-insertion allowances could be given a more important role in compensating for foreigners' lack of recognised vocational qualifications and allowing them to demonstrate and improve their skills during the benefit period.

### *Programmes for young and older unemployed*

61. Specific measures ease young people's transition from school to initial vocational training and subsequently into the labour market. One major measure implemented by the local employment services is the "motivation semester" targeted at young drop-outs and those who did not find an apprenticeship. Motivation semesters seem to have been an effective tool in reducing the number of youths without any graduation certificate. In addition, the cantons may offer to disadvantaged young social assistance beneficiaries the chance to participate in a "pre-motivation" semester; they also implement a "pre-apprenticeship" scheme for this target group, preparing them for the start of a regular apprenticeship. Given the importance of inserting young people, including drop-outs and other youth at risk, in initial vocational training, such measures should be strengthened and co-ordinated at the federal level.

62. The participation of older workers in ALMPs is unusually widespread in Switzerland. The German-speaking cantons tend to focus on the participation of older workers in ALMPs more than the French- and Italian-speaking parts of the country do. The 2010 revision of the unemployment-insurance law includes expanding the duration of job-insertion allowances for older workers to 12 months and increasing their wage subsidy over this period. Moreover, eligibility for participation in ALMPs will be extended to older benefit exhaustees. These reforms, which attempt to mobilise older workers' labour supply, go in the right direction.

## SUMMARY OF MAIN POLICY RECOMMENDATIONS

### ***Promote institutional reforms and inter-institutional co-operation***

- Increase regional synergies through closer co-operation between local employment offices across cantons;
- Strengthen SECO co-ordination by organising more intensive exchanges between cantons relating to the effectiveness of individual ALMPs and undertake more qualitative evaluations of PES re-integration strategies to determine why some local employment offices are more effective than others;
- Improve monitoring of the implementation of ALMPs at cantonal level by type of measure and participant structure, and collect data on ALMPs designed and financed by the cantons themselves, as well as by municipalities (for social assistance recipients);
- Modify the performance management system of the PES by strengthening the objective of *durable* labour market integration and by including client categories other than unemployment benefit recipients;
- Promote and expand inter-institutional co-operation – between the PES, disability offices, municipal welfare offices and health-related institutions – targeting, in particular, the long-term unemployed and jobseekers with health problems;
- Over the longer term, integrate the placement and benefit functions in a broader PES organisation, *inter alia* to minimise administrative costs.

### ***Increase efficiency in job search and placement***

- Shift initial registration of the unemployed from the municipal government to the local employment office in order to optimise placement activities;
- Increase contracting-out of placement services to private providers, using payment-by-result principles;
- Adjust the definition of “suitable job”, with a view to wage levels and occupational protection, to the duration of unemployment;
- Consider whether to set up a “profiling” system to differentiate service provision by jobseeker category;
- Adjust the system of direct referrals to vacancies, to respond to employers’ criticism;
- Make further efforts to improve the standing of the PES brand in the eyes of both employers and jobseekers, and increase incentives for employers to communicate their vacancies to the PES.

### ***Combat long-term unemployment***

- Reinforce activation measures for the long-term unemployed, through more intensive follow-up and referrals to ALMPs and, if possible, through closer co-operation between the local PES office and the municipal welfare agency;
- Set up common elements in the activation strategies for social-assistance recipients. While national guidelines for making-work-pay measures have recently been set out, common elements could include the systematic referral of employable social-assistance recipients to the PES, or making sure that an intensive follow-up of this group is implemented jointly by the local PES and the welfare agency; and
- Make all unemployment-benefit exhaustees (not only older benefit exhaustees) eligible to participate in ALMPs. Envisage creating a federally co-ordinated system of common standards for unemployment assistance to make sure that benefit exhaustees continue to benefit from activation measures.

### **SUMMARY OF MAIN POLICY RECOMMENDATIONS *(cont.)***

#### ***Increase effectiveness of ALMPs***

- Investigate how the effectiveness of temporary employment programmes could be enhanced, e.g. by a closer follow-up of hard-to-place jobseekers during and after participation in a programme, and by creating stronger incentives for providers to transfer them into regular jobs;
- Use job-insertion subsidies more widely, including for foreign workers, while accompanying them by well-designed regulations for companies and for the selection of participants, as well as strict follow-up of the outcomes of the measure;
- To make better use of foreign workers' skills, provide more substantial qualification measures and improve recognition of prior learning, especially for immigrants who have acquired professional certificates abroad;
- Promote the implementation of "motivation" and "pre-motivation" semesters and of "pre-apprenticeship" schemes in all cantons, so as to prepare disadvantaged young people for regular apprenticeship.

#### ***Labour market integration before invalidity pensions***

- Further increase the role of the regional medical services for assessment of potential invalidity-benefit recipients;
- Increase incentives for employers to set up sickness or disability-management systems and prepare personal re-integration plans, in close co-operation with invalidity offices and regional medical services;
- Continue detailed federal monitoring of re-integration success by cantonal invalidity offices, akin to the performance monitoring of PES offices.



## Chapter 1

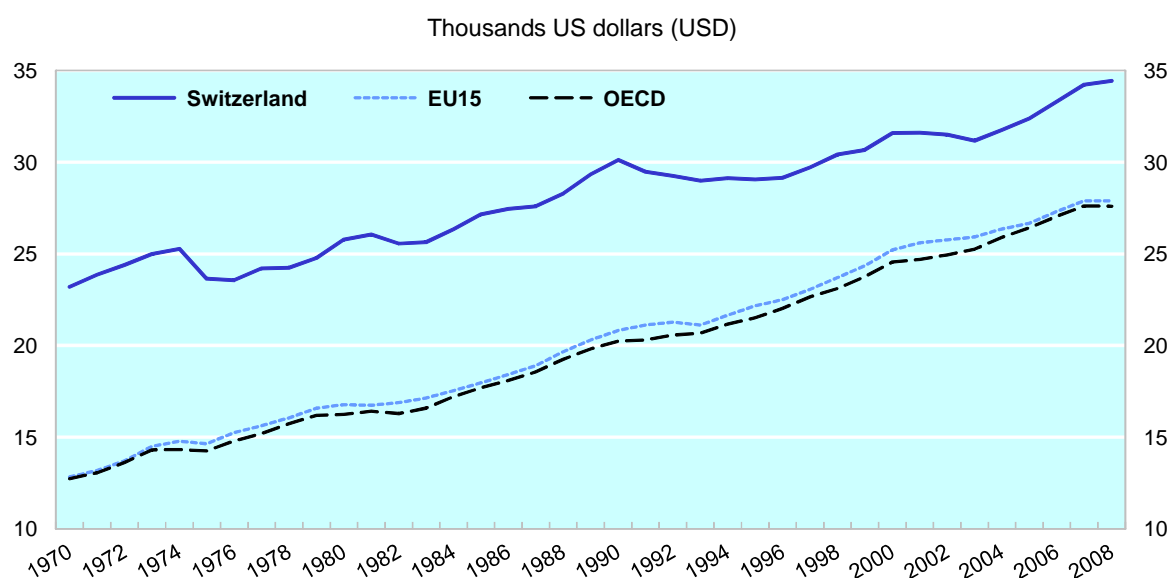
### THE BACKGROUND TO ACTIVE LABOUR MARKET POLICIES IN SWITZERLAND

#### 1.1. Introduction

63. Over the post-war period, the Swiss labour market has generally performed well: it is characterised by high employment rates, low unemployment and high wage levels. The main factors underlying this good performance are normally considered to be a high degree of labour market flexibility, with decentralised wage bargaining and relatively low employment protection regulations, supported by a strong focus (at least since the mid-1990s) on active labour market policies and employment services characterised by strong “mutual-obligation” principles. Another feature of labour market performance has been the design of immigration policies, which in the past implied the use of immigrant labour as a labour supply reserve that left the country in times of economic hardship (see OECD, 2007a; and Gerfin, 2007).

64. Swiss per-capita GDP is one of the highest in the world, ranking fourth among OECD countries. However, its relative position has declined over recent years, due to below-average growth rates since the 1990s.<sup>1</sup> Figure 1.1 shows that Swiss GDP per capita is still 25% above the OECD average, while it was 82% above in 1970. The largest sectoral contribution to value-added is from the manufacturing sector (20% in 2007), followed by financial intermediation (14%).

Figure 1.1. GDP per capita, Switzerland, Europe and OECD, 1970-2008



Source: OECD Annual National Accounts database for Gross Domestic Product per capita, USD, constant prices, 2000 PPPs.

1. Between 1998 and 2008, Switzerland had a GDP growth rate of 1.9% per annum, compared with 2.4% for the EU15 and 2.8% for the OECD as a whole. In 2009, Swiss GDP per head was at USD 44 700 in current prices and current purchasing power parities (PPPs).

65. Switzerland has not escaped the global economic downturn starting in 2008. GDP growth became negative in the second half of the year, and stayed negative in 2009; however, economic growth resumed strongly in 2010. The impact of the recession on the labour market, at first relatively modest, nevertheless led to a 30% rise in unemployment, from 3.5% in 2008 to 4.4% in 2009, and a similar level is projected for 2010.

66. Labour market policies are strongly decentralised, with the cantons deciding on the organisation of their public employment service and the use of active policy measures. Further, wage bargaining takes place at firm level, while federal framework agreements only act as broad guidelines, setting the wage floor at a relatively low level (Straubhaar and Werner, 2003). Box 1.1 provides some general characteristics of Switzerland.

**Box 1.1. Some characteristics of Switzerland**

Switzerland is a federal republic consisting of 26 regions (*cantons*). It has currently about 7.8 million inhabitants, corresponding to a population density of about 188 people per km<sup>2</sup> despite the country's mountainous character. About three quarters of the population live in urban areas. The native language of about 65% of the population is German, 20% French and 6.5% Italian.

Based on the original 1848 constitution, political institutions have been characterised by considerable stability and consensus-building, with a government coalition traditionally formed by the four biggest parties. The legislative process is largely decentralised, with a strong role given to the cantons and to elements of direct democracy. Switzerland has a long tradition of neutrality, and is one of the few remaining members of the European Free Trade Association (EFTA), rather than the European Union, although the latter accounts for most of its foreign trade; only in 2002 did the country join the United Nations.

There is much regional variation in Switzerland, e.g. concerning financial capacity, employment patterns, unemployment levels and welfare dependency. For example, per-capita income in the canton of *Basel-City*, the highest in Switzerland, is more than twice that of the canton of *Obwalden*. In general, the south-western (French- and Italian-speaking) cantons show less advantageous labour market outcomes than their German-speaking counterparts.

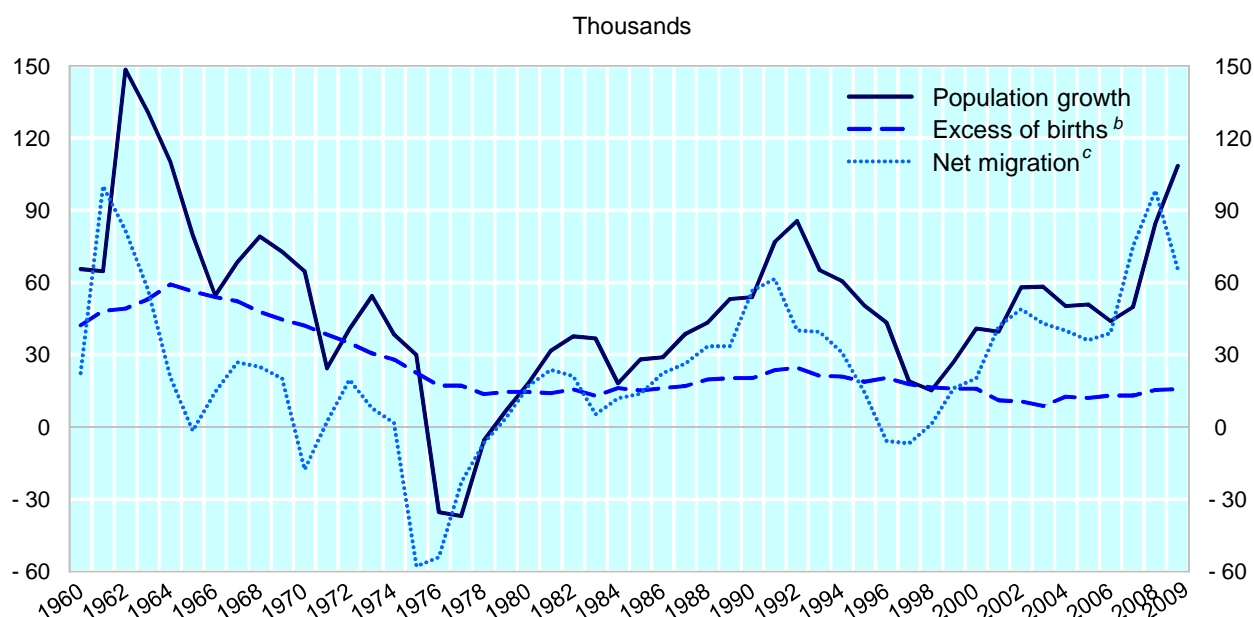
## 1.2. Demography, immigration and education

67. According to the Federal Statistical Office (*Office fédéral de la statistique* – OFS), the Swiss population has grown from 5.3 million inhabitants in 1960 to almost 7.8 million at the end of 2009, rising at an annual average rate of 0.7%, in line with the OECD average of 0.8%. The share of foreign citizens in the total is estimated at over 22%, the highest in the OECD area, after Luxembourg and before Australia (OECD, 2009a).

68. Life expectancy at birth in Switzerland exceeds most other industrialised countries, and in 2008 was 79.7 years for men and 84.4 years for women. The fertility rate, which had been as high as 2.7 in the mid-1960s, declined to 1.48 in 2008. The country is therefore ageing considerably, just as its European neighbours, and over the coming decades population and labour force decline is expected to set in; current population growth is due primarily to the foreign population.

69. Population ageing implies that, by 2050, the age group 65+ is projected to grow to 28% of the total. Consequently, the old-age dependency ratio is expected to double between 2000 and 2050. Under current projections, and contrary to some other OECD member countries, the total dependency ratio that includes the age group 65+ and youth below 20 years of age is expected to remain below 1, i.e. persons between the ages of 20 and 64 will continue to outnumber the old and the young (OECD, 2003a; and OFS, 2010a).

70. The number of foreign immigrants in Switzerland has increased steadily – although with a pronounced cyclical pattern – since the 1960s, reaching a total of about 1.8 million people in 2009. As shown in Figure 1.2, immigration has had a considerable impact on population growth, while the natural increase has been relatively stable at 10 to 15 thousand persons per annum.

Figure 1.2. Elements of population growth,<sup>a</sup> Switzerland, 1960-2009

a) Population growth is the difference in population on 1 January between two subsequent years. For certain years, population growth does not fully equal excess of births *plus* net migration.

b) Excess of births is defined as live births net of deaths.

c) Net migration is defined as the total number of immigrant nationals and foreigners *minus* the total number of emigrant foreigners and nationals. Arrivals and departures for purposes such as tourism and business travel are not included in the statistics.

Source: OECD Annual Labour Force Statistics database.

71. Currently, two-thirds of foreign residents come from member countries of the European Union, as a consequence of the agreement on the free movement of persons, which opened up the Swiss labour market to nationals of the European Economic Area (EEA). Native Italians are the biggest immigrant group, followed by Germans and Portuguese (however, in recent years, Germans have become by far the most numerous immigrant nationality). In this respect, immigration in Switzerland differs from that of many other European countries, where Turks and non-European nationals constitute the bulk of immigration (OFS, 2008a); and Straubhaar and Werner, 2003). Most immigration is for employment, followed by family reunification, and currently resident immigrants represent 23% of the national workforce.

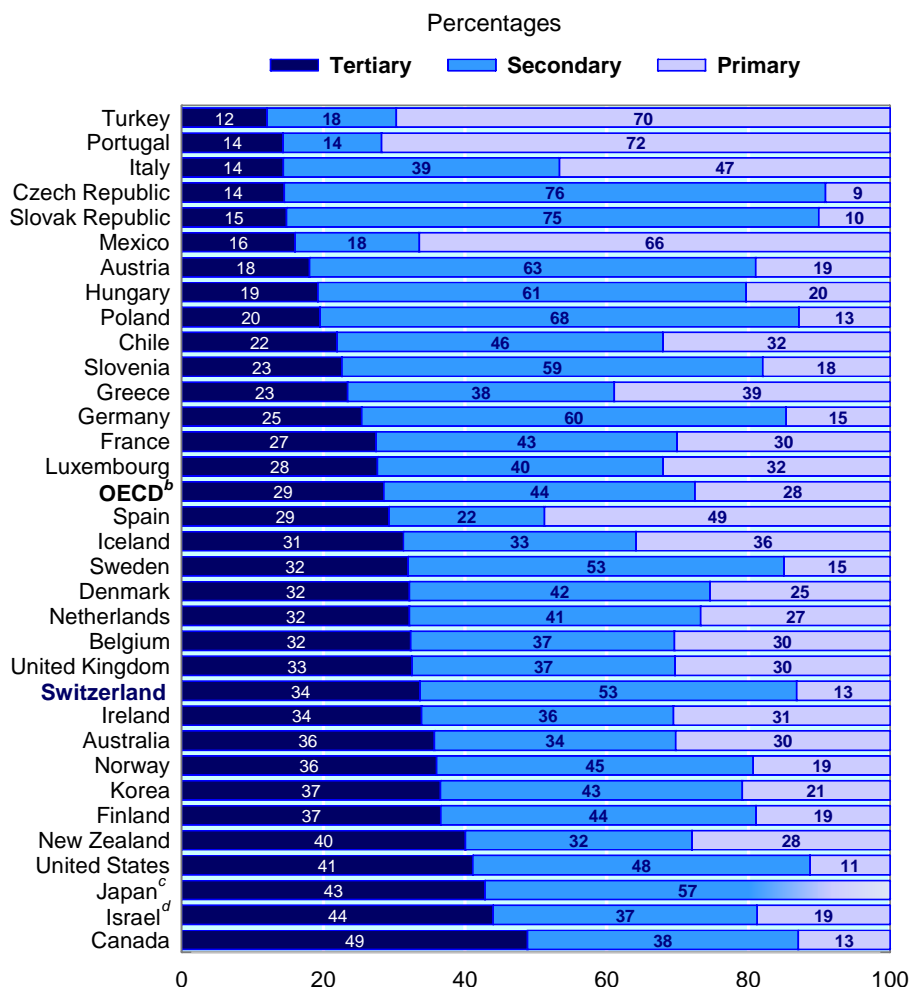
72. Recently, the cyclical pattern of migration has considerably diminished and migration flows play a much smaller role than previously in mitigating cyclical developments in the labour market. This trend is associated with a decline in the share of migrants staying in Switzerland on the basis of seasonal or temporary permits (OECD, 2007a). This particular migration feature is one important factor behind the long-term rise in unemployment since the 1980s.<sup>2</sup>

73. Switzerland spends more money per student than most other countries even though, in view of its high national product, education expenditure as a percentage of GDP is only about average (OECD, 2010a). Figure 1.3 shows that Switzerland ranks in the top half of OECD countries in terms of educational attainment. Switzerland is among the top performers when it comes to the share of the population

2. Previously, unemployment was to some extent “exported” by non-renewal of resident permits.

aged 25-64 with at least secondary education (87%), mainly due to strong enrolment in apprenticeship. Tertiary attainment has also increased rapidly over the past decade.<sup>3</sup>

Figure 1.3. **Educational attainment in OECD countries,<sup>a</sup> 2008**



a) Persons aged 25-64.

b) Unweighted average.

c) For Japan, persons who have completed *Primary* are combined with persons who have completed *Secondary*.

d) The statistical data for Israel are supplied by and under the responsibility of the relevant Israeli authorities. The use of such data by the OECD is without prejudice to the status of the Golan Heights, East Jerusalem and Israeli settlements in the West Bank under the terms of international law.

Source: OECD Education database.

74. Switzerland stands out in terms of the share of vocational education and training at upper-secondary level. Most vocational training takes place *via* “dual-track” apprenticeships, with a company-based and a school-based component. The apprenticeship market seems relatively stable, although the offer of places has been subject to some cyclical fluctuations in the past. In fact, the share of apprentices within a youth cohort is higher than in Austria, Denmark or Germany (other countries with a focus on the dual system), even though apprenticeships are less widespread in the French- and Italian-speaking cantons (Hoeckel *et al.*, 2009). Further, in the Programme for International Student Assessment, Swiss pupils reached higher average scores

3. The rate of 34% of persons with tertiary attainment is divided into 23% university-level education (type A), and 10% vocationally-oriented tertiary education (type B) (OECD, 2010a).



than their peers in most OECD countries, ranking among the top performers in mathematics (OECD, 2007b). Adult-learning participation also seems to be widespread, as shown, *inter alia*, by an OECD calculation that combines information on learning participation and its duration (OECD, 2005a).

75. On the other hand, there are large disparities in educational attainment between men and women. The share of women who have not completed upper-secondary education was 15% in 2008, compared with 9% among men. In turn, the share of women with tertiary-level education was only 26%, compared with 42% for men. This gender gap is rather unusual considering that, on OECD average, the share of women with tertiary-level education is above the corresponding share for men (OECD, 2010a). A lower educational level, as well as interrupted careers, increase the risk of becoming unemployed (see below). However, the Swiss government has addressed this gender gap in tertiary education, and in the course of the substantial expansion of university enrolment in the past decade, recent cohorts of women have caught up with men in university graduation levels.

### 1.3. Labour market trends

76. Over the past three decades, the Swiss labour force has grown from about 3 million to 4.5 million people. In most respects, the labour market has performed above-average, in particular when it comes to high employment rates, exceptionally low unemployment and high wage levels going together with high labour productivity.

#### *Labour market participation*

77. The Swiss labour force participation rate in 2009 – over 82% – and the employment rate – over 79% – are at the top of the OECD ranking, second only to Iceland. Labour force participation has reached its highest level ever, after a decade of over 1% annual average growth (albeit with much year-on-year variety). The employment rate is over 10 percentage points higher than the EU15 average, and about 8 percentage points higher than the non-European OECD average (Figure 1.4). Due to low unemployment, the disparities between Switzerland and the rest of the OECD are a bit less marked in terms of labour force participation rates.

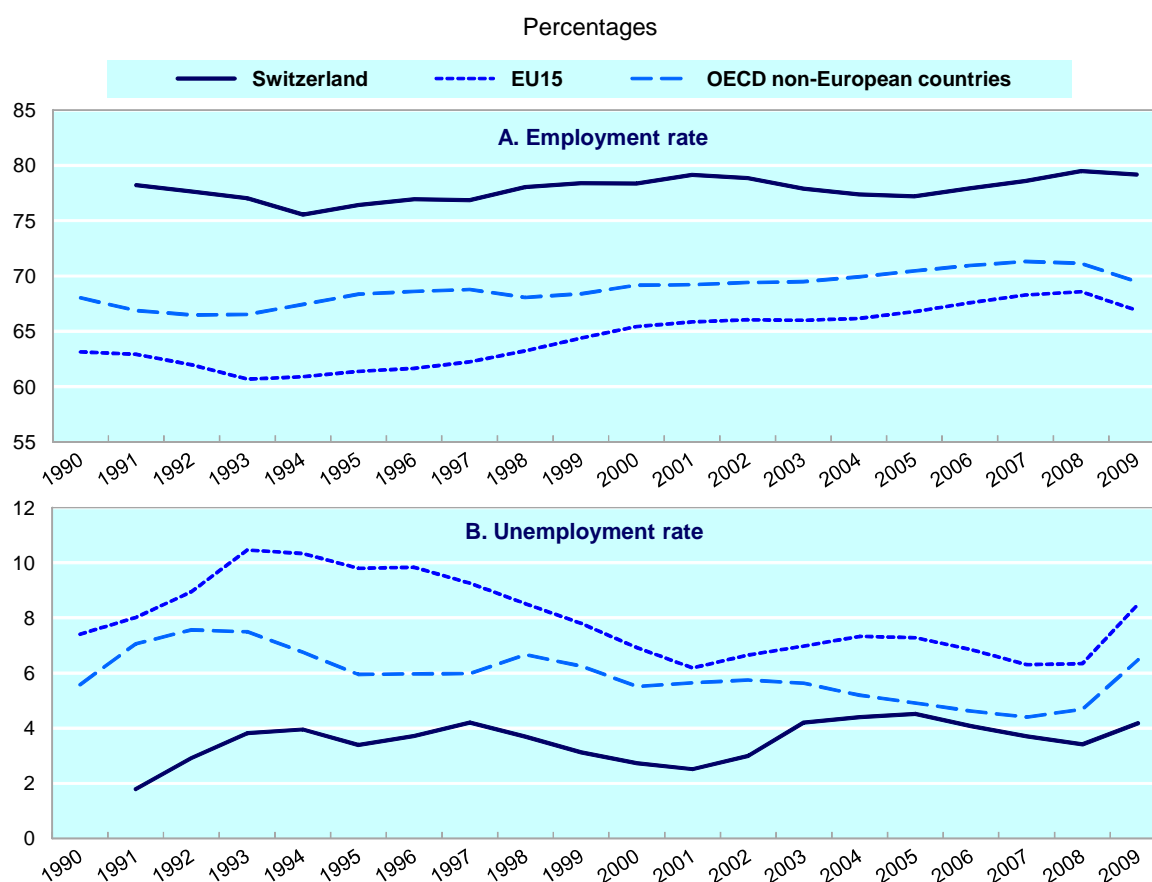
78. Although already at a high level, female employment has kept growing since the mid-1990s, and recent labour force growth is almost entirely due to women. At almost 74% in 2009, female employment was a full 17 points above the OECD average (although still behind levels in Iceland and Norway). The high share of part time in total employment (26% in 2009, compared with an OECD average of 16%) plays some role in explaining the high Swiss female employment rate. In fact, adjusted for hours worked, female employment would only be at a mid-field position among OECD countries. With almost half of Swiss women working less than 30 hours, they have the second-highest part-time share after the Netherlands. Furthermore, surveys show that a substantial degree of part-timers would like to increase their hours, particularly women where the self-reported under-employment rate in 2009 was over 11% (OFS, 2010b; and Werner, 2002).

79. The share of temporary among total employment was over 13% in 2009, slightly above the OECD average, while at 10.5%, the share of the self-employed was below the OECD average of 16%. As can be expected, the evolution of sectoral employment shares reflects the advanced tertiarisation of the economy. Less than 4% of employment is in agriculture and 23% in industry (*Mining, Manufacturing, Construction and Utilities*), while over 73% of total employment is in the service sector. The biggest expansion in employment over the past decade occurred in real estate and business services, public administration, and in health and social work (*OECD Annual National Accounts database*).<sup>4</sup>

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4. Under the old ISIC 3 classification, *Community, social and personal services*, which include public administration, education, health and social work, represent more than a quarter of total employment.

Figure 1.4. **Employment and unemployment rates,<sup>a</sup> Switzerland, Europe<sup>b</sup> and OECD non-european countries,<sup>c</sup> 1990-2009<sup>d</sup>**



a) Employed as a percentage of the population aged 15-64, respectively unemployed as a percentage of the labour force in the same age group.

b) Unweighted average of EU15 countries.

c) Unweighted average of Australia, Canada, Japan, Korea, New Zealand (from 1986 onwards), and the United States.

d) For a small number of countries, time-series data, particularly in the 1980s, are incomplete.

Source: OECD Online Employment database ([www.oecd.org/els/employment/database](http://www.oecd.org/els/employment/database)).

### **Unemployment and population not in the labour force**

80. Unemployment stayed at a very low level up to the recession of the early 1990s, after which it temporarily rose to over 4% in 1997; it has subsequently remained below OECD average levels, ranging from 2.5 to 4.5% (Figure 1.4). LFS unemployment was at 3.4% in 2008, before the current economic crisis, far below the averages of OECD Europe (7.4%) and total OECD (6%).<sup>5</sup> The rate was higher for women than for men (4.0% and 2.9%, respectively). In the global downturn, LFS unemployment rose to 4.4% on annual average in 2009 and is expected to stay close to that mark in both 2010 and 2011, a 30% rise over 2008 and a level rarely attained in Switzerland. Public policy has reacted to the long-term rise in the number of

5. The registered unemployment rate in 2008 was only 2.3% (OFS, 2009a). Over the past two decades, registered unemployment has varied between 70 000 and 190 000 persons, while the number of registered jobseekers was generally higher by about 50 000 persons; the difference consists mainly of persons in employment and qualification measures, and of those benefitting from part-time earnings while staying registered with PES offices. The category “registered jobseekers” does not include job changers registering with the PES, beneficiaries of start-up grants and persons placed with private employers with the help of job subsidies.

unemployment beneficiaries by raising contribution rates and modifying eligibility conditions (see Chapter 4).<sup>6</sup>

81. For a country with low unemployment, the average duration of unemployment spells has been unusually long in international comparisons. The share of long-term unemployed as measured by surveys is therefore comparatively high; in 2009, about 30% of all LFS unemployed had a duration of unemployment of 1 year or more and almost 50% a duration between 6 and 12 months – both percentages considerably above the OECD average. The long-term unemployment rate is less high among the registered unemployed [about 15% in 2009, see SECO (2010a)], because *i*) participation in a labour market measure or the intermittent pay scheme (*gain intermédiaire*)<sup>7</sup> interrupts the registered unemployment spell; and *ii*) not all persons whose entitlement to unemployment benefits has expired, remain registered with a local placement office.<sup>8</sup>

82. Unemployment is above average for foreigners, the low-skilled and youth, although their number remains relatively moderate when compared with most other OECD countries (Gerfin, 2007; and Straubhaar and Werner, 2003). Compared with a registered unemployment rate of native-born Swiss of 2.7% in 2009, the rate for foreigners was almost three times as high (7.2%). LFS unemployment of the low-skilled was about 6% in 2008 (compared with 10% in France and 17% in Germany, for example). There is also a marked regional trend, with the western and southern, French- and Italian-speaking cantons suffering from higher unemployment; for example, in 2009, unemployment in the cantons of *Geneva* and *Neuchâtel* was 4-5 times as high as in the cantons of *Uri* and *Grisons* (SECO, 2010a).

83. The share of people aged 15 to 64 not in the labour force shows much variation by gender and by region. For example, the share in 2008 was above 40% in *Ticino*, but less than 30% in *Zurich* and central Switzerland (OFS, 2009b). The main reason for non-participation in the labour force for both men and women of working age is enrolment in education or training (one-third overall). If data are restricted to persons aged 25-64, the most important reason for women is child care and long-term care, while for men the main reasons are related to (early) retirement and disability (see Table 1.1).

Table 1.1. **Persons of working age (25-64-year olds) not in the labour force by reason, Switzerland, 2008**

	Percentages		
	Total	Men	Women
Education/training	5.0	9.8	3.2
Child/long-term care	21.3	..	28.8
Other personal or family related reasons	20.5	3.3	26.6
Retirement	23.0	38.7	17.4
Illness/ non-permanent disability	11.3	18.2	8.8
Permanent disability	10.6	22.5	6.3
Other reasons	8.4	7.1	8.8

.. Data not available.

Source: Direct submission by the Federal Statistical Office from the Swiss Labour Force Survey.

6. For example, the financing system of unemployment benefit had to abandon its basic assumption of no more than 100 000 registered unemployed on annual average, a figure that has not been reached since 2001. In the first half of 2010, the number varied between 150 000 and 180 000.

7. *Gain intermédiaire* is defined as “any income from dependent or self-employment received by an unemployment-insurance beneficiary with the goal of avoiding or diminishing unemployment” (SECO, 2009a).

8. Another reason is that LFS unemployment is determined in the second quarter of the year, and underestimates the usually short duration of seasonal unemployment which peaks in the winter months.

## 1.4. Labour market situation of specific groups

### *People with disabilities*

84. Between 1990 and today, the number of invalidity pensioners aged 20-64 as a share of the total population in this age group has practically doubled to over 5%, corresponding to about 250 000 invalidity pensioners. At the same time, expenditure on invalidity pensions and other benefits in percentage of GDP has even more than doubled to 2.1%. In 2005, combined spending on disability benefits and sick pay corresponded to 16% of total public social spending and was over 3 times as high as spending on unemployment benefit. The stock of pensioners reached a peak in 2006 and, due to a number of restrictive policy measures, inflows have been decreasing since 2003. In recent years, almost half of the inflow into disability was due to mental illness (OECD, 2009b).

85. In 2008, 7% of invalidity pensioners were aged 18-29, and 36% were aged 30-49. These figures indicate that younger and prime-age workers represent an important group among invalidity-pension recipients, and without targeted re-integration measures, many of these will face long-term labour market exclusion. In addition, about three-quarters of invalidity pensioners receive a full disability pension and have left the labour market.

86. Large numbers of invalidity pensioners have remaining work capacity. According to administrative statistics, in 2006 30% of them received income from employment. Obviously, partial pensioners have higher work capacity: 56% of persons on a quarter pension earned income from employment, while this figure was still 22% for full pensioners (the latter figure also includes persons in sheltered workshops).

### *Immigrants*

87. In 2009, over 1.2 million foreigners were employed in Switzerland, corresponding to 27% of total employment; among permanent residents, their share was 23%. Two-thirds came from an EU15- or an EFTA-member country. The skill levels of foreign workers arriving in Switzerland have been improving steadily since the early 1990s, and currently the proportion of immigrants with a tertiary degree is almost twice as high as the corresponding share among Swiss nationals. However, there is still a large group without upper-secondary education, mainly from earlier immigration inflows.

88. While the labour force participation rate was roughly similar to that of Swiss citizens, on many indicators foreign and Swiss residents show considerably different labour market outcomes, with lower wages and higher unemployment rates for the former. Foreigners' unemployment risk is cumulative, as they are less qualified on average, and tend to work in sectors dependent on the economic cycle; not only regular unemployment (see above), but also long-term unemployment among foreigners is above-average: in the second quarter of 2009, 36% of them had been looking for work for over a year, compared with 25% among unemployed Swiss citizens. Further, in 2008 (latest available data), median wages of foreigners were only 85% of the level for Swiss citizens. For all labour market indicators, there are major differences *among* immigration groups, with those from Western and Northern Europe performing better than immigrants from the Balkans and Turkey (OFS, 2008a; and OFS, 2010c).

### *Youth*

89. The LFS unemployment rate for youth, at about 8% in 2009, is normally twice as high as overall unemployment, but about 8 percentage points below the OECD average and still moderate when compared, for example, with 11% for Germany and 22% for France. The registered unemployment rate was lower, at 4.6% in 2009. In addition, both the so-called "drop-out rate" (share of youth not in education and without an upper-secondary qualification) and the NEET rate (neither in employment nor in education

or training) are below the OECD average. Therefore, the transition from school (mainly dual-track vocational training) to working life seems to work comparatively well. Half of youth in employment are classified as working with a time-limited contract, but a large part of these are in apprenticeship and have a high probability of finding stable employment.

### Older workers

90. The employment and labour force participation rates of the 55-64-year olds are among the highest in the OECD, together with some of the Nordic countries, while the unemployment rate does not differ much from that of prime-age workers. For example, the difference between the employment rate of 60-64-year-old Swiss citizens (about 56%) and that of the same age group in all of OECD Europe (about 30%) is striking. Over the past two decades, the share of older women in work has grown particularly strongly. The effective retirement age for men exceeds 65 years and for women it is over 64 years, *i.e.* well above OECD and EU averages (Table 1.2). In addition, employment above the age of 64 remains comparatively high, with almost 100 000 persons aged 65-74 employed in 2008, *i.e.* 14% of the age group (OFS, 2009b).

Table 1.2. **Employment rates, average exit age and hiring rates of older workers, selected OECD countries, 2009**

Percentages and years

	E/P ratios			Effective exit age <sup>a</sup>		Hiring rates <sup>b</sup>
	50-54-year olds	55-59-year olds	60-64-year olds	Men	Women	50-64-year olds
Denmark	84.1	78.5	36.6	63.3	61.7	12.0
Finland	82.1	71.6	39.4	61.4	61.2	7.9
France	80.6	58.5	17.1	58.9	59.3	5.5
Germany	79.5	70.2	38.6	61.8	61.0	6.5
Ireland	69.8	60.4	42.2	65.0	64.7	6.9
Norway	84.8	78.2	59.1	65.3	64.3	6.1
Sweden	84.3	80.3	60.6	65.8	63.1	7.5
<b>Switzerland</b>	<b>86.8</b>	<b>80.0</b>	<b>56.2</b>	<b>66.4</b>	<b>64.3</b>	<b>5.9</b>
United Kingdom	79.1	70.6	44.9	63.8	61.9	8.1
United States	74.5	68.3	51.5	65.3	64.2	10.1
<b>EU15<sup>c</sup></b>	<b>75.3</b>	<b>63.2</b>	<b>34.8</b>	..	..	..
<b>OECD<sup>c</sup></b>	<b>73.1</b>	<b>64.0</b>	<b>43.7</b>	..	..	..

E/P Employment to population.

.. Data not available.

a) Effective exit age over the five-year period 2003-08. The effective exit age (also called the average age of retirement) is derived from labour force survey results for two dates separated by five years. It is calculated as a weighted average of the exit ages of each five-year age cohort, starting with the cohort aged 40-44 at the *first date*, using absolute changes in the labour force participation rate of each cohort as weights. The exit age for each cohort is assumed to be the mid-point of the ages and dates involved e.g. 60 for the cohort aged 55-59 at the *first date* and 60-64 at the *second date*. The five-year absolute change in the participation rate is the rate for each age group (e.g. 60-64) at the *second date* minus the rate for the age group that was five years younger (in this example, 55-59) at the *first date*. The result of this calculation is reported as the effective exit age at the *second date*. By construction, the calculation abstracts from differences in the initial size of age cohorts, and changes in cohort size through time due to death. Note that for older workers who retire after a period of unemployment, exit from employment precedes exit from the labour market.

b) Hiring rates refer to 2008 and to the percentage of employees aged 50-64 with job tenure of less than one year.

c) Weighted averages.

Source: OECD estimates using national labour force survey data for **Effective exit age**; and *OECD Online Employment database* ([www.oecd.org/els/employment/database](http://www.oecd.org/els/employment/database)) for **E/P ratios** and **Hiring rates**.

## 1.5. The role of social and labour market policies

91. Government responsibilities in the Swiss federal structure are split between three different levels: the confederation, the cantons (26); and the municipalities (over 2 800, but gradually decreasing in number). There is considerable decentralisation of powers to lower levels of government. Each canton has its own constitution, parliament, government and courts and the cantons hold all powers not specifically delegated to the confederation. The municipalities have authority in several domains, including education, social assistance, and local planning, with varying levels of autonomy in decision-making, as granted by each canton.

92. As noted by many analysts, the Swiss welfare state is a rather unique case from a comparative perspective (Obinger, 1999). The Swiss welfare state is multi-tiered and fragmented, with the federal, cantonal and municipal levels all playing separate roles; in addition, the private sector plays a comparatively large part in the provision of social security. Income-replacement sickness insurance is provided by the private sector on a voluntary basis, either *via* collective agreements or purchased by individual employers or by the workers themselves. Also, similar to the United Kingdom and the United States, the pension system has a substantial funded, privately-managed component (Queisser and Whitehouse, 2003).

93. Compared with other Western European countries, Switzerland has been a laggard in terms of introducing core elements of social security. Besides health and accident insurance, all current federal social-security schemes were enacted after the Second World War. Moreover, for many decades, Switzerland was ranked relatively low among OECD countries as concerns its social budget; only since the 1990s has it been slowly catching up with average OECD expenditure levels (OECD, 2009a).

94. In a federal state such as Switzerland, a major problem affecting the performance of policies is ensuring equality of service to citizens and efficient flows of information and co-operation between the different levels of government, in this case, municipal, cantonal, regional and state authorities. In this respect, some progress has been achieved since the 1990s. However, although the federal government has the main legislative and regulatory authority over labour market policy and public employment services and finances most of the respective programmes, the cantons make use of the considerable autonomy they have been given to set up varying implementation mechanisms. Thus, there is no nationally-unified labour market policy in Switzerland, since the cantons are relatively free in their choice of means to reach the goals set at national level.<sup>9</sup>

95. There is nevertheless a nationally unified financing system of unemployment, as well as a range of federally-financed active labour market measures which are offered in all cantons. Financing for the unemployment insurance comes from insurance contributions from employers and employees, with any shortfall paid by the federal government out of general taxes.<sup>10</sup> Invalidity insurance is financed *via* the same type of contributions. As to labour market policy instruments, all cantons offer the same types of national instruments, although with varying focus, ranging from qualification measures to employment programmes in public or non-profit organisations, to wage subsidies paid to private employers.<sup>11</sup>

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9. There is also the right of initiative and referendum by the population, which was exercised several times over the past few decades on issues of labour market policy and unemployment insurance.

10. Up to an amount of 5% this federal support does not have to be repaid, the rest is a credit with “reasonable” interest rates (Winkler, 2002).

11. The cantons are free to decide over the use of active measures up to an amount of CHF 5 million. Projects with a volume above this sum are to be decided by the SECO (Gerfin, 2007).



### *Collective bargaining and the social partners*

96. With a trade-union density of below 20% (down from 30% in the mid-1970s), Switzerland is one of those OECD countries with the lowest rates of affiliation to trade unions. Collective bargaining coverage which was always limited although exceeding union membership, has now declined to below 50%. The strength of the trade-union movement has been hampered by the decentralised industrial structure, the high share of SMEs and the structural shift from industry to services. In addition, the unions are politically divided, as reflected in the leanings of the principal confederations towards different political parties. By contrast, there is only one peak employer association.

97. Collective bargaining is fragmented and increasingly decentralised. While wage bargaining was mainly at sectoral level up to the 1980s, in several important industries there has been a shift to the company level since then. Where wages and working conditions are still set predominantly at sectoral level, the parties to such agreements often apply for their extension to all firms in the sector, to prevent firms outside the employers association from gaining a competitive advantage. Extensions tend to affect about a quarter of all employees covered by collective contracts, a high share compared with most other OECD countries. The flexible and decentralised Swiss wage bargaining system has produced the lowest annual strike rates of all OECD countries, and the peaceful resolution of bargaining conflicts with the help of “labour peace clauses” is the rule (OECD, 2004a; and Mach and Oesch, 2003).

98. Trade unions and employer associations enjoy strong political influence *via* the so-called “pre-parliamentary process”, especially in the case of government proposals or measures which affect their interest. Their (in particular the trade unions’) ability to threaten a referendum on a legislative proposal strengthens their position in the consultation process. In the area of labour market and social policy, there are some tripartite structures with union and employer participation; for example in consultative committees of local or cantonal employment services (see Chapter 2).

### **1.6. History of unemployment insurance and public employment services**

99. The history of unemployment insurance in Switzerland dates back to the 19<sup>th</sup> century when the first insurance funds, both public and private, emerged in the major cities. A nation-wide unemployment insurance did not emerge before the early 1950s, when a federal law was passed which institutionalised the funds already existing on a cantonal, communal or trade-union level, but did not yet declare unemployment insurance obligatory for all Swiss employees. Finally, after the first oil shock, and based on a new article in the Constitution, unemployment insurance was declared obligatory in 1977.

100. In 1982, a new unemployment insurance act, based on the same constitutional mandate, was passed, introducing the notion of active labour market programmes, in particular training and public sector job-creation measures. However, Switzerland at first remained the traditional “island of full employment”, and there was little pressure for implementing large labour market programmes or strengthening public job placement. An Act of 1989 on Job Placement and Hiring-Out Services contained more text on the relationship between public and private employment services, than on the public placement function itself.

101. Several revisions have been made to the unemployment insurance law since it took effect in the mid-1980s. Rising unemployment in the early 1990s put the labour market policy infrastructure under considerable pressure and required major adjustments in legislation, which took effect in 1996. In particular, the resources and infrastructure of public employment services were shown to be largely insufficient. At the time, there was an excessively decentralised structure with a network of some 3 000 local communal labour offices, which were not in a position to provide adequate placement services for unemployed clients, particularly those with employment difficulties. As a rule, staff in the communal labour offices were only working part-time on placement and vacancy referrals (they mostly dealt with registration of jobseekers and

control of the stamping and job-search obligation, in addition to administering permits for immigrant workers), while placement activities were largely left to private agencies. There was substantial inequality in service depending on the size of the commune, and career counselling was virtually absent. A consultancy report commissioned by the government clearly pointed out the deficiencies of the system and made radical proposals for restructuring (Arthur Andersen Consulting, 1994).

102. The most important innovation of the reform was the obligation for the cantons to establish a network of regional (in effect local) placement offices (*RAV* in German, *ORP* in French), to take up the tasks of the communes and professionalise the placement services.<sup>12</sup> The cantons were mandated to set up cantonal labour offices to supervise the local employment offices and manage the logistics of active programmes, with operational costs fully covered by the unemployment-insurance fund. In addition, the legislation shifted the balance from passive income support to active labour market policies, by further enlarging the range of active programmes, setting targets for the number of active programme slots (initially 25 000, according to the *Solothurn compromise*), and making benefit entitlement dependent on participation in these measures. Thus, it sharpened the principle of mutual obligation beyond the active job-search requirement.<sup>13</sup> Also, unemployment insurance benefits were finally standardised nation-wide (OECD, 1996; and Engler, 2006). Finally, after the introduction of the regional placement offices, the 1989 Job Placement Act had to be changed accordingly.

103. Reforms undertaken since the early 2000s mainly addressed the eligibility criteria for unemployment benefit (work-record requirements, maximum duration of receipt). In addition, the performance management of cantonal and regional offices by the federal level underwent major revisions, from input-oriented governance making specific demands on the activities of PES offices and counsellors, to the setting of output targets (see the discussion of the performance indicators in Chapter 2). Currently, another revision (the fourth revision of the Unemployment Insurance Act) is underway (approved by referendum, it is scheduled to come into effect in 2011) in order to tackle the accumulated debt of the unemployment insurance fund by increasing its income through raising contribution rates and putting a lid on expenditure by reducing the average length of benefit receipt and increasing the efficiency of re-integration measures (Makausz, 2008; and Confédération Suisse, 2010).

## 1.7. Patterns of labour market spending

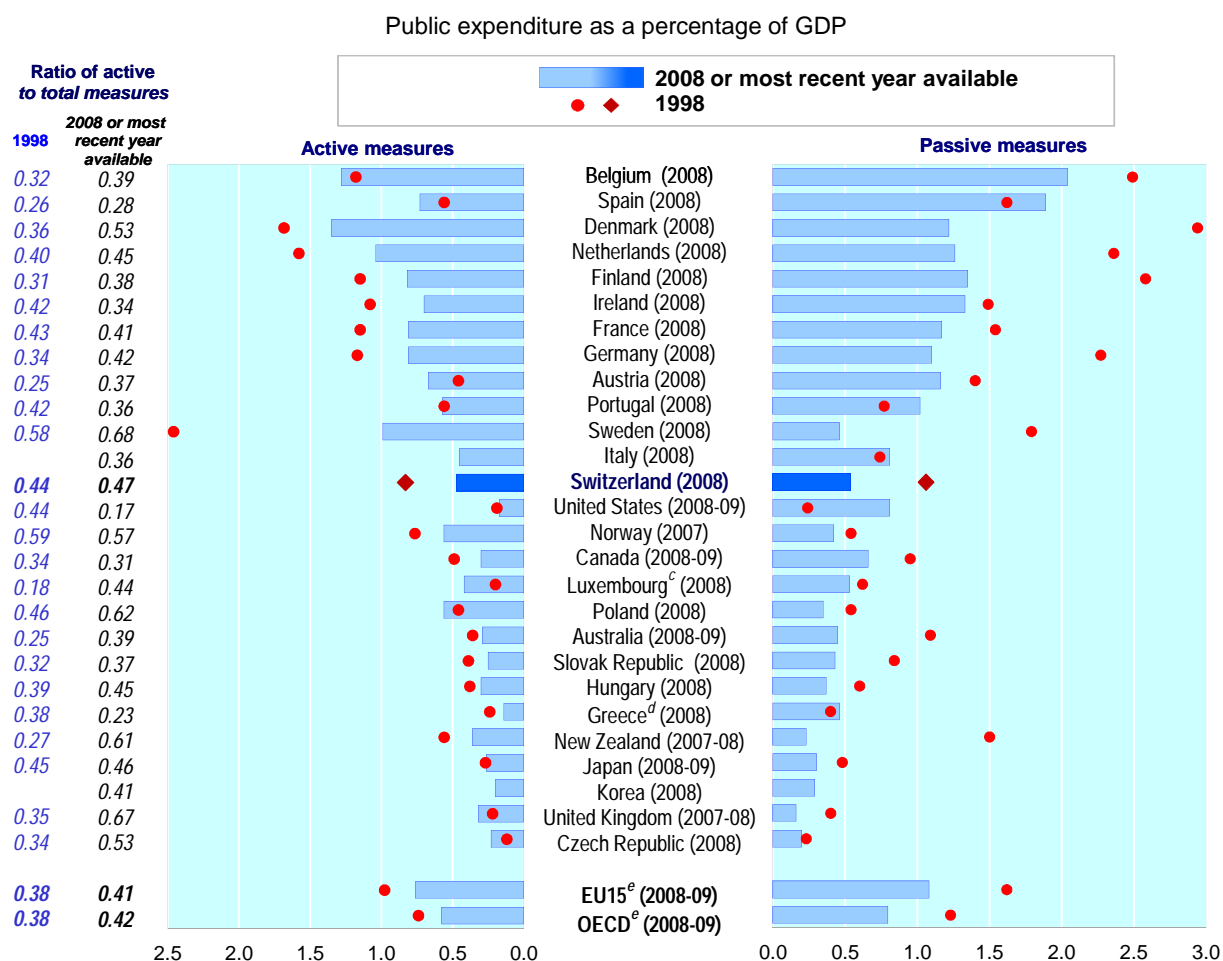
104. Figure 1.5 shows patterns of labour market spending in Switzerland compared with other OECD countries, based on the *OECD/Eurostat Labour Market Programme database*. With about 1% of GDP in 2008 (down from 1.4% in 2006), Switzerland is in a mid-field position when it comes to total active and passive labour market expenditure. Compared with a decade ago, expenditure as a share of GDP declined on both counts, but the finances for passive benefits declined to a larger extent, so that expenditure for active labour market programmes constituted in 2008 almost half of the total. This ratio is well above EU15 and OECD averages, underlining the importance of active instruments in Switzerland, in particular in view of the low number of jobseekers. In fact, when it comes to the ratio of active labour market expenditure (in percentage of GDP) to the unemployment rate, Switzerland is in the top group of OECD countries, together with the Nordic countries and the Netherlands. As will be shown in more detail in Chapter 5 below, the largest share of this expenditure is directed to people with disabilities or otherwise at a large distance from the labour market (category *Supported employment and rehabilitation*), followed by qualification measures for unemployment benefit recipients.

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12. Some cantons had already started setting up professional placement offices on their own initiative.

13. The setting of a fixed number of programme slots was lifted in 2001.



Figure 1.5. Active and passive labour market measures<sup>a</sup> in OECD countries,<sup>b</sup> 2008 versus 1998

Countries are ranked in decreasing order of the total of both active and passive measures.

a) Active measures refer to Categories 1-7, passive measures to Categories 8-9 of the *OECD/Eurostat Labour Market Programme database*.

b) Iceland, Mexico and Turkey are excluded.

c) For Luxembourg, data refer to 1997 instead of 1998.

d) For Greece, active measures are calculated as the sum of Categories 1.1 and 2-7. Data refer to 1999 instead of 1998.

e) Unweighted averages for countries where both active and passive measures are shown, except Italy for EU15; Italy and Korea for OECD, respectively.

Source: *OECD/Eurostat Labour Market Programme database*. For further country notes, see OECD (2010b), *OECD Employment Outlook: Moving Beyond the Jobs Crisis*, Statistical Annex, Table K.



## *Chapter 2*

### INSTITUTIONAL ORGANISATION

#### 2.1. Introduction

105. This chapter discusses the institutional structure of the Swiss PES and related institutions. Section 2.2 outlines the roles of the main actors in labour market policy at the different territorial levels involved in the three social welfare systems which are concerned with activation policies: unemployment insurance, invalidity insurance and social assistance. Section 2.3 provides a more detailed analysis of the structure, financing, and working practices of the public employment service since its creation in the mid-1990s. After a discussion of PES financial and human resources, the final section 2.4 outlines the emerging structures for inter-institutional co-operation between the different social welfare systems.

#### 2.2. Overview of key actors in labour market policy

106. At national level, the Swiss Labour Market Authority and the unemployment-compensation fund implement the Unemployment Insurance Act and the Job Placement Act – which are federal laws – in co-operation with the cantons, their logistical centres for active labour market measures, the unemployment funds and the local employment offices. The federal level sets the framework and the main objectives of the activation strategy. It determines, in particular, how unemployment benefits are administered, while the cantonal level plays a major role in developing placement strategies and delivering ALMPs. The invalidity insurance system is based on federal laws, as well, and administered through cantonal invalidity offices. Social assistance is based exclusively on cantonal legislation and the municipalities are quite autonomous in implementing social assistance (Bertozzi *et al.*, 2008). As in most other OECD countries, social assistance is the most decentralised of the three benefit systems (unemployment benefit, invalidity benefit and social-assistance schemes).

#### *Key actors at federal, regional and local levels for tackling unemployment*

107. At federal level, the Swiss Labour Market Authority is the Directorate of Labour of the State Secretary for Economic Affairs (*Secrétariat d'Etat à l'économie*, SECO) at the Federal Economic Ministry (*Département fédéral de l'économie*). The authority sets the basic parameters of labour market policies and is responsible for financing and administering the active labour market programmes, as well as for advising and supervising the cantons in their tasks.

108. SECO's Directorate of Labour is organised into three divisions: the division for *Working Conditions*; the *Migration* division; and the division for *Labour Market and Unemployment Insurance*. The latter contains nine individual units, among them the unit for ALMPs; the unit for local employment services and logistics for active labour market programmes; the labour market statistics unit; the unit for financing issues; as well as a unit for integration and co-ordination. The unit dealing with labour market and social policy analysis is not located in this Directorate, but in the Directorate for economic policies.

109. The cantons constitute the main level of government responsible for the administration of ALMPs for the unemployed. The unemployment funds (*Caisses de chômage*) are also under their responsibility. In general, the cantonal labour offices are attached to the economic departments of the cantonal administration. They

implement the federal laws governing the labour market and the unemployment insurance. Most importantly, they are charged with establishing and supervising the local employment offices (*Office régional de placement, ORP or RAV* in German) and the logistical centres for labour market measures which are responsible for planning and buying the adequate services. As to active labour market measures, a distinction needs to be made between federal ALMPs designed by SECO, and cantonal measures designed and financed by the cantons.

110. At the local level, the local employment services implement activation strategies. As noted in Chapter 1, a series of reforms were implemented when unemployment rose sharply after 1990, and in 1996 a network of over 100 local employment offices was set up. They are supervised and co-ordinated by the cantons, but financed essentially by the federal unemployment-insurance scheme (see Section 2.3 for more details).

111. The benefit and placement functions are separated in terms of their organisation in the unemployment funds, on the one hand, and the local employment services, on the other. This division has historical roots and survived the 1996 PES reform, which did not use the opportunity to reform the whole institutional setting of the broad PES. In a majority of OECD countries, the PES has integrated the two functions.<sup>14</sup>

### *The organisation of social assistance*

112. Social assistance is ruled by cantonal laws, but the level of social-assistance benefits tends to be set by the municipalities. At federal level, the Swiss Conference for Social Assistance (*Conférence Suisse des institutions d'action sociale, CSIAS*) has been set up. It counts about 1 000 members, including all relevant actors of social assistance such as municipalities, cantons and service providers for assistance recipients. It publishes guidelines on how to run social assistance and recommendations for benefit levels (last revision in 2005). These guidelines have been adopted to a varying extent by cantons and municipalities.

113. Municipalities have a considerable autonomy regarding the administration of social assistance, in particular in the German-speaking parts of the country; by contrast, in the French-speaking cantons social assistance is usually organised at cantonal level, and in some cases, combined forms of organisation are found (CSIAS, 2006). Over the past few years, a trend towards regionalisation of social assistance services can be observed, implying for example the set-up of regional centres for social-assistance issues, agreements among several municipalities, or the “cantonalisation” of social assistance (*e.g.* in the canton of *Bern*). To date, the organisational models for the implementation of social assistance vary widely, in particular if they are organised at municipal level. Nevertheless, some features and models can be noted, the outsourcing of public administration tasks by municipalities to committees of elected or co-opted citizens being one of them (OECD, 1999; and Bertozzi *et al.*, 2008). Small municipalities may outsource their welfare offices to the cantonal level, while larger municipalities may offer a large variety of social services.

114. In some cantons, there is a horizontal and vertical revenue sharing (CSIAS, 2006). The federal level does not transfer any financial resources either to cantons or to municipalities, with the exception of social assistance for asylum seekers which is financed by the federal level. Public finance statistics – which use a broad definition for social assistance including support for older people – show the following financing structure by territorial level: the federal level finances about 18% (for asylum seekers), the cantons about 40% and the municipalities about 42% of total social-assistance expenditure (<http://www.bfs.admin.ch/bfs/portal/fr/index/themen.html>).

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14. For example, in France, the merger of these formerly separated functions in the new PES institution, the so-called *Pôle Emploi*, was implemented in 2009.

115. ALMPs at the municipal level are usually agreed by the municipal council and may need to be approved by the canton. Sometimes these are the same measures as implemented or financed by the local employment services. In some cases, larger municipalities provide counselling and placement services for social assistance recipients and organise ALMPs themselves. The CSIAS guidelines of 1998 encompassed guidelines on “labour market integration measures” and the 2005 guidelines developed this further, defining a framework for an effective activation strategy (see Chapter 4 for more details).

116. As a general rule, cantons need to co-finance ALMPs for those jobseekers who are not eligible to unemployment benefits. If cantons are not financing specific measures for disadvantaged groups, the local employment service will not offer adequate measures for social assistance recipients since its primary target group are the unemployed, and it is their (rapid) labour market integration – and not that of social-assistance recipients – which is taken into account in the performance management scheme.

117. It is mainly those social assistance recipients for whom the prospects to obtain a job in the regular labour market after having completed an active measure are judged to be good, who are placed into a municipal ALMP, considering that the costs for an integration measure can be quite important in relation to the size of the municipal budget (CSIAS, 2009). It can, however, be doubted whether the cost-benefit analysis carried out by the welfare agencies includes a time horizon which is long enough and considers all long-term costs arising if no measures are taken. The above-mentioned CSIAS study also asserts that the supply of ALMPs by the cantonal welfare offices is not sufficient to cover the needs for such services.

### ***The organisation of invalidity insurance***

118. The invalidity insurance was set up in 1960. It is regulated by federal law (*Loi fédérale sur l'assurance invalidité*). Each canton has an invalidity insurance office, which is in principle independent from the cantonal administration. However, the organisational structure at cantonal level may differ: the invalidity insurance can be either *i)* established as a separate and autonomous body; or *ii)* located at a cantonal compensation fund or social-insurance office. The cantonal invalidity-insurance offices are supervised at federal level by the Federal Office for Social Insurance (*Office fédéral des assurances sociales* – OFAS).

119. The 26 cantonal invalidity-insurance offices, the office for insured parties abroad, as well as the office in Liechtenstein are organised in a confederation (*Conférence des offices de l'assurance invalidité* – COAI), set up in 1995. This confederation mainly defends the interest of its members *vis-à-vis* the government, other social insurance institutions and the social partners. It serves as platform for the cantons to exchange their experiences and views. It also offers some services to its member such as staff training. A further objective consists of harmonising the implementation of the invalidity insurance and its active measures. COAI is subdivided in four larger regions.

120. The tasks of the cantonal offices encompass – according to *Art. 57* of the Invalidity Insurance Law – early identification and intervention with a view to clarifying benefit eligibility, assessing the prospects for integration and employability, assessing the degree of disability, and referring people to rehabilitative measures. They also run their own placement services (see Chapter 3 for more details).

121. The invalidity insurance scheme was revised five times since its existence. While the first three revisions were more of an administrative nature, the fourth and the fifth revision tackled more basic substantive issues. The fourth revision set up ten regional medical services (RMS) which advise the invalidity insurance and allow for an independent assessment of a disability case. The fifth revision strengthened the focus on rehabilitation and introduced new instruments like early identification and early intervention (see Chapter 4 for more details). A sixth revision that aims to modify the financing of the invalidity insurance<sup>15</sup> and includes a sharper focus on the activation of invalidity pension recipients and the re-assessment of eligibility

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15. To improve the financing of invalidity insurance, an increase of the value-added tax by 0.4 percentage points for a fixed-term period (2011-17) was accepted by referendum on 27 September 2009.

criteria is currently under discussion. Some trade unions, left-wing political parties and associations for persons with disabilities request a stronger financial involvement of employers and remain sceptical about the prospects of activating persons who already receive invalidity pensions (NZZ online, 2009). In 2008, about 38% of the annual budget was financed through the federal level – as stipulated by law – and 48% by social security contributions, while there was a deficit of 14% (OFAS, 2009a).

122. Via the RMS, Switzerland is in the process of improving its know-how in the area of occupational medicine. The RMS allow for a more independent and sound assessment of the remaining working ability of an individual, compared with the assessment of a general practitioner (GP). Their medical doctors advise the cantonal offices about the process of assessing reported disability cases and in particular claimants' employability, the tasks they could potentially fulfil, as well as their prospects for vocational rehabilitation (OFAS, 2008). The extent of involvement of the RMS differs widely across cantons, but overall it seems that the role of the GPs in determining disability cases has already diminished.

123. The private sector plays an important role in the provision of sickness and disability benefits. Income-replacement sickness insurance is provided by the private sector on a voluntary basis, mainly on the basis of collective agreements, since there is no mandatory sickness insurance in place. Alternatively, it can be bought by individual employers or by the workers themselves (*Bertozzi et al.*, 2008).

#### *The role of private sector actors*

124. The decision about the involvement of private placement agencies, funded by the unemployment insurance, for implementing federal legislation on employment services rests with the cantonal employment offices. However, private actors cannot carry out tasks which are under the responsibility of the public administration, such as checking employability and imposing sanctions; in cases of misconduct, private service providers need to notify the public employment service (*Art. 119c bis* of the Unemployment-Insurance Ordinance).

125. Independently from the contracting-out of activation and placement services, private placement agencies play a key role in placement. In 2008, there were about 4 000 private placement agencies and temporary-work agencies. Their share in total annual placements is between 70 and 80% (see Chapter 3). On the basis of the unemployment-insurance ordinance, SECO has formulated guidelines for private employment services with regard to their placement activities, as well as with regard to their function as temporary-work agencies.

126. The ALMPs themselves are typically implemented by private, but sometimes also public non-for-profit organisations. Private providers tend to be specialised in specific measures, although they generally offer a range of programmes. Usually, there are several providers for each measure, which guarantees a certain level of competition. These service providers usually are commissioned by the logistical centres for ALMP of the cantonal labour offices, but also conclude service contracts with the invalidity insurance and municipal welfare offices. Depending on their focus and the programmes they offer, the providers mostly have one main source of financing. Participants in labour market measures often come from all three relevant institutions, but there are specific measures for specific target groups. Some cantons outsource a wider range of employment services, including placement, for specific target groups.

127. Box 2.1 gives examples of private employment service providers. The case-management approach and intensified guidance is common to all three examples, but they differ in the range of services offered and their financing structure.

### Box 2.1. Private suppliers of employment services for jobseekers

The **Netzwerk Grenchen** was founded during the crisis in the watch industry at the beginning of the 1980s, as public workshops of the city of Grenchen in the Canton of *Solothurn*. The enterprise was outsourced in 1998 during a cyclical upturn and exists in its current form since 2001. It is mainly financed by public means. The *Netzwerk* offers services to the unemployment insurance, the invalidity insurance and the welfare agencies. Its focus is set on the labour market integration of persons with disabilities.

The *Netzwerk* offers a wide range of services, including counselling, placement and the implementation of training courses, protected employment programmes and sheltered workshops for persons with disabilities, as well as employment programmes in the so-called secondary labour market (mainly for social assistance recipients). Unemployed people mainly participate in short-term measures, whereas disability-benefit and social-assistance recipients usually attend long-term schemes. At the beginning, the latter two groups usually participate in capacity-building and basic training.

Each jobseeker has a case-manager as a contact person, giving personal advice and also acting as a coach. Case-managers have contacts with their clients or should at least be accessible to them for about one hour each week, with no more than 40 clients per case-worker, *i.e.* much less than the caseload of a local PES office.

The **Lernwerk Turgi** in the canton of *Aargau* offers employment programmes, assessment of competences and some subsidised jobs and work training (mainly commissioned by the invalidity insurance). Furthermore, it has established a network for “applied apprenticeships” with a special certificate, offered mainly to young school dropouts or other youth who could not find a regular apprenticeship. One such programme is organised for the social department of Zurich. It does not, however, offer any placement services.

The contracting bodies are the unemployment insurance, the invalidity insurance, the cantonal and local welfare departments, cantonal job counselling offices, health-care facilities and SMEs. The unemployment and invalidity insurances buy a pre-specified amount of places each year whereas the social department co-operates with the *Lernwerk* on a case-by-case basis.

Key to the approach of the *Lernwerk* is the establishment of a special sequencing of measures for *all* participants, irrelevant of the contracting body or the programme. As far as possible, participants spend one month in-house, running through the different possibilities offered to check their skills, capabilities and potentials. Afterwards, recommendations for programme participation are given. The results are registered at a databank open to all participating bodies.

The *Lernwerk* also co-ordinates the institutional co-operation between the three systems of social security in the city of *Baden*. This mainly consists of a case-management for those clients where the institutional responsibility is not clear and changes between the social security systems occur frequently (see below for more details about the Swiss approach of institutional co-operation).

**Léman Emploi** is one out of three private organisations carrying out employment services for the hard-to-place jobseekers on behalf of the local employment service in Geneva. Outsourcing of placement services is generally widespread in the Canton of *Geneva*.

The association is run by a consortium composed of local employer associations, 13 000 enterprises and the Swiss Federation for the Training of Adults. It exists in its current structure since 2001 and is engaged in conducting training and placement into the regular labour market. Mention should be made that in the past, the canton of *Geneva* used to outsource services to trade union-led service providers which, in contrast to the employer-led association, also implemented job-creation programmes.

The participants are sent by the local employment services and stay in the programme for at least six months. *Léman Emploi* receives an annual budget based on the number of places. Financing is not linked to outcomes, but a minimum achievement has been agreed (40% of those who have terminated the measure need to find a job lasting at least six months). A close interaction between the public and the private employment services is necessary in order to avoid major conflicts.

For new participants, *Léman Emploi* undertakes a general evaluation of competences and skills to assess client characteristics and potentials and sets up an action plan to “accompany” the client back to work. Participants are required to meet with their personal coach, helping them with job search, at least once a week. The staff/client ratio at *Léman Emploi* is more favourable than that in the local PES offices.

### ***Social partners***

128. Social partners are represented in tripartite committees of different labour market policy institutions. At the federal level, they are members in the monitoring committee of the unemployment insurance fund, which consults the federal government on legal and financial issues regarding unemployment insurance. At cantonal level, the Unemployment-Insurance Ordinance (*Art. 119c*) obliges the cantons to define the tasks and the functioning of the tripartite committees attached to the cantonal employment offices and related institutions.

129. Two examples of such tripartite bodies should suffice to give an idea of their functioning. First, the tripartite committee of the canton of *Appenzell Inner-Rhodes* consists of an equal number of representatives of trade unions, employer associations and the cantonal labour office. In addition, members of the cantonal unemployment funds as well as members of the cantonal office for vocational training are members, with consultation rights. The committee is led by a member of the cantonal labour office. Its task consists in giving advice to the employment services on the way they operate and their approach towards activation. Second, in the canton of *Lucerne* two tripartite commissions have been set up: one attached to the local employment services, in which the unemployment fund is also represented with consultation rights, as well as a tripartite commission for the labour market in which other departments of the cantonal administration are also represented (Canton of Lucerne, 2010).

130. The influence of trade unions varies from canton to canton, depending on the economic structure and political culture. In the French- and Italian-speaking cantons, trade unions tend to have a stronger influence on the design and implementation of activation strategies (Perret *et al.*, 2007). Moreover, in those cantons where a stronger role is played by social partners, activation strategies seem to focus more strongly on public intervention and on the implementation of ALMPs, than on sanctions.

131. For historical reasons, the social partners – mainly trade unions – also run some of the unemployment funds. However, the influence which the social partners can exert in this way on activation policies seems to be limited, as most of the obligations and functioning of the unemployment funds are regulated by law.

132. With regard to the invalidity insurance, employee and employer representatives are not directly involved in federal monitoring activities. They have an advisory role in the governmental Commission for old-age, survivors and invalidity insurance.

## **2.3. Main characteristics of the Swiss Public Employment Service**

### ***Cantonal employment offices***

133. According to the unemployment-insurance law (*Art. 85* and its sub-sections), the cantonal labour market offices have the following tasks:

- Controlling some of the labour market programmes, such as short-time work as well as further training and retraining programmes;
- Establishing local employment offices;
- Setting up logistic units for ALMPs;
- Managing the training of local PES staff;
- Defining the framework for creation of tripartite commissions (see above);
- Fixing the rules for the co-operation with private employment services providers; and
- Organising inter-institutional co-operation between the principal labour market actors.



134. The organisation of ALMPs differs across the cantons. All cantons implement the federal ALMPs and additionally set up their own ALMPs. The logistics units for ALMPs, *e.g.* of the canton of *Bern*, prepares the calls for tender and co-ordinates the corresponding activities of the local employment offices.

135. In some cases inter- and intra-regional (including inter-cantonal) co-operation can be observed. This co-operation mostly takes place when a rather specific ALMP is implemented and it makes more sense to widen the regional coverage to ensure that there are enough participants. Co-operation may also occur in the case of a crisis in a particular sector affecting several regions or cantons. To give an example, there are regular meetings between the heads of the logistics units of the cantonal offices of Economy and Labour in the canton of *Aargau* and four surrounding cantons. Co-operation can take place between the cantonal units for ALMP logistics, but cantons may also decide to set up jointly a local PES office.<sup>16</sup> Inter-cantonal co-operation should be the rule not the exception, and cantons should check how they can improve existing structures to foster it.

136. In their analysis of the PES in the different cantons, Perret *et al.* (2007) distinguish different models of cantonal activation strategies, depending on the weight given to ALMPs, and to the extent to which control instruments including sanctions are implemented. The authors classify the cantons by *i)* a maximalist approach, in which both ALMPs and control instruments are implemented extensively; *ii)* a high level of control and sanctions but low use of labour market re-integration measures; *iii)* extensive use of labour market re-integration measures but little use of control instruments; and *iv)* a minimalist approach, in which case the level of implementation of ALMPs and control instruments is low.<sup>17</sup>

137. These differences in activation strategies are explained by economic, political and administrative factors. Perret *et al.* (2007) show that cantons focusing on labour market re-integration rather than on control instruments have higher unemployment rates. It could be argued that the weak implementation of control instruments induces higher unemployment; however, it could also be the case that, in a context of higher unemployment, the impact of control instruments on unemployment is lower and the labour market policy actors are therefore less convinced about their usefulness. Incidentally, higher unemployment rates are linked to higher shares of low-skilled and immigrant labour and a higher degree of urbanisation, and may not be primarily influenced by cultural and institutional factors as assumed by Brügger *et al.* (2007). Nevertheless, both effects may play a role: higher unemployment caused by exogenous economic factors may lead in a given political and institutional setting to a weaker implementation of control instruments which in turn tends to push up unemployment. Cantons implementing a minimalist strategy, as well as those implementing an activation strategy focusing on control instruments, are characterised by lower unemployment rates and thus feel less need for organising ALMPs (Perret *et al.*, 2007). However, the study also concludes that the political and administrative culture of a canton influences its approach towards activation. Cantons implementing a strategy focused on integration measures are characterised by a relatively high presence of trade unions and a high degree of urbanisation.

138. Vassiliev *et al.* (2006) found no significant correlation between the use of given instruments, including sanctions, and the efficiency of local employment offices even when controlling for exogenous socio-economic factors (Vassiliev *et al.*, 2006). However, the selected socio-economic factors which they controlled for could explain only a third of the variations observed between the local employment services. Thus, clearly other factors do play a role. This calls for an in-depth analysis of the differences in measures and counselling approaches implemented by the local PES.

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16. These have been created, *inter alia*, in the cantons of *Nidwalden* and *Obwalden*, and in the cantons of *Basel* and *Solothurn*.

17. According to the authors, model *i)* applies to the cantons of *Aargau*, *Bern*, *Basel-Country*, *Basel-City*, *Glarus*, *Grisons*, *Lucerne*, *Solothurn*, *St. Gallen* and *Schwyz*; model *ii)* applies to some cantons of central Switzerland (*Obwalden*, *Nidwalden* and *Uri*); model *iii)* to the cantons of *Fribourg*, *Geneva*, *Jura*, *Neuchâtel*, *Ticino*, *Vaud*, *Valais*, *Zug* and *Zurich*; and model *iv)* to the cantons of *Appenzell Inner-Rhodes* and *Appenzell Outer-Rhodes*.

### *Local employment services*

139. The amendment of the unemployment-insurance act of 1995 forms the basis for the establishment of local PES offices and of the logistics units for ALMPs at cantonal level (*Service de logistique des mesures du marché du travail*). Between 1996 and 1998 about 150 local employment offices were set up and 2 500 persons hired (Engler, 2006). Since their introduction, the number of local employment services has been reduced from its peak of about 150 to 131 local employment services.

140. Prior to the amendment of the unemployment-insurance law in 1995, employment services were delivered by municipalities. Those municipal employment services which were well organised and which had skilled staff could be transformed into local employment services but in many cases they needed to be fully set up (Engler, 2006). Municipal labour offices may implement temporary-employment programmes with public utility (see Chapter 5 for more details). Some municipalities still run municipal employment services for social assistance recipients. Most municipalities still have the task to register the unemployed and to forward the registration to the local PES and to pay out cantonal unemployment assistance.

141. The tasks of local employment services consist of giving guidance, placing jobseekers, monitoring job-search activities, providing access to ALMPs and enforcing sanctions. They may also check benefit eligibility (which however is usually the task of the unemployment funds). The tasks of the local employment services are set by cantonal laws and guidelines.

142. It is the cantons which decide about the number of local employment services in place. The SECO, the Federal Office for Migration, the 26 cantonal and 22 municipal labour offices are represented in the Swiss association of public employment services (*Association des Offices Suisses du Travail*).

143. The municipal welfare agencies and the invalidity insurance also offer ALMPs, but sometimes their beneficiaries are participating in measures organised by the local employment services, mainly in the case of social-assistance recipients, since the municipal welfare offices are too small to run their own programmes. But the welfare offices or the invalidity insurance have to bear the cost for the measures and transfer it to the local employment service. However, social-assistance recipients and jobseekers on disability benefits are often not treated with the same effort by the local employment services as their *own* clients. This probably results from the fact that these two groups of benefit recipients have no weight when calculating the efficiency indicator for the local employment services (see below), hence, placing social assistance or disability-benefit recipients does not score for their own assessment. Moreover, these recipient groups may be more difficult to place and in many cases PES counsellors are not qualified to deal with the complexity of problems and specific labour market barriers they face.

144. The assignment to a programme is mainly under the administrative discretion of the local employment officer in charge, although staff have to consider the four criteria for the efficiency evaluation of the local employment services described further below (Behncke *et al.*, 2006). The lack of clear guidance has the advantage that it allows pursuing an individualised approach, but entails the problem that personal preferences may influence the decisions taken and that there is no equity in the treatment across local employment services.

### *PES office structure*

145. As the local employment offices are set up by the cantons, the division of tasks and the organisation of work within offices vary between the cantons. Differences exist as to whether the local PES staff are *generalists* or whether they are *specialists* as a result of a division of tasks. Box 2.2 provides a few examples of the work organisation of the PES.

**Box 2.2. Examples of PES office structure**

In the canton of *Bern*, a division of work within the local PES has been decided: career guidance, individual counselling and contacts with companies are organised as separate functions of the local employment services. Furthermore, PES counsellors are specialised in different economic sectors. In case of mass layoffs, support teams are set up to intervene in the companies affected. Although social problems are normally not within the competence of local employment offices, they may have one staff member specialised for social problems.

In the canton of *Geneva*, six employment offices provide placement services and implement the federal ALMPs, while a seventh employment office deals with the cantonal ALMPs for the long-term unemployed. In this canton, the unemployed have to register at the cantonal labour office, while in most other cantons they register at the municipalities ([www.ge.ch/oce/services.asp?id=2#2](http://www.ge.ch/oce/services.asp?id=2#2)). The cantonal labour office has its own division for cantonal labour market measures, as well as a division providing services for companies, e.g. in the case of collective lay-offs.

In the canton of *Basel-City*, two of the three local employment services provide placement and related services to employees while the third only deals with contacts to employers and the acquisition of vacancies (Perret *et al.*, 2007).

***Steering mechanisms and performance management of the local employment services***

146. With the setting up of local employment services, the question arose to what extent it was useful and politically acceptable that the federal level had control over the implementation of the activation strategy. A balance had to be found between the necessity to impose clear guidelines to the local employment services from an equal treatment point of view and the necessity to give local employment officers discretionary power in order to implement individualised approaches within a given local economic context.

147. Initially, the intention was to centralise the management of the local employment services at the federal level. This was reflected in the way the federal level tried to ensure that the cantons are effectively implementing the new activation strategy and followed an input-oriented approach. Thus, initially the cantons were obliged by law to offer at least 25 000 ALMP slots over the course of one year and their distribution among cantons was calculated on the basis of the number of inhabitants and the number of unemployed. Sanctions could theoretically be applied if cantons were falling below their own specific threshold as they had in this case to contribute to additional unemployment benefits for jobseekers who could not be placed in a measure (Engler, 2006). Given that the nation-wide unemployment rates and absolute numbers of unemployed vary with the business cycle, this static rule was sub-optimal.

148. In 2000, the federal level and the cantons agreed to switch from an input- to an output-oriented approach and to set in place a performance rating system with the definition of indicators to measure the attainment of the agreed strategic objectives. Initially, it was planned to install a bonus-malus system. However, major problems arose while implementing the bonus-malus system, linked to its low acceptance in local offices. Finally, it was decided to implement a benchmarking system, with benchmarking results collected for each individual office and aggregated results by canton published annually by SECO (Schütz, 2003).

149. The performance of the local employment services is regularly monitored at the federal level (SECO). Four main indicators are used to monitor performance:<sup>18</sup>

- Quickness of re-integration into the labour market, measured by the average duration of unemployment benefit entitlement per unemployed (weighting 50%);

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18. These are set out in periodic agreements between the federation and the cantons, with the current agreement valid for the period 2010-13.

- Prevention of long-term unemployment, measured by the share of those remaining unemployed among those who have registered as unemployment-benefit recipients 13 months before (weighting 20%);
- Prevention of benefit exhaustion, measured by the share of unemployed no longer entitled to federal unemployment benefits in the total number of unemployed (weighting 20%); and
- Preventing repeat registration, measured by the share of previous unemployed who have de-registered but apply again for unemployment benefits within four months (weighting 10%).

150. As proxied by their weighing, these monitoring indicators clearly set a priority on rapid labour market integration. Furthermore, the objectives refer only to unemployment-benefit recipients and not to the long-term unemployed who are no longer eligible to receive unemployment benefits. In addition, they do not measure other office activities, for example, services for social-assistance recipients and for employed workers at risk of dismissal.

151. For the benchmarking, differences in the local economic structure are taken into account.<sup>19</sup> In case cantons perform repeatedly badly, an in-depth single canton performance evaluation by SECO can be carried out with a view to finding solutions to improve performance (Bertozzi *et al.*, 2008). The published ranking of cantons (and the unpublished ranking of single offices) is expected to exert pressure on PES offices to up their game. Furthermore, some evaluation studies on the efficiency of local employment offices also use the monitoring indicators (see Chapter 3 for more details). Therefore, performance indicators have probably an important influence on the activation strategy implemented by the cantonal and local employment offices.

152. Furthermore, SECO is collecting a wide set of data on items such as PES staffing per unemployed, placement activities inflows of unemployment benefit recipients, use of benefit sanctions and financing of ALMPs (SECO, 2009b). However, important elements such as participant structure by ALMP measure and a breakdown of registered unemployed by type of passive benefits (including the intermittent pay scheme) are not included in this indicator set.

### ***The unemployment funds***

153. Unemployment insurance was made compulsory in 1984. The Unemployment Insurance Act stipulates that the unemployment funds – which can be public or private – pay out unemployment benefits after having assessed the claimant's eligibility. There are 38 unemployment funds (*Caisses de chômage*). Each canton manages a public unemployment fund and the remaining funds are privately organised and were set up by the social partners at federal, cantonal or local level ([www.espace-emploi.ch/ueberuns/kassen/](http://www.espace-emploi.ch/ueberuns/kassen/)). Employers and employees are free to choose their unemployment fund.<sup>20</sup>

154. In 2009, the employers' and employees' unemployment-insurance contributions amounted to CHF 5.25 billion,<sup>21</sup> which represents over 90% of the total revenues of the unemployment-insurance fund. The financial participation of the Federation amounts to CHF 395 million and the participation of the

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19. The following exogenous variables are included in the econometric regression model which is used to adjust the performance indicators: share of workers in seasonal economic branches, share of Swiss population in the inflow into unemployment, inflow into the unemployment-benefit system in relation to the regional workforce, size of the agglomeration covered by the local employment office.

20. Except for cases of insolvency (*Indemnité en cas d'insolvabilité*) which are processed by public funds.

21. Insurance contributions to the unemployment-insurance fund amount to 2% of gross wages, up to a fixed ceiling. Contributions are equally shared by employers and employees (Unemployment Insurance Law in its version of 1 June 2009).

cantons to CHF 132 million ([www.espace-emploi.ch/ueberuns/arbeitslosenversicherung/](http://www.espace-emploi.ch/ueberuns/arbeitslosenversicherung/)). This budget covers unemployment benefits, ALMPs, as well as administrative costs.

155. The Directorate of Labour of the Federal Ministry of the Economy supervises the unemployment-insurance fund (*Fonds de compensation de l'assurance-chômage*). This centralised compensation fund administers the unemployment contributions and calculates the necessary financial transfer to the unemployment funds (unemployment benefits and administration costs) which is processed once or twice a week. In case the contributions and financial reserves of the compensation funds are not sufficient to cover the expenses, the fund asks for a federal loan. Furthermore, the federal level and the cantons both contribute to the fund.

156. The tasks of the cantonal unemployment funds, as well as their organisational structure within the cantonal administration, show some variation between cantons, although their primary objective consists of paying out unemployment benefits. For instance, in the canton of *Valais* the unemployment fund is also in charge of the accounting for the local employment services and the ALMP logistics unit, while this is not the case in all cantons (Pasquier and Larpin, 2008). Nevertheless, the autonomy of the unemployment funds is rather limited as precise rules for the granting of unemployment benefits are fixed in the law and the corresponding ordinance. Although regional conferences between the unemployment funds take place and although they have a confederation, a lack of co-ordination between the unemployment funds is observed in some cases (see Pasquier and Larpin, 2008). The Swiss system of a multitude of private and public unemployment funds may engender more administrative costs than would be necessary and can lead to unequal treatment between the unemployed in different cantons, while the competition between the funds does not seem to bring any advantages to the efficiency of the system.<sup>22</sup> The level and quality of co-operation between the unemployment funds and the local employment services also varies from canton to canton; according to Pasquier and Larpin (2008), the co-operation is least efficient in cantons where private unemployment funds have a strong position.

#### 2.4. Financial and human resources of the employment services

157. The cantons are financed from the federal level to cover the administrative costs of running the local and cantonal employment offices; the funds depend on the yearly average number of jobseekers. They need to finance 20% of the expenses of regular ALMPs for social-assistance recipients.<sup>23</sup> Most importantly, the cantons design and fully finance ALMPs of their own.

158. In order to reduce unemployment-insurance expenditure, SECO agreed with the cantons in spring 2008 to introduce a new degressive financing system for the implementation of ALMPs (SECO, 2009c). According to the new rules, the budget allocated to the cantons for ALMPs is linked to the jobseekers' rate:<sup>24</sup> for jobseekers belonging to the first 1.2 percentage points of the cantonal jobseekers' rate, the canton gets a budget of CHF 3 500 per jobseeker. The budget decreases for each supplementary jobseeker

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22. The administration costs of independent unemployment-insurance funds included in the *OECD/Eurostat Labour Market Programme database* were, in 2008, 0.13% of GDP in Denmark. In Finland, they amount to probably more than 0.08% if the benefit administration costs of Employment Offices and of KELA are also included (Duell *et al.*, 2009a). Switzerland spent 0.04% of GDP on benefit administration (for *Caisse de chômage*) in 2008, but its unemployment rate was about half as high as in Finland. Countries without separate unemployment benefit administration organisations generally have lower administrative costs. In Germany, expenditure on benefit administration amounted in 2008 to 0.05% of GDP, while the unemployment rate was more than double the Swiss rate. In Austria, where the unemployment rate was similar to that in Switzerland, the expenditures for benefit administration within the unified PES amounted to only 0.02%.

23. In the context of the 2010 revision of the Unemployment Insurance Act, this share will be increased to 50%.

24. Jobseekers include the registered unemployed and other groups which are not immediately available for the labour market, such as ALMP participants (see Chapter 1).

bracket: a budget of CHF 2 800 for each jobseeker is allocated for the jobseeker bracket from 1.2% to below 4%; and CHF 1 700 for each additional jobseeker in the bracket ranging from 4% to 10%. The canton receives no further budget for additional jobseekers above the 10% threshold. Thus, a canton with a jobseekers' rate of 11% gets the same total budget as a canton with a jobseekers' rate of 10%. Exceptional circumstances, however, can be taken into account. A transitional phase for the introduction of the new system has been defined: for the year 2009 it was possible to exceed the ceiling by 5%. It seems that the new financing system aims at creating incentives to reduce the number of registered unemployed. It is true, running local employment offices and implementing ALMPs involves fixed costs which decrease per jobseeker when unemployment rises. However, it should be considered that labour market integration of jobseekers in a context of more difficult labour market conditions increases the risk of longer unemployment spells and would call for a more intensive follow-up of jobseekers, including referrals to ALMPs.

159. Previous to this reform the fixed budget for ALMPs was linear. It increased from CHF 2 823 per jobseeker in 2003 to a maximum of CHF 3 140 per jobseeker in 2008, an increase of 11% (SECO, 2009d). Note that in addition to the budget for ALMPs, the cantonal employment services receive a budget covering their administrative costs. These costs amounted to CHF 2.28 per jobseeker in 2008 and remained below the ceiling fixed by the federal level (SECO, 2009e).

160. Since the introduction of budget ceilings allocated to the cantonal labour offices in 2002, cantons have not spent the full budget allocated to them by the federal level. Between 2002 and 2005, between 77% and 88% of the federal budget was used (Engler, 2006, p. 21). In the context of the recent economic downturn, the utilisation rate of the budget increased to 91%.<sup>25</sup>

161. Table 2.1 shows that the number of staff, and in particular of local PES counsellors, fluctuates over time in line with the unemployment total, although the adjustment of staffing levels tends to take time.

Table 2.1. **PES staff<sup>a</sup> and registered jobseekers**

Units						
	Total PES Staff	Local PES counsellors	Cantonal offices including ALMP logistics	Administration and other staff	Registered jobseekers	Jobseekers per counsellor
2000	2 706	1 460	347	899	120 000	82
2001	2 273	1 210	303	760	101 000	83
2002	2 409	1 266	291	852	140 000	111
2003	2 928	1 568	314	1 046	202 000	129
2004	3 275	1 769	369	1 137	213 000	120
2005	3 276	1 748	372	1 156	210 000	120
2006	3 249	1 749	358	1 142	190 000	109
2007	3 045	1 584	358	1 103	159 000	100
2008	2 829	1 428	346	1 055	155 000	109

a) Staff in full-time equivalents at cantonal and local level.

Source: Official reply to the OECD questionnaire on activation policies; SECO (2009a), *Le chômage en Suisse 2008*; and additional submission from SECO.

162. In 2008, the canton of *Geneva* (which has a relatively high unemployment rate) and the cantons of *Obwalden* and *Nidwalden* (which have a comparatively low unemployment rate) had caseloads which were roughly about 20% above the national average, while the caseload was about 20% below the national average in the canton of *Uri* (SECO, 2009e).

25. According to current estimates. Note that in 2009, the budget ceiling was abolished for some types of ALMPs (the so-called specific measures which include *Job-insertion allowances*, *Commuting allowances* and *Training allowances*).



163. Table 2.1 also shows that on average half of the PES staff were concerned with counselling – and the remaining staff fulfilled management, administration tasks and organisation of ALMPs. The shares of counsellors among all PES staff within a canton varied between 73% (in *Appenzell Outer-Rhodes*) and 42% (in *Schaffhouse* and *Bern*)<sup>26</sup> [SECO, 2009e].

164. As the budget of the local employment offices depends on the number of unemployed, staff turnover is an issue. For example, in periods of rising unemployment, cantons get additional money to hire new staff, while they need to lay off staff in periods of declining unemployment. The advantage of the system is that new staff sometimes has gained experience in the private sector (private placement agencies, human resources departments) and that the local employment offices can minimise their administrative costs. However, it must be taken into account that even after having completed the specific training course for PES staff, it can take up to half a year or more before the newly recruited staff is fully operational and efficient.

165. Staff need to get a specific certified diploma (*Brevet fédéral de conseiller en personnel*) delivered by the Swiss Association of Employment Services. The courses are organised in 8 modules and last between approximately 8 to 16 weeks ([www.conseillerpersonnel.ch](http://www.conseillerpersonnel.ch)). Pre-conditions for enrolling in the course are usually having completed an initial vocational training course of 3-year duration or an equivalent qualification and at least 2 years of work experience as a professional. About 80% have a professional diploma, obtained through tertiary-level training at a university of applied sciences.

166. Annex Tables 2A.1 and 2A.2 consider the PES staff in six OECD countries, including staff who work outside the main placement-service network (e.g. on benefit administration). The share of broad PES staff dealing with placement and ALMP administration represents two-thirds of the broad PES staff in Switzerland. Ireland is the only country among the seven reviewed where this share was lower, while staff was more concentrated on placement and the organisation of ALMPs in Finland (74%), Japan (75%) and Norway (81%). This comparison confirms that there is room for increasing the efficiency of the benefit administration in Switzerland, e.g. by reforming the system of unemployment funds or merging them with the employment offices.

## 2.5. Inter-institutional co-operation

167. The co-operation between the different institutions of the social security scheme is a key issue, as many unemployed suffer from multiple problems and some move from one system to another (Fluder *et al.*, 2009). The current system may lead to a duplication of work (or to tripling as there are cases involving at least three institutional actors). The implementation of ALMPs involves the launching of calls for tender, the set-up of contracts, the administration of the measures and finally their evaluation. The different social security systems are not co-ordinated in their actions, and an institutional logic predominates, rather than one focused on the individual.

168. There is normally no file sharing between the local PES and the municipal social departments. However, there are exceptions, for example such co-operation is quite developed in the canton of *Geneva*, where part of the social-assistance funds and unemployment-insurance funds are combined into a “cantonal fund to fight unemployment”. This fund finances, *inter alia*, direct job-creation programmes.

169. In the 1990s and early 2000s, pilot projects were implemented in some cities or cantons in order to activate social-assistance and disability-benefit recipients (Bertozzi *et al.*, 2008). Since 2000, models of inter-institutional co-operation have been developed in most cantons. The concept is enshrined in the law and has its own budget line. In order to further promote inter-institutional co-operation, SECO, OFAS and cantonal ministries initiated the MAMAC project (*Coopération interinstitutionnelle MAMAC*). Key to this new approach is that the different public bodies bind themselves to co-operate, particularly in the case of persons with multiple problems, with the expectation of a more rapid labour market re-integration.

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26. There is no correlation of the counsellor shares with the type of canton or its unemployment level.

An important element is having a single case-manager. The objective of the MAMAC project is to better combine benefit payments, placement and re-integration activities of different institutions, and to have a wider “tool-kit” of possible measures. Since 2007, 16 cantons have started MAMAC projects.

170. A recent evaluation of MAMAC concluded that the project should be continued as one of possible forms of inter-institutional co-operation. It was positively valued that MAMAC intensified co-operation between various government administrations, increased client satisfaction and promoted earlier activation (although there was room for further improvement); by contrast, no positive effects on re-integration rates were found. Recommendations included the introduction of a simplified pre-assessment and increasing the speed of activation, but also developing a stronger long-term view and strengthening the role of medical assessments (Egger, Dreher & Partner AG, 2010). Box 2.3 presents the approach taken by the canton of *Valais*.

#### Box 2.3. Inter-institutional co-operation in the canton of *Valais*

In the canton of *Valais*, inter-institutional co-operation has slowly developed since the setting-up of local employment offices. The co-operation between the local employment service, social-assistance offices and the invalidity insurance was formalised in 2006. Other partners are the centres for vocational guidance, the regional medical services, the accident insurance SUVA and the centres for drug addiction. In March 2009, a new *Convention de Collaboration interinstitutionnelle* called “CII Valais” was signed, accompanied by another Convention called “CII-MAMAC”. These agreements were facilitated by the Cantonal Act on the financing of social security and labour market integration measures, which provides a new framework for funding streams. A new Cantonal Employment Fund was created, financed at 63% by the cantons and 37% by the municipalities. This fund can be used to pre-finance measures (since at the start of the process it may not be clear which of the organisations is responsible for funding), or to fully finance them, if none of the three institutions is ready to provide funding.

The inter-institutional co-operation in the context of MAMAC is organised at different levels: within each of the six economic regions of the canton, there are three staff members, each respectively in charge of unemployment, health problems and social assistance. One of the staff is appointed to be the MAMAC co-ordinator; depending on the region, he/she may come from the PES, the social department or the invalidity-insurance office. There is a steering committee (*Organe de gestion*) at cantonal level. Furthermore, a commission (in which the accident insurance SUVA is also represented) is in charge of legal aspects.

Each team member can introduce a dossier of a client diagnosed as having multiple problems as a MAMAC case. Thereafter, a joint assessment of the case will be made, where the client participates in a face-to-face interview with representatives of the three different institutions and a doctor of the regional medical services (RMS). A decision will be made whether the specific client should be considered a MAMAC case, and if that is not the case, the team member introducing the case needs to look for other solutions.

An assessment team subsequently evaluates the situation of the client, including the existing barriers to labour market integration. The result of this assessment is an agreed document outlining the measures to be taken and the goals to be attained. A case-manager is chosen (normally the person who introduced the specific case). The measures proposed can last between six months and two years. If a client refuses to participate in the proposed measures, the MAMAC co-ordinator will re-examine that case. This concerns mainly socially highly marginalised people.

By mid-2009, about 130 cases had been examined, of which 100 were accepted as MAMAC cases, many of them long-term unemployed. By spring 2010, over 1 300 cases had been submitted in all 16 pilot cantons.

*Source:* Notes from OECD mission, June 2009; and Egger, Dreher & Partner AG, 2010.



## ANNEX 2A

### *Supplementary tables*

Table 2A.1. Public employment service office networks and staffing, selected OECD countries, selected years

	Finland 2007	Germany 2006	Ireland 2007	Japan <sup>a</sup> 2007	Norway 2009	Switzerland 2007
<b>Organisations included in this table</b>						
	Employment offices, T&E, MoL	BA <sup>b</sup>	FÁS-ES and LES	Hello Work Prefectural lab.bureau MHLW	NAV placement functions	Local employment Services (ORP), cantonal and federal labour administration, Unemployment Funds
<b>Functions covered<sup>c</sup></b>						
	Mainly placement	Broad PES (for UI recipients)	Placement only	Broad PES <sup>d</sup>	Placement <sup>e</sup> only	Broad PES <sup>f</sup>
<b>Measurement basis (headcount or FTE)</b>						
Total	FTE 4 206 <i>h</i>	FTE 58 208 <i>b</i>	FTE 822 <i>i</i>	Headcount 23 646	Headcount ..	FTE 3 959
Local offices	3 349	48 946	750	21 207	5 500 <i>j</i>	
Regional (intermediate-level) offices	513 <i>k</i>	2 837	23 <i>i</i>	2 213 <i>l</i>	..	3 814 <i>m</i>
Head and other national offices	344 <i>n</i>	6 425 <i>o</i>	49 <i>i, p</i>	226	..	145
<b>PES office network</b>						
Regional offices	15	10	8	47	19	26
Local offices	100 <i>q</i>	178 <i>r</i>	70 <i>s</i>	461	460	130
<b>External variables</b>						
Total area (km <sup>2</sup> )	338 145	357 022	70 273	377 915	323 802	41 285
Total population (000s)	5 289	82 368	4 339	127 771	4 785	7 551
<b>Derived ratios</b>						
Average area of a local office (km <sup>2</sup> )	3 381.5	2 005.7	1 003.9	819.8	703.9	317.6
Average population in the area of each local office (000s)	52.9 <i>t</i>	462.7 <i>u</i>	62.0 <i>v</i>	277.2	10.4	58.1
Average workforce of a local office	33.5 <i>t</i>	275.0 <i>u</i>	10.7 <i>v</i>	46.0	12.0	20.1 <i>w</i>

Table 2A.1. Public employment service office networks and staffing, selected OECD countries, selected years (cont.)

..	Breakdown not available.
a)	Staff data for Japan include both regular and non-regular workers, with the latter making up about 40% of the total in 2007. Staff data previously published in Duell <i>et al.</i> (2009a), "Activation Policies in Finland", OECD Social, Employment and Migration Working Paper, No. 98, Annex 2A, excluded non-regular workers.
b)	Without staff of the Arbeitsgemeinschaften SGB II for the activation of means-tested unemployment allowance recipients. In 2006, the Arbeitsgemeinschaften SGB II had 51 000 staff (including both staff from the Bundesagentur für Arbeit – PES – and municipalities).
c)	Placement: includes functions such as intensive counselling, job-search monitoring and training courses, aptitude testing, registration and supporting operations such as call centres. Placement and ALMP administration: includes also the administration, procurement or contract management of some of the country's main ALMPs (staff implementing ALMPs should not be included). Broad PES: includes also the administration of UI or other main unemployment benefit (the administration of benefits not conditional on availability for work should not be included).
d)	Includes the administration of hiring and some other subsidy payments. Includes the administration of UI benefit payments but not contribution collection.
e)	This entry covers the placement function within the new NAV organisation (which includes only half the total staff at local level, see footnote <i>m</i> below).
f)	Placement and ALMPs implemented by the local employment services for unemployment insurance, social-assistance and invalidity-benefit recipients, and payment of UI benefits.
g)	MEE (2008) describes the data as "full-time", so part-time staff (about 300) are probably counted on a full-time equivalent (FTE) basis.
h)	Total does not include 495 staff financed by subsidised employment schemes.
i)	Does not include many of the staff in FAS regional and central support (which supports other e.g. training functions). Includes 311 staff in Local Employment Service (LES).
j)	3 000 government staff and 2 000 to 3 000 municipal social workers are expected to be working within NAV local offices on guidance, counselling and placement in direct contact with the unemployed, vocationally disabled and social assistance recipients. Another 5 500 people are expected to be working on other functions in the same offices (including administration of non-employment benefits).
k)	Includes 61 staff in reception centres (for refugees).
l)	Regional staff data relate mainly to Prefectural Labour Bureaus (Japan has 47 Prefectures) but may include other organisations.
m)	Data refer to local and to cantonal employment services and cantonal unemployment funds. The latter employed 1205 staff (FTE).
n)	There is no head office of the Employment Office network: data refer to 9 staff in the Labour Institute (training institute for PES personnel) and 335 staff in the Ministry of Labour who supervise this area of labour market policy.
o)	Including 5 930 employees who work on specific tasks ( <i>besondere Dienststellen</i> ) such as the IT system.
p)	Includes 19 staff in the National Contact Centre.
q)	Not including 113 other locations: 45-50 small branch offices attached to local Employment Offices, 39 LAFOS for those unemployed for more than 2 years, joint-service points and Job-Seeking Centres.
r)	There are 178 local employment "agencies" which manage an additional 660 branch/local offices.
s)	This refers to FAS-ES offices only, implicitly treating the 120 LES offices as branch offices of these.
t)	Average per main local office: main local offices deliver services from 2.1 locations on average (see earlier note).
u)	Average per main local office: main local offices deliver services from 4.7 locations on average (see earlier note).
v)	Average per main local office: main local offices deliver services from 2.7 locations on average (see earlier note).
w)	Data refer to local and to cantonal employment services and cantonal unemployment funds.

Source: For total area (km<sup>2</sup>), [http://en.wikipedia.org/wiki/List\\_of\\_countries\\_and\\_outlying\\_territories\\_by\\_area](http://en.wikipedia.org/wiki/List_of_countries_and_outlying_territories_by_area) (including Aland Islands for Finland; all islands except Southern Kuril for Japan; and mainland Norway). OECD Annual Labour Force Statistics database for total population. **Finland:** Official reply to the OECD questionnaire on activation policies received on 10/5/2007; and MEE (2008), Table 2, pp. 51, 56, and 114. **Germany:** Official Official reply to the OECD questionnaire on activation policies received on 9/5/2007. **Ireland:** Information supplied by FÁS on 20/12/2007; and Grubb *et al.* (2009), "Activation Policies in Ireland", OECD Social, Employment and Migration Working Paper, No. 75. **Japan:** Information from Japanese authorities for the OECD/Eurostat Labour Market Programme database (22/3/2006), and in response to the OECD questionnaire on activation policies received on 26/2/2008; and OECD/European Commission questionnaire on Employment and Social Policy in the economic downturn – 2010 update – Official reply from Japan. **Norway:** Official reply to the OECD questionnaire on activation policies received on 30/4/2007; and Duell *et al.* (2009b), "Activation Policies in Norway"; OECD Social, Employment and Migration Working Paper, No. 78. **Switzerland:** Official reply to the OECD questionnaire on activation policies on 7/9/2007.

Table 2A.2. Total staff of the Public Employment Service,<sup>a</sup> selected OECD countries, selected years

	Finland <sup>b</sup> 2007	Germany 2006	Ireland <sup>c</sup> 2007	Japan <sup>d</sup> 2007	Luxembourg <sup>e</sup> 2006	Norway <sup>f</sup> 2009	Switzerland 2007
<b>Organisations included in this table<sup>g</sup></b>	Employment offices, T&E, MoL, LAFOS, municipal personnel and social service, KELA, Unemployment Funds	BA, Arbeitsgemeinschaften	FÁS, LES, DSFA	Hello Work, Prefectural Labour Bureau, MHLW	ADEM, SNAS, SRAS	NAV	Local employment Services (ORP), cantonal and federal labour administration, Unemployment Funds
<b>Measurement basis (headcount or FTE)</b>	FTE	FTE	FTE	Headcount	FTE	FTE	FTE
<b>Functional coverage<sup>h</sup></b>							
Placement only	4 044	..	967	8 579	120	5 360	..
Placement and LMP administration	4 780	..	1 568	10 858	182	7 001	2 609
Benefit administration	1 926	..	1 120	3 619	43	1 641	1 205
PES including benefit administration	6 406	109 181	2 688	14 477	225	8 642	3 959
<b>External variables</b>							
Employees (wage and salary earners) 000s	2 169	33 259	1 743	55 230	299	<i>i</i> 2 231	<i>j</i> 3 891
LFS unemployed 000s	183	4 272	100	2 570	10	77	<i>k</i> 160
<b>Derived ratios</b>							
<i>Wage and salary earners per FTE staff member in:</i>							
Placement only	536.4		1 802.9	6 437.8	2 494.8	416.2	
Placement and ALMP administration	453.8		1 111.8	5 086.7	1 640.7	318.7	1 491.4
PES including benefit administration	338.6	304.6	648.5	3 815.0	1 329.3	258.1	982.8
<i>LFS unemployed per FTE staff member in:</i>							
PES including benefit administration	28.6	39.1	37.2	177.5	44.4	8.9	<i>l</i> 40.4

FTE: Full-time equivalent.

.. Breakdown not available.

a) Estimates are approximate reflecting data gaps, variations in the responsibilities of the institutions that make up the PES in each country and limited availability of data analysing staff by function. The allocation of the available data to the three functional categories shown, i.e. placement, LMP administration and benefit administration, is estimated by the Secretariat. Figures for total staff working on PES functions in each institution may also be Secretariat estimates. Where the distribution of staff across functional categories is not directly known it has in appropriate cases been estimated by proportional allocation e.g. proportions in earlier year's data are applied to the current year's data or PES head office staff are distributed across functional categories in the same proportions as PES local office staff. Total staff in each functional category in principle include all management and support staff. Where data for part-time staff are available they are counted as a half of a full-time equivalent. Staff hired through a labour market programme which fully subsidises their wage are not included.

Table 2A.2. Total staff of the Public Employment Service,<sup>a</sup> selected OECD countries, selected years (cont)

- b) Total staff in local Employment Offices, T&E Centres, Ministry of Labour supervision, the Labour Institute (PES staff training) and Reception Centres (for immigrants) in 2007, allocated across functional categories in line with 2006 data for Employment Offices and T&E Centres only. An estimated 9% of these staff work on benefit administration and 7% work part-time. Data do not include 495 staff hired through labour market programmes which subsidise their wage. Estimates include 325 municipal staff working within LAPOS and 325 other municipal staff working on the integration of social assistance beneficiaries; 750 KELA staff (1/8 of KELA total staff) working on the administration of Basic Allowance and LMS; and 800 staff in Unemployment Funds.
- c) The total for placement includes FAS Regional Support and Central Support staff allocated across the FAS operational divisions (not included in Table 2A.1), and DSFA Facilitators. The broad PES as defined here includes FAS Employment Services, Community Services and the regional/central staff allocated to Training Services, and excludes 880 staff in Training Services and 221 staff in Services to Business. Estimate includes 311 staff in the Local Employment Service, 140 staff in DSFA Employment Support Services in placement and LMP administration (including administrative and support staff, as well as 40 Facilitators), and 200 Labour Inspectorate and 920 other staff in benefit administration.
- d) Data for local office (Hello Work), regional (Prefectural Labour Bureau) and national (MHLW) staff in 2007, all distributed across functional categories using data for local office staff in 2006.
- e) The staff of ADEM (196 in total, of which 18 are part-timers), with staff in central administration and services for handicapped workers allocated proportionally to the functional distribution of other services; and the staff of the SNAS and SRAS, which administer the *Indemnité d'insertion* (social assistance benefit) with a focus on assisted job-search and work-preparation activities.
- f) Nearly 5 500 staff working on placement, 1 300 on LMP and UI administration, 850 on LMP and rehabilitation benefit administration (estimated from spending on measures active and passive components of this benefit) and 1 000 on LMP and social assistance benefits for those who are employable (50% allocated to LMP administration in each case). Estimates are approximate. A proportion of the staff reported as placement staff may also work on LMP administration. The estimates imply that a significant proportion of NAV staff work on activities (administration of inactive benefits and perhaps social work) outside the OECD definition of the broad PES.
- g) The estimate for total PES staff included only part of the staff of many of these institutions: see the country notes.
- h) Placement includes functions such as jobseeker, vacancy registration and matching, intensive counselling, job-search monitoring and training courses, aptitude testing, and supporting operations such as IT and call centres. LMP administration refers to the administration, procurement or contract management of some of the country's main ALMPs by PES institutions. Benefit administration refers to the administration of UI benefits and other benefits that are conditional on availability for work or participation in work-preparation measures (rehabilitation). LMP administration does not include staff working on implementation (e.g. training instructors, local managers of job-creation projects). Benefit administration does not include the administration of benefits paid without labour market conditionality.
- i) This total includes border workers, and thus exceeds by more than 50% the number of employees who are Luxembourg residents.
- j) Employee data refer to 2007.
- k) 1 December 2008.
- l) Note that most PES clients are not unemployed but vocationally disabled, therefore the figure is *de facto* higher.
- Source: **Finland:** Official reply to the OECD questionnaire on activation policies received on 10/5/2007; and Duell *et al.* (2009a), "Activation Policies in Finland", OECD Social, Employment and Migration Working Paper, No. 98. **Germany:** Bundesagentur für Arbeit, *Geschäftsbericht 2007*, and SGB II *Jahresbericht 2007*, and internal personnel monitoring. **Ireland:** Advice from FAS 20/12/2007; and Grubb *et al.* (2009), "Activation Policies in Ireland", OECD Social, Employment and Migration Working Paper, No. 75. **Japan:** Information from Japanese authorities for the OECD/Eurostat Labour Market Programme database (22/3/2006) and in response to the OECD questionnaire on activation policies received on 26/2/2008. **Luxembourg:** Grubb (2007), and MIFA, *Rapport d'activité 2006*. **Norway:** Duell *et al.* (2009b), "Activation Policies in Norway", OECD Social, Employment and Migration Working Paper, No. 78, and OECD/Eurostat Labour Market Programme database (measures NO-21, NO-22 and NO-27). **Switzerland:** Official reply to the OECD questionnaire on activation policies on 7/9/2007.



### *Chapter 3*

## **JOB-BROKING AND ACTIVATION STRATEGIES BY EMPLOYMENT AND WELFARE SERVICES**

### **3.1. Introduction**

171. This chapter first describes some general features of employment and placement services undertaken by the local employment offices. It then outlines jobseeker and vacancy registration procedures and discusses PES interventions and activation strategies during jobseekers' unemployment spells, as well as evaluation results relating to the efficiency of employment offices. This is followed by a discussion of activation strategies and placement efforts for people with disabilities. The final section of the chapter outlines some quantitative trends in jobseekers, vacancies and placements, and analyses measures of PES market share.

### **3.2. Placement and counselling activities in employment offices**

#### *Overview of employment service operations*

172. The primary responsibility for job matching and placement lies with the over 130 local public employment offices. As in other OECD countries, they have the mandate to provide counselling to jobseekers, process vacancies reported by employers, and match those vacancies to suitable candidates. More specifically, the federal law on *Job Placement and Hiring Out Services* (Job Placement Act) requires PES offices to proceed with placement and counselling under three major parameters: *i)* respect personal desires and vocational abilities of jobseekers; *ii)* respond to employer needs; and *iii)* take into account the overall labour market situation. Registered jobseekers are offered standard self-service facilities, such as bulletin boards and touch-screen kiosks to consult vacancies, promotional literature, access to the Internet and free use of telephone to contact employers. Employers wishing to advertise vacancies receive a free recruitment service, and referrals of pre-selected candidates likely to correspond to their job offers.

173. Swiss employment offices serve, *a priori*, all jobseekers, not only the unemployed (in accordance with ILO Convention 88 which Switzerland ratified in 1952), but their main focus is on the registered unemployed and counsellors are advised to make the intensity of placement efforts dependent on jobseekers' eligibility for benefits. Employed workers who wish to change jobs are mainly invited to use the available self-service facilities; they also have a wide variety of private placement agencies to turn to. Nevertheless, basic services are also available for non-beneficiaries of unemployment benefit, such as workers threatened by unemployment, social-assistance recipients referred from municipalities and those unemployed who have exhausted their benefit.

174. Unemployed jobseekers registered with the employment offices need to be "apt for placement"; undertake pro-active steps to shorten their unemployment spell; be ready and capable to take up suitable work and participate in re-integration measures; and submit to regular control proceedings. People with disabilities who have a work record and are entitled to benefits (except those with a full disability pension) can receive PES placement services, although their job interests are increasingly being served by local disability offices. The Swiss PES has historically been strong on status control and job-search verification, corresponding to a mutual-obligation approach where, in return for benefits, recipients are required to

engage in active job search and, at least since the reforms of the mid-1990s, participate in training and employment programmes. This approach is enforced by the threat, and substantial use, of benefit sanctions. Indeed, as discussed in Chapter 4, the incidence of benefit sanctions in Switzerland is among the highest in the OECD.

175. Employment offices are staffed by professional job counsellors (the category was created when the offices were first established in the mid-1990s), clerical employees and managers/supervisory personnel. Over half of the staff consists of professional counsellors who need to serve both types of client – employers and jobseekers; the way they do, however, may differ among cantons and offices, in line with the decentralised Swiss PES structure (see Box 2.2). Some cantons have decided that local offices should establish separate units with counsellors specialising in employer contact and vacancy acquisition, whereas other units concentrate on personalised services to jobseekers, helping them to reintegrate into the labour market or refer them to active measures. In other cantons, counsellors handle both types of task. Offices may also differ as to what extent the professional staff integrate the placement function with the career counselling function, and whether counsellors decide themselves on benefit sanctions or delegate such matters to specialised staff in or outside the local office.<sup>27</sup>

### ***Registration for placement***

176. Unemployed jobseekers normally register with the municipal offices (in some locations at the local employment office) “as early as possible”, *e.g.* after receipt of notice, but at the latest on their first day of unemployment. Jobseekers need to bring documentation relating to their dismissal or voluntary quit, qualification certificates and performance appraisals of previous employers, if any. At registration, they receive certain documents to fill out and hand in at their local employment office on the occasion of the first intensive interview (normally to occur within a fortnight), and receive information about the availability of benefit payment agencies where they can choose to enrol, and about the five-day delay before benefit can start (depending on salary level).<sup>28</sup> The municipality will then forward this registration to the local PES office within a week.<sup>29</sup>

177. The Swiss registration procedure involving both municipal government and the local employment office is unusual from an international perspective. Indeed, Switzerland is one of those countries where the initial registration of an unemployed person determines the start of benefit entitlement, even though the procedure normally has no or limited placement content. Although there is in most cases a five-day waiting period, this situation does not usually allow the PES – which needs to wait before it can interview the jobseeker – to intervene with offers of placement before benefit starts. As a counterbalance, however, regulations require that already during their notice period, *i.e.* before applying for benefit, the prospective unemployed start searching for work.<sup>30</sup>

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27. In Bern and Lausanne, for example, it was decided to create a special office for decisions on benefit sanctions. This lightens the counsellors’ administrative burden, but also relieves them of the requirement – considered uncomfortable by many – to “wear two hats”, that of counsellor and policeman (Valli *et al.*, 2002).

28. The waiting period was introduced in 1995, for financial reasons. On the basis of a clause in the unemployment-insurance law, persons with monthly incomes below CHF 3 000, and below CHF 4 000 in the case of persons with a dependent child, are exempt from the waiting period. In 2008, CHF 3 000 corresponded to about 45% of average monthly income.

29. The cantonal office in Bern visited by the OECD review team gave as the reason for this type of procedure that municipalities are interested to follow what happens with their citizens as these might later become social-assistance recipients.

30. Germany has carried this rationale – preventing the inflow into benefit – a bit further. Since the Hartz-reforms of the mid-2000s, registration with the PES is required *immediately* after dismissal is



178. After initial registration, the jobseeker is invited to come to a first in-depth interview to the local employment office – by law this needs to occur within 15 days. Even before this date, many jobseekers are invited to collective information sessions on PES premises. The 15-day objective is normally reached by the majority of cantons – in 2008, the national average was 11 days (14 days in 2007), while four cantons still registered delays of over 20 days and the cantons of *Zurich* and *Geneva* had reduced their delays to less than 5 days (SECO, 2009e).<sup>31</sup>

179. There are no nationally-set requirements for the content of this interview, but normally the interview is used to verify whether jobseekers are immediately available on the labour market, and may include initial suggestions of vacancies. Key personal details, such as work history and type of employment sought, are entered into the electronic system (called AVAM). Jobseekers need to submit written proof of the vacancies they have already applied to before registering; benefit can be suspended if the number of applications is judged to be insufficient.

180. The interview includes, if necessary, information about job-search channels, about the use of the PES' own vacancy database and the availability of self-service terminals in the office (although in many cases the collective information session will have already taken care of this). Depending on cantonal policy, it may also include the establishment of an individual action plan as well as a vocational assessment summarising the individual's aptitudes and professional attainments. There is, however, no national "profiling" system in place at the initial interview (or at a later stage), where jobseeker characteristics and interviewer assessment are used for estimating their chances of finding work quickly or becoming long-term unemployed, so as to filter out the harder-to-place categories which can be offered services of greater intensity. Cantons are free to set up such systems, but it does not seem that they have moved much in this direction.<sup>32</sup> For example, there is no information available as to the set-up of more intensive case-management for those profiled to be at a larger distance from the labour market.<sup>33</sup> Based on international experience with profiling systems, it would be useful if SECO could come forward with corresponding proposals for the Swiss PES.

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notified. This registration obligation allows the PES to make referrals to vacancies before the first benefit payment.

31. SECO (2009e) notes that almost one out of five counselling interviews held by employment offices in 2008 occurred before the first benefit payment. These are interviews held within the five-day waiting period and interviews of persons during their notice period, in particular of those threatened by collective dismissals, where the PES tends to intervene immediately. Thus, the "preventive approach to counselling" noted above for Germany, is also observed to some extent by the Swiss PES. It seems that a preventive approach is best realised when initial registration is not at a municipal office, but at the local employment service. Those cantons that now require initial registration in the employment office have achieved substantial reductions of the delays before the first intensive counselling interview.
32. One exception is the canton of *Geneva* which has a classification system in place which can filter out the hard-to-place, most of whom are outsourced for placement to private providers.
33. As one of the national steering indicators, SECO calculates annually the number and share of jobseekers with three or more risk factors. Further, in the mid-2000s there was a profiling-related, Swiss-wide, pilot project trying to identify the right type of active labour market measure for specific combinations of jobseeker characteristics. See Box 3.1 below on the SAPS.

**Box 3.1. SAPS: a Swiss pilot project for Statistically Assisted Programme Selection**

In the mid-2000s, SECO tried to facilitate and harmonise re-integration measures undertaken by PES offices by setting up SAPS, a system for “Statistically Assisted Programme Selection”, in 21 pilot offices. SAPS was conceived as a system which estimated employment chances resulting from the referral of specific jobseekers to selected active labour market programmes. These employment projections were continuously revised during a person’s unemployment spell. Employment counsellors were regularly updated on the projected employment chances of each of their clients when referred to any of the available employment and training measures, *i.e.* every counsellor received on their screen a ranking of available measures in terms of employment probabilities.

To carry out the pilot, half of the employment counsellors in participating offices were randomly chosen to receive the employment projections, while the other half did not receive any such information. The counsellors were not obliged to act on the basis of the projections. At the end of the pilot, clients of participating counsellors, with employment histories over 12 months after termination of a measure, were compared with clients of non-participating staff. The outcome variable for the evaluation of the programme was the number of months in stable employment during that period.

The evaluation revealed no statistically significant differences between the participating group and the control group. Even though participating counsellors regularly checked the SAPS projections, they only rarely chose their referrals to active measures on that basis. Because of the low level of implementation of the projections (in fact, referral recommendations) of SAPS, no significant results could be determined, either on clients’ participation in measures or on their employment probabilities. The only certain result was the scepticism of PES counsellors *vis-à-vis* this statistical support device.

Source: Behncke *et al.* (2007a and 2008a).

### **Registration of job vacancies**

181. There is no obligation for Swiss employers to register vacancies with the PES. Cantons are allowed by law to introduce such an obligation, but have never used this possibility.<sup>34</sup> Employers often rely on other recruitment channels, such as private placement agencies; nevertheless, the PES’ *espace emploi* or *treffpunkt arbeit* website is now the largest vacancy repository in Switzerland. Employers can register vacancies directly online, by letter or telephone (the majority now is registered online). They have the choice between advertising on the PES website, on self-service terminals in local offices or *via* teletext. Vacancies cannot be accepted if they undercut wages and working conditions prevailing in the local economy, or in cases where the respective employer has a history of violating health and safety rules. A clause in the ordinance governing public job-placement activities requires gender-neutral and age-neutral advertising of vacancies, although this requirement seems not to be always fully observed by local offices.<sup>35</sup>

182. OECD (2007c) has shown the available evidence from a range of OECD countries on the distribution of vacancies by vacancy type, *i.e.* either *open*, *semi-open* or *closed*. Switzerland at the time was listed among the group of OECD countries making extensive use of semi-open advertising (although no exact proportions could be reported), which implies that interested applicants need to request employer contact details from the PES counsellor.

34. Since the PES does not keep account of vacancies published in newspapers or electronic media (as it does for example in Norway), it is therefore not straightforward to determine the market share of vacancies handled by the PES among total vacancies in the economy. See Section 3.5 for a discussion of PES market share.

35. During office visits in spring 2009, the OECD review team saw several examples of vacancies displayed in local offices and addressed to either women or men.

183. Growing numbers of employers today opt for open advertising *via* Internet. However, some Swiss employers prefer to ask the local PES to make a pre-selection of candidates. The information about these vacancies can then be anonymised for the electronic database (without stating the full name and address of the employer). The advantages of this approach are that counsellors can decide to refer only candidates determined as suitable *via* the matching process,<sup>36</sup> can dissuade clearly unsuitable candidates and limit their number in accordance with the employer's instructions, thus potentially improving the PES reputation; also, office performance and PES market share can be better monitored than in the case of completely open vacancies.<sup>37</sup> However, the method clearly limits transparency and self-service, notably by those who are job-ready. Even in case of open advertising *via* the PES Internet site, PES staff tend to call the respective employer to clarify certain job details; the additional information is then published in the AVAM Intranet, facilitating matching and pre-selection procedures.

184. Counsellors handling vacancy intake are supposed to input all vacancies into the national database, but in practice they often wait several days before making the slots available to their colleagues from other agencies, in order to give priority to local jobseekers (Bonvin and Moachon, 2007). While one can understand this type of approach, it risks undermining the principle of transparency and makes it more difficult to establish the PES market share among placements.

185. The Swiss Employers Federation gave quite a positive view of PES operations to the OECD review team, making reference, in particular, to the practice of pre-selection; however, representative employer surveys enquiring about PES vacancy handling and referral of candidates gave a more critical picture. In 2009, surveyed employer representatives who had submitted vacancies to employment offices, said that in almost one out of ten cases, the confirmation of a vacancy took over a week; and in 4% of cases there was never a response. One-third of employers who received PES candidates did not get the impression that there had been any pre-selection, and about half of the candidates sent over did not fulfil employers' expectations, with lack of required skills, and lack of motivation ("does not really want the job") cited as major causes. Nevertheless, when asked about their overall assessment of their satisfaction with the PES, about 70% of employer respondents were "very" or "quite" satisfied (LINK Institut, 2009).

### ***Interventions in the unemployment spell***

186. PES activation strategies encourage jobseekers to become more active in their efforts to find work and/or improve their employability. The nature and frequency of PES interventions during a benefit recipient's unemployment spell – whether they are left alone, assisted, encouraged or challenged – reflects the activation strategies chosen. Switzerland has since the PES reform of the mid-1990s, but to some extent even earlier, placed much emphasis on mutual-obligation principles and on benefit recipients' compliance with requirements for status verification, interview scheduling and pro-active job search.

187. Chapter 2 referred to the performance and outcome indicators governing the employment offices' placement and referral strategies. The indicators "rapid re-integration" (with a 0.5 weight) and "preventing repeat registration" (with a weight of 0.1) show that counsellors need to navigate between the goals of *rapid placement* into any type of job, on the one hand, and placement into a *durable job*, on the other. While the weighting of the indicators has not changed since it was first devised almost a decade ago, the

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36. Matching occurs in the AVAM database upon the counsellor's initiative, using the jobseeker characteristics registered during the initial interview and SECO's occupational codes.

37. Vacancies on completely open display are often filled without any intervention or even knowledge of the local employment office and do not allow accurate measurement of the indicator of "vacancies filled by means of the employment office".

obvious focus on rapid placement does not necessarily maximise the economic efficiency of labour market policies, and SECO should reflect on strengthening the durability indicator.<sup>38</sup>

188. Apart from the national performance management through efficiency indicators and a certain number of operational guidelines laid down in the laws and ordinances on unemployment insurance and job placement, counselling and placement strategies to achieve better performance are mainly determined on the level of the cantons. Within the framework of the law, cantons can, for example, determine the frequency and duration of client interviews, the intensity of job-search verification or the focus of referrals to active measures.

189. To a certain extent, the intensity of interventions depends of course on the ratio of counsellors to jobseeker clients. It seems that, as general rule, employment offices aim for a ratio of about 100 jobseekers per counsellor (see Table 2.1), a ratio suggested by the Arthur Andersen Consulting report, which influenced the set-up of the new PES offices in the 1990s (in 2008, the ratio varied from 82 to 125 per canton). However, this ratio can deteriorate in a cyclical downturn such as the one that started in Switzerland in autumn 2008. Although there is a federal guarantee to increase funding for PES operations following a rise in the unemployment rate, it is not always possible to hire and train additional counsellors at the required speed, as a result of which most cantonal ratios have deteriorated over 2009.

#### *Employment status verification*

190. During the 1980s and early 1990s, unemployed persons had to report their unemployed status to the municipal employment office at their place of residence. These offices had little ability to counsel the unemployed or place them into jobs; they rather concentrated their work on administrative tasks, verification of employment status and job-search control. The so-called “stamp controls” were initially required twice a week (with some exceptions), and later (in the early 1990s) reduced to once a week.

191. The 1995 revision of the Unemployment Insurance Act terminated the separate stamp controls and introduced joint “interviews for counselling and control” instead. Jobseekers need to bring a status sheet where they list the days unemployed and possible days worked. These data are entered into a “control file”, and the jobseeker needs to submit extracts of this file to the benefit payment agency which uses the data for continuous verification of whether he is “apt for placement”. Interviews were initially set at twice a month with not more than 18 calendar days allowed to lapse between them. In 2000, the number of counselling interviews was reduced to once a month, with the condition that the first interview needs to take place within 15 days following registration.

#### *Counselling interviews*

192. Normally, the first interview at the PES office is an in-depth interview, lasting about 90 minutes. Regular intensive interviews during the unemployment spell are another important counselling tool for maintaining the client’s work focus. Based on *Art. 22* of the unemployment-insurance law, a counsellor subsequently needs to hold at least one monthly interview with an unemployed client.<sup>39</sup> In recent years, this requirement seems to have been fully met on average by PES offices, since clients received in 2007 and 2008 an aggregate of 1.1 interviews per month.<sup>40</sup> This figure varies widely among cantons, however,

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38. In addition, periodic variations in the targets or their weights might be called for, in order to prevent “gaming” of PES counsellors with the performance-management system.

39. The intervals are set at once every two months for clients earning a “*gain intermédiaire*” (intermittent income). See Chapter 5 for details.

40. According to internal PES surveys, the average length of subsequent interviews is between 30 and 60 minutes.

ranging from 0.8 to 1.6, and has worsened with rising unemployment during the current economic slowdown, as it has not been possible to hire additional counsellors at the same speed that unemployment has grown. There is little evidence, however, that intervals vary by jobseeker category, for example that those assessed at the initial interview as hard-to-place or having multiple-risk factors are interviewed at shorter intervals.<sup>41</sup>

### *Job-search verification*

193. A clear majority of OECD countries now has explicit requirements for individual job-search efforts. Switzerland is among the countries with the strongest job-search requirements in the OECD, which have been in effect for a considerable time. This is not surprising as studies from several countries have shown that strong job-search controls can have a considerable impact on re-employment rates (Benus and Johnson, 1997; and Borland and Tseng, 2007). It should be noted, however, that too-rigid requirements, such as high minimum frequencies of employer contacts to be reported, may risk generating perverse effects, such as employer complaints about too many solicitations, or pressure on jobseekers to accept job matches quickly that do not maximise their skills and productivity potential.

194. It was already shown that, even at initial registration for placement, Swiss jobseekers are liable to be sanctioned if they cannot present evidence of recent job-search actions. During the subsequent monthly face-to-face meeting with their counsellors, jobseekers need to present proof of their job applications during the past period (listed on a special sheet, with attached documentation if requested). The approximate number of job-search actions they need to report is previously fixed with the counsellor. They can go as high as ten per month; jurisprudence has considered that three actions per month are normally insufficient. In case the monthly interview is delayed, jobseekers need to hand in or send by mail the respective documentation, at the least on the 5<sup>th</sup> of the month. If they don't, they receive a warning that a sanction will be imminent.<sup>42</sup>

195. In job-search verification, the PES counsellor evaluates both quality and quantity. Documents may be scrutinised and superficial efforts will not be accepted. So-called "blind applications" (without evidence of a published vacancy) are usually not recognised (if at all, only as a supplement). Even during participation in an ALMP, job-search efforts (as well as placement efforts by counsellors) need to be continued, albeit to a more limited extent, in particular since most measures are not full-time. Finally, even if arrangements have already been made for employment start-up at a certain date, the jobseeker is *a priori* required to continue job search and accept PES referrals (apart from cases where job start is on the 1<sup>st</sup> of the following month). All these requirements confirm the extraordinary Swiss focus on active job search.<sup>43</sup>

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41. OECD (2007c) showed that in a number of OECD countries the interview frequency is not identical for all types of jobseekers, in particular where profiling can differentiate between those with a large distance from the labour market and others that are likely to engage in successful job search on their own. The United Kingdom and Czech Republic were identified as the countries with the most rigid schedule of fixed interviews.

42. The number of "ten job-search actions per month" remains an often-quoted target in PES offices, although office visits by the OECD review team, as well as observations by other researchers, have shown that counsellors have substantial leeway to reduce this number, which ultimately depends on an employment office's "counselling style", the counsellor's appreciation of a jobseeker's co-operative behaviour, and external labour market conditions (availability of vacancies) (see Behncke *et al.*, 2007b; and Valli *et al.*, 2002).

43. For details, see <http://www.guidechomage.ch/guide.asp?annexe=1>; [www.guidesocial.ch/fr/fiche/53/1](http://www.guidesocial.ch/fr/fiche/53/1); and [http://www.espace-emploi.ch/dateien/Formulare/PDF/F/716-007\\_f-ausfuellbar.pdf](http://www.espace-emploi.ch/dateien/Formulare/PDF/F/716-007_f-ausfuellbar.pdf). Active job search becomes more difficult in an economic downturn, since many employers become reluctant to receive candidates or to confirm applications, in particular if they have the feeling that the unemployed comply with the rules to obtain benefit, but are really not interested in the job.

*Individual action plans*

196. Setting up individual action plans with registered jobseekers has become a common feature of PES activation strategies. In many countries, an action plan is a written document to be signed by the counsellor and jobseeker laying out certain actions to be taken by the client and listing commitments by the employment service to the jobseeker. PES offices in Switzerland do not seem to stress individual action plans to the same extent. Normally, re-integration goals and strategies are discussed during the intake interview and results entered into the data file by the case-manager; however, no written document is produced for signature. The PES focuses rather on the “personal job-search agreement”, which is indeed to be signed by the client.

*Direct referrals to vacancies*

197. As noted above, many Swiss employers tend to prefer that vacancy details are handled under the control of the counsellor, so as to avoid large quantities of unscreened applications. They also view negatively any superficial applications made by jobseekers to avoid being sanctioned for insufficient job search.

198. Direct referrals can serve as a work-test and remind jobseekers of the mutual-obligations requirement; they also bring jobseekers who use inefficient search strategies in contact with vacancies. Job counsellors in Switzerland therefore practice to a large extent the instrument of direct referral to vacancies; in the past few years, there were between 200 and 300 thousand job referrals per annum (for a stock of 100 to 150 thousand unemployed). The employer receives a response form which he is asked to send back after interviewing; he may also get a phone call from the employment office asking about any results of the referrals. If the employer hires someone on a PES-registered vacancy, he needs to send in the cancellation form provided at time of notification, listing the reason for the cancellation (vacancy filled through the employment office; through a private agency; newspaper ads; or filled directly by employer). However, it is difficult to enforce these requirements, and in fact employer feedback after referrals tends to be limited – a problem encountered also in other OECD countries.

*Referrals to active labour market programmes*

199. In situations of longer unemployment spells, referrals to active programmes can help improve employment prospects by keeping up work habits; they can also serve as a quasi-works test. According to the Swiss law on unemployment insurance, they aim to: *i*) improve re-integration chances; *ii*) promote the client’s vocational qualifications; *iii*) avoid long-term joblessness; and *iv*) provide opportunities for work experience. As a rule of thumb, *Job-search training courses* and *Competency Workshops (Bilans de compétences)* are referred to rapidly,<sup>44</sup> but training and employment measures only at a later stage, for example after six months. According to OECD (1996), there used to be in the 1990s a quasi-obligation to participate in a measure after an unemployment spell of seven months. This is no longer the case. However, when proposed by the local employment office, participation in ALMPs becomes compulsory, otherwise benefit cuts can be imposed.<sup>45</sup>

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44. According to PES statistics, 62% of participants in basic courses (*Bilan de compétences*, and job clubs) have participated in the first three months of unemployment; however, no statistics are available on what share of total jobseekers enrolls in such courses (SECO, 2009e).

45. This principle also holds for invalidity-insurance recipients as long as there remains a certain capacity to work, and in most municipalities also for social-assistance recipients, although sanctions are less strict in both cases.

200. The distribution of active measures to which employment offices refer their clients are an example of cantonal prerogatives in deciding activation strategies. Thus, in 2008 the share of employment measures among total referrals varied by canton from 19 to 74% (national average 39%). In comparison, the share of training measures varied from 13 to 59% (national average 46%). In all of Switzerland, 27% of all jobseekers registered in 2008 participated in at least one active measure; this proportion varied by canton from 18% to over 39% (SECO, 2009e; see further evidence on incidence and duration of ALMPs in Chapter 5).<sup>46</sup>

#### *PES role in collective dismissals*

201. Employers need to report mass layoffs and company closures to the local employment office, at the latest at the time that dismissal notices are handed out, in order to provide opportunities to the placement service to intervene early with countermeasures, such as career guidance and referral to vacancies or training courses. Mass layoffs are defined as dismissals above a certain size threshold, in particular:

- 10 persons or more in establishments with over 20 and below 100 employees (the cantons can reduce the minimum number to 6);
- 10% of staff or more in establishments with between 100 and 300 employees; and
- 30 persons and more in establishments with 300 and more employees.

202. PES offices react to mass layoffs by establishing mobile units to visit companies planning restructuring. The employment office in the City of Baden, for example, has delegated three counsellors to the mobile unit. They are supposed to be “polyvalent” in the sense that they can fulfil a variety of tasks, such as placement, counselling, keeping contact to other employers, and teaching job-search training courses.

203. Large companies undergoing restructuring tend to open a special outplacement centre (*BAZ* in German) run by their Human Resource Divisions in co-operation with such mobile PES units, and partially financed by the unemployment-insurance fund (a kind of enterprise-based small PES office). Local offices report substantial success (in terms of placement results) of the activities of their mobile units and outplacement centres.

204. A unique feature of the ranking of PES offices *via* the four efficiency indicators noted above is that placements by these PES units do not enter into the calculation of the overall indicator since the people involved are jobseekers, but not unemployment-benefit recipients. This seems to generate some frustration among employment office management, in particular since the number of placements by mobile units or outplacement centres is reported to be substantial. SECO might be well advised to further reflect on the inclusion of a corresponding “prevention indicator” into its efficiency ranking model.

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46. While the variation in terms of content of the measures chosen seems surprisingly high, reflecting the absence of strong guidance from the federal level, the variation among cantons in the number of participants is roughly comparable to the variation among federal states (*Länder*) in Germany, although the German labour administration is much more centralised than the one in Switzerland. In 2005, the share of ALMP participants among all unemployed (on a stock basis) in the *Länder* went from 13 to 26%, with a national average of 20% (data from Bundesagentur für Arbeit).

*Job-search aids and career guidance*

205. As in other OECD countries, many jobseekers attend short job-search training courses (“job clubs”) supposed to equip them with sufficient knowledge (interview techniques, drafting of CVs and applications) and self-confidence in independent job search. Improved self-confidence and knowledge about personal strengths are also the aim of Competency Workshops (*Bilans de compétences*). Most Job Clubs and Competency Workshops in Switzerland are run by external providers.

206. The 1991 Job Placement Act charges employment offices with providing vocational guidance to unemployed individuals to influence their educational, training and career choices. More general types of guidance can be contained in the regular interviews, but clients can also be referred to more intensive career guidance services. These can be located within the employment office, depending on cantonal policy, but are mostly situated in special vocational and career-counselling offices managed by the cantons. Thus, when necessary, unemployed jobseekers are referred to these cantonal offices for more intensive career counselling, where they are one of several client groups (youth, job changers, etc.), although most offices have some staff specialising in unemployed clients.

207. The PES website provides links to an inter-cantonal web portal with comprehensive information on career-counselling and vocational-training offers ([www.berufsberatung.ch](http://www.berufsberatung.ch)). Continued and intensive co-operation between PES offices and cantonal guidance offices is important for activation policies centred around employability and referrals to training measures. However, the Swiss PES focus on rapid placement can also lead to role conflict between these two separate actors, for example when the longer-term interests of the individual may require a higher investment in training than is necessary for short-term job entry (see OECD, 2004b).

### 3.3. Evaluation results of Employment Office efficiency

208. The Unemployment Insurance Act requires to accompany regulations and measures addressing the insured unemployed by evaluation studies and allows for pilot projects deviating from certain legislative provisions in order to gather experience with innovative labour market measures aiming at the preservation of existing jobs and the re-integration of the unemployed. Two waves of evaluation studies commissioned by SECO since the late 1990s have analysed the efficiency of public employment offices as well as specific active labour market programmes – a third wave is currently under preparation. The text below reviews some process evaluations of PES offices that have tried to determine office processes and placement strategies resulting in superior outcomes, rather than impact evaluations of the use of active labour market measures (which will be reviewed in Chapter 5).<sup>47</sup>

- One approach is that of Sheldon (2008a and 2008b) who measures employment office efficiency using an input/output ratio. The two output indicators used refer to the objectives of rapid and sustainable integration in the labour market. The former is defined as the number of persons who were unemployed at the beginning of the year and found a job in the course of the year. The latter is measured by the number of unemployed who found a job and still were in the same job after three months. The input indicator measures the local labour market situation, as well as the characteristics of jobseekers at the beginning of the year. The efficiency of an employment service is then calculated as the ratio of output/input. A key finding is that between 1998 and 2007, the overall efficiency of local employment services had increased by 20%. Furthermore, the disparities in the efficiency of local employment services decreased. However, the author admits that his model cannot explain why one local employment service is more or less efficient than others.

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47. Some of the evaluation studies look at both these aspects simultaneously.



- Frölich *et al.* (2007) and Behncke *et al.* (2007c) carried out a micro-economic analysis of the influences of employment office characteristics and counsellor strategies on the re-integration probabilities of jobseekers within 24 to 36 months after the beginning of job search. The study was based on following the careers of all new jobseekers registering in 2003, and included a standardised survey of all job counsellors and office managers. The authors tried to establish whether the unemployed registered with a specific type of employment office and advised by case-managers with specific attributes had higher or lower chances of job-finding than those registered with other office types and followed by other types of case-manager. They found correlations of job-finding probabilities with *i*) good staff relations to employers, in particular knowledge of employer needs and careful use of direct referrals; rapid reaction to vacancies, careful pre-selection; *ii*) extent of co-operation with private placement agencies; *iii*) “tough” rather than more co-operative attitudes of case workers to their clients; *iv*) the use of “work-first” strategies, *i.e.* priority of placement over training measures; and *v*) the organisational separation of counselling and sanctions.
- Egger and Lenz (2006a and 2006b) analysed the relationship between organisational and incentive structures and office leadership types on the one hand, and performance results on the other, searching for success factors responsible for rapid and durable jobseeker integration. The study identified four “dominating success factors”: *i*) the early activation of registering jobseekers, with a rapid start of the re-integration process and strong (“consequential”) guidance by competent case workers; *ii*) personal contacts to employers by all job counsellors; *iii*) recruitment of motivated and highly trained personnel; and *iv*) good staff/client ratios. The study also recommended improvements in inter-institutional co-operation between employment, invalidity and social assistance offices.

209. A number of other studies not officially commissioned by the government have followed suit in studying the efficiency of office characteristics and processes. For example, Behncke *et al.* (2007b) undertook a survey of job-counsellor attitudes, classifying them (based on self-assessment) along three dimensions of co-operativeness with their unemployed clients. The authors found that jobseekers who were counselled by the “least co-operative” of the three counsellor groups<sup>48</sup> had about 2 percentage points higher probabilities to find a job during the first three years after registration. Similarly, Behncke *et al.* (2008b) found a positive employment effect of about 4 percentage points when counsellors and jobseekers are identical in several (more than two) dimensions, including age, gender, education and mother tongue. Thus, it seems that the more similar jobseekers are to their counsellor, the easier it is to agree on common goals, and the more motivated the jobseeker is to engage in effective job search.

210. How does SECO proceed with the results of the studies it commissioned? In view of cantonal autonomy, the federal government cannot use evaluation results to implement certain strategies throughout employment offices. However, a working party was established by SECO in order to distil lessons from the reports that could contribute to optimising office organisation and processes. In fact, the annual benchmarking of offices, *via* the implicit “name and shame” factor, gives incentives to offices to work on continuous improvement. Against this background, SECO sent the conclusions of its working party to the cantons, with the request to react to the conclusions and report relevant measures for improvement. The cantons subsequently reported several hundred changes in office organisation and in counselling and placement processes (Peter, 2009).

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48. This group defined their attitude in the questionnaire on co-operativeness as follows: “Cooperation is less important; I should assign placements in jobs and ALMPs independent of the wishes of the unemployed person”.

### 3.4. Placement and counselling activities for people with disabilities

211. Since the mid-1990s, the number of invalidity pensioners and expenditure on invalidity benefits and programmes as a share of GDP have approximately doubled in Switzerland. This trend has been fairly common in OECD countries (even though the rise was steeper in Switzerland); in many of them, the shares of the working-age population with disabilities have also risen, while their employment situation has not improved (OECD, 2009b, Figure A2.2).

212. To cope with this trend, increased attention has been paid during the past decade to applying activation or re-integration principles also to working-age recipients of disability benefit (as well as recipients of other, non-employment benefits such as social assistance and lone-parent benefits). Many people declaring disabilities can work, and wish to work at least on a part-time basis; for example, in 2006 30% of all invalidity pension recipients in Switzerland earned some income from employment.<sup>49</sup> Focusing on what partially-disabled people can do and seeing them as having a meaningful labour market contribution to make – and therefore applying activation principles to them – can have very positive re-integration results. Also, poorly-controlled access to full-disability benefits can undermine the impact of activation measures in the area of unemployment insurance, as some of the long-term unemployed will seek to enter disability schemes.<sup>50</sup>

213. Swiss invalidity offices were always tasked with the organisation of rehabilitation measures destined for (partial) re-integration into the labour market; in addition, the fourth and fifth revision of the Invalidity Insurance Act, which emphasised the early recognition of persons under threat of long-term illness and/or disability, charged them with active placement measures, reflecting what many have called a paradigm change from pension insurance towards integration insurance. Long-term ill or disabled persons capable of being reintegrated into the labour market are entitled to receive the active support of invalidity offices in job-search and occupational counselling. A minimum degree of invalidity is not required. As in PES offices, there is support, *inter alia*, through job-search training, in filing applications, preparing for interviews and through referrals to vacancies. Placement and re-integration can also be attempted through job-insertion allowances as well as start-up grants. Different from the employment service, invalidity offices, as a rule, also accompany their clients after placement into jobs.

214. Clients reported to be under threat of long-term illness or disability are also entitled to receive support in order to maintain their existing jobs, for example through the analysis of workload, and through proposals for work re-organisation or physical workplace adaptation. Employers who are interested in keeping the person employed, should be ready to co-operate with the invalidity office in efforts to secure workplace adaptation.

215. Further, sick and disabled clients can engage in a wide range of training and rehabilitation measures that serve the ultimate purpose of re-integration into the labour market (see Chapter 5 for details). In exchange for these re-integration efforts, the Act requires invalidity beneficiaries to undertake all suitable measures to reduce the duration and extent of work incapacity. In particular, after having been reported as a case of potential disability, they are asked to participate in an intake interview, allow the use of all available medical information to enable an assessment of their case, and participate in an integration plan in case they are assessed as having work capacity.

216. That the law authorises invalidity offices to invite both the person threatened by disability and his/her employer to a counselling interview (Invalidity Insurance Act, Art. 3c), is a welcome step towards sickness management involving employers. However, it could be given a more stringent character following

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49. In surveys from the late 1990s, two-thirds of disability-benefits recipients in Sweden, and almost half in the United Kingdom declared that they were employed (OECD, 2003b, Chart 3.7).

50. For Switzerland, see the attempt to quantify transitions among social security systems (Fluder *et al.*, 2009). Transition from unemployment to disability may be tempting, *inter alia*, when benefit levels are more favourable, and sanction regimes more lenient.

the example of Norway, where employer and employee are required to set up a follow-up plan at the latest after six weeks of sickness absence; and where subsequently a sequence of meetings between them and the welfare office is laid down in the corresponding Act with a view to re-establishing work capacity.

217. New placement structures have thus been set up in cantonal invalidity offices as part of the early recognition and early intervention process. It is probably correct to assess past placement efforts of PES offices as inadequate when it comes to people with disabilities, not the least since the PES favours rapid over sustainable integration. On the other hand, there is now a certain degree of competition between the invalidity insurance and local employment offices (as well as the cantonal or municipal social-assistance departments) concerning contacts to companies in order to place their clients. Under the present structure, such competition cannot be avoided, even though invalidity offices may favour to a certain extent contacts with companies with stronger “social responsibility”. This is why invalidity offices should seek co-operation with cantonal and local PES offices so as to combine efficiently their own knowledge of the particular needs of the disabled with the accumulated PES expertise of employer needs.

218. Training and rehabilitation measures, which now occur at earlier stages of intervention than previously, apply mainly before attribution of an invalidity pension. Importantly, another new focus of invalidity offices is on re-integration of existing invalidity pensioners into the labour market. More stringent reassessment of pensioners’ health status is being undertaken, with the ambitious aim of placing over 2 000 invalidity pensioners into a job annually over the next six years.

### *Statistics on placement efforts*

219. It is difficult to distil from available statistics any precise data on placements achieved by invalidity offices. However, some statistics on placement efforts and measures (albeit without clear indication of placement success) have recently become available. This is, in particular, due to improved stocktaking under the recent focus on early recognition and intervention, and to the introduction and centralised gathering of (as yet unpublished) performance indicators for invalidity offices, with a view to measuring the success of re-integration within one or two years after a measure (OFAS, 2009b).

220. Chapter 5 outlines the range of early intervention measures (data available since 2008) and more traditional rehabilitation measures. For example, among 8 000 cases of long-term ill reported to the invalidity insurance during 2008, placement efforts into a new job were undertaken during the first six months for 1 300 persons, corresponding to 17% of the inflow (Buri and Schmid, 2009). In a further 3% of cases, efforts were undertaken to adapt the existing workplace to deteriorating health conditions or after accidents. Further, in 2007 over 15 000 persons enrolled in an occupational rehabilitation measure, and it seems that in more than half of these cases either reciprocity of invalidity pensions could be fully avoided, or the degree of invalidity could be reduced by these measures, presumably by the take-up of employment (OFAS, 2009b).

221. Guggisberg *et al.* (2008) undertook an evaluation study of job-placement activities in cantonal invalidity offices. The authors’ definition of occupational integration refers to persons who underwent an occupational measure and where full- or partial-pension receipt could be avoided (again, presumably through employment take-up). The success rate is measured in percentage of the insured population, an indicator that shows large differences by canton. Thus, this indicator does not measure the efficiency of placement efforts alone, but of occupational measures in total. The authors admit (p. 10) that “... statistically speaking, no conclusions can be made which would refer exclusively to the effectiveness of placement activities ... At this moment, there are no reliable data from invalidity offices which could be used to measure the effectiveness of job placement separately”. The Swiss government should make efforts to collect such data and commission further studies on the placement service on that basis within its new research programme on invalidity.<sup>51</sup>

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51. A new research programme started in 2010. See OFAS (2006) and Wicki (2006), for details on the research programme 2006–2009.

222. The authors found that the success of occupational-integration measures depends to a large extent on operational and organisational factors relating to disability offices. Positive effects are related to the amount of personnel resources in offices, interdisciplinary team work with flat hierarchical structures, modern management by objectives, a high share of occupational measures attributed to newly-registered clients, and the establishment of an efficient employer network.<sup>52</sup>

### 3.5. Quantitative analysis of PES job-broking activities

223. Counselling and control activities of local employment offices have the ultimate aim of helping jobseekers to obtain jobs and employers to fill their vacancies. To measure PES performance in these respects, obvious indicators are the number of jobseekers registered for placement; PES-registered vacancies relative to all job openings; the number and share of vacancies filled with PES referrals; and the share of total new hires in the economy mediated by the service. On the latter two indicators, the PES needs to compete with the activities of private placement agencies (see Box 3.2).

#### Box 3.2. Private placement agencies

Job-broking activities of private actors play an important role in Switzerland, where private placement agencies and temporary-work agencies have long had substantial freedom to operate matching services. This has not changed fundamentally after the set-up of a national PES system in the 1990s, and according to the detailed accounts that private agencies need to submit annually to the PES, they still today place many more applicants than the PES. Based on regulations in the Job Placement Act, private placement agencies and temporary work agencies are licensed by the cantons (since 1989 for an unlimited period), and they report every year the number of their placements, disaggregated by gender, nationality and citizenship (Swiss or foreign). Agencies can charge both sides, employers as well as jobseekers, although in the latter case fees are limited to 5% of annual salary.

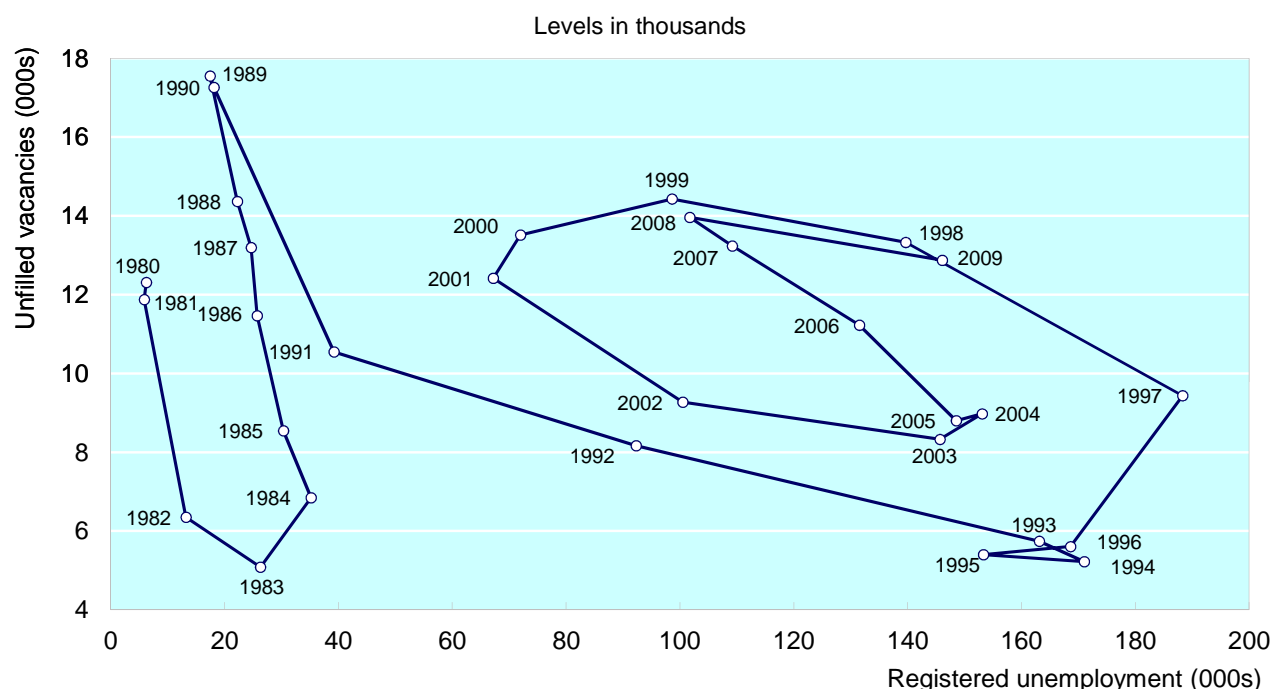
Private placement agencies, in contrast to some other countries, operate not only at the upper end of the market. However, the main difference between them and the PES is that they concentrate on those jobseekers that can be placed rapidly and without too much effort, and most of their clients are normally employed and looking for a better or different job than the one they currently have. The market segments of public and private offices therefore overlap only partly, and the PES is seeking co-operation with private agencies. For example, they have given private agencies access to the personal data of publicly registered jobseekers, if these give their agreement.

The PES can also ask private agencies for their assistance in placing PES-registered jobseekers. However, although the law (both the unemployment-insurance act and the job-placement act) allows and encourages them to do so, PES offices could be much more active in outsourcing clients. In 2008, 1 out of 260 clients was commissioned for placement to private agencies (in the canton of Geneva, however, the ratio was closer to 1 out of 30).

In most recent years, about 4 000 private for-profit placement agencies have been responsible for between 70% and 80% of total registered placements (the sum of those registered with the PES and with private agencies). Even excluding placements in the artistic field and multiple short-duration placements of the same client (for example to temporary work agencies), which account for about half of all private agency placements, and even accounting for the fact that the PES statistics do not include certain rapid placements to vacancies not registered in the database, the number of placements by private agencies remains larger than that of public offices.

224. SECO collects and publishes monthly and annual data on stocks and flows of vacancies, registered unemployed and registered jobseekers ([www.amstat.ch](http://www.amstat.ch)). Plotting annual average unemployment against the average end-of-month vacancy stock in employment offices (with the caveat that PES-captured vacancies constitute only a portion of annual job offers in the wider economy) shows that the ratio between the two indicators has considerably increased since the 1980s (Figure 3.1).

52. Another finding was that a high share of employment in the industrial sector tends to favour the re-integration of people with disabilities. The 2005 data used by the authors showed that integration success by canton ranged from 23 to 4 pensions avoided per 1 000 insured in 2005, with a nation-wide average of 13.4. In 2007, the situation had improved slightly, with integration rates ranging from 27 to 6, and a national average of 13.9 (OFAS, 2009b).

Figure 3.1. **Unfilled vacancies and jobseekers in Switzerland, 1980-2009**

Source: OECD Main Economic Indicators database.

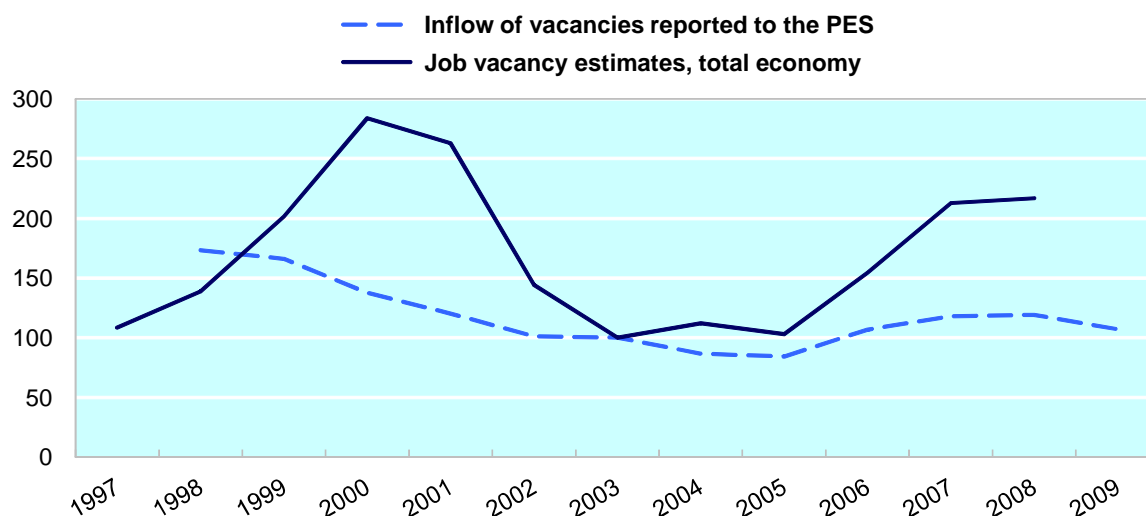
225. The outward shift of the so-called “Beveridge curve” suggests increasing structural unemployment and growing mismatch between supply and demand on the labour market.<sup>53</sup> However, after an abrupt worsening between 1990 and 1997, the situation seems to have considerably improved during the economic expansion between 2004 and 2008, when more vacancies became available for a decreasing number of unemployed. Still, in 2008, after a considerable rise in the vacancy stock since 2003 to about 14 000 on monthly average, only 1 vacancy was available in the job counsellor’s register for 7 of his unemployed clients. This ratio changed to 1 in 11 during the economic downturn of 2009. During the period of Swiss exceptionalism in the 1980s with unemployment rates below 1%, the ratio was rather close to 1 on 1. Since the early 1990s, while unemployment moved between 2 and 6%, the vacancy stock was never higher than 0.4% of the labour force.

226. No statistics on job offers throughout the wider economy are published in Switzerland so that no detailed analysis of the evolution of vacancies reported to employment offices in comparison with economy-wide vacancies can be made. However, the Swiss statistical office publishes a vacancy index derived from advertisements in newspapers and on the Internet. Figure 3.2 shows that the trend of both indices differs somewhat throughout the decade in that the economy-wide index showed more extreme peaks and troughs, depending on the economic cycle.

53. A Beveridge curve that lies far to the left (*i.e.* close to the vertical axis) indicates that unemployed workers are easily matched to vacant jobs, while a curve far to the right indicates severe mismatch and high equilibrium unemployment. The outward shift in Switzerland would be even more noticeable if the Swiss concept of jobseekers had been used, which includes people in a measure.

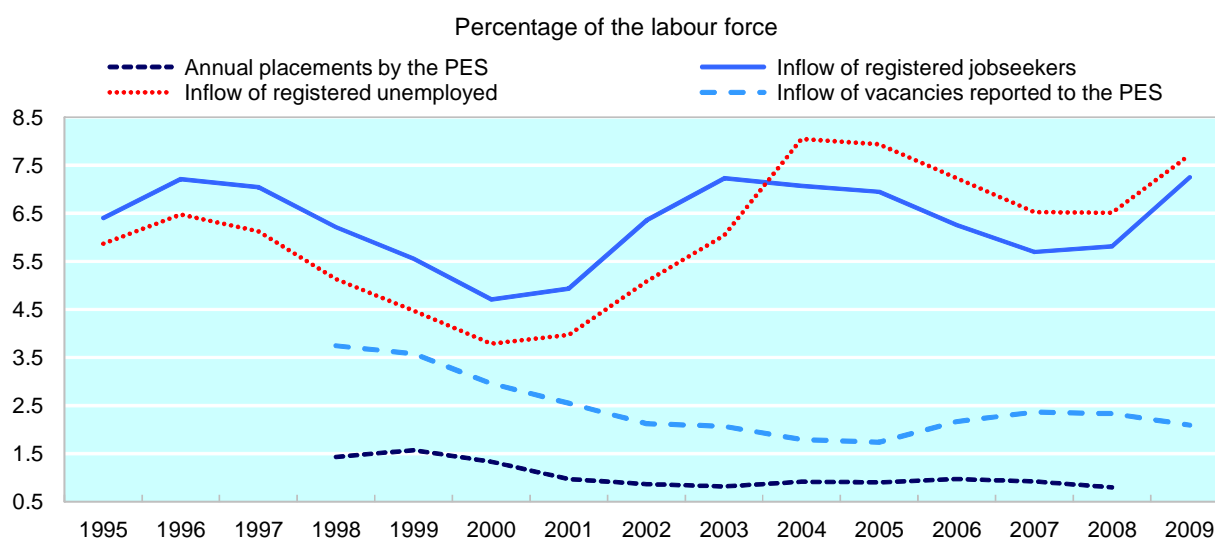
Figure 3.2. **Vacancy indices, Switzerland, 1997-2009**

2003 = 100



Source: SECO, [www.amstat.ch](http://www.amstat.ch) for **Inflow of vacancies**; OFS (2008b), *Indicateurs du marché du travail 2008*, and OFS (2009a), *Indicateurs du marché du travail 2009*, Table T2 for the index of **Job vacancies**.

227. Figure 3.3 sheds additional light on the brokerage function, by showing inflows of registered unemployed and jobseekers, as well as of vacancies notified to the PES and PES-induced placements. In line with economic and labour market conditions, annual jobseeker registrations moved between 4% and 8% of the labour force over the past 15 years. By contrast, the total number of incoming vacancies in the 2000s stayed close to or below the 100 000 mark, corresponding to between 1.5% and 2.5% of the labour force (somewhat surprisingly, the number was higher in the late 1990s). In other words, in a typical year, only one vacancy was reported to employment offices for three newly registering unemployed. Further, only one in three (probably even less) incoming vacancies were filled with a PES referral.

Figure 3.3. **Annual placements, inflow of vacancies, registered jobseekers and registered unemployed in Switzerland, 1995-2009**

Source: Direct submissions by national authorities for **Placements**; SECO, [www.amstat.ch](http://www.amstat.ch) for **Jobseekers**, **Unemployed** and **Vacancies**; and *OECD Online Employment database* ([www.oecd.org/els/employment/database](http://www.oecd.org/els/employment/database)) for **Labour force**.

*International comparison of market share*

228. Table 3.1 shows PES performance indicators and market shares in terms of vacancy and placement rates in Switzerland and other selected OECD countries in 2007. However, it needs to be noted that these performance indicators are difficult to measure with a reasonable degree of accuracy, and in particular the definition of PES-placements and the data on total hirings by businesses need to be handled with caution.

Table 3.1. **Vacancies, placements and PES market share, selected OECD countries, 2007**

Levels, percentages and ratio

	Finland	Ireland	Japan	Norway	Switzerland	United Kingdom <sup>a</sup>
<b>Employment service administrative data (000s)</b>						
Annual vacancy registrations <sup>b</sup>	564	170	9 668	399	101	3 515
Annual placements <sup>c</sup>	241	89	2 047	..	40	854 <sup>d</sup>
Average stock of unfilled vacancies	40	7	2 180	24	13	398
Average stock of registered jobseekers	440 <sup>e</sup>	101 <sup>f</sup>	2 094	46	109 <sup>g</sup>	929 <sup>h</sup>
<b>Labour market data</b>						
Dependent employment (000s)	2 169	1 743	55 230	2 231	3 891	24 396
Annual hiring rate (%) <sup>i</sup>	43	37	23 <sup>j</sup>	36	24	27
<b>Vacancy and placement rate indicators (ratios and annual rates, %)</b>						
Vacancy registrations/hirings <sup>k</sup>	60	26	78	50	11	53
Vacancy registrations/dependent employment	26	10	18	18	3	14
Placements/hirings <sup>k</sup>	26	14	16	..	4	13
Placements/dependent employment	11	5	4	..	1	4
Placements/vacancy registrations	43	52	21	..	39	24
<b>Vacancy to unemployment indicators (annual rate and ratio)</b>						
Annual vacancy registrations per person in the stock of registered jobseekers	1.28	1.68	4.62	8.66	0.93	3.78
Ratio of the stock of unfilled registered vacancies to the stock of registered jobseekers	0.09	0.07	1.04	0.53	0.12	0.43

.. Data not available.

a) Data for the United Kingdom exclude Northern Ireland and refer to 2006.

b) Annual vacancy registrations for Norway refer to the sum of vacancies notified directly to NAV by employers and vacancies registered by NAV staff from advertisements in the media. Vacancies notified directly by employers represent 32% of the total shown.

c) National definitions. In Finland, vacancies filled with a PES candidate (of which about one-fifth are vacancies filled by a direct referral); in Ireland, vacancies filled by FÁS referrals; in the United Kingdom, vacancies filled by JobCentre Plus.

d) Secretariat estimate based on data for the first four months of the year (series discontinued in May 2006).

e) Total jobseeker clients including those on Unemployment Pension and Other (e.g. employed jobseekers).

f) Data on average stock of unfilled vacancies and average stock of registered jobseekers refer to 2006. In Ireland, the number of jobseekers registered with the placement service (FÁS) is well below the number of unemployment benefit claims on the Live Register.

g) *Jobseekers* refer to *Unemployed*.

h) UK claimant count, adjusted to exclude Northern Ireland. The United Kingdom does not register jobseekers who are not claiming benefit.

i) The annual hiring rates, here, refer to four times the percentage of employees who have a reported job tenure of zero to three months, unless otherwise stated. Estimates based on European Union Labour Force Survey detailed tabulations are averages of quarterly data, excluding quarters where data appear to be affected by coding errors as indicated by a high incidence of zero-month job tenures (excluding 2007 Q1 for Ireland and 2007 Q1 to Q3 for Norway).

j) For Japan, the hiring rate is estimated as the percentage of employees who have reported job tenure of less than one year, multiplied by 1.8 (which is approximately the average ratio observed in the European Union Labour Force Survey detailed tabulations) to adjust to the conceptual basis of four times the percentage with reported job tenure of zero to three months (see previous note).

k) Based on hirings calculated from dependent employment and the annual hiring rate, shown in previous rows of the table.

Source: For **Employment service administrative data**: Finland: Duell *et al.* (2009a), "Activation Policies in Finland", OECD SEM Working Papers, No. 98; and MEE (2008), *Employment Report 2007*, Table 2; Ireland: Grubb *et al.* (2009), "Activation Policies in Ireland", OECD SEM Working Papers, No. 75; Japan: Ministry of Labour, Health and Welfare, *Year Book of Labour Statistics 2007*; Norway: see Duell *et al.* (2009b), "Activation Policies in Norway", OECD SEM Working Papers, No. 78; Switzerland: OECD Main Economic Indicators database for **Registered jobseekers (unemployed)** and **Unfilled vacancies**, and national authorities for **Vacancy registrations**; United Kingdom/Great Britain: Nomis on-line database. For **Dependent employment**: OECD Online Employment database ([www.oecd.org/els/employment/database](http://www.oecd.org/els/employment/database)). For **Job tenure**: European Union Labour Force Survey, special tabulations for European countries, and Ministry of Internal Labour Affairs and Communications, *2007 Employment Status Survey – Results for Japan*, Table 22 for Japan.



229. The table is based on administrative data on vacancy flows and successful placements compared with data on wage and salary earners and an estimation of annual hirings based on the labour force survey. Among the countries included, Switzerland is the worst performer on most of the indicators relating to vacancies and placements. For example, Switzerland has the lowest shares of PES-registered vacancies among dependent employment and among total hirings in the economy – indicators where Japan and Finland excel. As to the ratio of the PES vacancy stock to the registered jobseeker stock, Switzerland performs a bit better than Finland and Ireland, but much worse than Japan, Norway and the United Kingdom.

230. In sum, these data show that the Swiss PES is fighting an uphill battle to expand its market shares in vacancies and placements. SECO is well aware of the low relevance of public employment offices as a recruitment channel for employers. Also, according to labour force survey data, among search channels of jobseekers, contact with the PES comes a long way behind applications to press advertisements, search *via* Internet, and help from friends and relatives. Current efforts to improve communication of the PES brand can only be a small step in the right direction to overcome these deficits. By contrast, considering the limited Swiss PES market share and the traditionally strong role of private placement agencies, there is a strong case for outsourcing more placement activities to the private sector.

231. Australia, the Netherlands and the United Kingdom are the countries that have so far gone farthest in the direction of market-type arrangements, where private-sector and non-profit organisations compete for the acquisition of publicly-funded contracts for the re-integration of jobseekers into employment. Since the second half of the 1990s, Australia has delivered employment services almost entirely (apart from benefit payment) through contracts with private and non-profit community providers, while effectively phasing out its previous placement service. Similarly, in the Netherlands, since the early 2000s unemployment-benefit and social-assistance recipients who are not expected to find work within six months, are in principle contracted out to private providers. In Germany also, the unemployed after six months have an entitlement to be referred to private placement agencies. With its historically strong position of private agencies, Switzerland should be well-suited to venture in this direction and shift responsibility for the re-integration of jobseekers to the private sector, setting incentives for placement using payment-by-results features.



## *Chapter 4*

### **OUT-OF-WORK BENEFITS FOR THE WORKING-AGE POPULATION**

#### **4.1. Introduction**

232. This chapter describes and analyses the conditions for the receipt and the level of various out-of-work benefits for the working-age population. It starts with an overview of the main characteristics of the social security system and then reviews in subsequent sections eligibility conditions, activation requirements, the duration and level of unemployment-insurance benefits, and the use of sanctions. Later sections examine disability benefits and the integration of persons with disabilities in the labour market, and finally, social-assistance benefits and the enforcement of activation requirements for social-assistance recipients.

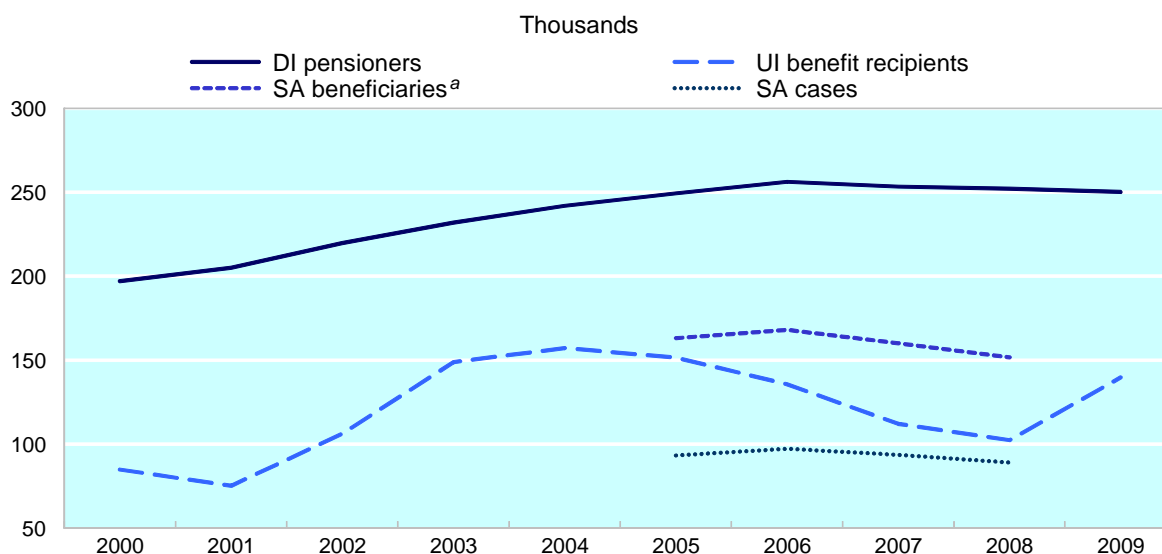
#### **4.2. Main features of the Swiss social benefit system**

233. The Swiss welfare state is a multi-tiered system. The federal social security system comprises the following schemes: *i*) the old-age pension scheme, the survivors' pension scheme and the invalidity pension scheme, with old-age pensions being organised as a three-tier-system based on a compulsory insurance, an employer-based insurance scheme and privately organised insurance; *ii*) the sickness insurance and the accident-insurance scheme; *iii*) unemployment insurance; *iv*) the maternity-leave benefit schemes; and *v*) child-benefit schemes. The social security schemes are obligatory. They are controlled at the federal level but, especially in the area of unemployment insurance, the cantonal level has considerable room for manoeuvre. In contrast to other European countries, sickness insurance is organised only by private insurers and there are no common rules concerning the duration and the level of sickness benefits (Loos *et al.*, 2009). Social assistance is entirely managed and controlled at the cantonal level which, in turn, leaves considerable autonomy to the municipalities.

234. The subsidiarity principle is key to the Swiss welfare state and is enshrined in the Swiss Federal Constitution. As in many other OECD countries, one key element of the subsidiarity principle consists of means-testing for the eligibility for social assistance. A further element of subsidiarity in Switzerland refers to the individual's own responsibility, constituting the basis for the principle of mutual obligation. Thus, the Unemployment Insurance Act obliges individuals to act on their own initiative to "avoid and shorten unemployment spells". On the other hand, it stipulates the obligation of the federal government to prevent and combat unemployment and to promote long-term integration into the labour market (*Art. 1a*). The mutual-obligation principle is also laid down in other statutes, such as the Invalidity Insurance Act (*Art. 7 and 8*), and the Social Security Act (*Art. 21*).

235. As a rule, over the past decade the number of invalidity pensioners has been about twice as high as the number of unemployment beneficiaries (Figure 4.1). Moreover, while the number of unemployment-benefit recipients has decreased between 2004 and 2008, the number of invalidity pensioners continued to grow until 2006 and has only decreased slightly since then. Comparable and consistent statistics for social assistance cases and social assistance beneficiaries (including household members benefiting from social assistance) have been maintained only since 2004. Since then, the average number of social-assistance cases has been below the number of unemployment-benefit recipients, while the number of all social-assistance beneficiaries in a household (aged 18 and over) is now considerably above the number of unemployment beneficiaries. Thus, the most urgent problem facing the Swiss welfare state is, in particular, the long-term growth of the number of invalidity pensioners and their present high level.

Figure 4.1. **Number of unemployment-benefit recipients, invalidity pensioners and social-assistance beneficiaries, Switzerland, 2000-09**



DI: Disability; SA: Social Assistance; UI: Unemployment Insurance.

a) SA beneficiaries include all household members of a SA case.

Source: **DI recipients**: OFAS – Office fédéral des assurances sociales (2009c), *Statistique de l'AI 2009 – Tableaux détaillés*; **SA cases** and **SA beneficiaries**: OFS – Office fédéral de la statistique (2010d), *La statistique de l'aide sociale – Résultats 2008*, and OECD estimates for annual average of SA beneficiaries (aged 18 and over); **UI benefit recipients**: annual averages of monthly data from SECO, [www.amstat.ch](http://www.amstat.ch).

236. The most recent OECD assessment of cross-country trends in the receipt of unemployment, disability and sickness benefits, as well as social assistance and/or lone-parent benefits, was undertaken by Carcillo and Grubb in 2006. Based on this work, three principal types of countries can be distinguished when considering the evolution of benefit reciprocity between the mid-1990s and the mid-2000s:

- Countries where the disability rate increased while unemployment has undergone cyclical variations but remained at markedly lower levels (Norway, Denmark, Japan, the Netherlands, the United Kingdom and the United States). Switzerland can be categorised among this group of countries.
- Countries such as France and Spain, where unemployment-benefit and disability-benefit rates have remained at similar levels, with however, more cyclical variations for the unemployment-benefit recipients.
- In Germany, where the number of unemployed increased significantly until 2005 (before starting to decrease), the share of the working-age population on invalidity pensions and on social assistance has remained relatively stable but at a much lower level.<sup>54</sup>

237. In many OECD countries the number of benefit recipients declined, but the number of disability-benefit recipients increased, indicating a possible substitution effect between both types of benefits (OECD, 2009b). The rate of disability benefit recipients is particularly high in Sweden and Norway, where a “medicalisation” of labour market problems can be observed (Duell *et al.*, 2009b). But as the examples of France and Germany show, there are also OECD countries where disability-benefit reciprocity has shown no such trend.

54. In 2005, a labour market reform (Hartz IV) was implemented which combined benefits for unemployment assistance and employable social-assistance recipients. This change is not reflected in Carcillo and Grubb (2006).

### 4.3. Unemployment benefits

238. According to Swiss Labour Force Survey data, more people are unemployed and search for a job than there are unemployment-benefit recipients (see Figure 4.2). One reason is that disability-benefit and social-assistance recipients who declare they are searching for a job, as well as recipients of cantonal unemployment assistance, are also normally counted among the LFS unemployed. A high ratio between unemployment-benefit recipients and LFS unemployed indicates that those who receive unemployment benefit are in general actively searching for a job. The Swiss ratio takes a mid-field position in comparative terms as Table 4.1 indicates. As the administrative rules concerning the registration of jobseekers as unemployment-benefit recipients and their status during participation in ALMPs varies between countries, international comparisons need to be made with great care.

Table 4.1. **Ratio of the number of unemployment-benefit recipients<sup>a</sup> to the number of labour force survey unemployed, 2000-07**

	2000	2001	2002	2003	2004	2005	2006	2007	Average of years shown
Australia	1.12	1.01	1.06	0.98	1.00	1.00	1.01	1.02	1.03
Canada	1.03	0.99	0.89	..	..	..	..	..	0.97
Denmark	0.97	1.00	0.97	0.91	..	..	..	..	0.96
Finland	1.22	1.22	1.21	1.22	1.25	1.26	1.24	1.19	1.23
France	0.71	0.81	0.86	0.82	0.81	..	..	..	0.80
Germany <sup>b</sup>	1.03	1.04	1.06	1.11	0.98	1.10	0.99	0.83	1.02
Ireland	1.55	1.94	1.79	1.76	1.56	1.48	1.36	1.40	1.64
Japan	0.29	0.29	0.26	0.21	0.19	..	..	..	0.25
Netherlands	0.79	0.79	0.72	0.66	0.67	..	..	..	0.73
New Zealand	1.22	1.21	1.08	1.02	0.82	0.63	0.48	0.29	0.84
Norway	0.59	0.59	0.60	0.67	0.69	..	..	..	0.63
Portugal	0.94	0.91	0.81	0.83	0.86	0.78	..	..	0.85
Spain	0.42	0.59	0.57	0.57	0.57	..	..	..	0.54
Sweden	0.83	0.74	0.68	0.73	0.73	..	..	..	0.74
<b>Switzerland</b>	<b>0.80</b>	<b>0.76</b>	<b>0.89</b>	<b>0.88</b>	<b>0.88</b>	<b>0.82</b>	<b>0.81</b>	<b>0.72</b>	<b>0.82</b>
United Kingdom	0.70	0.72	0.65	0.67	0.63	0.64	0.59	0.55	0.64
United States	0.40	0.47	0.45	0.42	0.38	..	..	..	0.43

.. Data not available.

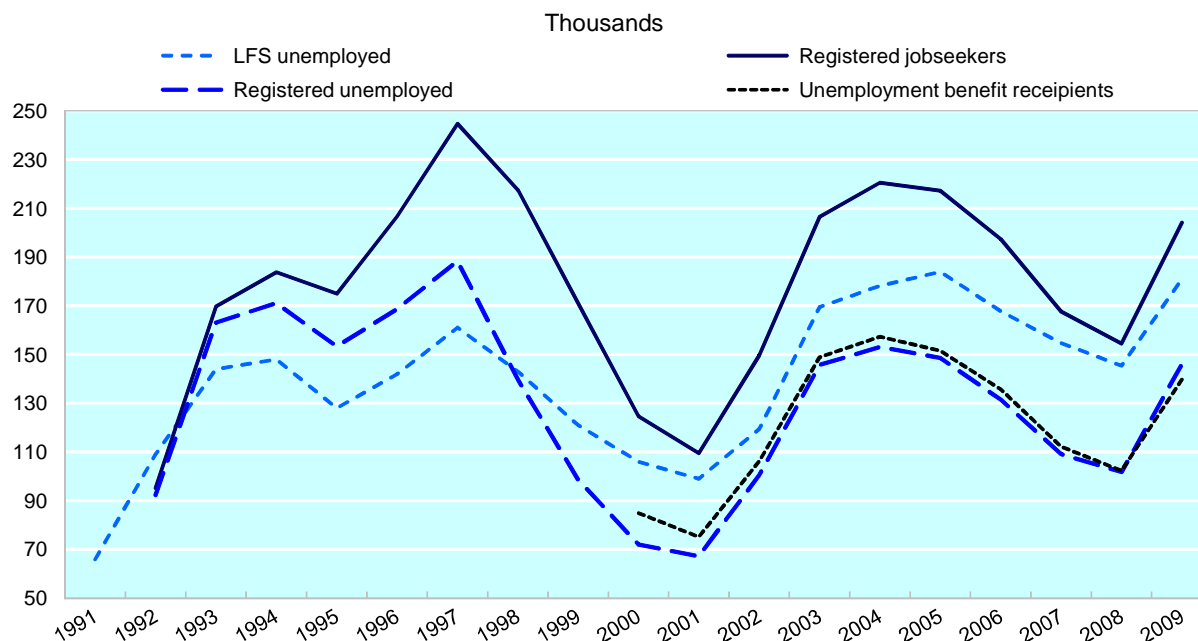
a) Unemployment-benefit recipients include recipients of unemployment insurance and unemployment assistance (*i.e.* benefits conditional on a means-test as well as on unemployment status), and unemployed recipients of social-assistance benefits in Canada, Denmark and Germany, where they are separately identified.

b) Due to changes in the benefit regime ("Hartz IV" reform), comparability of benefit data up to 2004 and from 2005 onwards is limited.

Source: Duell *et al.* (2009a), "Activation Policies in Finland", OECD SEM Working Papers, No. 98, Table 4.3; **Labour force survey unemployed**: OECD Online Employment database ([www.oecd.org/els/employment/database](http://www.oecd.org/els/employment/database)); Bundesagentur für Arbeit (2010), *Arbeitsmarkt 2009*, Amtliche Nachrichten der Bundesagentur für Arbeit, Sondernummer 2, Table IV.D 1; and SECO, [www.amstat.ch](http://www.amstat.ch) for **Unemployment-benefit recipients** in Switzerland.

239. Figure 4.2 shows that the number of *registered jobseekers* in Switzerland is above the number of *LFS unemployed* and the gap between the two seems to increase in periods of higher unemployment. This indicates that in periods of higher unemployment more people are participating in ALMPs, as those are registered as jobseekers and not as unemployed (SECO, 2009a). Between 2006 and 2008, LFS unemployment declined less than the number of registered jobseekers, suggesting that other categories than those registered with the PES were searching for jobs. In the 2009 downturn, both measures show a similar upward trend.

Figure 4.2. Different measures for unemployment and jobseekers in Switzerland, 1991-2009



Source: SECO (2009a), *Le chômage en Suisse 2008*, Table T0, and SECO (2010b), "La situation sur le marché du travail en mai 2010", Tables 1a, 2c and 7, for **Registered jobseekers** and **Registered unemployed**; OECD Online Employment database ([www.oecd.org/els/employment/database](http://www.oecd.org/els/employment/database)) for **LFS unemployed**; and SECO, [www.amstat.ch](http://www.amstat.ch) for **Unemployment-benefit recipients**.

240. Figure 4.2 also indicates that the number of registered unemployed and the number of unemployment-benefit recipients have been very close over the past few years.<sup>55</sup> Although the immediate availability for work and not the eligibility for unemployment benefits is the key criterion for being a registered unemployed, it seems that it is mainly those eligible to unemployment benefits who register with the local employment services.

### Unemployment insurance

241. The first Unemployment Insurance Act was enacted in 1951 but unemployment insurance was not obligatory at this time all over Switzerland; it became obligatory only in 1977. The current unemployment-insurance legislation is in place since 1984, but has undergone several revisions since. First amendments led to an increase in the unemployment-insurance contribution rate, an extension of eligibility to benefits as well as a weekly stamping obligation (SECO, 2009d). Contributions are equally shared between employers and employees and insure wages up to a fixed ceiling (*Art. 3* of the Act).

242. After the strong rise in unemployment in the early 1990s, revisions in the law (which entered into force in 1996 and 1997) cut benefits from 80 to 70% of insured earnings, introduced a stricter definition of "suitable work", but also extended the maximum duration of unemployment benefits from 250 to 400 days (see more details on these different elements below). Furthermore, it was decided that participation in certain active programmes could no longer be counted as a contribution period. (This was the same reform that introduced a network of regional placement agencies, see Chapter 1).

55. Data refer to recipients of full unemployment benefits and do not include partial unemployment benefits. The number of unemployment-benefit recipients is slightly above the number of registered unemployed, probably due to the fact that persons participating in ALMPs while receiving unemployment benefits (e.g. on training courses) are counted as registered jobseekers rather than registered unemployed. During the participation on some of the ALMPs, the participants receive unemployment benefits.

243. The third revision of the Act in 2003 expanded the minimum duration of insurance contributions from 6 to 12 months and further lengthened the duration of benefit receipt for some recipients categories (SECO, 2009d).

#### *Eligibility to unemployment insurance*

244. Eligibility to unemployment benefit is based on previous contributions to the unemployment-insurance fund, whereby at least 12 months of contribution over the last 2 years prior to the first day of unemployment-benefit claim are required (*Art. 13*). A range of exceptions are laid down in the Act, *e.g.* exemption from previous contributions in case the unemployed was enrolled in vocational education and training for more than 12 months; the person was ill or had an accident; cases where the invalidity pension was withdrawn; and personal circumstances like divorce, invalidity or death of the husband or wife which require the person to search for work. Exceptions concerning the length of the time frame in which the contributions need to be made are also fixed by law (*Art. 9*), *e.g.* the period is prolonged by 2 years in case of caring for a child aged under 10.

245. Moreover, the following eligibility conditions need to be met: the person must be fully or partially unemployed, have suffered a loss of earnings on at least two working days per month, have completed compulsory schooling, not have reached compulsory retirement age, and be employable. Special regulations exist for the self-employed.

#### *Availability and job-search requirements*

246. According to *Art. 15* of the Act, any person “is employable if he/she is ready, able and qualified to accept reasonable work and to participate in ALMPs”. Thus, four criteria must be satisfied: readiness to accept employment, working ability, qualification and suitable work. A person with a disability is considered employable, if a job suited to the specific disability could be offered to him (in co-operation with the disability insurance). If the cantonal labour office has doubts about the employability of the disabled person, a medical doctor can be consulted.

247. As in many other OECD countries, the concept of “suitable work” is applied. While in some countries the definition varies with the length of unemployment, Swiss law lays down a number of general criteria (*Art. 16*), including:

- The conditions of the new job must be in compliance with the usual working conditions in the specific sector and region;
- The job must be appropriate to the jobseeker’s capabilities and previous activity, and the acceptance of the new position must not impede substantially the jobseeker’s return to his or her previous occupation;
- The position must be appropriate to the client’s age, personal circumstances and state of health;
- The time for commuting must not exceed four hours both ways;
- The position must not have become available on account of dismissals aimed at the re-hiring of workers under inferior conditions; and
- The wage of the new job must not be less than 70% of previous insured earnings,<sup>56</sup> although in exceptional cases and with the agreement of a tripartite commission, lower earnings can be considered as suitable. This can occur, *e.g.* if the previous salary is judged to have been exceptionally high.

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56. This does not apply to jobs with in-work benefits (*Gain intermédiaire*), see Chapter 5.

248. In contrast to France and Germany, the definition of “suitable work” in Switzerland with regard to the wage level is the same for the whole period of unemployment, while the former countries set higher wage thresholds at the beginning of the unemployment spell and the wages that need to be accepted decrease with the length of the unemployment spell.<sup>57</sup> It should be avoided that the target of rapid labour market integration leads to accepting job offers which do not reflect the skills of the worker. Therefore, a graduation by the duration of unemployment would be advisable, *e.g.* where in the initial phase of unemployment wage loss is restricted to 20%, while in later stages higher amounts are acceptable.

249. Commuting-time requirements are stricter in Switzerland as compared with Germany and France. Moreover, “if necessary”, the unemployed also needs to accept job offers which do not correspond to his original profession or previous area of expertise. Thus, it seems to be at the discretion of the local employment officer to what extent the unemployed retains the right to refuse jobs which do not match his/her previous occupation. A number of countries also use a graduation as regards occupational protection (*e.g.* in Austria and Belgium) (Council of Europe, 2009). An overall rather strict definition of “suitable work” can be found in some of the Nordic countries where unemployment-benefit levels are high (*e.g.* in Norway, where the unemployed need to be willing to take “any employment ... anywhere” (Duell *et al.*, 2009b).

#### *Benefit level*

250. The level of unemployment benefits is set by law to 70% of the previous wage for people without children and for those whose daily unemployment benefit amounts to more than CHF 140; and to 80% of previous wages for unemployed parents with dependent children and for those whose daily benefit is less than CHF 140 (*Art. 22 of the Act*). In case an unemployed was not gainfully employed for the last two years and is exempted from the eligibility condition of prior contributions (*e.g.* young people leaving a vocational education and training institution or university), a hypothetical salary forms the basis for the calculation.<sup>58</sup> As compared with other countries, young people have more advantageous conditions when entering working life as they can receive unemployment benefits for parts of the transition phase from school to work (OECD, 2009c). This generous rule lowers the pressure for young people to accept rapidly any job below their skills level. The benefits are, however, markedly lower for young people not having completed education and training, and a waiting period applies to them in order to increase the incentive to enrol in education and training or to take up rapidly a low-skilled job.

251. The OECD calculates for all member countries *net* replacement rates for several representative family types. The net replacement rates are based on the net income situation of the wage earner by taking taxes and welfare benefit payments like child allowances into account.<sup>59</sup> In 2008, in the initial unemployment phase the *net* replacement rate of a single unemployed person in Switzerland who earned the average wage was 72%, while it was 88% for a one-earner married couple with two children, and 87%

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57. According to the German legislation, persons who have been unemployed for less than 3 months have to accept wage losses of 20% and those unemployed between 3 and 6 months have to accept wage losses of 30%, while wage losses can be higher for unemployed with longer durations; however, the net salary should not fall below the unemployment benefit level. It needs to be stressed, that net replacement rates are markedly lower in Germany than in Switzerland. By contrast, in France the wage threshold is about 85% of the previous wage for persons unemployed between 6 and 12 months, and at unemployment benefit level after 1 year.

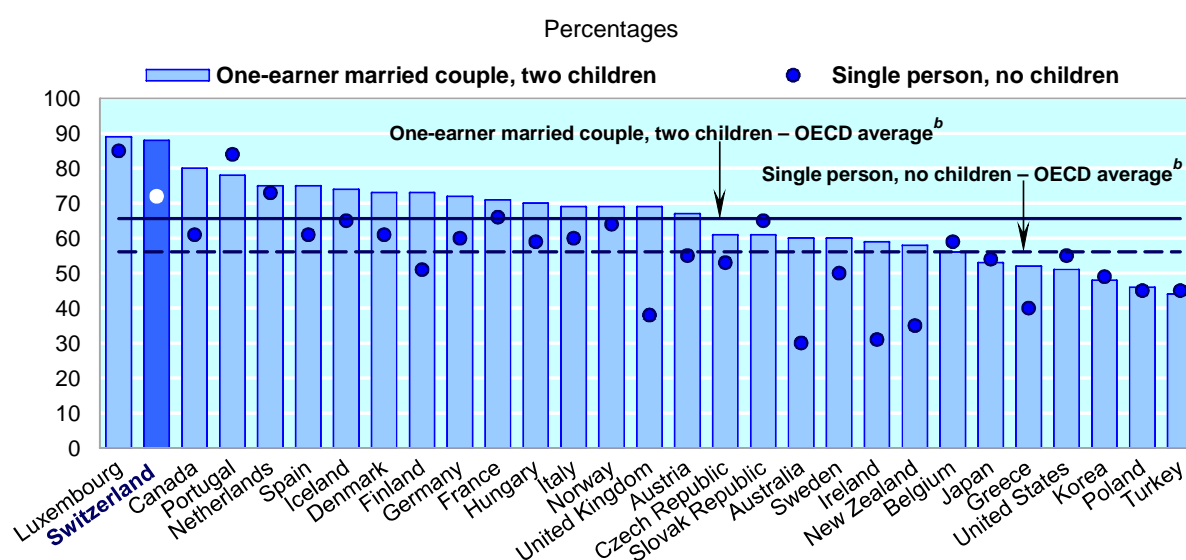
58. In 2007, the fixed hypothetical daily salary amounted to CHF 153 for people with a university degree, to CHF 127 for young people having completed vocational training, CHF 102 for people aged over 20 but having not completed vocational training, and CHF 40 for young people aged under 20 not having completed vocational education (SECO, 2007).

59. Note, however, that neither childcare benefits nor childcare costs are taken into account. The net replacement rate is calculated as the ratio between the net income of the family type while out of work and the net income while in work.

for lone parents with two children. For the unemployed who previously earned 67% of the average wage, the *net* replacement rate was higher for a single person (82%), but slightly lower for a one-earner married couple with two children (84%). These figures do not take into account possible social-assistance top-ups (OECD Tax-Benefit Models, [www.oecd.org/els/social/workincentives](http://www.oecd.org/els/social/workincentives)).

252. Figure 4.3 shows *net* replacement rates in OECD countries for the unemployed during the initial phase of unemployment for single persons as compared with one-earner married couples with two children, at average previous wage levels. Clearly, Switzerland ranges among the most generous countries in terms of net replacement rates of unemployment benefits. Only in Luxembourg are net replacement rates for a one-earner married couple with two children higher than in Switzerland; further, Switzerland has the third-highest net replacement rate among OECD countries in the case of a single person with no children.

Figure 4.3. **Net replacement rates<sup>a</sup> of unemployment, OECD countries, 2008**



a) Net replacement rates for two family types during the initial phase of unemployment. Data refer to the ratio of household net income after becoming unemployed to household net income on 100% of average earnings (AW).

b) Unweighted average of countries shown.

Source: OECD Tax-Benefit Models, [www.oecd.org/els/social/workincentives](http://www.oecd.org/els/social/workincentives).

### Duration

253. Since the introduction of obligatory unemployment insurance in 1977, the maximum unemployment-benefit duration has increased and the basis for calculating the duration has changed several times (length of prior contribution period; age; willingness to participate in an ALMP). Maximum duration was fixed in 1977 at 90 working days per year and a total maximum of 315 days within 4 years. After several amendments, it was increased in 1993 to 170 days for those unemployed having contributed for 6 months, 250 days for those unemployed having contributed for 12 months and 400 days for those having contributed for at least 18 months. Two years later, the maximum length of unemployment-benefit receipt was increased to 520 days for those willing to participate in an ALMP, but substantially decreased for those who did not. Furthermore, the number of maximum benefit days was linked to age, and only unemployed persons over the age of 60 were entitled to 400 days of unemployment benefit without participating in a measure (SECO, 2009a). However, the incentives set for participation in an ALMP turned out to be unworkable, and daily allowances had also to be paid for persons willing to participate but who got no place in a measure. In 2003, therefore, in the context of the third revision of the Unemployment Insurance Act, the rules governing benefit duration were changed again.

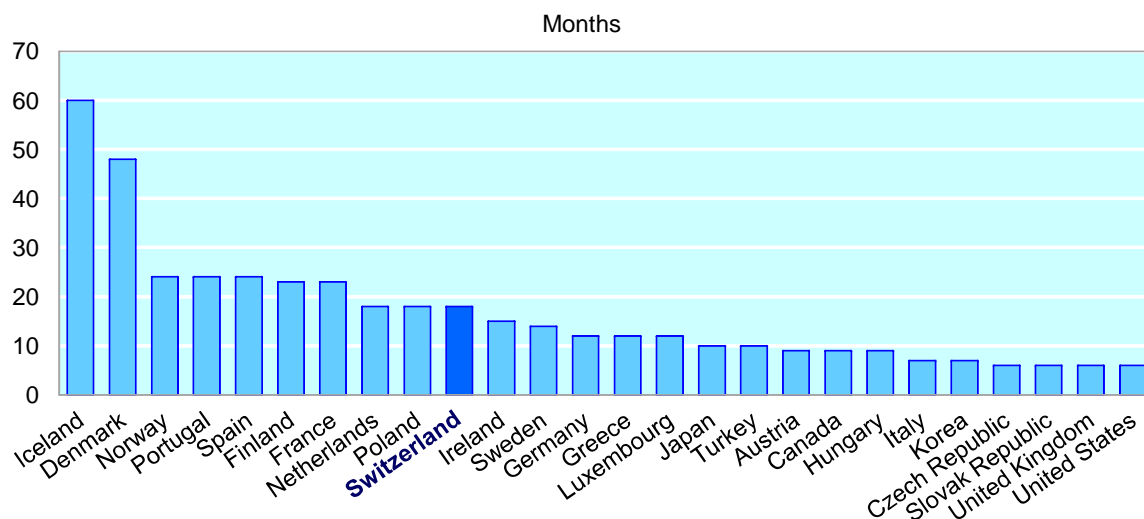


254. Since 2003 and up to the latest revision taking effect in 2011, the maximum duration has varied with age and length of the previous contribution period (*Art. 27 of the Act*):

- For those unemployed having contributed at least for 12 months, the maximum duration for unemployment-benefit receipt is 400 days (daily allowances are paid for 5 days per week), which corresponds to a duration of 18 months;
- Those aged above 55 are eligible to 520 daily allowances, provided they have contributed for at least 18 months. The same number of daily allowances is awarded to recipients of invalidity pensions if they contributed to the unemployment insurance for at least 18 months. By decision of the federal government, the daily allowances can be increased by 120 days for persons who have become unemployed in the 4 years prior to reaching retirement age;
- Those exempted from the obligation of prior contributions can receive unemployment benefits for a maximum duration of 260 days. This applies mainly to people having been enrolled in education and training over the past 12 months, and who have lived for at least 10 years in Switzerland, as well as to persons who have been on parental leave, have had an accident or have been sick over the last 12 months;
- Furthermore, cantons with above-average rates of unemployment can grant 520 daily allowances as the maximum duration if the canton agrees to bear 20% of the costs of the total measure and if the measure – to be approved by the Federation, either for the entire canton or a sub-area – does not exceed 6 months; and
- For the maximum-duration unemployment-benefit receipt, a maximum period of 2 years has been fixed from the first day of benefit receipt, which allows the benefit to be suspended if the unemployed is participating in an ALMP.

255. As shown in Figure 4.4, when compared with 15 other OECD countries in 2005, Switzerland takes an upper-middle field position in terms of the duration of unemployment-benefit receipt.

Figure 4.4. **Maximum unemployment-benefit duration,<sup>a</sup> 2005**



a) Maximum duration refers to a 40-year-old single worker without children, with a 22-year employment record.  
Source: OECD (2007d), *Benefits and Wages 2007 – OECD Indicators*.



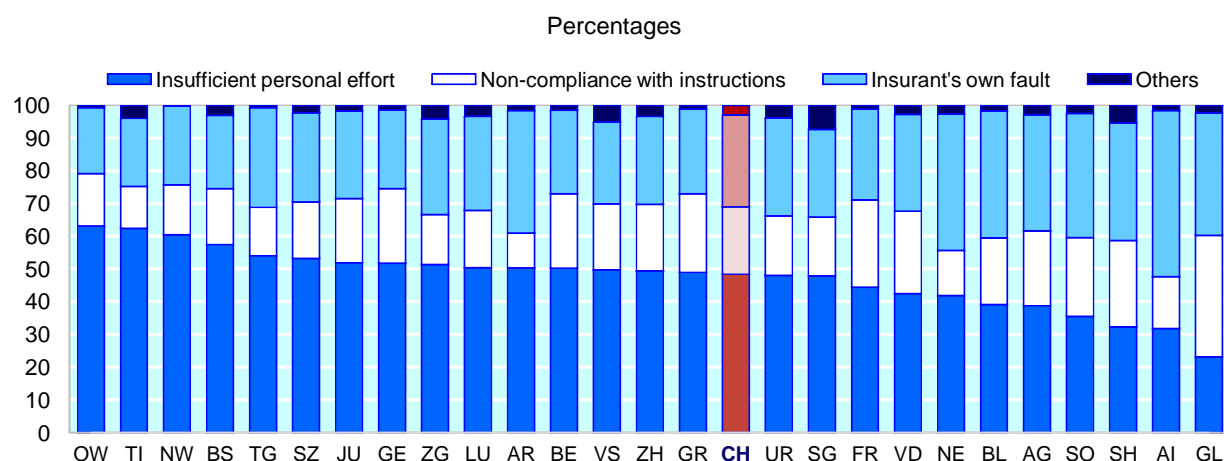
## Sanctions

256. The unemployment-insurance law defines a wide range of reasons for imposing benefit sanctions: *i)* unemployment through the insured person's own fault, *e.g.* in case of voluntary quit; *ii)* renunciation of claims against the employer arising from an employment relationship; *iii)* insufficient personal efforts to find a suitable job, *iv)* non-compliance with instructions of the competent authorities, notably because a place on an ALMP was not accepted; *v)* misrepresentation and non-disclosure of information; *vi)* unlawful benefit claims; and *vii)* receipt of unemployment benefit during the preparation phase of an ALMP which was subsequently not completed because of the beneficiary's own fault. As part of the required job-search efforts, the jobseeker also needs to give proof of job-search activities between dismissal notification and the first interview at the PES. The sanctions can be imposed either by the local employment services or by the unemployment funds, depending on the type of fault.<sup>60</sup>

257. As compared with many other OECD countries, Switzerland is well-known for its strictness in imposing sanctions (OECD, 2000).<sup>61</sup> In 2008, about 24% of unemployment-benefit claimants received a benefit sanction, with an average of 17 days of suspended benefits. This sanction rate varied quite significantly between cantons and ranged from 17.6% in *Geneva* and *Solothurn* to 38.5% in *Nidwalden* (SECO, 2009c). Over time the sanction rates have undergone important variations. In 1990, the sanction rate was about 42% but it decreased in subsequent years due to a combination of changing job-search controls and increasing unemployment (OECD, 1996). It increased again by a fifth between 2005 and 2008.

258. As can be seen from Figure 4.5, the main reason for sanctioning is insufficient personal effort of the unemployed (48% of all sanctioned persons in 2008). About 28% of all sanctioned persons were sanctioned because of their own fault and a fifth did not comply with the instructions of the local employment offices. Thus, more than two thirds of the unemployed who experienced a benefit sanction in 2008 did so because they did not fulfil the mutual-obligation requirements imposed by their local employment offices.

Figure 4.5. **Share of sanctioned unemployment-benefit recipients by type of fault and canton, Switzerland, 2008**



Source: Direct submissions from SECO.

60. Sanctions on the grounds of the worker's own fault (in particular in the case of a voluntary quit) are imposed by the unemployment funds, while sanctions for misconduct in job search and in ALMP participation are mainly imposed by the local employment offices.

61. Another country displaying high sanction rates is Norway. As in Switzerland, unemployment rates in Norway are below the OECD average and benefit levels are generous.

259. The severity of the sanction depends on the type of fault, and the length of benefit suspension can vary between a few days and 60 days. The main category of benefit sanction in terms of the number of sanctioned days is job loss because of the client's own fault (mainly voluntary quit) (SECO, 2009c).

260. The number of unemployed declined between 2006 and 2008 and, during the same period, the share of unemployed receiving a benefit sanction increased. However, it is not clear whether the increase in sanctions helped reduce unemployment or whether, in times of low unemployment, sanctions increased because of a higher share of job quits and because sanctions for misconduct were easier to implement against the backdrop of a buoyant labour market.

261. Arni *et al.* (2009) have evaluated the impact of benefit sanctions imposed by the local employment services on unemployment durations, post-unemployment stability, exits from the labour market and earnings for the period 1998-2003. They present two major conclusions. On the one hand, the threat and the use of sanctions increase job-finding rates, as well as exit rates from the labour force. In this respect, the authors' results are similar to other findings in the international literature.<sup>62</sup> On the other hand, however, the enforcement of benefit cuts lowers the quality of post-unemployment jobs, both in terms of job-duration and of earnings.

262. The authors suggest that the high level of benefit sanctions in Switzerland contributes to the intensity of job search and discourages jobseekers from claiming unemployment benefit without adequately searching for work, but that an extensive use of sanctions may have negative impacts for workers and their position on the labour market in the longer term. Sanctions can increase the pressure on the unemployed to the extent that they accept unstable jobs at lower wages, compared with the jobs they could get if they were able to search for longer periods. Thus, a high sanction rate can be a mixed blessing: it will lower unemployment duration but it also entails the risk of increasing the number of unemployment spells per individual, as unstable jobs will lead to higher inflows to unemployment over time.

#### *Current reforms*

263. The unemployment-insurance fund currently has a structural deficit of about CHF 7 billion. Contribution rates were set on the assumption of a stock of 100 000 registered unemployed, but in recent years the average number of unemployment was higher than assumed (about 130 000 between 2003 and 2009). Therefore, a revision of the Unemployment Insurance Act was introduced by the Federal Council in 2008, approved by Parliament in spring 2010 and adopted by referendum in the fall. It was decided to increase the contribution rates from 2% to 2.2% up to an income ceiling of CHF 126 000 and to introduce a solidarity contribution of 1% for incomes in the bracket of CHF 126 000 and CHF 315 000 ([www.seco.admin.ch/aktuell/](http://www.seco.admin.ch/aktuell/)). In the past, the contribution rates were adapted several times in order to reflect the trend in unemployment: they rose from 0.3% of the wage in 1982 to 0.6% in 1984 and continued to rise during the 1990s to 2% in 1993 and 3% in 1995. From 2004 on, the contribution rate amounted to 2% (SECO, 2007). If contribution rates are regularly adapted to the labour market situation, it would be desirable to build-in systematically an anti-cyclical mechanism. The time lag between the adaptation of the contribution rate and the evolution of unemployment may engender some stabilising effect, but it could also be pro-cyclical.

264. In addition, several amendments of the law aim at reducing expenditures (SECO, 2010c):<sup>63</sup>

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62. Røed and Westlie (2007) give an example of research on the effects of sanctions carried out in Norway – where high sanction rates are applied in a favourable labour market context like in Switzerland – which shows that sanctions, including mild sanctions, have a positive effect on job-search activities.

63. Assuming an average number of registered unemployed of 125 000, it is expected that the amendments will lead to increasing revenues of CHF 646 million and a reduction in expenditure of CHF 622 million.

- Contribution periods and maximum duration of benefit receipt will be linked more tightly, and maximum duration will be reduced substantially for the unemployed having contributed for 12 months to 260 daily allowances (*i.e.* 1 year), instead of 400. Only those having contributed for 18 months or more will still be eligible for 400 daily allowances. Unemployed persons over 55 years of age as well as persons with a disability degree of 40% can receive 520 days of benefit if they have contributed for 24 months;
- For persons who are eligible for unemployment benefits without having contributed (after long periods of education, maternity or sickness), the maximum duration for benefit receipt will be shortened from 12 months to 4 months. For persons leaving the education system, there will be a waiting period of 120 days. This waiting period is a new feature for graduates from university and from full-time vocational education institutions. By contrast, apprentices pay contributions and do not have a waiting period;
- New and expanded waiting periods for the receipt of unemployment benefit (up to 20 days for higher incomes), depending on the family situation and the level of insured income of the unemployed, are introduced;
- For youth below the age of 25 (and without children) the maximum duration of benefit receipt is set at 200 days;
- Participation in labour market programmes is no longer insured and no longer counts as a contribution period for the eligibility to unemployment benefits. The practice that cantonal labour market programmes for people who had exhausted the maximum benefit duration could re-qualify them for unemployment benefits had been much criticised in the past (OECD, 2007a). Similarly, ALMPs for social-assistance recipients will no longer count as insured income.<sup>64</sup> However, exceptions are made for the job-insertion allowance and the training allowance which remain insured;
- The compensation payments made by the unemployment insurance to top up intermittent pay (in-work benefits) are no longer fully insured. This should slightly reduce the incentives for benefit recipients to take up work at markedly lower wages, but the effect is probably not large. This reform is consistent with the treatment of other ALMPs paid by the unemployment insurance. Only the non-subsidised part of the wages will be insured in the future;
- The possibility for cantons with high unemployment rates to temporarily lengthen the duration of unemployment-benefit receipt will be abolished; and
- The unemployment-insurance fund will henceforth pay 50% instead of 80% of the cost of ALMP slots filled by persons without insurance coverage (*e.g.* people on social assistance). The other 50% need to be funded by the canton or the municipality in charge.

265. The reform will have an impact on the distribution of responsibilities between federal, cantonal and municipal levels for the long-term unemployed, the repeat unemployed and social assistance recipients. Although increasing incentives for the cantons to pursue the objective of labour market integration of the long-term unemployed and social-assistance recipients is a valuable strategy, there is the risk of unequal treatment of the long-term unemployed between cantons; if labour market integration fails, this will also be at the cost of the municipalities. The reform will help reduce expenditures of the unemployment-insurance fund and sharpen the focus on the rapid labour market integration of the unemployed. It is not clear, however, whether it will succeed in promoting the long-term integration of the hard-to-place unemployed, since it seems to shift more of the responsibility for them to the cantons and municipalities, which tend to have less capacities to deal with this difficult group. Increasing co-operation

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64. Already in the past, renewing full unemployment-benefit entitlement was only possible if participation on measures lasted for at least 12 months.

between social assistance and local employment offices would be necessary for re-integrating the hard-to-place, and to this effect, the new right of social assistance offices to have access to the employment services' AVAM database, is a step in the right direction.

266. The reform contains a number of elements aimed at speeding up job search among young people, whose unemployment level, due to problems of transition from education to the labour market, is higher than that of adults. There is the danger that this element of the reform lowers the quality of jobs young people leaving the education system will have to accept, which could devalue their formal human capital. Furthermore, the reform creates an imbalance between young people having completed an apprenticeship, who are eligible for benefits, and other youth who are not.

#### *Short-time work*

267. Short-time work is a measure that combines passive and active labour market programmes, as unemployment benefits are paid for a fixed maximum period of time in case working hours need to be partially or fully reduced and the labour contract is still valid. Thus, for short-time work implying 50% of previous hours, employees can receive up to 80% of their previous salary. The underlying assumption is that the fall in labour demand is only temporary.

268. In the light of the ongoing economic crisis, the federal council decided to prolong the maximum duration of short-time work benefits from 12 to 18 months and to reduce the employers' contribution to the scheme (valid as from April 2009 until March 2011). In addition, training measures are increasingly being implemented during this period. The use of short-time work, in particular in combination with training measures, has been on the increase in a number of OECD countries, in particular in Germany, in order to cope with the crisis (OECD, 2009d and 2010b).

#### *Unemployment assistance*

269. The socio-economic profile of those still unemployed after benefits have run out, shows that the following groups are over-represented among the long-term unemployed: the low-educated; immigrants; prime-age workers; and, in particular, lone parents (OFS, 2009d). A further characteristic of this group is that they previously received twice as often benefits from the sickness insurance, and more than six times more often social assistance, compared with the average of the working-age population over the past five years.

270. Unemployment assistance is a supplemental benefit scheme provided by some cantons. The legislative power with regard to this benefit scheme is with the cantons. In 2007, eight cantons (*Geneva, Jura, Neuchâtel, Schaffhouse, Ticino, Uri, Basel* and *Zug*) operated unemployment-assistance schemes (OFS, 2007). In addition, some other cantons seem to operate similar schemes (Bonoli and Bertozzi, 2007).

271. Unemployment-assistance benefits are normally means-tested, but differ among cantons with regard to the nature of payments (prolongation of unemployment benefits at a reduced level; training allowances; "social wages"; "integration income") (Bertozzi *et al.*, 2008). All these cantonal schemes have in common that they provide for benefit sanctions if the recipients are not looking for work or fail to comply with other requirements on their behaviour.

272. The duration of unemployment assistance as a prolongation of unemployment benefits at a reduced level – either defined as a percentage of the previous unemployment benefit or defined on the basis of the social-assistance benefit level and the previous unemployment-benefit level – varies between 90 days (*Zug*) and 12 months (*Geneva* in case of participation in an employment programme) (OFS, 2007).

273. In four cantons, eligibility to unemployment assistance is conditioned upon participation in an ALMP for at least 6 to 12 months (in addition to the regular means-test), which corresponds well to the need to activate long-term unemployed.<sup>65</sup> In the canton of *Geneva*, the receipt of unemployment assistance requires willingness to carry out activities in employment programmes with a social or environmental utility. The revised (in 2008) unemployment-insurance legislation of the canton introduced new ALMPs for jobseekers whose receipt of unemployment insurance had run out. The duration of the temporary employment programmes was shortened and the possibility to renew eligibility for unemployment benefits after termination of these programmes was abolished. It is, however, still possible in *Geneva* for a person whose unemployment-benefit eligibility has run out to receive wage subsidies for a duration of 12 months (with degressive rates) for a permanent work contract (*Allocations pour le retour à l'emploi*, [www.ge.ch/oce/prestations.asp](http://www.ge.ch/oce/prestations.asp)).

274. Thus, the treatment of the long-term unemployed is rather unequal between the different cantons, and the government could envisage creating a federally co-ordinated system of common standards for unemployment assistance.<sup>66</sup> The labour market integration of the long-term unemployed represents a major challenge also for other OECD countries. The EU Employment Guidelines, for example, have a special focus on policies offering active labour market measures to the long-term unemployed. Furthermore, some OECD countries have tackled this issue by reforming their institutional setting (e.g. Germany, Finland and Norway) with the aim to increase co-operation between different institutions.

#### 4.4. Disability benefits

##### *Invalidity pensions*

275. The Swiss disability benefit system is organised around the two first pillars of the Swiss social security system.<sup>67</sup> The invalidity-benefit insurance of the first pillar (*Assurance invalidité – AI* in French, and *Invalidenversicherung – IV* in German) is obligatory for the whole population over the age of 17; children can get a disability benefit in their own right (e.g. if they were born with a disability). Contributions are paid on the basis of employment and, for the population not gainfully employed aged 20-65, contribution rates are calculated on the basis of assets (OFAS, 2009d). Eligibility to a regular pension requires a contribution period of at least three years before the disability case is announced. Specific rules exist for young people. The invalidity pension of the first pillar is topped up by an additional pension paid by the obligatory employer-based pension system (the second pillar); currently almost half of invalidity pensioners receive payments under the second pillar.<sup>68</sup>

276. The level of invalidity pensions ranges between a fixed minimum and a fixed maximum level and is calculated like the old-age pension (first pillar). The level of both first and second pillar pensions is mainly determined by the degree of disability and the insured income while the number of years worked plays a minor role.<sup>69</sup> Statistically, the average pension from the first pillar equals the average pension of the second pillar (however, the latter is characterised by wide variations).

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65. These cantons were *Basel, Jura, Neuchâtel* and *Uri*.

66. The government would be authorised to do so under *Art. 114* of the Federal Constitution.

67. The whole social security system is characterised by three pillars, *i*) a compulsory universal insurance system, *ii*) a compulsory employer-based insurance, and *iii*) private savings.

68. *Art. 113* of the Federal Constitution provides that the occupational benefit plans (second pillar), together with the old-age, survivors' and invalidity insurance (first pillar), must enable the insured persons to maintain their previous standard of living in an appropriate way.

69. A full pension is paid if the degree of disability is at least 70%, a three-quarter pension if it is at least 60%, a half pension if it is at least 50% and a quarter pension if it is at least 40%. The disability pension is calculated on the basis of the same conversion rate applicable to old-age pensions, considering retirement assets the

277. In 2008, there were about 250 100 invalidity pensioners living in Switzerland and 41 400 invalidity pensioners living outside the country (of whom the majority were trans-border commuting foreigners). The share of non-Swiss nationals among all invalidity pension recipients amounted to 35% and was thus higher than their share among the employed (OFAS, 2009c, Table T5.2.1). In addition, complementary invalidity pensions are paid for children, making up another 105 800 beneficiaries. In 2008, invalidity pensions made up nearly two-thirds of the expenses of the disability-insurance fund (OFAS, 2009a).

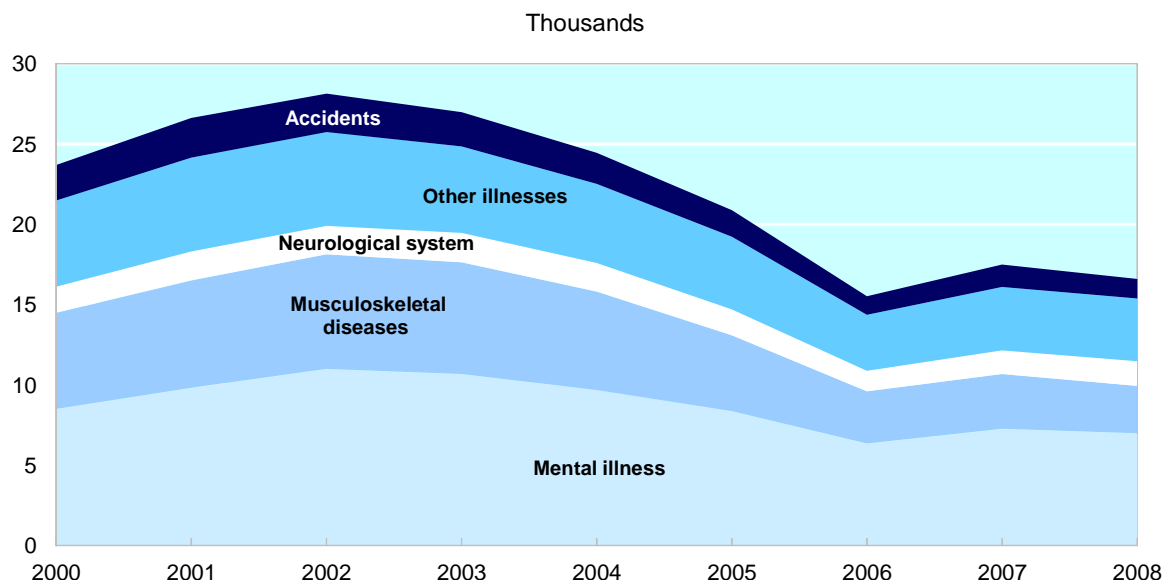
278. In 2009, about 5.2% of the working-age population (20-64-year olds) received a pension from the invalidity insurance. In 1992, the invalidity-benefit reciprocity rate had been only 3.2%; it increased by 73% between 1990 and 2006 when the invalidity rate peaked at 5.5%, and has decreased slightly since then.

279. The number of beneficiaries rose by more than 100 000 persons between 1992 and 2009. It increased by 86% between 1992 and its peak in 2006 and has decreased by 2% between 2006 and 2009 (OFAS, 2009a and 1999). A recent study published by OFAS points out that in comparison with other European countries, the rise in invalidity-pension reciprocity in Switzerland has been relatively strong, although starting at a comparatively low level (Loos *et al.*, 2009; and OECD, 2009b).

280. While the rise in the stock of invalidity pension recipients ended in 2006, *inflows* have been decreasing since 2003. Women were historically underrepresented among recipients; however, between 2000 and 2008, their share in the stock of invalidity pensioners increased from 42% to 46% (OFAS, 2009a). Most importantly, the average age of invalidity pensioners decreased, and almost half are now below the age of 50.

281. Mental illness and diseases of the musculoskeletal system represent the two main reasons for granting new invalidity pensions in 2008. Mental illnesses represent a major challenge for vocational rehabilitation as they are usually announced at a relatively advanced stage of the illness, and people with mental conditions are often characterised by discontinuous working spells. As shown in Figure 4.6, since 2002 inflows into invalidity pensions declined for all types of disability, including mental illness and musculoskeletal diseases. But it is alarming that in recent years mental illness represented roughly half of the causes for the inflow into the invalidity-insurance system.

Figure 4.6. **New invalidity pensioners by type of disability, Switzerland, 2000-08**



Source: OFAS (2009c), *Statistiques de la sécurité sociale, Statistique de l'AI 2009 – Tableaux détaillés*.

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insured person accumulated at the time he/she became entitled to a disability pension and considering the total old-age credits for the years remaining up to the ordinary retirement age, assuming a zero-interest rate.

282. As shown in Table 4.2, in 2004 the *gross* and, in particular, the *net* replacement rate of invalidity pensioners who previously earned the average wage was one of the highest among a selection of ten OECD countries. Most pensioners receive a full pension; their share was 74% in 2009, down from 78% in 2003 (OFAS, 2009c). A main reason for the decrease in recent years is related to the introduction of a three-quarter pension in the context of the fourth revision of the invalidity insurance in 2004; its share among all invalidity pensions amounted to 5% in 2009. About 16% of invalidity pensioners receive a half pension and the remaining 5% receive a quarter pension. As a general trend since 2004, the number of half pensions decreased and the number of quarter pensions increased.

Table 4.2. **Gross and net replacement rates for average earners, selected OECD countries, 2004-05<sup>a</sup>**

	Percentages	
	Gross replacement rate	Net replacement rate
<b>Australia</b>		
Disability support pension	30	39
<b>Denmark</b>		
Waiting benefit	50	61
Disability pension	55	66
<b>Finland</b>		
Disability pension	63	69
<b>Ireland</b>		
Disability allowance	47	55
Invalidity benefit	47	54
<b>Luxembourg</b>		
Disability benefit	61	74
Non-contributory benefits	33	43
<b>Norway</b>		
Temporary disability benefit	66	72
Permanent disability benefit	53	60
<b>Poland</b>		
Temporary disability benefit	35	49
Permanent disability benefit	47	45
<b>Spain</b>		
Partial incapacity benefit	53	64
Full incapacity benefit	96	121
Non-contributory benefits	20	25
<b>Switzerland</b>		
Invalidity benefit	59	68
<b>United Kingdom</b>		
Short-term incapacity benefit	32	43
Long-term incapacity (52 weeks and over)	44	60
Income support disability premium	44	60

a) Data refer to 2004 for Norway, Poland and Switzerland.

Source: OECD (2006, 2007e and 2008), *Sickness, Disability and Work: Breaking the Barriers*, Vol. 1, Vol. 2 and Vol. 3.

### *Daily allowances of the invalidity insurance*

283. The guiding principle of Swiss invalidity insurance has always been “priority of integration over pensions”. However, it seems that this principle is far from being fully implemented. The invalidity insurance scheme includes medical and vocational rehabilitation measures and assessment measures, which aim at assessing the disability status and the degree of disability. Participants in a medical or vocational rehabilitation measure, as well as persons who are undergoing assessment, receive a daily allowance, if participation prevents them from working or if their working capacity is reduced by more than 50%. Young people below the age of 20 who have no work history and young people in initial vocational training are also eligible. The level of the daily rehabilitation and assessment allowances is set



at 80% of the previous wage, up to a fixed ceiling. Young people, who have not worked before, receive 30% of the ceiling for the insured wage. Based on the forthcoming sixth revision of the invalidity insurance law, invalidity pensioners who participate in a vocational rehabilitation measure will continue to receive their pensions instead of daily allowances.

284. Persons with disabilities are eligible to participate in a rehabilitation measure if it can be expected that their working capacity will be improved. But they have a duty to co-operate and to participate in the given measure. Infringements of this duty can lead to a curtailment of benefits or even their full suspension. However, according to the law, the sanctioning regime differs from that of the unemployment-benefit regime. Minor faults, for example, are not a reason for sanctioning and the concept of “suitability” of an integration measure is much more narrowly defined than within unemployment insurance. The enforcement of sanctions has remained rather weak in the past (Bertozzi *et al.*, 2008).

285. In 2008, the invalidity insurance paid for 239 000 rehabilitation measures for 216 000 beneficiaries (a person may receive different measures). Vocational rehabilitation measures (about 17 000 in total) represented only about 7% of individual measures, but the corresponding expenditures amounted to 24% of the expenses for individual measures. Nevertheless, they represented only a small amount of the total expenses of the invalidity insurance [3.8%, (OFAS, 2009c)].

286. In 2008, the probability of the population up to the age of 64 to participate in a vocational rehabilitation measure was below 1%, while the probability to receive an invalidity pension was over 5% (OFAS, 2009a). It seems that there is room for extending vocational rehabilitation for a larger share of the inflows, as well as of the stocks of disability benefit recipients.

287. Daily rehabilitation and assessment allowances are designed as a benefit granted before the acceptance into the invalidity pension scheme is decided. A study carried out on behalf of the invalidity-insurance scheme (Bachmann *et al.*, 2005) has criticised that the benefit system does not set the right financial incentives for invalidity pensioners to participate in vocational rehabilitation and to take up work. The study recommended the introduction of the concept of in-work benefits, as well as a transitional benefit for those who cannot immediately participate in a measure and cannot be reintegrated rapidly into the labour market but who could at a later stage. Moreover, it seems that the share of persons entering a vocational rehabilitation measure among all persons receiving a daily allowance (which precedes the claim for an invalidity pension) is quite low, indicating that more incentives to participate in vocational rehabilitation could be set at all stages.

### ***Recent reforms to reduce the flows and stocks of invalidity pensioners***

288. Reforms of the disability-insurance scheme were adopted by parliament in 2004 (fourth revision of the Invalidity Insurance Act) and in 2006, with the aim of promoting the integration into the labour market of people with disabilities (fifth revision). Among other issues, the fourth revision introduced the regional medical services and the three-quarters pension. Key elements of the fifth revision consisted of the introduction of *early identification* mechanisms in order to avoid inflow into disability; early intervention in order to prevent job loss; and an expansion of the scope of occupational integration and rehabilitation measures. The lack of requirements on the part of employers has led to criticism, but a referendum in 2007 confirmed the legislation, which came into effect in 2008 (Bertozzi *et al.*, 2008). Currently, plans for a sixth revision are being discussed in the context of the parliamentary consultation process (see below).

289. According to the fifth revision, the admission to invalidity insurance follows a three-stage process, consisting of early recognition, early intervention and implementation of rehabilitation measures. Early recognition implies that various actors, including the insured themselves, relatives, employers, general practitioners and various social security bodies, are invited to inform the invalidity insurance of



cases involving the possible threat of reduced work capacity. The subsequent stage includes an assessment of the case and the set-up, if suitable, of an appropriate integration plan. Early-intervention measures include workplace adaptation, training, placement, consulting, and rehabilitation measures. During the stage of early recognition, clients receive a daily sickness allowance, for which only two-thirds of employers are insured.<sup>70</sup> At the end of the early-intervention stage, a decision has to be made whether: *i*) the invalidity insurance is responsible for the case; *ii*) integration or activation measures should take place (including the payment of daily rehabilitation and assessment allowances); or *iv*) an invalidity pension is granted.

290. The fifth revision of the Act was aimed at facilitating early detection of possible cases of disability. From the beginning, employers have reported the largest share of these new cases (one-third of the 10 000 new cases reported in 2008). A quarter of notifications were made by employees. General practitioners also increasingly report cases to the invalidity insurance. About 12% of all notifications in 2008 were made by general practitioners, which is regarded by OFAS as an unexpected success.

291. As there is no obligation to report a possible case, early recognition is based on voluntarism – a clear weakness of the system. Employers who register an employee for early recognition usually have an interest in keeping the person employed; they are therefore often open for further co-operation with the invalidity insurance, *e.g.* in the field of workplace adaptation. In this area, much progress has been made in recent years. But employers who do not have this genuine interest will have no incentive to report cases early. Moreover, sickness insurances could play a more active role by making notifications (their share is currently no more than 10%), so that potentially disabled workers with precarious employment conditions could also benefit from early intervention.

292. Progress has been made in the area of monitoring the success of the disability offices in integrating people with disabilities in the labour market. Effectiveness indicators were introduced in 2007 in order to monitor the results of the reform of the disability-insurance scheme. The main indicators are: *i*) success of vocational re-integration after one and after two years;<sup>71</sup> *ii*) cost per participant; and *iii*) the inflow of new beneficiaries (corrected for external factors) (OFAS, 2009b).

### ***The sixth revision of the invalidity pension scheme***

293. The planned sixth revision of the invalidity-insurance aims to reinforce the principle of re-integration in the labour market by re-assessing pensioners' work capacity. A re-assessment of the working capacity is already carried out every three to five years, but only in 1% to 2% of the cases are invalidity pensions reduced or withdrawn (OFAS, 2009e; and Bachmann *et al.*, 2005). In order to render the re-assessment more effective in terms of the possibility to withdraw existing invalidity pensions, *i*) the new rules introduced in the fifth revision concerning the non-eligibility in case of psychosomatic pains and fibromyalgia to an invalidity pension will also be applied for the re-assessment of "old cases"; and *ii*) the prospects for labour market re-integration, if appropriate vocational rehabilitation measures are implemented, will become a key element. Dutch experience in increasing employment rates of persons with disabilities through re-assessment of recipients below the age of 45 gives an indication that the strategy of re-integration through medical reassessment can be successful.

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70. Employers can decide from which day of sickness the insurance steps in. Up to that date, the employer covers the daily allowance himself. Larger companies usually are insured from day 2 or 3, but most companies pay by themselves up to 90 days. Employers without an income compensation insurance pay a salary for a period depending on the years of employment.

71. For 2010, the objective is to reintegrate 3 000 persons with disabilities into the labour market. For 2009, the corresponding objective was only 1 500 persons.

294. In spring 2009, two rulings by the Supreme Court stated that pensions already granted cannot be reduced retroactively due to a currently different appraisal of a specific illness. Under such a legal framework, it is questionable to what extent the invalidity-insurance offices can put pressure on beneficiaries to participate in an activation or integration measure, or even in a preparatory measure such as participating in a therapy.<sup>72</sup> In any event, the new re-assessment rules will probably be more effective for *new* entrants to the invalidity pension scheme than for those who have received their pension already for a considerable amount of time. The Regional Medical Services (RMS) could play a major role for the re-assessment of invalidity pensions and it will be crucial to further strengthen their role and increase their knowledge with a view to vocational rehabilitation. Furthermore, introducing *temporary* disability pensions, which need to be re-assessed, would set the right signal for people with disabilities that they cannot take the benefit for granted but that they will *have* to be active as far as their remaining working capacity – which may of course not be stable over time – allows it.

295. A further element of the sixth revision consists of a reform of the financing system. It is envisaged that the payments made by the Federation will no longer be linked to the actual expenditure of the insurance (see Chapter 2), so that expenditure reductions will fully benefit the contribution-based budget of the insurance itself. While a second wave of reforms in the context of the sixth revision is planned, the current text fails to tackle the lack of responsibility of employers for reducing inflows into disability, as previously recommended by the OECD (2006). This would involve a much stronger commitment of employers to prevent illness from turning into long-term disability.

#### 4.5. Social assistance and incentives to participate in the labour market

296. In 2008, about 2.9% of the total population (down from 3.1% in 2007) and 4.5% of all persons aged below 26 received social assistance<sup>73</sup> (OFS, 2010d and 2009c). There are important variations between the different cantons (from 0.9% to 6.1%),<sup>74</sup> with the highest rates being observed in *Basel-City*, as well as in the cantons of *Vaud* and *Neuchâtel*, and the lowest rates in central Switzerland. However, the inter-cantonal comparison needs to take into account that some cantons are implementing additional benefits which may prevent certain persons from claiming social assistance (*e.g.* unemployment assistance, and housing benefits).<sup>75</sup>

297. The risk of depending on social assistance is higher in urban than in rural areas. In 2007, the highest rate of social-assistance recipiency among the working-age population was in the age group 18-25. Immigrants (defined as non-nationals) have a three times higher social-assistance recipiency rate and about 44% of social-assistance recipients are non-nationals (although they represent less than a quarter of the whole population) (OFS, 2009c). Throughout the 1990s, the newcomers tended to be younger than in the past, and, increasingly to have a (low-paid) job and a family (Bertozzi *et al.*, 2008). Single parents have a high risk to be dependent on social assistance: their social-assistance rate is 16% and they represent 20% of all social-assistance recipients. About 34% of social-assistance recipients are out of work<sup>76</sup> and another 37% are not in the labour force (OFS, 2009c).

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72. The sixth revision aims to install a legislative basis for reducing certain pensions granted before 2007 for illnesses such as psychosomatic disorders, and for strengthening the obligation of existing pensioners to participate in re-assessment.

73. Statistics on social-assistance recipiency were established only in 2004. For the calculation of the social-assistance rate, all persons living in the household are counted as beneficiaries of a social-assistance case.

74. Referring to the total population.

75. In 2007, housing-benefit schemes existed in 12 cantons (OFS, 2007).

76. Among this group, 38% are registered at an employment office, for another 35% eligibility to unemployment benefits has run out, and 8% are participating in an ALMP.

***Benefit level, eligibility and duration***

298. The federal constitution entitles every resident to a minimum subsistence income, which *de facto* forces cantons to run social-assistance schemes, by applying the subsidiarity principle. The Swiss Conference for Social Assistance (CSIAS) publishes non-binding guidelines on how to run social assistance. Since most cantons follow the guidelines to a varying degree, the level of social-assistance benefits and rules for sanctions differ from canton to canton. Differences in the generosity of social assistance between the cantons are based on political decisions. In the French-speaking cantons, social assistance used to be more generous in the past. However, the differences between German- and French-speaking cantons are narrowing.

299. For its advice on the level of social assistance, the CSIAS guidelines take the average income in the lowest decile of the nation-wide income distribution into consideration (Schmid, 2008). Nevertheless, depending on the cantonal tax-transfer system, it is possible that a household has more financial resources when receiving social assistance than when working, especially in the case of families with a one-breadwinner-model.

300. The social assistance benefit consists of a standard rate *plus* supplements depending on the individual situation and supplements for providing insurance for basic health care. The guidelines suggest a level of CHF 11 520 per year (or CHF 960 per month) for the standard social-assistance benefit for a single person, corresponding to 15% of the median *gross* full-time wage<sup>77</sup> in 2008 [CSIAS (2005), guidelines B.2.2]. This amount increases with the household size, *e.g.* a family with four members is recommended to receive CHF 24 648 per year (or CHF 2 054 per month). Most cantons apply the guidelines, but a few cantons set higher or lower levels. To give an example, in 2005 the yearly standard social-assistance benefit levels for a single parent with one child varied in the cantonal capitals between CHF 20 400 (in *Lausanne*) and CHF 16 686 (in *Appenzell*), and only five cantonal capitals pay an additional supplement for lone mothers.<sup>78</sup> The social-assistance benefit level for a family with two children (both parents being out of work) varied between CHF 28 500 (in *Lausanne*) and CHF 23 328 in *Appenzell* (Knupfer *et al.*, 2007). In both examples, the social assistance is about 22% higher in *Lausanne* than in *Appenzell* (this partly reflects the higher cost of living in the former).

301. Supplements to the standard social-assistance benefit are related to family status (mainly lone parents and families with more than three children), participation in an ALMP or a job and include earnings disregards (see below for more details). These supplements can be cumulated up to CHF 850 in most cantons (Knupfer *et al.*, 2007).

302. In 2007, about three quarters of beneficiaries received social assistance for over a year and a quarter for more than six years (OFS, 2009c). Long-term reciprocity of social assistance is increasingly becoming a problem and needs to be better addressed by the cantonal laws and local/cantonal welfare agencies (CSIAS, 2009), in particular if the revision of the Unemployment Insurance Act comes into effect.

303. Taking various types of social benefits and taxes into account,<sup>79</sup> the *net* replacement rate for long-term unemployed (after five years of unemployment) is among the highest in Switzerland as compared with other OECD countries (OECD, 2007d, Table 3.2). Therefore, it is crucial to implement a

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77. Calculated on the basis of average wages in OECD (2007d).

78. The CSIAS guidelines recommend CH 17 628 as the basic social-assistance benefit level for a two-person household. *Neuchâtel*, *Solothurn*, *Bern*, *Basel* and *Sarnen* are paying supplements for single parents amounting to CHF 2 400-3 600. Data are only available for the capitals of the cantons.

79. The *net* replacement rate is calculated after tax and includes unemployment benefits, social assistance, family and housing benefits in the 60<sup>th</sup> month of benefit receipt.

tight follow-up of these persons and to continue to activate the long-term unemployed through enforcing job-search obligation and participation in ALMPs, otherwise the financial incentive to remain in unemployment will prolong benefit reciprocity.

304. In 2007, about a quarter of social-assistance recipients exited the social-assistance schemes because they took up work and another 10% because their income situation from work improved. About 18% moved to another social security scheme and 16% moved residence and were therefore no longer registered as claimants (they will be counted in the inflow as they will have to submit a new claim). The remaining 30% terminated social assistance for other reasons (OFS, 2009c).

### ***Work incentives and earnings disregards***

305. In 2005, a new set of guidelines was adopted by CSIAS, which explicitly encouraged cantons to introduce activation measures in their social-assistance legislation. These include two types of incentives: *i*) earnings disregard, which mirrors the earnings disregard in the form of the intermittent pay scheme foreseen in the unemployment-insurance system (which is dealt with in this report as an ALMP in Chapter 5), and *ii*) activation supplements as incentives to participate in ALMPs. There are two types of supplements: *i*) an integration supplement for people out of work (*Supplément d'intégration*) who accept to participate in activation programmes or who otherwise demonstrate their intention to work; and *ii*) the minimum integration supplement (*Supplément minimal d'intégration*) for persons who are inactive but who show their willingness to actively search for work despite their reduced capacity (*e.g.* due to health problems) or for whom no place in a measure could be found. The guidelines indicate in which bracket the earnings disregard and “activating benefits” should be fixed: between CHF 400 to 700 earnings disregard per month and between CHF 100 to 300 for the activation supplements (*Supplément d'intégration*) [CSIAS (2005)]. In the capitals of the cantons, the earnings disregard varied between CHF 400 and CHF 600, representing between 6% and 9% of Swiss average full-time monthly wages; the cantons having implemented the minimum integration supplement have fixed its level generally at CHF 100; and the level of integration supplements varied between CHF 100 and CHF 330 and most cantons have defined similar brackets<sup>80</sup> (CSIAS, 2006).

306. The activation strategy formulated in the guidelines has been adopted by 22 cantons. The cantons of *Aargau*, *Appenzell Inner-Rhodes*, *Ticino* and *Vaud* are implementing former version of the guidelines and do not implement “activating benefits” (Knupfer *et al.*, 2007). However, while 22 cantons implement the integration supplement for people out of work, only 16 cantons have adopted the minimum integration benefit. Cantons define in different ways the eligibility conditions for an integration supplement (*e.g.* including or not including unpaid voluntary work). Box 4.1 presents the activation strategy for social-assistance recipients implemented by the City of *Zurich*.

307. According to a recent evaluation of the implementation of the activation strategy carried out by CSIAS in 20 welfare offices, there is significant variation across cantons. It seems that the case-manager retains a great deal of discretion, which corresponds to the principle of an individualised approach, but may lead to inequalities in the treatment of social-assistance recipients not only between cantons but also between social-assistance recipients of the same welfare agency. Therefore, the study recommends that more precise rules for the eligibility of the integration supplements should be set up (CSIAS, 2009).

308. On the basis of interviews with staff in the 20 social welfare offices, the CSIAS study concludes that the integration benefits do not set strong incentives for social-assistance recipients to be more actively involved. The sanctioning of the supplement seems to have a greater behavioural impact. The canton of *Bern* has therefore fixed by law that social-assistance recipients who are not eligible to an integration

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80. In nine cantons, the fixed brackets for the integration supplement correspond to CHF 100-300, and to CHF 100-200 in four cantons.

supplement have to be sanctioned and their social assistance curtailed. This leads, according to the staff in the welfare agencies, to a higher incentive to participate in the integration measure. In contrast, the canton of *Valais* is providing for all social-assistance recipients of working age the minimum integration supplement, unless they show a clearly uncooperative behaviour (CSIAS, 2009). It is unclear, however, which approach is more successful in motivating social-assistance recipients; further, there is no link between the extent of social-assistance reciprocity in a canton and the generosity of its social-assistance scheme (CSIAS, 2009).

#### Box 4.1. The Zurich model for activating social-assistance recipients

The revision of the CSIAS guidelines in 2005 was influenced by the activation strategy implemented by the City of *Zurich* which set up a project called “model for chances (*Chancenmodell*)” in 2002. A key element of this approach is to assess the potential employability of social-assistance claimants. If these are considered employable, financial incentives are set for them to take up work or training or to participate in an ALMP. The number of participants in this (compulsory) scheme doubled between 2004 and 2007.

During the first four weeks of social assistance, claimants need to take part in a basic employment programme, which serves to identify their competencies and willingness-to-work. Upon claims for social assistance, the City checks immediately whether claimants are potentially employable and whether they can participate in the programme. During these four weeks, instead of social assistance, a basic wage is paid, which facilitates sanctioning, if necessary. Participation in the basic employment programme is a pre-condition for claiming social assistance. Overall, about 200 places are available in the basic employment scheme. A weakness of the system, however, is that it is designed for people with a low skills level and does not fit for highly qualified claimants, as the type of activities carried out in basic programmes have the wrong profile to promote labour market integration of the latter target group.

In contrast to the City of *Geneva*, *Zurich* is no longer paying wages for people in so-called secondary labour market measures, but there is the possibility to top-up wages by a supplement between CHF 100 and 300. Earnings disregards range between CHF 100 and CHF 600 depending on the volume of hours worked. According to the *Zurich* social department, these work incentives cannot be enhanced because otherwise recipients’ total income would exceed that of low-wage earners. Theoretically, another solution would consist of lowering the basic social-assistance level, but this is also problematic, as it would penalise those who are not able to work.

Source: Stutz *et al.*, 2006; and notes from OECD mission, June 2009.

309. The cantonal laws regulate the conditions for sanctioning social-assistance recipients if they are not fulfilling their requirements, *e.g.* if they refuse an acceptable job offer or participation in an integration measure. According to the CSIAS guidelines, the basic social-assistance benefit can be curtailed by 15% for a maximum period of 12 months (guideline A.8.3). Nearly all cantons have made provisions for sanctions, which consist in most cases in a small benefit cut. As noted by Bertozzi *et al.* (2008), there is no mention of sanctions in *Geneva*, *Valais* and *Appenzell Inner-Rhodes*).<sup>81</sup>

310. The question whether the level of social-assistance benefit is a disincentive for taking-up work has been the focus of public debate. It is argued that social assistance should be clearly below the level of (low) wages. CSIAS conducted a study to compare the income situation of different family types receiving social assistance or a low-wage income (wages slightly above the social-assistance benefit level). The results vary by canton, family type as well as labour market participation (Knupfer *et al.*, 2007). Earnings disregards clearly increase the incentive to take up work. But there are situations where benefit recipients are worse off when they take up work, as the integration supplements reduce the additional income received through work, so that in some cases the difference may even be negative. This is more likely to be the case in families where the woman does not work.

81. No data on sanctions of social-assistance beneficiaries in Switzerland are available.

311. Further, in most cantons, the social-assistance and tax system show inconsistencies: there are earning brackets leading to a lower income from work than income from social assistance. Reasons for this outcome can be traced to specific supplements of the social assistance (*e.g.* for health care) and different tax treatment of social assistance and wages. Those cantons which have developed specific entrance and exit rules to the social-assistance system by taking the supplement system as well as other social transfers into account, and which foresee gradual entrance and exit from social assistance (meaning also that entrance starts earlier and exit later) are more successful in eliminating inequalities between social-assistance recipients and low-wage earners and related disincentives to take up work.<sup>82</sup>

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82. Cantonal capitals which have been more successful in eliminating inconsistencies in the social-assistance system are: *Aarau, Appenzell, Bellinzona, Bern, Delémont, Fribourg, Neuchâtel* and *Sion*. Note that the level of standard social-assistance benefits, as well as the levels of the supplements and the earnings disregard, vary quite significantly between these cantons.

## Chapter 5

### ACTIVE LABOUR MARKET PROGRAMMES

#### 5.1. Introduction

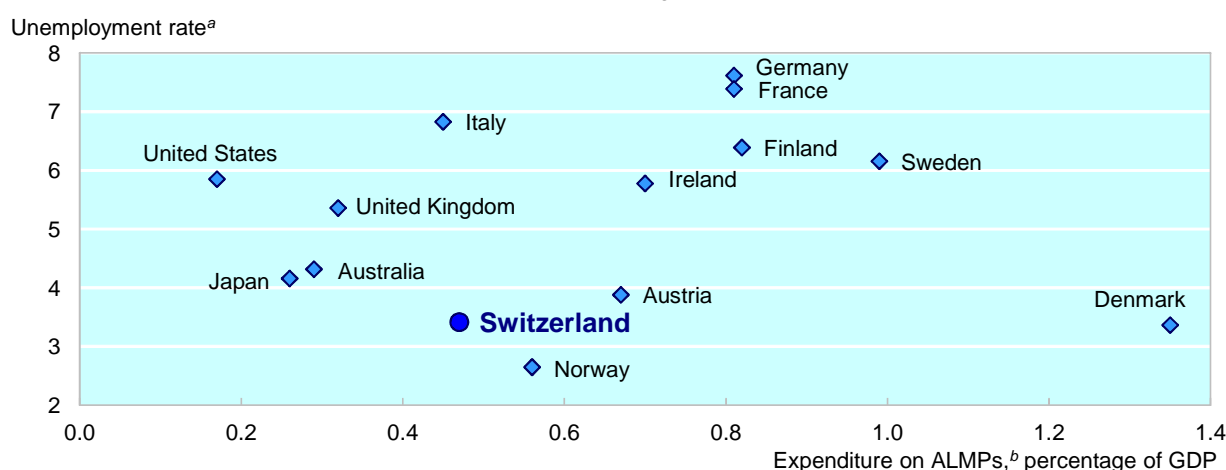
312. This chapter analyses the measures taken to activate and integrate into the labour market the unemployed and other benefit recipients capable of work, such as certain groups of social-assistance and disability beneficiaries. Section 5.2 compares public spending on activation policies in Switzerland with selected OECD countries. Sections 5.3 to 5.5 outline in more detail the training and employment measures used by local employment offices. ALMP evaluation studies are discussed in Section 5.6, followed by strategies for specific target groups in Section 5.7, which also includes a focus on regional disparities in the use of activation instruments.

#### 5.2. The role and shape of active labour market programmes

##### *Expenditures on active and passive labour market programmes*

313. Figure 1.5 had shown that Switzerland is in a mid-field position among OECD countries concerning total labour market expenditure – although well below the values for some other continental European countries such as Denmark, Germany and the Netherlands, and that its ratio of active to passive measures is above EU15 and OECD averages. Figure 5.1 below illustrates for some selected OECD countries the relationship between expenditure on ALMPs as a share of GDP, on the one hand, and the level of unemployment, on the other. The figure confirms Switzerland's mid-field position regarding labour market expenditure. Differences between countries are large. For example, Japan, Switzerland and Denmark spend varying shares of their GDP on ALMPs, despite similar unemployment rates. Germany and France spend higher shares of their GDP on ALMPs, but their unemployment rates are also disproportionately higher than the Swiss rate.

Figure 5.1. **Incidence of unemployment and expenditure on ALMPs, selected OECD countries, 2008**  
Percentages



ALMPs: Active labour market programmes.

a) Unemployed as a percentage of the labour force.

b) Data for expenditures refer to Categories 1 to 7.

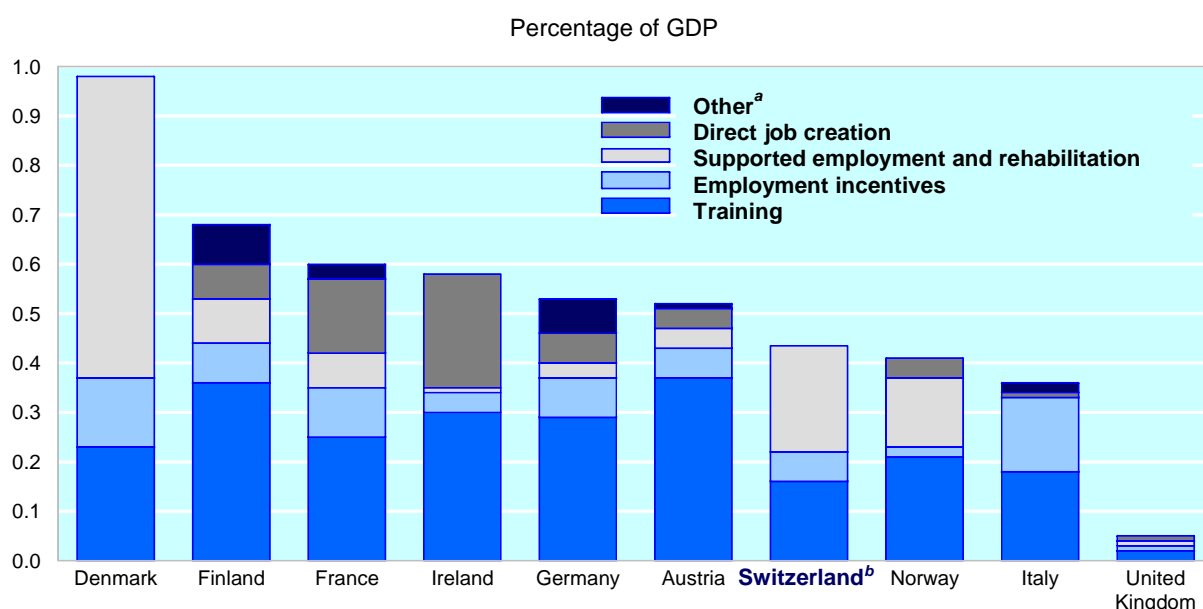
Source: OECD Online Employment database ([www.oecd.org/els/employment/database](http://www.oecd.org/els/employment/database)) for Unemployment rates; and OECD/Eurostat Labour Market Programme database for Expenditures.

314. In Switzerland, the stock of participants in ALMPs as a percentage of the labour force has fluctuated around 2% since 2003. In comparison, the stock of participants in recent years has been about 4% of the labour force in Austria, about 6% in France, between 4 and 6% in Germany and a bit below 4% in the Netherlands. By contrast, reflecting its low level of ALMP expenditure, the stock of participants as a share of the labour force is fairly low in the United Kingdom (0.3%).

### Overview of measures

315. As shown in Figure 5.2, Switzerland has focused its ALMP expenditure on *Supported employment and rehabilitation* measures (representing over 40% of ALMP spending in 2008). Switzerland is comparable in this respect to Denmark and to a certain extent to Norway, where expenditure for this programme category is also considerable. The second-largest expenditure category is *Training* (which includes temporary employment programmes because of their training element), followed by *Employment incentives*, while there is relatively little expenditure on *Start-up incentives*.

Figure 5.2. ALMP expenditure by main category, selected OECD countries, 2008



Countries are ranked in decreasing order of expenditure on active measures calculated as the sum of Categories 2-7 in the OECD/Eurostat Labour Market Programme database.

a) Other includes **Job rotation** (only for Germany, Finland and Sweden) and **Start-up incentives**.

b) Data for **Supported employment and rehabilitation** were extrapolated because data for 2008 related to the sub-category **Emplois protégés** were not provided by the Swiss labour market authorities.

Source: OECD/Eurostat Labour Market Programme database.

316. According to the OECD/Eurostat Labour Market Programme database, about 65 000 persons participated in ALMPs on annual average in 2008 and 78 000 in 2009.<sup>83</sup> The largest share of participants is to be found in *Training* (38% in 2009), followed by *Employment Incentives* (33%) and *Supported employment and rehabilitation* (29%). *Employment incentives* include *in-work benefits* (intermittent pay),

83. In contrast to expenditure data, figures do not include participants in *Supported employment* (mainly sheltered workshops).



which contribute the biggest share in this category (31%).<sup>84</sup> A registered jobseeker participates in an active labour market measure for 5 weeks on annual average, with variations from 20 to 40 days by canton (SECO, 2009e). If, as outlined in Box 5.1, temporary employment was classified under the category *Direct job creation* and not as a *Training* measure, the share of the stock of participants in training measures would be less (27%), and the share of participants in Direct job creation would amount to 10% (see Table 5A.4).

#### Box 5.1. Categories of active labour market programmes

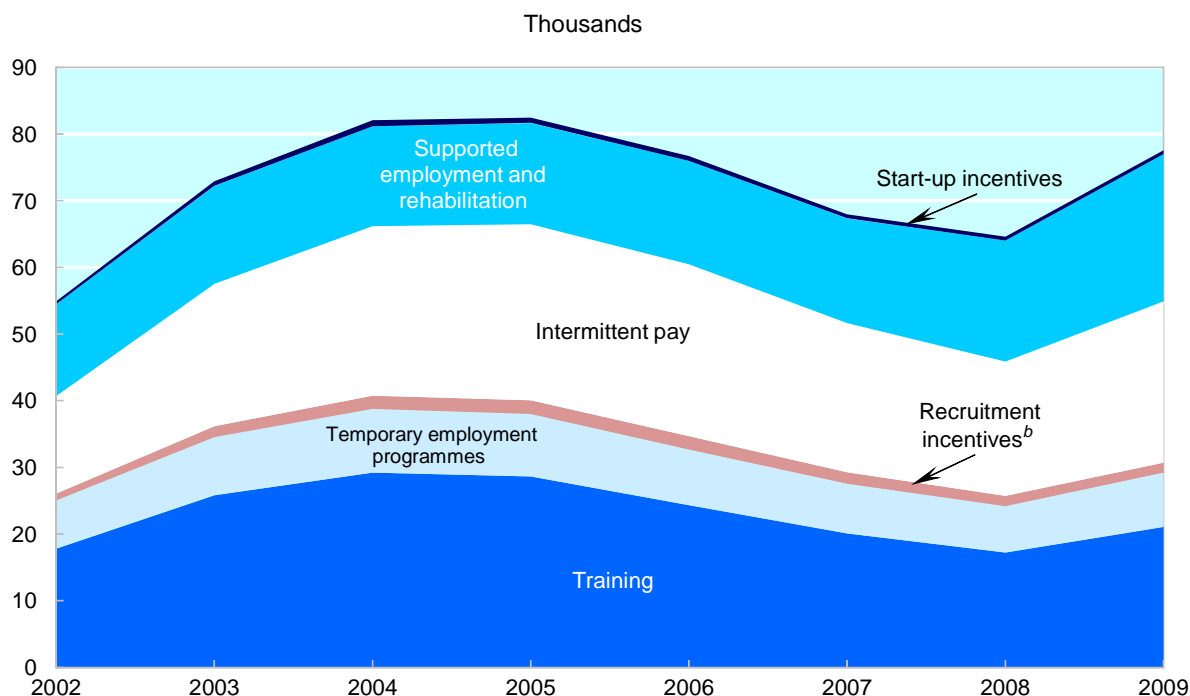
In Switzerland, active labour market measures are mainly implemented within the framework of the unemployment insurance and invalidity-insurance schemes. The OECD collects and publishes the corresponding data as part of the *OECD/Eurostat Labour Market Programme database* which distinguishes for purposes of international comparison the following five broad categories: *Training*; *Employment incentives*; *Supported employment and rehabilitation*; *Direct job creation*; and *Start-up incentives*. By contrast, the Swiss federal labour administration publishes participant and expenditure data according to three main categories: *Training measures*; *Employment measures*; and *Specific measures*, with the latter category consisting of *Training allowances*, *Job-insertion allowances*, *Commuting allowances* and *Start-up incentives*. Some categories, such as rehabilitation measures (which are the responsibility of the invalidity insurance) and the intermittent pay scheme are not included by Switzerland among the labour market measures. In contrast to the *OECD/Eurostat database*, the more detailed information regarding participant structure by age, gender and nationality and of cantonal variations provided by the Swiss labour administration to the OECD review refers to participant inflows and not stocks. Therefore, analysis of these topics in the latter part of this chapter follows a different classification. Also, unlike most other European countries, Switzerland does not regularly publish comprehensive stock or flow data on ALMP participation in national publications available to the general public.

Municipal welfare offices, as well as the cantonal labour offices, implement their own measures – in many cases these are direct job creation measures, which are not reflected in the *OECD/Eurostat database*, as they are not collected at national level.<sup>a</sup> It would be desirable to collect and display this information at federal level since otherwise direct job-creation measures will remain under-estimated. Moreover, classification of individual measures in the database is not always straightforward and there are cases where there could be good reasons for classifying a specific measure under a different category. In particular, in agreement with the Swiss labour administration, temporary employment measures are categorised in the *OECD/Eurostat database* under the section *Training* since they include a training element (SECO, 2009f), although they could also be classified under their direct job-creation aspect.

a) To give an example, in the canton of *Valais* the share of cantonal spending on labour market measures amounts to roughly a fifth of total expenditure (the sum of measures financed by the canton and the Federation).

317. Participation in ALMPs shows less strong cyclical variations than the development of unemployment. However, compared with other OECD countries the cyclical sensitivity of ALMP expenditure seems to be relatively strong (Table 5A.3; and OECD, 2009d). Figure 5.3 shows that from 2002 to 2009 the stock of participants in ALMPs fluctuated between 55 000 and 82 000 persons. It was at 77 500 in the economic downturn of 2009, an increase of 17% over 2008, but less than the increase in unemployment. Notably, participants in most categories rose from 2002 to 2004/05, declined until 2008 and rose again in the economic crisis, but not up to the 2004/05 level. The stock of participants in the category *Supported employment and rehabilitation* did not follow the business cycle and has risen steadily, by over 50% between 2002 and 2009).

84. See Annex Table 5A.4; data for *Supported employment and rehabilitation* are provided by the disability insurance.

Figure 5.3. **Stock of participants in ALMPs by main category, Switzerland, 2002-09<sup>a</sup>**

a) Numbers refer to participants from the unemployment and invalidity insurance.

b) Data refer to *Job-insertion allowance* and *Commuting allowance*.

Source: OECD/Eurostat Labour Market Programme database, Categories 2-7.

### **Features of ALMP participation**

318. Jobseekers registered at local employment offices are obliged to participate in any measure the responsible employment officer considers appropriate for improving their employability. Non-participation in an assigned measure leads to sanctions (see Chapter 4). Social-assistance recipients may also be obliged to participate in an ALMP by the local welfare offices. Arrangements can be made between the municipality and the canton that permit social-assistance recipients to participate in measures organised by local employment offices. People with reduced employability due to health problems fall under the responsibility of the invalidity insurance. As a rule, they take part in vocational rehabilitation measures financed and implemented by the invalidity insurance.

319. Participants on a wide range of ALMPs receive daily allowances if they are eligible to unemployment benefits (*Training courses, Training internships, Vocational internships, Practice firms, Temporary employment programmes* – for details of the measures, see below). In the case of some measures, a fixed monthly amount is awarded (e.g. motivation semesters) or a salary is paid which is topped up by a subsidy (e.g. *Intermittent pay, Employment incentives, Training allowances*).

320. Jobseekers who are unemployed but have not fulfilled the required contribution period, may also be asked to participate in ALMPs, if the respective canton bears 20% of the costs related to the measure. Most measures, and in particular training programmes, are also open to employed workers at risk of dismissal. This applies, in particular, to people with a temporary employment contract that is soon running out, and to people threatened by mass lay-offs and internal restructuring (SECO, 2009f; and Spycher *et al.*, 2007).

321. Jobseekers registered with the local employment offices need in principle to continue their job-search activities while participating in an active programme. Exceptions are made, however, for people receiving Start-up incentives and occasionally, on a case-by-case basis, also for other programmes if the requirement would interfere with the successful termination of the measure.

322. Jobseekers are expected to show a high degree of initiative and to be proactive. In principle, they should inform potential employers of programmes they are eligible to, and sometimes applications have to be submitted together with the prospective employer, as in the case of training allowances and employment incentives (see below).

### 5.3. Training programmes

323. The *OECD/Eurostat Labour Market Programme database* usually distinguishes between two major groups of training measures: institutional training and workplace training. There are six training measures among the active labour market programmes financed by the Swiss PES and, among these, training courses (*Cours de formation*), practice firms (*Entreprises d'entraînement*) and motivation semesters (*Semestres de motivation*) can be classified under the former category; and training internships (*Stages de formation*), vocational internships (*Stages professionnels*) and training allowances (*Allocations de formation*) under the latter category.

#### *Institutional training*

##### *Collective and individual training courses*

324. *Training courses*, the largest of the six training measures in Switzerland, mainly aim at improving vocational qualifications and raising employability; they may also be used by job counsellors to raise client motivation and validate or certify existing knowledge and competences. Courses cover topics like computer literacy, languages, business administration, diverse technical skills and hotel and restaurant services. They also include job-search training and preparation for business start-ups.

325. Participants receive daily allowances and a refund for expenses related to the training course (fees, training material, travel expenses). In 2009, there was an average stock of 16 900 and an inflow of 105 000 participants into training courses (21% and 43%, respectively, of all ALMP participants). Due to rising unemployment in 2009 and the subsequent expansion of active programmes, these figures were higher than in the two preceding years, but still considerably lower than in the period 2003-05. The figures also show the relatively short average duration of training measures in Switzerland, equal to 15 days on an annual average (SECO, 2009e).<sup>85</sup>

326. Generally, there are two types of courses: *i*) collective courses organised by private or public providers only for clients referred by employment and welfare services; and *ii*) individually-organised courses offered on the regular training market and usually open to everyone. The majority of jobseekers involved in training attend collective courses. This could be because local employment officers are well informed about the range of collective courses available and are in contact with the respective providers. Individual courses also tend to be more expensive, and the possibilities for concluding service-level agreements with providers are more limited. Furthermore, collective courses are set up especially for jobseekers and are therefore directed at their specific needs, while individual courses address a much broader audience.

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85. This figure applies to the Swiss definition of training measures (courses, practice firms, and training internships). No separate figures for the duration of training courses are available.

327. On the other hand, in some areas individually-organised courses are offered more frequently (while specific courses for jobseekers start only a few times in a year); furthermore, they offer the opportunity to keep in contact with employed people also participating in the course. As a rule, if a collective course is offered on a certain topic, the jobseeker is supposed to be referred to this programme and not to a course on the same topic organised in the regular training market, even if the collective course is offered only at certain points in time. It may be appropriate to review this provision and assess whether it delays re-insertion in the labour market. Also, as argued in the evaluation by Cap Gemini Ernst & Young (2000), it would make sense to enhance the availability of collective courses by inter-cantonal purchases of such courses, but there still do not seem to be many examples of co-operation among cantons in this respect.

#### *Evaluation of training courses*

328. Labour market programme evaluation plays an important role in Switzerland (see Box 5.2 below). Two evaluation waves have been carried out so far, commissioned by SECO, with mixed and partly contradictory results for the effectiveness of training courses. In the first wave, Gerfin and Lechner (1999 and 2002) not only found a lock-in effect during participation in all training programmes, but also negative impacts on post-programme employment of participation in language courses, basic programmes (such as job-search training), IT and language courses. However, this study only looked at a 12-months period, and the results could have been different over a longer time horizon.

#### **Box 5.2. Labour market programme evaluation in Switzerland**

Labour market programme evaluation plays an important role in Switzerland, not the least since the unemployment Insurance Act mandates such evaluation (Unemployment Insurance Act, Art. 73, and 73a). On that basis, most studies referred to in this chapter were commissioned by the Swiss labour market authorities (*i.e.* SECO). Authors therefore had access to administrative data, a precondition for obtaining meaningful results, especially since the Swiss unemployment rate has been comparatively low and random tests would have led to very small sample sizes (Lechner and Gerfin, 2000). In particular, the analysis could draw on administrative data on vacancies and placements (PLASTA, "*Placement et statistique du marché du travail*") and the database of the unemployment-insurance fund on paid-out benefits (SIPAC, "*Système informatique de paiement des caisses de chômage*").

The evaluation studies can be divided in two waves (see Aeberhardt and Ragni, 2006; and Ragni, 2007).

- The first wave of studies in the late 1990s looked at the micro-economic effects of ALMPs on the re-integration prospects of participants (Cap Gemini Ernst & Young, 2000; Gerfin and Lechner, 1999 and 2002; Lechner and Gerfin, 2000; and Lalive and Zweimüller, 2000). This evaluation cycle suffered from the problem that local PES offices and ALMPs were quite new concepts in Switzerland at the time, and more experience with both was necessary. In SECO's view, "... all in all, evaluation results were disappointing" (Ragni, 2007).
- The second wave included macro- and micro-economic studies on the effects of ALMPs on the unemployment and/or jobseeker rate (Lalive *et al.*, 2006; and Marti and Osterwald, 2006), as well as on specific target groups, such as foreigners, older workers and younger workers with skill deficits. This cycle also looked at ways to strengthen local office organisation and personnel efficiency; some of these results were presented above in Chapter 3.

Switzerland has thus developed an evaluation culture that is surprisingly strong and multi-faceted for a country of its size, and in comparison with other continental European countries. Tables 5A.1 and 5A.2 summarise the principal results of the evaluation studies.

329. Lalive and Zweimüller (2000) found positive participation effects<sup>86</sup> of training courses, although the results vary according to the target group and the time horizon. The only significant participation effect was for women of Swiss nationality undertaking IT courses. By contrast, the system effect (*i.e.* the effect from the mere existence of the instrument) is positive and significant for all training courses.

86. The participation effect estimates re-integration directly due to programme participation.

330. In the second wave of evaluation studies, the results for training courses remained inconclusive. Marti and Osterwald (2006) estimated two different models with partly varying results. Basic programmes and language courses show no significant effect in both variants, but IT and other courses have either positive or negative effects, depending on the evaluation model used. The results differ by economic sector.<sup>87</sup> Lalive *et al.* (2006), analysing macro-economic effects, find positive effects on the unemployment rate in the case of participation in job-search training and continuing vocational training, but no positive impact on the pace of finding a job.

331. Lalive *et al.* (2009), in a study of one particular PES office, evaluate the instruments with respect to their enhancing the probability of getting a job interview. Basic programmes show good results, but language courses for immigrants show no effect, and personal development courses even negative effects. There seems to be a large variation in the results according to the characteristics of the jobseeker; for example, effects are stronger for unemployed persons with a long-term unemployment forecast.

#### *Practice firms and motivation semesters*

332. The aim of the *practice firms* scheme is to provide work experience and further training to jobseekers, mainly in the field of business administration and commerce. They deal with fictional goods and services and are organised into business units (*e.g.* purchase, sales, accounting, and marketing) along the lines of regular private enterprises.<sup>88</sup> Practice firms target people with vocational qualifications and/or certificates who lack professional experience, *i.e.* mainly young adults who have completed an apprenticeship and women seeking to return to the labour market.

333. Currently, more than 40 practice firms are operating (SECO, 2009g). Beneficiaries usually participate in this measure for six months. The PES recommends a distribution of working hours into 60% work experience, 20% further training and 20% job search (as with participation in most other active measures, job-search requirements continue to fully apply) (SECO, 2009f). From 2004 to 2009, between 2 500 and 4 000 persons participated annually in practice firms.<sup>89</sup>

334. *Motivation semesters* are targeted at young unemployed drop-outs (aged 15-24) from the educational system and those who did not find an apprenticeship, but are interested in pursuing vocational training. During this six-month programme, which is outsourced to private or community providers (such as the *Lernwerk Turgi* reviewed in Box 2.1), participants have the opportunity to close knowledge gaps, receive career counselling and prepare their application for an apprenticeship – the desired end result of this programme. In addition, short internships enable them to acquire some practical experience. Eligibility criteria are lower than for other measures, as the target group tends not to fulfil the usual contribution requirements.

335. Participants profit from personal coaches who set up individual action plans with them and follow individual progress through repeated counselling and mentoring. The usual compensation for participants is CHF 450 per month, similar to the compensation during the first year of apprenticeship, but those who have already worked for a year or more and would be eligible to unemployment benefits may

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87. For example, IT courses show positive effects on re-employment prospects in construction and services and negative effects in the hotel and restaurants industry, while language courses show negative effects in the service sector.

88. Practice firms can work for profit, under contract with public or private parties, but are not supposed to compete unfairly with private businesses – a requirement that also applies to other public training and employment programmes.

89. The average annual stock was only 1 000 or less, which suggests that many participants find a job during training, or drop out for other reasons.

receive a higher amount. Participants who found an apprenticeship can receive a further six months of counselling by their personal coaches. From 2004 to 2008, between 5 000 and 7 000 youths took part annually in a motivation semester, with an annual average stock of 2 000.

336. Motivation semesters seem to have been an effective tool in reducing the number of school drop-outs without any graduation certificate. According to one study, in the period 1998-2002, between 57% and 63% of participants started an apprenticeship or other type of vocational training, or went back to school (Froidevaux and Weber, 2003). Similarly, Müller (2007) reports a success rate of about two-thirds.

### **Workplace training**

337. Training measures at the workplace include training internships (*Stages de formation*) and vocational internships (*Stages professionnels*). *Training internships* aim to deepen and expand existing vocational qualifications in order to improve employability. The scheme is implemented in private enterprises or public administration units that run apprenticeships or employ interns on a regular basis. Training internships last for a maximum period of three months. Participants receive daily allowances and, if necessary, commuting expenses as well as financial support for room and board (Spycher *et al.*, 2007). From 2004 to 2009, this measure had an inflow of between 1 200 and 1 500 participants annually, but their number increased substantially to over 3 000 during the 2009 downturn.<sup>90</sup>

338. *Vocational internships* are set up for registered unemployed persons who have finished an apprenticeship but have not been able to find a job afterwards. They aim at providing professional experience in public administration or the private sector, establishing professional contacts and staying in touch with the labour market. Vocational internships last for a maximum of six months and are supposed to leave some space for further training and job search. Participants receive daily allowances, to which the employer needs to contribute a quarter, but at least CHF 500 monthly, to the gross remuneration. Vocational internships may not be offered by the company if the participant previously had an apprenticeship contract with it (Spycher *et al.*, 2007). The programme is operated on a somewhat larger scale than training internships. From 2004 to 2007, between 2 000 and 3 100 unemployment beneficiaries participated in it annually, but participation was lower in 2008 and 2009.

339. The *Training allowance* programme is run specifically for registered unemployed over the age of 30 who have not finished an apprenticeship or need to adapt their skills to labour market requirements.<sup>91</sup> The subsidy is granted for a training period which can last up to three years. Applications must be submitted by the unemployed person together with the employer offering the training. The latter pays a compensation corresponding to the usual apprenticeship compensation or higher, taking into account former work experiences. An additional allowance by the unemployment-insurance fund makes up for the difference between this training compensation and the salary that can realistically be expected after completing the apprenticeship. This seems quite a generous scheme at first sight; however, the maximum amount may not exceed CHF 3 500 per month (a bit over half of the average wage in 2008).

340. Only a very limited number of people participate in this kind of measure, reflecting the high minimum entry age. Between 2002 and 2007, less than 200 people entered the scheme annually, although the average annual stock was closer to 300, because of long training duration. Participation increased only a little despite a positive evaluation of the scheme by Cap Gemini Ernst & Young, which included a recommendation to broaden the target group (Cap Gemini Ernst & Young, 2000).

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90. Training internships were evaluated negatively by Gerfin and Lechner (1999 and 2002).

91. In general, basic vocational education and the promotion of apprenticeships are not part of publicly-subsidised ALMPs in Switzerland. Training allowances are the only instrument where this principle is not applied.



#### 5.4. Temporary employment programmes

341. The objective of temporary employment programmes is to integrate the registered unemployed rapidly into the labour market. They are mainly organised in the areas of public administration, welfare facilities (child care, long-term care), environmental protection and recycling. They are offered by public or private NGOs (“collective measure”), but according to SECO guidelines, any competition with the private sector needs to be avoided and a tripartite commission checks the fulfilment of this requirement (SECO, 2009f). Some programmes also offer places in regular enterprises (“individual measure”). The aim is to refresh and broaden vocational skills through learning-by-doing and to maintain or support a daily routine. Participants tend to be referred to an occupation or a sector in line with their qualifications (Spycher *et al.*, 2007). Vocational training is not the focus of this kind of measure, but it is usually possible, in collaboration with the local PES office in charge, to take part in a training measure in parallel.

342. The programmes usually last for one to six months. Up to 2002, every unemployed had a legal claim to participate in a temporary employment programme, thereby extending the entitlement period to unemployment-insurance benefits. During the duration of the programme, the participants received a wage. In case it was not possible to offer a place, the readiness to participate was deemed to be enough for the prolongation of the benefit period. Both arrangements were withdrawn in 2002 and participants now receive unemployment benefits during participation.

343. In 2009, 25 000 people entered a temporary employment programme, with an annual stock of 8 000. Variations in participant numbers since the beginning of the decade show that the measure largely follows the business cycle. Numbers shot up in 2009, but remained below the 2004 peak.

#### *Evaluation results*

344. Evaluation studies for the employment effect of temporary employment measures show mixed results. According to Gerfin and Lechner (1999 and 2002), temporary employment programmes show poor results in terms of the employment prospects for participants one year after having completed the programme.<sup>92</sup> Possible explanations for the poor results include the timing of the measure (often shortly before eligibility to unemployment benefits ends, a period which is normally characterised by more intensive job-search activities), stigma effects and insufficient effects on employability, since programmes have to be carried out in areas in which no competition with the private sector arises and thus the workplace experience gained may be less relevant for private-sector jobs (Gerfin and Lechner, 1999; and Gerfin *et al.*, 2005). By contrast, Lalive and Zweimüller (2000) find a positive and significant employment effect for all groups, except Swiss men for whom the effect is not significant. Moreover, temporary employment programmes show more positive results in the second wave of evaluation studies commissioned by the SECO (Lalive *et al.*, 2006; and Marti and Osterwald, 2006), as they are accompanied by decreases both in the unemployment rate and the jobseeker rate.

345. Overall, this mixed picture from the evaluations shows that effects diverge for different target groups, and temporary employment measures should be well targeted. Any positive effects might well be enhanced by strengthening their training element.

346. The evaluation of similar job-creation measures in other OECD countries tends to show mixed results, as well, and effects seem to be positive mainly for hard-to-place jobseekers.<sup>93</sup> In Ireland,

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92. However, when controlling for the participant structure, temporary employment programmes in the public sector show positive employment effects for women.

93. Depending on the way direct job-creation programmes with training elements are organised, results can be more positive and the setting-up of social enterprises for disadvantaged and hard-to-place people with multiple problems may be an option. Experience from Austria in the 1990s shows that the employment effects of participation in social enterprises (*sozialökonomische Betriebe*) are positive, although they are relatively small when controlling for participants’ characteristics. Interestingly, the positive effects increase over time. A positive impact on employment prospects was recorded for older workers, long-term unemployed as well

participants in the Community Employment scheme (the largest job-creation scheme) move into jobs in the private sector less frequently than participants in other programmes do, but they perform useful work within their communities (e.g. Grubb *et al.*, 2009). In Finland, evaluation studies typically report that public-sector job-creation programmes have little positive impact on the later job prospects of their participants, although it may be argued that they help severely disadvantaged groups to stay economically active (Duell *et al.*, 2009a). Also some comparative studies have recognised the importance of motivational effects,<sup>94</sup> which involve an impact on job entry before programme participation starts (Martin and Grubb, 2001; OECD, 2005b; and Kluve, 2006).

## 5.5. Employment incentives

### *In-work benefits: the intermittent pay scheme*

347. A type of in-work benefit – intermittent pay (*Gain intermédiaire*), not part of the official list of Swiss active labour market programmes – is paid to (previously) registered unemployed if their wage or income from a new job is lower than their unemployment benefit. This wage subsidy aims to overcome institutional incentive problems in the area of low-qualified work, and to encourage the unemployed to take up low-paid jobs, usually of a temporary nature. The intermittent pay guarantees that income is in all cases *above* the previous benefit level, while the unemployment-insurance fund profits by paying out less benefit. Contrary to other instruments, new entitlements for unemployment benefit can be acquired during participation in the programme. Interestingly, it seems that a significant share of contracts entitling to intermittent pay are concluded on the initiative of the jobseekers, although PES counsellors can also directly refer jobseekers to them. A majority of recipients work part time, which leaves time to fulfil the PES job-search requirements (Gerfin, 2007; and Froelich *et al.*, 2007).<sup>95</sup>

348. In-work benefits may not be paid if the beneficiaries work for their previous employer (within a period of one year), a design feature which seeks to minimise the deadweight cost. Substitution effects are difficult to monitor, but the programme tries to avoid them by means of the obligation to pay sectoral wages considered standard in the particular region or locality. Since 2004, almost 100 000 people have received intermittent pay every year. The average annual stock was between 20 000 and 25 000, *i.e.* 30% or more of the total stock of participants in active measures. Therefore, intermittent pay is the single most important measure of all Swiss labour market programmes.<sup>96</sup>

### *Evaluation results*

349. Evaluation results for intermittent pay are mostly positive, *i.e.* participation in this measure increases employment prospects more than other active programmes. This may be due to the possibility for the jobseeker to stay in contact with the labour market, expand the personal network and work (temporarily) in a “real” environment (Behncke *et al.*, 2006; and Frölich *et al.*, 2007). According to Gerfin and Lechner (1999 and 2002), the scheme seems to work particularly well for the long-term unemployed, and for low-skilled and hard-to-place jobseekers.

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as people with disabilities, while for women and jobseekers who were unemployed for less than three months the measure had a negative employment effect (Lechner *et al.*, 2000). In Finland, social enterprises are considered a promising labour market programme and their expansion is being promoted (Duell *et al.*, 2009a).

94. Motivation effects arise when benefit recipients step up job-search efforts (or drop their benefit claims) as the date approaches when benefit levels fall or participation in a programme becomes compulsory.

95. A jobseeker who previously earned CHF 3 000 per month and therefore receives an unemployment benefit of CHF 2 100, and who takes up an intermittent job paying CHF 1 000, receives as continuing benefit 70% of the difference between CHF 1 000 and CHF 3 000, *i.e.* CHF 1 400. The person’s income is therefore CHF 2 400.

96. The Swiss labour market authorities do not count in-work benefits as an active labour market measure, although the PES makes significant use of them.



350. Temporary employment programmes and intermittent pay are two instruments with a somewhat similar intent. Lechner *et al.* (2004) compared the employment effects of these two programmes. Over the whole evaluation period (24 months after starting the measure), the intermittent pay scheme showed better results than temporary employment programmes; for example, after 20 months there was an 11-point difference with a view to post-programme employment take-up. Compared with no participation in any programme, positive effects set in after 10 months.

351. The positive evaluation was confirmed in another study by Gerfin *et al.* (2005). About 15 months after termination of the programme, the employment effect compared with non-participation in any programme was 7%, and the earnings gain at the same point in time was about CHF 300-400 per month. The scheme was particularly successful for non-Swiss nationals and the long-term unemployed. On the other hand, intermittent pay was found to be less effective for benefit recipients with a higher skill level, who can find a job more easily.

352. According to the macro-economic simulation by Lalive *et al.* (2006), intermittent pay leads to a significant reduction in the unemployment rate, but also to an increase in the jobseeker rate (which includes people on active measures, including intermittent pay), possibly due to crowding-out and substitution effects. Substitution would imply that aggregate employment (regular jobs plus intermittent pay) rises, but regular employment itself decreases.

### ***Job-insertion allowances***

353. Job-insertion allowances (*Allocations d'initiation au travail*) are paid to employers who hire jobseekers encountering difficulties to be hired. The main target groups are people with low employability (older jobseekers, people with health-related problems or obsolescent skills), and the long-term unemployed (people who already received more than 30 weeks of benefit). The allowance acts as a compensation for potentially existing productivity gaps when compared with other jobseekers. These gaps may occur due to lack of experience or skills, health-related problems or a certain distance of the jobseeker from the labour market.

354. The participant receives a regular wage from the employer who, in turn, is eligible to a subsidy. At the beginning, this subsidy can be as high as 60% of the standard wage in the trade in question, but is reduced over time, usually by a third after each third of the programme duration. The subsidy can be paid for 3 to 12 months.

355. SECO recommends that local employment offices request an individual job-insertion plan from the employer in order to limit malpractice (Spycher *et al.*, 2007). Furthermore, the employment contracts normally need to be on an indefinite basis (or to last at least one year, with a subsidy period of no more than half the time of the contract), and when the participant is laid off during the training phase or in a three-months period after it, the PES is supposed to reclaim the subsidy (SECO, 2009f).

356. From 2004 to 2009, this measure recorded inflows of between 2 700 and 4 000 participants annually, *i.e.* much less than the participants in temporary employment or intermittent pay. Some PES placement officers are reportedly reluctant to use the scheme in order to avoid displacement effects as they fear employers would start taking it for granted and employ only people eligible for a job-insertion allowance. There is also a concern that employers are likely to terminate the employment of the participant after the programme runs out. According to the evaluation carried out by Cap Gemini Ernst & Young (2000), between 1994 and 1998 about a quarter of participants were dismissed after the programme period, but the average duration of employment was nevertheless close to 400 days. Furthermore, one-third of all participants saw their wages rise after the programme ran out. Schmugge *et al.* (2007), in an evaluation of a pilot project for older unemployed in the canton of *St. Gallen* run between 2005 and 2007, found that job-insertion allowances worked well for qualified and motivated participants.

### ***Commuting allowances***

357. Commuting allowances (*Contribution aux frais de déplacement quotidien et de séjour hebdomadaire*) aim at increasing mobility and permitting placement in a broader regional area. They compensate participants for financial losses compared with their last job which are directly related to taking up work in another region. Commuting allowances cover the expenses for (generally public) transport, and partly also subsistence costs (room and board) for a maximum duration of six months (Spycher *et al.*, 2007). This is a small programme, and in 2009 commuting allowances were paid to a bit over 1 000 people. As Switzerland is a small country, distances between the cities are often not very high, and language barriers are probably a more important reason than long distances for not taking up a job in another part of the country.

### **5.6. Start-up incentives**

358. The unemployment-insurance fund supports the planning stage of a business start-up for up to 90 days of benefit (corresponding to a period of about 4 months). During this time, participants in the scheme receive daily allowances and are discharged from the job-search obligation. They can also apply for credit guarantees up to an amount of CHF 100 000. The application for start-up support needs to be filed within the first 19 weeks of unemployment. Those eligible are people aged 20 or above who became unemployed through no fault of their own. Together with the application, the concept of a *durable* business project has to be presented. In case of failure, eligibility to unemployment benefits can be restored for up to 2 years after the business start-up.

359. Support is only available for the planning or preparation phase, not for the start-up phase itself. However, during the planning phase applicants can enrol in training relevant for business management, and they can even be obliged by the PES counsellor to enrol in such courses. Other countries with start-up support programmes tend to offer financial support also for the start-up phase itself, as is the case in Austria and Germany. The start-up incentive in Germany (“*Gründungszuschuss*”) includes for an initial phase of nine months the payment of EUR 300 per month to co-finance social insurance contributions, in addition to the continued payment of unemployment benefit.<sup>97</sup>

360. From 2004 to 2008, between 2 000 and 3 000 unemployed in Switzerland were supported annually by start-up incentives, *i.e.* less than 1% of the unemployed inflow. Evaluations of the start-up programme are rare. Cap Gemini Ernst & Young (2000) found that of those receiving start-up support between 1997 and 1999, 85% were still self-employed at the beginning of the year 2000; therefore, this instrument, at least at the time, seemed fairly successful, even though little is known about deadweight effects.

### **5.7. Specific target groups**

361. In this section, the target groups of the ALMPs are reviewed by their main socio-economic characteristics (age, gender and nationality), as well as by the type of benefit they receive (other than unemployment benefits). Apart from the unemployed jobseekers registered with the local employment offices, other groups are the focus of activation policies, namely those unemployed whose entitlement to unemployment benefits has run out, recipients of social assistance who are employable but not eligible to unemployment benefits, and recipients of invalidity benefits. Some measures for these groups are provided by the public employment service, others by municipal and cantonal authorities. Persons with disabilities, or for whom the disability status still needs to be clarified, usually participate in measures financed and implemented by the invalidity-insurance fund.

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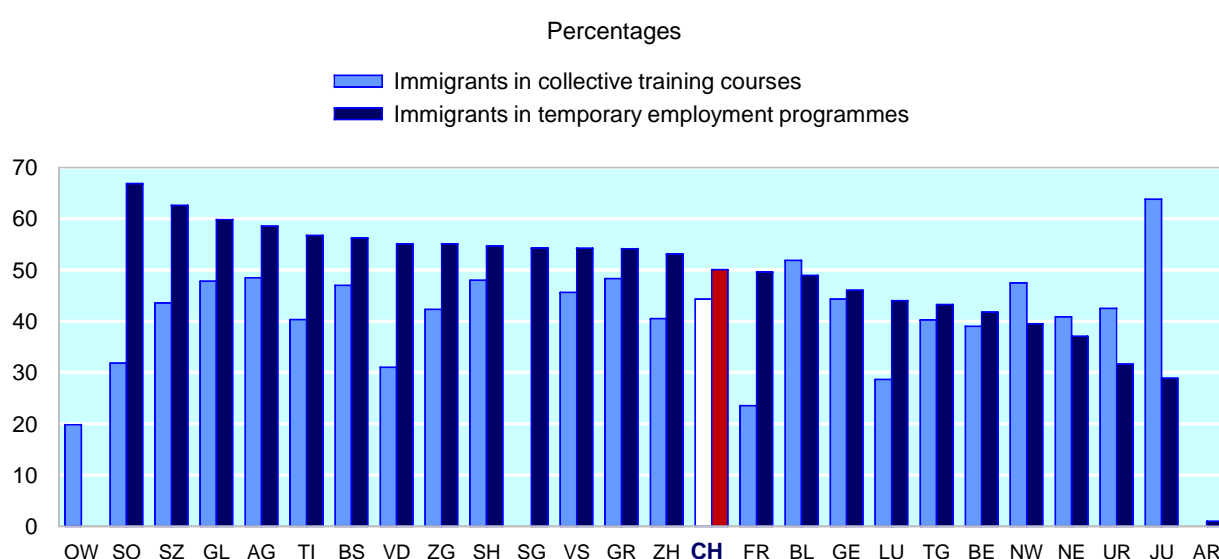
97. For unemployment assistance beneficiaries (ALGII), the duration of the support (*Einstiegsgeld*) can be longer (§ 16b SGB II). Also, applications are possible much later in the unemployment spell than in Switzerland. For more information, see Bundesagentur für Arbeit (2009).

## Foreigners

362. In 2008, 45% of participants in ALMPs were non-Swiss nationals, identical to their share in the total population of registered unemployed. Variations are large across cantons, and the shares of foreigners among ALMP participants range between 20% in *Obwalden* and 59% in *Solothurn* (data provided by SECO).

363. Foreigners mainly participate in collective training courses (*e.g.* language courses) and temporary employment programmes. Data for participation of non-Swiss nationals in the intermittent-pay scheme are not available, but probably their share in this programme is high as well. Figure 5.4 shows the wide variation in cantonal use of temporary employment measures and collective-training courses. Compared with Swiss nationals, foreigners tend to participate in shorter training courses (Spycher *et al.*, 2007).

Figure 5.4. **Share of non-Swiss nationals in temporary employment and collective training courses by canton, Switzerland, 2008**



Cantons are ranked in descending order of the share of immigrants in temporary employment programmes.

Source: SECO.

364. In general, it is possible to participate in some ALMPs<sup>98</sup> even if the contribution period to the unemployment insurance is not fulfilled, in which case the cantons need to contribute 20% (from 2011 on, 50%) to the costs. For recognised refugees, this sum is paid by the federal office for migration. For immigrants with resident permits for partners and children, the conditions for participation worsened somewhat in 2004, since parenting no longer counts as a contribution period. In addition, to be exempt from the contribution-period requirement (which is particularly relevant for young people), a ten-year period of residence was introduced as a precondition for participation (Spycher *et al.*, 2007).

365. Less strict conditions for participation apply to the motivation semesters as they are exempted from the condition of living ten years in Switzerland. The cantonal pre-motivation semesters (see below) aim explicitly at supporting young people with language difficulties and integration problems (Spycher *et al.*, 2007). It should therefore be considered whether pre-motivation semesters should not be

98. This includes mainly training measures and more rarely employment measures. Participation in job in so-called special measures, such as job-insertion allowance, training allowance, commuting allowance and start-up incentives is not possible.

implemented nation-wide and financed by the federal level. The need to implement specific preparatory measures for participating in the vocational education and training system targeted at young people with a migration background has also been recognised as an important issue in other European countries with a high share of immigrants. To give an example, the implementation of training measures and, in particular, measures designed to prepare participation in the dual vocational training system plays an important role in Germany (Duell, 2008).<sup>99</sup> In Norway, an action plan has been set up in order to promote the integration of young immigrants and young second-generation immigrants, as they have higher rates of school drop-outs who are at a high risk of becoming unemployed (Duell *et al.*, 2009b).

366. In many cantons, foreigners are offered mainly basic courses, even if they have skills and competences that may warrant participation in more advanced education and training. As initial vocational education is not considered as an ALMP and therefore not paid for by the unemployment insurance, it is difficult for non-Swiss people whose education and training certificates are not fully recognised in Switzerland, to make up for the missing parts or complete an interrupted vocational training. The same is true for accreditation and admittance procedures for certain occupations like medical doctors or lawyers. More generally, immigrants have no entitlement to re-integration in the field of their original training and education; once unemployed, re-integration measures are based on their work-experience acquired in Switzerland, even if it does not reflect their original field of employment or qualification level (Spycher *et al.*, 2007). Moreover, re-training measures have to refer to competence areas for which the migrant worker has a valid work permit. With the aim of making better use of the skills of foreigners, up-skilling measures and better acknowledgment of prior learning, particularly if immigrants have acquired professional certificates abroad, should be considered, instead of focusing training measures for foreigners mainly on basic courses.

367. Since many migrants have no recognised formal vocational education, job-insertion allowances could play an important role to compensate for their lack of professional experience and recognised vocational qualifications and help them demonstrate their productivity. It is therefore surprising to note that foreigners are under-represented in job-insertion allowances (SECO, 2006a). By contrast, as evident from Figure 5.4, non-Swiss nationals are over-represented in the temporary employment programme. Interestingly, the duration of temporary employment programmes for non-Swiss nationals is lower than that of Swiss nationals (Spycher *et al.*, 2007).

368. The share of foreigners in vocational rehabilitation measures amounts to 30%, which is somewhat below their share among invalidity pensioners. Participation in a measure funded by the invalidity insurance requires at least one year of contribution. Consequently, migrants who become disabled during their first working year in Switzerland are not eligible to vocational rehabilitation and related measures. The invalidity insurance finances re-training measures only if the person suffers (or risks to suffer) a loss in income by one-fifth as a consequence of deteriorated health. For people with very low incomes, a group among which migrants are over-represented, the loss of earnings capacity caused by health problems often does not reach this threshold (Spycher *et al.*, 2007). Vocational rehabilitation measures need to take better account of the specific labour market situation of foreigners and design measures accordingly.

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99. Germany, where the share of the population with a migration background has been significant for many years, from 2001 to 2006 implemented a large Programme for Promoting Skills Development of Disadvantaged Youth (BQF), with a special focus on young persons with a migration background. This programme aimed at improving the services directed towards youth, identifying new training opportunities for them, and improving vocational training activities for young migrants (or children of migrants). One part of the programme promoted the development of “preparatory measures for vocational training”, and a key element in these was to ensure continuity in vocational training programmes (Duell, 2008).

## Youth

369. Specific measures exist for young people in order to ease the transition from school towards initial vocational education and training, and subsequently the transition towards the labour market. One major measure implemented by the employment service and designed to promote the transition between school and initial vocational education and training is the motivation semester. Further, vocational internships and practice firms are designed to promote the transition from initial vocational training to the labour market.

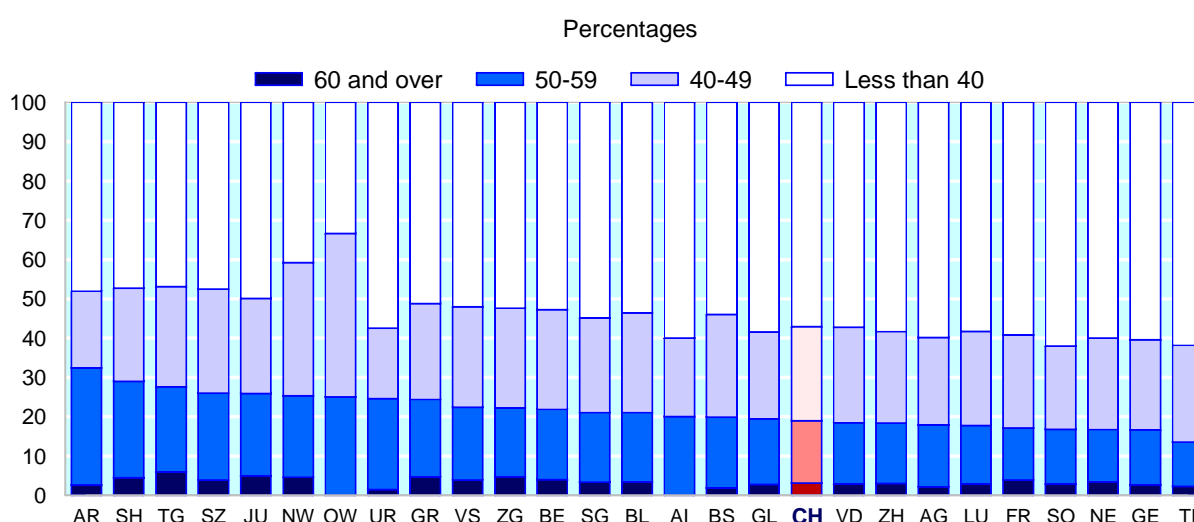
370. Young social-assistance beneficiaries may participate in a pre-motivation semester which is targeted at early-school-leavers and more generally disadvantaged young people. The programme consists of workshops where participants acquire basic skills and learn to organise themselves. It is explicitly aimed at people with language and integration problems who are not eligible or ready to participate in a motivation semester (Spycher *et al.*, 2007). Similarly, the cantons offer a pre-apprenticeship scheme, preparing the participants to attend a regular apprenticeship. Young people are also often followed up in the context of the inter-institutional co-operation (see Chapter 2), which can be of much use for those facing multiple problems in entering the labour market.

## Older workers

371. The employment rate of older workers is high as compared with other OECD countries and their risk to become unemployed is lower than for prime-age workers; however, they face a markedly higher risk to become long-term unemployed once they lose their jobs (see Chapter 1). As in other OECD countries, labour market (re-)entry is more difficult for older workers than for prime-age workers.

372. Participation of older workers in ALMPs is quite widespread in Switzerland as compared with some other OECD countries. Every sixth participant in ALMPs organised by the PES is aged between 50 and 59 years, which corresponds to their share among the registered unemployed. By contrast, the share of participants aged 60 and above in ALMPs is well below their share among the unemployed. Figure 5.5 shows that the share of older workers aged 50 and above in ALMPs varies quite significantly between cantons. The German-speaking cantons tend to set a higher focus on the participation of older jobseekers than do most of the French- and Italian-speaking cantons.

Figure 5.5. Share of participants<sup>a</sup> in ALMPs by age and canton, Switzerland, 2008



Cantons are ranked in descending order of the share of older participants (50 and over) in ALMPs.

a) Data include *Collective training courses*, *Temporary employment programmes*, *Motivation semesters*, *Training allowances*, *Vocational training allowances*, *Commuting allowance* and *Start-up incentives*; they exclude *Individual training courses*, *Practice firms*, *Training internships*, *Vocational adjustment benefits* and *In-work benefits*.

Source: SECO.

373. SECO and some cantons have been concerned by the question of how to optimise labour market policies for older workers (SECO, 2008; and Schmugge *et al.*, 2007). These include reforms in the pension system by introducing a partial retirement system, as well as incentives to remain at work after reaching the retirement age. In the context of the 2010 revision of the Unemployment-Insurance Act, the conditions for participation of older workers in ALMPs were improved: older workers aged over 50 years can still continue to participate in an ALMP when their benefit eligibility has expired during the measure. In addition they are generally eligible to job-insertion allowances for a duration of 12 months and the average subsidy rate was increased from 40% to 50%.

### **Women**

374. In 2008, participants in ALMPs organised by local employment offices were, on average across Switzerland, equally distributed between men and women, even though fewer women were registered as unemployed. Participation of women varies between cantons (44% in the canton of *Grisons* and 54% in *Lucerne*). This is likely to reflect varying labour market participation rates of women.

375. There are no specific measures for women returning to the labour market or lone mothers. However, women who stop working for child-rearing keep their right to unemployment benefits for an unusually long period (see Chapter 4), which facilitates their participation in an ALMP. A survey among local employment services in the German-speaking part of Switzerland revealed the absence of comprehensive gender mainstreaming strategies for the implementation of ALMPs. Training measures represent an exception, in the sense that specific training courses are offered to women returning to the labour market to refresh their skills and participation in some courses is reserved for women only – such as technical courses and basic language courses (Ferraro, 2006). According to administrative data collected by SECO, women tend to participate more often than men in Vocational internships and slightly more often in Collective training courses, while they are largely under-represented among participants in Training allowances, Business start-up measures and Job-insertion allowances. This gender split may reflect differences in educational attainment and the type of jobs performed.

376. Among the participants of Vocational rehabilitation measures financed by the invalidity-insurance fund, women are somewhat under-represented as compared with their share among the invalidity pensioners (OFAS, 2009a). A stronger participation of women in Vocational rehabilitation measures could probably lower the inflow of women into the invalidity pension scheme.

### **Unemployment benefit exhaustees and social-assistance recipients**

377. Some cantons have set up specific employment programmes for social-assistance recipients, in addition to the specific incentives inserted in the social-assistance scheme (see Chapter 4 for more details). Moreover, cantons have set up specific measures for those long-term unemployed who have lost eligibility to unemployment benefits. Aepli (2001) analysed participation in temporary employment programmes of people not or no longer eligible to unemployment benefits in three cantons; only one of them (*Geneva*) had set up special programmes for this group, and in the other two (*Basel* and *Zurich*) people from this group participated in ALMPs together with other groups. The evaluation period covered the years 1997-99, a period of decreasing unemployment.

378. Whereas in the German-speaking cantons only about 10% of people for whom eligibility to unemployment benefits ran out participated in an employment measure, it was about a third in the French-speaking canton. Results from a telephone survey among former participants indicate that for nearly half of the participants the measure helped much or very much in finding the actual job, while for 28% of the respondents it did not help at all. In *Basel* and *Zurich*, the employment impact was larger than in *Geneva*, where it was found to be even negative.<sup>100</sup> A second evaluation study concerning participants

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100. Aepli (2006) lists several recommendations for how to improve the employment programmes in *Geneva*, e.g. raising the training element of jobs offered, better coaching during programme participation or increased focus on job-search training.

in 2003 shows that almost 50% had found work again<sup>101</sup> by October 2005, half of them on a permanent basis, and an additional 20% found a job in between but lost it again (Aeppli, 2006). The chances to find a job vary over time according to the local labour market conditions. They are generally better for men, people with Swiss nationality, youth, and the better qualified.

### *Invalidity-insurance beneficiaries*

379. Disabled people and those at risk of becoming disabled are eligible to vocational rehabilitation measures. In terms of spending, the main measures of the invalidity-insurance fund consist of training measures (costs for the courses and costs linked to commuting) and sheltered employment (Table 5A.3). In 2009, about 21 000 measures were implemented (without placement and counselling activities), of which more than a quarter were measures of “early intervention” (see below), 15% belonged to the category of “integration” measures (mainly measures in the area of social-vocational rehabilitation), and 58% were vocational rehabilitation measures, consisting mainly of initial training and re-training, while wage subsidies played only a minor role. Publication of available data on the success of participation in rehabilitation measures and sheltered employment at federal level would be a desirable first step in assessing whether such programmes are cost-effective or not.

380. Re-training and further training measures are financed if it can be expected that the person will be more productive after training, and if the remaining working time over the life-span is considered long enough. However, in principle the invalidity-insurance fund does not finance measures with the aim to improve the vocational status or earnings capacity. To ensure that this does not happen, the remaining earnings capacity of the person with disabilities must either be reduced or at risk to be reduced, by at least 20% by taking future wage developments into account. This regulation is rather strict and could imply that vocational rehabilitation becomes a missed opportunity; it should therefore be relaxed.

381. In the context of the fifth revision of the Invalidity Insurance Act, early recognition and early intervention were introduced in 2008, which allows for an earlier start of ALMPs. During the period of early intervention, although no benefits from the invalidity insurance are paid, participation in active measures is possible, if the potential participant is still in employment. The actual employer can get information about possibilities to adapt the workplace to the needs of the potentially disabled. Furthermore, the person in question might participate in a training measure to adapt to another workplace at his/her enterprise. Measures during the early intervention phase may not last longer than six months. By this point in time, the invalidity insurance has made an assessment and taken a decision as to whether the applicant is eligible to invalidity benefit, eligible to a partial benefit or not eligible at all. Along with this decision, an assessment of the work capacity is made and the possible measures to be taken in order to enhance the work capacity or to promote labour market integration have been examined.

382. While it is too early for evaluation results from early intervention measures, some results for vocational rehabilitation measures are promising. Nearly three quarters of those starting a measure successfully terminate it. The evaluation study undertaken by Buri (2000) defined as “success” of a measure when the participant is not receiving a full invalidity pension two years after participation. In this study, results were better for the physically handicapped than for people with mental health problems, and better for re-training than for initial vocational training, which may be linked to the different types of disabilities participants in retraining and in initial vocational training have. Generally speaking, there seemed to be much room for improvement in implementing measures for mentally disabled. A study carried out by Furrer *et al.* (2004) showed similar results. While there were no significant gender gaps and differences by nationality, people with musculoskeletal handicaps were more likely to receive lower pensions or no invalidity pension at all after they participated in a measure. The authors found a positive impact on employment and the reduction in receipt of a (full) invalidity pension of both retraining measures and employment measures. Furthermore, the positive impact on reduced benefit dependency was negatively correlated with the age of the participant.

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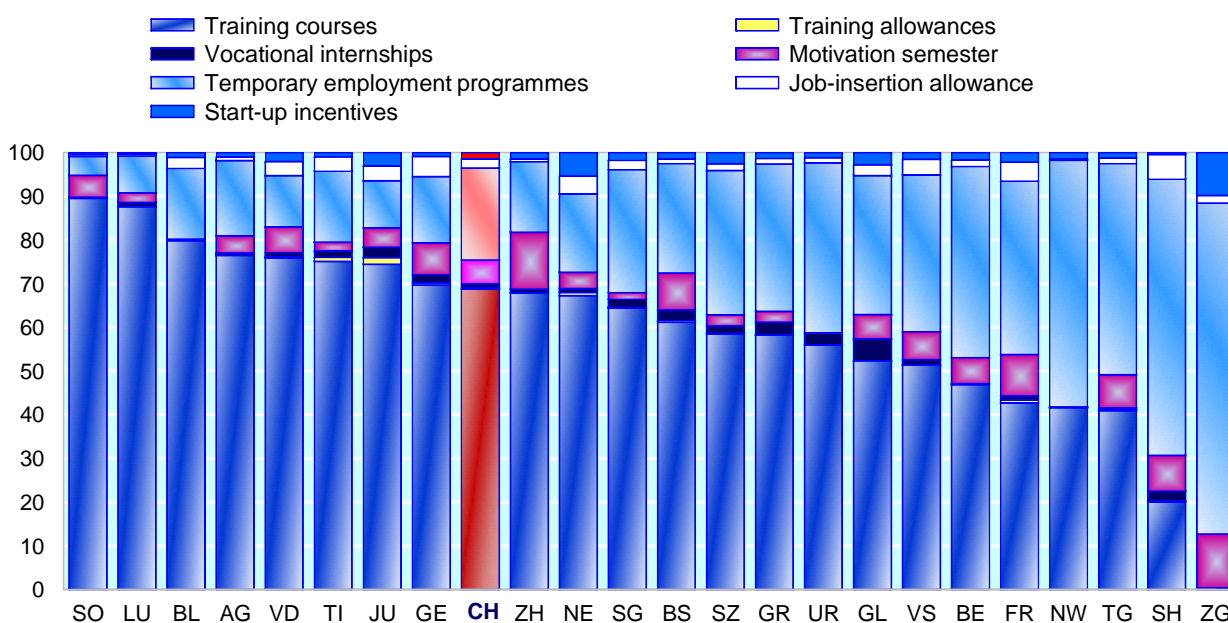
101. As dependent employed, self-employed or as participants in employment programmes.

## 5.8. Regional variations

383. The local employment services in the 26 cantons use ALMPs with varying emphasis and strategies. This is partly influenced by the economic structure and size of cantons, as well as their varying unemployment rates and the composition of unemployment,<sup>102</sup> but also by different strategies adopted at cantonal and local levels.

384. Data collected by SECO give only a partial picture of ALMPs implemented by local employment offices since some ALMP categories (in particular, intermittent pay and individual training courses) are missing. Nevertheless, the distribution of the remaining measures gives an indication of the different strategies followed in the cantons as to the selection of ALMPs. Figure 5.6 shows, in particular, the variations in the share of Training courses and Temporary employment programmes among the selected measures.

Figure 5.6. Distribution of participants by selected ALMPs and canton,<sup>a</sup> Switzerland, 2008



a) Cantons where less than 100 persons participated in active labour market programmes are not shown.  
Source: SECO.

385. The large variation in the implementation of ALMPs suggests that a better understanding of the utility of specific ALMPs and more central guidance on how to target the measures would be desirable. If more centralisation is not possible, it would be important for SECO's performance management to better understand why some cantons focus more or less on single measures, to what extent the differences can be explained by specific labour market conditions and, on that basis, to exchange the experience gained with the selected cantonal strategy.

102. The French- and Italian-speaking cantons tend to be characterised by higher unemployment rates. In 2008, in the German-speaking cantons the unemployment rate averaged 2.1%, while it was 3.9% in the Western cantons and *Ticino*. The highest rate was in *Geneva* with 5.7% and the lowest in *Uri* with 0.8%.



## ANNEX 5A

*Supplementary tables*

Table 5A.1. A review of the main labour market programme evaluations in Switzerland

Examination period	Target figures	Measures evaluated	Additional information
Cap Gemini, Ernst & Young (2000)	Re-integration speed and sustainability, reducing the number of people leaving unemployment insurance because of end of eligibility, entrance to long-term unemployment.		This study concentrated more on the functioning of the local employment offices and activation measures only played a minor role.
Gerfin and Lechner (1999 and 2002), and Lechner and Gerfin (2000)	December 1997	Language courses, basic training programmes, IT and other courses, vocational training, intermittent pay.	Divided the observation period between the time a measure actually takes place and the time after.
Lalive and Zweimüller (2000)	December 1997 – March 1998	Basic training programmes, language courses, IT-courses, other courses, temporary employment programmes.	The authors distinguish the time during programme participation and after (up to one year after finishing the measure), between men and women, Swiss and non-Swiss nationals, and people no longer eligible to unemployment benefits.  The authors single out a system effect (changing incentives, leading to a different behaviour of the unemployed in the presence of ALMPs, especially shortly before entitlement ends) and a participation effect (increasing chance to re-integration due to the program).
Gerfin, Lechner and Steiger (2005)	January 1996 – December 1999	Non-profit temporary employment programmes, subsidies for temporary employment.	The study draws on and extends (in terms of data) the study by Gerfin and Lechner from 1999 and 2002. Takes into account people unemployed at 31 December 1997 with an unemployment spell of at least 12 months, aged 25-55 who have not participated in any major programme before.
Lalive, Zehnder and Zweimüller (2006)	1998 – 2003	Temporary employment programmes, intermittent pay, training.	Lalive <i>et al.</i> (2006) look at macro-economic effects of ALMPs.
Marti and Osterwald (2006)	January 2000 – December 2004	Basic training programmes, IT, language and other courses, temporary employment programmes.	Macro-economic perspective, investigate effects also on a regional and industry level.
Lalive, Morlok and Zweimüller (2009)	July 2007 – March 2008	“Application performance” (probability of getting an interview and number of interviews per week; employment programmes).	Uses 30 000 applications for unemployment benefits at a Zurich PES office. Single out a threat effect, a lock-in effect, a skills enhancement effect and a signal effect.

Table 5A.2. Results from evaluation studies

	Training			Temporary employment programmes	Intermittent pay
	Training courses	Practice firms	Vocational internships		
Gerfin and Lechner (1999 and 2002) [SECO]	– (language courses, basic training programmes), <b>0</b> (IT and other courses, vocational training)	–	–	–	+
Lalive and Zweimüller (2000) [SECO]	+/- <sup>a</sup> (participation effect), + (system effect)			+ (participation and system effect) +/- <sup>b</sup>	+
Gerfin, Lechner and Steiger [2005]					
Lalive, Zehnder and Zweimüller (2006) [SECO]	+ (unemployment rate), – (jobseekers rate) <sup>c</sup>			+	+ (unemployment rate), – (jobseekers rate)
Marti and Osterwald (2006) [SECO]	<b>0</b> (basic training programs, language courses), +/- (IT and other courses) <sup>d</sup>			+	
Lalive, Morlok and Zweimüller (2009)	+ (basic training programs, basic training programmes and other courses), <b>0</b> (language courses), – (personal development courses)			–	

+/- Depends on the comparison/target group.

0 No (significant) effect.

a) According to type of course, participation group and time horizon.

b) Positive effects arise only for long-term unemployed but even for this group the results for wage subsidies are better.

c) But qualifications increase.

d) Depending on the model used.

Table 5A.3. Public expenditure in labour market programmes, 2002-09

Millions of Swiss Francs (CHF)

Category	Programme name	2002	2003	2004	2005	2006	2007	2008	2009
1. PES and administration		489	557	597	615	615	597	579	608
	1.1 Orientation professionnelle	3	5	5	5	3	2	3	3
	1.2 Administrations des allocations de chômage	169	191	200	205	205	206	196	181
	1.3 Placement (les dépenses pour la logistique des mesures actives y sont incluses)	317	361	393	405	407	389	380	424
2. Training		924	1 212	1 355	1 306	1 107	972	892	1 051
	Participation financière des cantons	45	0	0	0	0	0	1	1
2.1. Institutional training		864	1 187	1 315	1 257	1 059	934	860	1 008
	Mesures de formation	441	660	716	657	525	434	391	466
	Entreprises d'entraînement	28	41	50	50	49	45	37	40
	Programmes d'emplois temporaires	355	441	488	480	408	378	357	427
	Semestres de motivation	39	45	61	70	77	77	75	75
2.2. Workplace training		15	25	40	49	48	38	32	43
	Stage de formation	4	6	9	10	9	8	8	13
	Allocations de formation	4	5	7	9	9	9	8	8
	Stages professionnels	7	14	24	30	30	21	16	22
3. Job rotation and job sharing		0	0	0	0	0	0	0	0
4. Employment incentives		188	290	367	382	372	323	303	368
	4.1 Contribution aux frais de déplacement quotidien et de séjour hebdomadaires	2	3	4	4	4	3	3	2
	4.1 Allocations d'initiation au travail	18	30	37	38	37	29	25	28
	4.1 Gain intermédiaire	169	257	327	340	331	291	275	338
5. Supported employment and rehabilitation		991	1 052	1 116	1 127	1 116	1 126	..	..
	5.1 Mesures professionnelles	315	335	351	369	372	365	362	426
	5.1 Indemnités journalières	309	319	352	360	354	356	379	401
	5.1 Emplois protégés	367	397	413	398	389	405	..	..
6. Direct job creation		0	0	0	0	0	0	0	0
7. Start-up incentives		21	32	46	40	33	30	27	29
	Encouragement d'une activité indépendante	21	32	46	40	33	30	27	29
8. Out-of-work income maintenance and support		3 299	4 685	4 648	4 289	3 707	2 984	2 934	..
8.1. Full unemployment benefits		3 035	4 396	4 488	4 114	3 596	2 953	2 829	4 327
	Versements à d'autres pays (frontaliers)	280	252	195	197	201	212	241	286
	Versements à d'autres pays (permis de courte durée)	1	25	21	24	31	29	30	35
	Indemnités de chômage liées à l'âge	2 754	4 118	4 272	3 894	3 364	2 712	2 559	4 006
8.2. Partial unemployment benefits		204	248	135	157	100	28	96	..
	Indemnité en cas de réduction de l'horaire de travail <sup>a</sup>	177	200	89	54	23	11	35	..
	Indemnité en cas d'intempéries <sup>a</sup>	27	48	46	103	77	17	61	..
8.5. Bankruptcy compensation		60	42	25	18	11	3	9	26
	Indemnité en cas d'insolvabilité	60	42	25	18	11	3	9	26
9. Early retirement		0	0	0	0	0	0	0	0
Total 1-7 Active programmes total		2 613	3 143	3 481	3 469	3 243	3 049	1 801	2 056
Total 2-7 Active programmes except PES		2 124	2 586	2 884	2 854	2 628	2 451	1 222	1 448
Total 8 and 9 Passive programmes		3 299	4 685	4 648	4 289	3 707	2 984	2 934	..

.. Data not available

a) For 2008, data refer to OECD estimates.

Source: OECD/Eurostat Labour Market Programme database.

Table 5A.4. Participant stocks in labour market programmes, 2002-09

Units

Category	Programme name	2002	2003	2004	2005	2006	2007	2008	2009
1. PES and administration		Not calculated for Category 1							
2. Training		25 040	34 553	38 769	37 974	32 638	27 505	24 160	29 178
	Participation financière des cantons	—	—	—	—	—	—	—	—
2.1. Institutional training		24 522	33 774	37 536	36 418	31 113	26 314	23 135	27 706
	Mesures de formation	15 716	23 000	25 126	23 863	19 619	15 856	13 585	16 894
	Entreprises d'entraînement	553	784	1 025	1 064	997	930	751	798
	Programmes d'emplois temporaires	7 235	8 709	9 522	9 329	8 286	7 417	6 912	8 098
	Semestres de motivation	1 018	1 281	1 863	2 162	2 211	2 111	1 887	1 916
2.2. Workplace training		518	779	1 233	1 556	1 525	1 191	1 025	1 472
	Stage de formation	121	179	258	315	296	271	267	552
	Allocations de formation	159	183	245	293	304	279	302	285
	Stages professionnels	238	417	730	948	925	641	456	635
3. Job rotation and job sharing		0	0	0	0	0	0	0	0
4. Employment incentives		15 679	22 990	27 443	28 528	27 869	24 169	21 707	25 722
	4.1 Contribution aux frais de déplacement quotidien et de séjour	281	416	518	527	535	505	484	395
	4.1 Allocations d'initiation au travail	739	1 210	1 458	1 555	1 507	1 235	1 087	1 142
	4.1 Gain intermédiaire	14 659	21 364	25 467	26 446	25 827	22 429	20 136	24 185
5. Supported employment and rehabilitation		13 747	14 698	14 969	15 173	15 486	15 697	18 167	22 102
	5.1 Mesures professionnelles	13 747	14 698	14 969	15 173	15 486	15 697	18 167	22 102
	5.1 Indemnités journalières	..	..	..	..	..	..	..	..
	5.1 Emplois protégés	..	..	..	..	..	..	..	..
6. Direct job creation		0	0	0	0	0	0	0	0
7. Start-up incentives		440	646	894	802	694	605	537	557
	Encouragement d'une activité indépendante	440	646	894	802	694	605	537	557
8. Out-of-work income maintenance and support		114 313	155 161	145 552	139 385	120 675	95 937	90 426	..
8.1. Full unemployment benefits		98 920	139 513	136 767	129 748	115 312	93 799	85 339	120 268
	Versements à d'autres pays (frontaliers)	..	..	..	..	..	..	..	..
	Versements à d'autres pays (permis de courte durée)	..	..	..	..	..	..	..	..
	Indemnités de chômage liées à l'âge	98 920	139 513	136 767	129 748	115 312	93 799	85 339	120 268
8.2. Partial unemployment benefits		13 895	14 660	7 755	8 773	4 650	1 465	5 087	..
	Indemnité en cas de réduction de l'horaire de travail	12 394	12 596	5 262	3 260	1 267	714	2 052	44 843
	Indemnité en cas d'intempéries	1 501	2 064	2 493	5 513	3 383	751	3 035	..
8.5. Bankruptcy compensation		1 498	988	1 030	864	713	673	..	..
	Indemnité en cas d'insolvabilité	1 498	988	1 030	864	713	673	..	..
9. Early retirement		0	0	0	0	0	0	0	0
Total 2-7 Active programmes except PES		54 906	72 887	82 075	82 477	76 687	67 976	64 571	77 559
Total 8 and 9 Passive programmes		114 313	155 161	145 552	139 385	120 675	95 937	90 426	..

— Nil or less than half of the last digit used.

.. Data not available.

Source: OECD/Eurostat Labour Market Programme database.

Table 5A.5. **Expenditure per participant-year in labour market programmes, 2002-09**

Thousands of Swiss Francs (CHF) per participant-year

Category	Programme name	2002	2003	2004	2005	2006	2007	2008	2009
1. PES and administration		Not calculated for Category 1							
2. Training		36.9	35.1	35.0	34.4	33.9	35.3	36.9	36.0
	Participation financière des cantons	–	–	–	–	–	–	–	–
2.1. Institutional training		35.2	35.1	35.0	34.5	34.0	35.5	37.2	36.4
	Mesures de formation	28.1	28.7	28.5	27.5	26.8	27.4	28.8	27.6
	Entreprises d'entraînement	49.7	52.8	48.6	47.1	49.1	48.4	49.3	50.1
	Programmes d'emplois temporaires	49.1	50.6	51.2	51.5	49.2	51.0	51.6	52.7
	Semestres de motivation	38.6	35.0	33.0	32.3	34.8	36.5	39.7	39.1
2.2. Workplace training		29.0	32.0	32.8	31.3	31.5	31.9	31.2	29.2
	Stage de formation	29.8	31.8	33.7	31.1	30.4	29.5	30.0	23.6
	Allocations de formation	25.2	28.4	30.2	29.7	29.6	32.3	26.5	28.1
	Stages professionnels	31.1	33.6	33.3	31.9	32.4	32.8	35.1	34.6
3. Job rotation and job sharing		0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
4. Employment incentives		12.0	12.6	13.4	13.4	13.3	13.4	14.0	14.3
	4.1 Contribution aux frais de déplacement quotidien et de séjour hebdomadaires	6.0	6.5	6.8	7.0	7.5	5.9	6.2	5.1
	4.1 Allocations d'initiation au travail	23.7	25.0	25.2	24.6	24.6	23.5	23.0	24.5
	4.1 Gain intermédiaire	11.5	12.0	12.8	12.9	12.8	13.0	13.7	14.0
5. Supported employment and rehabilitation		..	..	..	..	..	..	..	..
	5.1 Mesures professionnelles	22.9	22.8	23.4	24.3	24.0	23.3	19.9	19.3
	5.1 Indemnités journalières	..	..	..	..	..	..	..	..
	5.1 Emplois protégés	..	..	..	..	..	..	..	..
6. Direct job creation		0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
7. Start-up incentives		47.7	49.8	51.2	49.4	47.6	49.6	50.3	52.1
	Encouragement d'une activité indépendante	47.7	49.8	51.2	49.4	47.6	49.6	50.3	52.1
8. Out-of-work income maintenance and support		28.9	30.2	31.9	30.8	30.7	31.1	32.4	..
8.1. Full unemployment benefits		30.7	31.5	32.8	31.7	31.2	31.5	33.2	36.0
	Versements à d'autres pays (frontaliers)	..	..	..	..	..	..	..	..
	Versements à d'autres pays (permis de courte durée)	..	..	..	..	..	..	..	..
	Indemnités de chômage liées à l'âge	27.8	29.5	31.2	30.0	29.2	28.9	30.0	33.3
8.2. Partial unemployment benefits		14.7	16.9	17.4	17.9	21.5	19.1	18.8	..
	Indemnité en cas de réduction de l'horaire de travail <sup>a</sup>	14.3	15.9	16.9	16.6	18.2	15.4	17.0	..
	Indemnité en cas d'intempéries <sup>a</sup>	18.1	23.1	18.5	18.7	22.8	22.6	20.0	..
8.5. Bankruptcy compensation		40.1	42.5	24.1	20.8	15.4	4.5	..	..
	Indemnité en cas d'insolvabilité	40.1	42.5	24.1	20.8	15.4	4.5	..	..
9. Early retirement		0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total 2-7 Active programmes except PES		38.7	35.5	35.1	34.6	34.3	36.1	29.9	29.5
Total 8 and 9 Passive programmes		28.9	30.2	31.9	30.8	30.7	31.1	32.4	..

– Nil or less than half of the last digit used.

.. Data not available.

a) For 2008, data refer to OECD estimates.

Source: OECD/Eurostat Labour Market Programme database.

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