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The New Public Employment Service

Willem J. Dercksen ¹)
Jaap de Koning ²)

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1) Professor of socio-economic policies at University of Utrecht
2) General manager of Labour and Education at the Netherlands Economic Institute, Rotterdam
Willem J. Dercksen, Jaap de Koning
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D-10785 Berlin
Abstract

In 1991 the structure of the Dutch public employment service was changed considerably. From a centralized government organization it became a tripartite organization, administered by the government and the social partners, with a strong autonomy of the regional boards.

Furthermore, the monopoly position of the public employment service (PES) with respect to counselling services was abolished. Two studies were carried out to evaluate the results of the new structure, one concentrating on structure and organization of the PES and the other concentrating on effects and costs. This paper gives a summary of the results.

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0. Introduction: The Dutch Labour Market

According to the OECD, the Dutch labour market merits many superlatives:

'Among OECD countries, the Netherlands has or is close to having the lowest older worker labour force participation rate, the highest incidence of part-time work, the highest productivity outside North America (when measured as GDP at purchasing power parity per person-hour), the most extensive use of temporary work agencies, and the highest proportion of the population receiving disability benefits. The Netherlands has a high minimum wage, gives citizens extensive rights of access to social minimum (assistance) benefits also at a relatively high level, and the duration of wage-related unemployment insurance benefits is exceptionally age-related and, on average, is long. At the level of institutions, autonomous agencies in the labour market are remarkable for their number (which makes mutual co-operation both a habit and a necessity), for the extent of powers accorded to them by legislation, and for their role in giving the 'social partners' (employers' and unions' organisations) extensive powers in the labour market.1

A common denominator of these features is the low employment rate in terms of person-years. This has several causes. Firstly, the Dutch welfare state has quite a number of provisions for bread-winners, not only as far as taxes and social security are concerned, but also with respect to the level of the statutory minimum wage. These discourage women to enter the labour market. Secondly, the Netherlands not only has a relatively generous social security system, but this system also has a far greater encouragement effect in comparison to the social security systems in other countries. This is particularly true for the statutory disablement provisions, which have been misused for years as a means to discharge redundant workers. In 1992/93 these have been drastically reformed. A third cause is the so-called 'negative cycle'. The crisis of the early 1980s triggered a downward spiral in which the high costs of labour prevented many people from getting jobs, as a result of which they could not but claim welfare benefits, which in themselves raised labour costs once again2. Since the mid-1980s, a consistent policy of wage restraint has contributed considerably to the restoration of employment. What remains is a hard core of usually semi- and unskilled, long-term unemployed and an extensive early exit via disability and pre-retirement schemes.

Various reforms to promote labour force participation and combat unemployment were introduced during the 1980s. A remarkable institutional innovation was the reform of the public employment service by way of the Arbeidsvoorzieningswet 1991' (Employment Service Act). This paper presents the main results of the evaluation of the results of that institutional reform.

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After years of preparation, the Employment Service Act became effective on 1st January 1991. It replaced the Placement Act of 1930 and the Act on providing labour force of 1965 (temporary agency work). The main purpose of the Employment Service Act is the same as that of the old Placement Act: to stimulate an efficient and equitable connection between demand and supply of labour force in the labour market (sect.3). The new Act is intended to improve the existing situation. The main difference between the old and the new Act is found in three innovations:

1. The Employment Service Organisation, which previously was part of the Civil Service, was given a tripartite structure (Civil Service, employer organisations and unions' organisations).
2. The organisation, which was rather centralised at the time, was territorially decentralised (28 regional boards).
3. Placement, which was a government monopoly up till then, was demonopolised.

These innovations were intended to tackle the three problems which characterised the Employment Service Organisation before 1991:

1. The organisation had become rigid. It was known for its dirigiste approach in which avoiding mistakes was more important than the stimulation of an efficient and equitable allocation of labour.
2. The old Employment Service was insufficiently focused on regional differences in the labour market. It proved to be almost impossible to develop a unitary employment service policy that would do justice to the regional differences in the labour market, which were sometimes quite considerable.
3. The government monopoly on placement had lost its rationale. Possible social evils, as those in the 1920s, could also be combatted in other ways; temporary employment agencies and other intermediaries had sufficiently proven that they had a right to exist, and the difference between unilateral and bilateral placement, which was introduced by the judiciary, was rather artificial in practice. Why did the government monopoly include placement focused on job-seekers as well as employers (bilateral placement), but not headhunters and outplacement (unilateral placement)? The demonopolisation is intended not only to legalise existing intermediary activities in the private sector, but also to promote a greater supply and cheaper service.

The most important elements of the Act are highlighted below.
Tasks

The Act mentions a number of tasks which the Employment Service Organisation has to fulfil in any case (sect. 4):

- the collection and provision of information with respect to the developments in the labour market;

- public information and advice, to provide a better insight into the labour market, among other things, by means of careers guidance, and to stimulate activities by third parties and the adaptation of policies concerned;

- the establishment and preservation of a nationwide organisation for public placement, as well as the stimulation of a good coordination between public placement and placement by third parties;

- the stimulation of training, as well as the stimulation and coordination of activities by third parties in this field;

- the documentation of developments in the dual system in vocational education and the development of policy proposals in this field in consultation with the Minister of Education and Science;

- free registration of job-seekers and vacancies (sect. 61). Furthermore, the Employment Service is involved in assessing whether unemployed are entitled to receive an unemployment benefit (Employment Service and social security are separate institutions in the Netherlands. Unemployment, disability and sickness insurances have governed by bipartite industrial insurance boards (employers' organisations and unions)3.

The execution of these tasks is part centralised, part decentralised. The guiding principle is that tasks are decentralised as far as possible. The CBA (Central Employment Board) has the statutory task to guarantee a unity of policies. If necessary, the CBA can issue a compulsory directive to a RBA (Regional Employment Board).

Tripartite Structure

Since 1991 the Employment Service Organisation is an independent governing body (a legal form which is often used in the Netherlands in order to make government institutions more independent) which has a tripartite structure. The whole organisation is one legal body with the CBA at the top. The CBA consists of nine voting members. The union federations, the (central) employers' organisations, and the representatives of the Ministries of Social Affairs, Education and Science, and Economic Affairs, each occupy three chairs. Furthermore, the CBA has an independent chairperson and a consultative member who represents the Union of Netherlands Municipalities. The CBA is supported by a Central Employment Office (LBA). At a decentralised level, the

organisation consists of 28 Regional Employment Boards. These have a similar composition as that of the CBA. The province in which an RBA-area is situated (the Netherlands has 12 provinces) is allowed to delegate a consultative member. The RBA's are supported by Regional Offices and regional job centres and training institutes.

Both in the CBA and the RBA's, important decisions need a qualified majority. Each of the sections has the right of veto. The legislator thus hoped to improve the chances of a consensus. The parties are, in a sense, sentenced to agree other.

The tripartite formula offered new opportunities to improve the function of the labour market, but also contained some dangers. The most important opportunities were:
- the linking of the policies of the Employment Service with those of the 'social partners' (particularly with respect to collective bargaining and social security);
- new opportunities in policy-making (the 'social partners' have possibilities which the government does not have, such as making agreements concerning placement and/or training of unemployed by collective bargaining);
- the linking of the Employment Service with municipal policies;
- a decisive organisation, capable of meeting the demands of the labour market;
- a broad social basis.

The potential dangers were:
- the promotion of interests by management sections instead of synergy;
- impasses in the tripartite boards which would have a paralysing influence.

Regionalisation

The new Act offered the Employment Service a more decentralised structure. The most important motive behind this was to improve the adaptation of labour market policies to the different regional situations in the labour market. The Act gave the CBA the possibility to issue compulsory directives, but the climate in the years 1991-1994 was such that this was not done. Past experiences in the civil service resulted in a rejection of anything remotely connected with centralisation.
Demonopolisation

The demonopolisation meant a break with the past. Placement, however, was not entirely decontrolled. For temporary work agencies and private placement activities, permits are needed from the CBA.

Financing

Financially, the Employment Service is dependent on state subsidies. In 1991-1994, these amounted to an average of approximately 1.8 billion guilders (GDP in these years was about 560 billion guilders). By law, the state subsidies were fixed for four years so that the organisation would know what it might expect financially. Furthermore, the Employment Service also receives charges, and financial support by the European Social Fund.

Evaluation

The new Act also included a remarkable injunction. Section 121 of the Employment Service Act prescribes that the Minister of Social Affairs and Employment 'shall send a report on the effectiveness and the actual effects of this Act to the Dutch Parliament, four years after this Act has come into force.' In preparation to this report, the minister established an independent Committee for the Evaluation of the Employment Service Act, consisting of five members, in July 1994. The report of this committee was presented on 9th March 1995. A month later, the minister notified the First and Second Chamber of the cabinet’s standpoint in this matter. Together with the report of the evaluation committee, this formed the report as mentioned in the Act.

The key question in the evaluation studies was:

*Which results (in the labour market) has the Employment Service Organisation achieved since 1st January 1991, and in which way/to what extent can those results be contributed to the (additional value of the) tripartite, decentralised and demonopolised management and organisation structure?*

Thus, the studies concerned themselves with the structure and organisation of the Employment Service and the results achieved. Special attention was paid to financial management. The Act does not give a clear definition of 'efficient and equitable allocation of labour'. This had to be operationalised by the Evaluation Committee.

An important part of the research was contracted out by the Evaluation Committee to two research institutes. KPMG Bureau for Economic Argumentation (BEA) conducted the research into the structure and organisation, the Netherlands Economic Institute (NEI) the research concerning the results. The report of the Evaluation Committee is based on this research.
carried out under its supervision, previous research and the views of the committee itself\textsuperscript{4}.

2. Theoretical and Methodological Issues\textsuperscript{5}

2.1 Introduction

Evaluating the reform of an institution such as the Public Employment Service (PES) is not an easy task. Officially the Employment Services Act was supposed to improve the efficiency and the equity of the functioning of the labour-market, but what do 'efficiency' and 'equity' exactly mean? How can these concepts be made operational? If this has been done, how can we assess the effects of the new Act? In the next sections we will discuss these types of question.

2.2 Definition of Labour-Market Functioning in Terms of Efficiency and Equity

According to the Act the activities of the Employment Service are to improve the functioning of the labour-market in terms of efficiency and equity. Surprisingly, nowhere in the Act definitions are given of these concepts. One could argue that this was done because in the new structure the social partners would have the same responsibility as the government. It would seem logical, then, that the social partners had a say in defining the central objectives. However, definitions of the central concepts can neither be found in the official documents of the Employment Service. Running ahead of the results, we might say that this is probably one of the main factors explaining the poor results. If you do not know what you are aiming at, it must be difficult to achieve good results.


It is not difficult to define the concept of an efficiently functioning labour-market. The labour-market is working fully efficient if either unfilled vacancies or unemployment occur, but not both at the same time. In that case each vacancy is fulfilled immediately if enough unemployed persons are available and each unemployed person finds a job immediately as long as enough vacancies are available. Labour economists would say that in that case the minimum condition holds: employment is the minimum of supply and demand.

It is more difficult to define equity. The labour-market may said to be functioning equitably if there are equal opportunities for everyone. However, this definition is less clear that may appear at first sight. It depends on what you understand by 'equal opportunities'. Are people with less chance of a job due to behavioural problems to be blamed themselves or are their behavioural problems caused by socio-economic circumstances. If the latter is the case people may not be hold fully responsible for their behaviour. Looking at government policies, it is quite clear that the latter definition is used by the government. In the evaluation study we used the following definition: the labour-market works equitable if unemployment is distributed evenly over the various groups (gender groups, age groups, ethnic groups, etc.). Evenly distributed means that both the unemployment rate and the share of long-term unemployment are the same for each group.

2.3 Employment Services and Labour-Market Imperfections

Why would one expect the activities of the Employment Service to have positive effects on the functioning of the labour-market? What is the point in having a public organisation providing services such as counselling and training? As we indicated in the introductory section, the main labour-market problem is the lack of sufficient jobs and this is precisely the type of problem the Employment Service is not able to tackle. One might even argue that government intervention in the form of social benefits and minimum income is sometimes causing unemployment rather than solving it.

However, the labour-market has a number of imperfections which would lead to unemployment even in a situation with complete deregulation and without any government intervention. In order to remove these imperfections or soften their effects, employment services such as counselling and training have to be employed. The market is not providing these services in sufficient quantities and therefore the government has to be involved. That does not imply, of course, that one government organisation, the Employment Service, has to be responsible for the design and implementation of employment services. Other solutions are also possible.
The imperfections referred to above are the following:
- intransparency of the labour-market implying that unemployed persons looking for jobs and entrepreneurs looking for workers do not find each other;
- mismatch between demand and supply implying unfulfilled demand in one occupation and excess supply in another occupation;
- underinvestment in training due to high training costs, uncertain returns and inadequate training infrastructure;
- structural unemployability of some unemployed persons with low productivity;
- self-sustaining effect of unemployment due to the fact that unemployed persons will after some time lose motivation and human capital.

The five types of employment service or instrument are: counselling, information, training, wage-subsidies and job creation. Not every type of instrument is capable to solving each type of market imperfection. For instance, job creation will not solve mismatch. Table 1 shows which type of instrument is, in theory, capable of solving which types of imperfection.

**Table 1: Types of employment services and their capacity to solve market imperfections**

<table>
<thead>
<tr>
<th>Instrument</th>
<th>May help to solve</th>
</tr>
</thead>
<tbody>
<tr>
<td>Counselling and placement</td>
<td>Intransparancy</td>
</tr>
<tr>
<td></td>
<td>Prejudice</td>
</tr>
<tr>
<td></td>
<td>Self-strengthening</td>
</tr>
<tr>
<td></td>
<td>Effect of unemployment</td>
</tr>
<tr>
<td>Information</td>
<td>Intransparancy</td>
</tr>
<tr>
<td></td>
<td>Prejudice</td>
</tr>
<tr>
<td>Training</td>
<td>Mismatch</td>
</tr>
<tr>
<td></td>
<td>Underinvestment in training</td>
</tr>
<tr>
<td>Wage subsidies</td>
<td>Prejudice</td>
</tr>
<tr>
<td></td>
<td>Structural unemployability</td>
</tr>
<tr>
<td></td>
<td>Self-strengthening</td>
</tr>
<tr>
<td></td>
<td>Effect of unemployment</td>
</tr>
<tr>
<td>Employment creation</td>
<td>Prejudice</td>
</tr>
<tr>
<td></td>
<td>Structural unemployability</td>
</tr>
<tr>
<td></td>
<td>Self-strengthening</td>
</tr>
<tr>
<td></td>
<td>Effect of unemployment</td>
</tr>
<tr>
<td></td>
<td>Job shortage</td>
</tr>
</tbody>
</table>
Although market imperfections are a clear rationale for the government to intervene with the types of instrument we usually refer to as employment services, this is no guarantee for success. First of all, the instruments cost money and the results may be poor compared to the costs. The results may be poor because of poor implementation practices or due to side effects. The basic problem is that in order to achieve a real or net effect you must be sure that the unemployment person you are dealing with has few opportunities. Otherwise you are applying instruments to persons who are perfectly capable of finding a job on their own. In that case deadweight occurs. In case of job creation measures it may well be that employers say that they create an additional job, while they are in fact fulfilling a normal vacancy, in which case we would speak about displacement or substitution. The distinction between gross effect, which is roughly equal to the number of participants of PES instruments, and net effect, which is equal to gross effect minus deadweight and substitution, is essential.

The results may not only depend on the design and implementation of specific instruments, but also on the general organisation of employment services. First of all, the question is whether one public organisation should be responsible for employment services in general. Due to the demonopolisation this is no longer the case in the Netherlands. The second question is whether the Employment Service, given there is one, should be a government agency or should be, as is now the case in the Netherlands, administered in a different way.

2.4 Interdependencies Between Employment Service and Socio-Economic Environment

Measuring the effects of the activities of the Employment Service on the functioning of the labour-market is a difficult task. First of all the two are interdependent. Although the activities of the Employment Service are intended to influence the functioning of the labour-market, the labour market situation will in turn influence the Service's output. For instance the number of job placements by the employment service will depend on the number of job vacancies: if there are many job vacancies it will be more easy to place job-seekers. A second problem is that job search behaviour will depend on many other factors besides the operations of the Employment Service. The social security system is certainly one of them. This system has also changed considerably in the period we are investigating, which may have influenced the allocation process on the labour-market.

Figure 1 gives a graphical representation of the various interdependencies.
We did take account of the interdependency between PES placements and the functioning of the labour-market, but we were not able to take other factors such as the changes in the social security system into account.

It is important to note that the Employment Service is not the only provider of employment services. In practice, this was already the case before the reform. In many cases employers use private agencies for temporary labour for recruitment. A worker is hired from an agency for a couple of months and after that period the employer decides whether he will contract the worker. Nowadays, other public agencies than the Employment Service are also providing employment services, in particular municipalities and the organisations dealing with social security. To some extent the various providers of employment services are competitors. The designers of the new Act had hoped that demonopolisation would:

a) increase competition and thereby create incentives for the Employment Service to work more efficient and effective;

b) increase the total amount of employment services.
Figure 1: Interdependencies between the activities of the Public Employment Service and the labour-market outcomes

Activities
Public Employment Service

Activities other counselling and training agencies

Allocation process
* Efficiency
* Equity

Socio-economic environment
* Economic situation
* Social security system
* Educational system
* Demographic development
This implies that the evaluation of the Employment Act is not the same as the evaluation of the Employment Service. The Act may have had a positive effect by stimulating other suppliers of employment services than the Employment Service.

2.5 Measuring Effects

First of all it is extremely important to distinguish between gross and net effects. If a job-seeker finds a job or a vacancy is being fulfilled, we are talking about gross effects. The point is that if there were no Public Employment Service, many people would still find a job and many vacancies would still be fulfilled. This is obvious, if one realises that job-seekers and employers have other channels for job search and recruitment than the Employment Service. In the Netherlands the share of the Employment Service in the total number of vacancy fulfилments (the 'market share') is not more than 10 to 15 per cent. One cannot exclude the possibility that other channels would have been used if the Employment Service had not existed. The net effect of the activities of the employment service is the extra number of people that find a job and the extra number of vacancy fulfilments compared to the situation in which the Employment Service would not have existed. The net effect of the 1991 reform is the change in the number of job finders and vacancy fulfilments compared to the pre-1991 situation.

However, even if the total number of vacancy fulfilments had remained the same, the activities of the Employment Service could still have made a difference in terms of opportunities of disadvantaged groups. In other words: due to the activities of the Employment Service unemployment may be distributed more evenly between the various groups on the labour-market. This would also be a net effect.

We may also look at the effects of individual instruments of the employment service. Does the application of a specific instrument improve the labour-market position of the participants? For instance, does a wage-subsidy for employers who hire a long-term unemployed person, reduce long-term unemployment? Here too, the distinction between gross and net effects is extremely important. Increasing the opportunities for unemployed people may improve the transition from long-term unemployment to employment, but may at the same time displace other job-seekers and thereby increase the inflow in long-term unemployment. In that case what we win at the one end we would lose at the other end.

Measuring net effects always involves a counterfactual analysis: what would have happened if ..... There is no waterproof method for measuring this type of effects. Even experiments have only limited value in this field of
research. In our study we relied on econometric analyses of statistical data and on the comparison group approach (comparing a group of participants in a given measure with a group of non-participants).

Measurement is even more difficult in case of indirect effects. An example of an indirect effect is that re-integration of disadvantaged groups may increase the effective supply of labour. Many long-term unemployed persons are not really participating in the labour-market process anymore. Re-activating and re-integrating them increases effective labour supply, which will have a moderating effect on wages which will in turn stimulate total employment. Other examples of indirect effects are the effects of training on productivity and the saving on social security benefits if total employment is increased. In the study not much attention is paid to these effects.

Results will depend on implementation practices. In the evaluation we referred to some studies in which the relation between implementation and results was investigated. However, implementation remained under-exposed too.

3. Findings

The report of the Evaluation Committee was published on 9th March 1995. The conclusion that the CBA failed to take charge of the Employment Service Organisation was the central theme in the media. Although this is a remarkable conclusion in itself, the other findings are equally important. The most important outcomes will be reviewed in the following sections.

3.1 Placements

On the basis of the main objective of the Act (an efficient and equitable allocation of labour), the Employment Service decided to increase its share in the filling of vacancies in 1991. In consideration of the objective of equity, it set itself the task to fill 75% of the vacancies with unemployed. Furthermore, it opted for a proportional placement of long-term unemployed, minorities and women. That is to say, the share of these target groups in the total number of placed unemployed had to remain at least equal to their share in the pool of unemployed job-seekers (over a certain period of time).

The concept of 'placement' proved less manageable in the research than was expected. If you compare the number of placements via various sources, then a large number of differences occur (figure 2).
The diagram shows that there is a substantial difference between the data of the Employment Service and those from other sources. In the surveys, job-seekers and employers report considerably less placements than the Employment Service. The differences in the data are, among other things, caused by double counting by the Employment Service (e.g. of interregional placements), regionally different and sometimes changing definitions of what a placement is in the Employment Service and the various perceptions of the contribution of the Employment Service to a placement (job-seekers and employers may have another view than the counsellor of the Employment Service). The number of job-seekers on the basis of the Labour Force Survey (EBB) carried out by the Central Bureau of Statistics and the Job-seekers Survey (HZW) constitute the minimum, and the registrations by the Employment Service the maximum.

Figure 2: Direct placements Employment Service according to various sources (1988-1994, in thousands)

Basically, the contribution of the Employment Service to placement cannot be measured adequately. It would be inconceivable that an objective observer should have to consider, in each individual case, whether the Employment Service was - or was not - the decisive factor in finding a job, and, also, such an objective observer would regularly have to make arbitrary decisions. More important, placement by the Employment Service is in fact not a standard for output, as job-seekers and employers can also find each other without
intervention of the Employment Service, although this might not always result in success. Placements form a gross standard for results. The nett contribution of the Employment Service to the allocation of labour cannot be deduced from placement data. As the Employment Service used placement as the most important standard for output, the other - more important - results remained invisible.

3.2 Efficiency of the Allocation of Labour

The Employment Service itself has never linked placement with the functioning of the labour market. Our studies reveal that the allocation of labour has not become more efficient since 1991, and that the Employment Service has no additional value in this respect. The Evaluation Committee opted for the definition of efficiency as the situation in which the minimum condition holds. On the basis of this definition, the labour market can function optimally, while supply and demand are not in balance. This restrictive definition helps to define the contribution of the Employment Service to the efficient operation of the labour market. This contribution is limited, because the Employment Service cannot really influence the volume of supply and demand or the price-making process.

In the years after 1989, unemployment rates remained constantly high. On the basis of the definition mentioned above, the efficiency of the labour market can therefore only be measured by the extent in which vacancies are filled (filling ratio) and at what rate this takes place. There are no data available concerning the rate at which vacancies are filled. There are, however, some data which enable us to approximate the filling ratio. This chance is defined as the number of registered vacancies filled, divided by the total number of registered vacancies. It is plausible that the rate at which vacancies are filled will be higher as the filling ratio comes closer to the value of 1 (table 2).

|  | Number of registered vacancies (x 1,000) and the filling ratio of the registered vacancies |
|---|---|---|
|   | Number of registered vacancies | Filling ratio of the registered vacancies |
| 1989 | 228 | 0.86 |
| 1990 | 246 | 0.87 |
| 1991 | 250 | 0.90 |
| 1992 | 258 | 0.94 |
| 1993 | 267 | 0.97 |

Source: Central Bureau of Statistics, revised by NEI.
Table 2 shows that (1) the filling ratio of the registered vacancies was high during the period 1989-1993, and (2) that it has increased during this period. The efficiency of the labour market as a whole has clearly increased since 1991 (the year in which the new Act became effective).

Can this increase be contributed to the new set-up of the Employment Service? The answer is negative. It is a matter of economic fluctuations. Since 1990, the number of vacancies decreased and unemployment increased (table 3). As there was a surplus of supply, the vacancies could be filled quickly and the number of unsatisfied vacancies was therefore rather small compared to the total number of vacancies.

Table 3: Vacancies, unfilled demand and unemployment

<table>
<thead>
<tr>
<th>Year</th>
<th>Total influx vacancies</th>
<th>Unfilled vacancies (stock)</th>
<th>Unemployment</th>
</tr>
</thead>
<tbody>
<tr>
<td>1988</td>
<td>720</td>
<td>65</td>
<td>490</td>
</tr>
<tr>
<td>1989</td>
<td>767</td>
<td>92</td>
<td>452</td>
</tr>
<tr>
<td>1990</td>
<td>887</td>
<td>105</td>
<td>419</td>
</tr>
<tr>
<td>1991</td>
<td>804</td>
<td>87</td>
<td>400</td>
</tr>
<tr>
<td>1992</td>
<td>774</td>
<td>58</td>
<td>411</td>
</tr>
<tr>
<td>1993</td>
<td>612</td>
<td>34</td>
<td>481</td>
</tr>
</tbody>
</table>

Source: *Hoe werven bedrijven* and CBS.

An econometric analysis was carried out to test whether:

- the matching between job-seekers and vacancies was improved after the 1991 reform;
- the activities of the Employment Service have a positive effect on the matching between supply and demand on the labour-market.

A so-called matching function was used in which the number of job-finders was explained from:

- the number of job-seekers;
- the number of vacancies;
- a time trend for the possible impact of the reform;
- input and output indicators of the Employment Service such as placement results;
- control variables such as the share of long-term unemployment in total employment.
Assuming that the equation is linear homogeneous, we can rewrite the equation in terms of relative quantities: job finders divided by job seekers and vacancies divided by job-seekers. Table 4 gives a summary of the results. The analysis is based on data from the 28 RBA regions for the period 1989-1993. The observations show a considerable amount of variation, both in time and between regions.

Table 4: Variable to be explained: job-finders - job seekers ratio$^{a,b)}$

<table>
<thead>
<tr>
<th>Explanatory variables</th>
<th>0.55 (17,9)</th>
<th>0.53 (8,8)</th>
<th>0.55 (17,9)</th>
<th>0.54 (16,7)</th>
<th>0.54 (16,5)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Vacancies - job seekers ratio</td>
<td>0.55 (17,9)</td>
<td>0.53 (8,8)</td>
<td>0.55 (17,9)</td>
<td>0.54 (16,7)</td>
<td>0.54 (16,5)</td>
</tr>
<tr>
<td>Share of hard-to-fill vacancies</td>
<td>0.03 (0,4)</td>
<td>0.03 (0,4)</td>
<td>0.03 (0,4)</td>
<td>0.03 (0,4)</td>
<td>0.03 (0,4)</td>
</tr>
<tr>
<td>Market share Employment Service</td>
<td>-0.27 (-1,3)</td>
<td>-0.27 (-1,3)</td>
<td>-0.27 (-1,3)</td>
<td>-0.27 (-1,3)</td>
<td>-0.27 (-1,3)</td>
</tr>
<tr>
<td>Share Employment Office as a search channel</td>
<td>0.07 (0,6)</td>
<td>0.07 (0,6)</td>
<td>0.07 (0,6)</td>
<td>0.07 (0,6)</td>
<td>0.07 (0,6)</td>
</tr>
<tr>
<td>Share of the long-term unemployed</td>
<td>-0.04 (-0,6)</td>
<td>-0.04 (-0,6)</td>
<td>-0.04 (-0,6)</td>
<td>-0.04 (-0,6)</td>
<td>-0.04 (-0,6)</td>
</tr>
<tr>
<td>Trend from 1989 onward</td>
<td>0.001 (0,1)</td>
<td>0.003 (0,3)</td>
<td>0.001 (0,1)</td>
<td>0.004 (0,4)</td>
<td>-0.00002 (-0,03)</td>
</tr>
<tr>
<td>Trend from 1991 onward</td>
<td>0.00006 (-0,2)</td>
<td>-0.00006 (-0,2)</td>
<td>-0.00007 (-0,3)</td>
<td>0.00006 (-0,2)</td>
<td></td>
</tr>
<tr>
<td>Constant</td>
<td>-0.72 (-1,0)</td>
<td>-0.84 (-0,9)</td>
<td>-0.75 (-1,0)</td>
<td>-0.96 (-1,1)</td>
<td>-0.58 (-0,8)</td>
</tr>
<tr>
<td>$R^2$</td>
<td>0.72</td>
<td>0.72</td>
<td>0.72</td>
<td>0.71</td>
<td>0.72</td>
</tr>
<tr>
<td>Number of observations</td>
<td>140</td>
<td>81</td>
<td>140</td>
<td>140</td>
<td>140</td>
</tr>
</tbody>
</table>

$^a)$ Job-finders-job seekers ratio and vacancies-job seekers ratio in logarithms.
$^b)$ T-values between brackets.

The most important conclusions from table 4 are:
- there is no evidence of a structural change in 1991;
- there is no significant effect of input and output variables of the Employment Service on the matching process.

From the results it is quite clear that placements are determined by the situation on the labour-market rather than vice versa. However, ordinary least-squares could produce biased results if a two-way relationship exists. This was checked by applying two-stage least squares to the data. The results hardly differed from the results presented in table 4. Therefore, our conclusion is that
the activities of the Employment Service do not have a significant effect on the efficiency of the functioning of the labour-market, neither before or after the reform. This conclusion may be time-dependent. If in the future the large excess supply on the labour-market would change to a supply shortage, the activities of the Employment Service could make a difference.

The economic situation is therefore the most important determinant in the filling ratio of vacancies, and the new set-up of the Employment Service did not influence this in any way.

3.3 Equitable Allocation of Labour

The law does not only demand a more efficient allocation of labour of the Employment Service, but also a more equitable allocation. The Employment Service has translated this assignment into the above-mentioned tasks with respect to target groups, the application of instruments with respect to various groups of job-seekers (particularly training, wage-cost subsidies and work experience), and the so-called carrier-wave theory.

Target Groups

The Employment Service chose long-term unemployed (>1 year), minorities and women as its target groups. Approximately 85% of the registered unemployed belong to one or more of these target groups. Placement figures of the Employment Service itself show that the 75% target with respect to the placement of unemployed was reached, except in 1993. The equity objective with respect to the placement of unemployed women was already realised in 1990 and was even surpassed in the following years. Proportionality in the placement of long-term unemployed and minorities could not be realised sufficiently (table 5). Furthermore, the share of the target groups in unemployment remained practically the same over the years.
Table 5: Placements according to target group and share of target groups in registered unemployment (%)

<table>
<thead>
<tr>
<th>Year</th>
<th>Unemployed and non-workers</th>
<th>Long-term unemployed</th>
<th>Minorities</th>
<th>Women</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>share in placements</td>
<td>share in unemployed</td>
<td>share in placements</td>
<td>share in unemployed</td>
</tr>
<tr>
<td>1990</td>
<td>84%</td>
<td>32%</td>
<td>55%</td>
<td>9%</td>
</tr>
<tr>
<td>1991</td>
<td>79%</td>
<td>31%</td>
<td>53%</td>
<td>11%</td>
</tr>
<tr>
<td>1992</td>
<td>74%</td>
<td>31%</td>
<td>49%</td>
<td>15%&lt;sup&gt;a)&lt;/sup&gt;</td>
</tr>
<tr>
<td>1993</td>
<td>69%</td>
<td>27%</td>
<td>45%</td>
<td>13%</td>
</tr>
<tr>
<td>1994</td>
<td>77%</td>
<td>29%</td>
<td>50%</td>
<td>11%</td>
</tr>
</tbody>
</table>

<sup>a)</sup> Workers included (promotion-seekers).

Source: CBS, Statistics Registered Unemployment; Employment Service

Research indicates that the Employment Service has not adequately defined the target groups. The unemployment rate is the criterion used by the Employment Service. However, unemployment has an influx and duration component. With respect to the question who needs help in finding a job, the duration component is more important than the influx component and the unemployment rate. Table 6 reveals that the Employment Service's definition of the target groups is too broad and partly wrong. The share of long-term unemployed women does not differ from the average. Young people should not be a target group. It would be better to define target groups more accurately on the basis of a combination of characteristics. Next to 'period of unemployment', the characteristics 'age' (older people), 'low level of education' and 'partial capacity for work' should carry more weight than they do at present.

Table 6: Share of long-term unemployed (>1 year) in registered unemployment

<table>
<thead>
<tr>
<th>Group</th>
<th>1993</th>
</tr>
</thead>
<tbody>
<tr>
<td>Primary education</td>
<td>55%</td>
</tr>
<tr>
<td>Diploma Lower Vocational Education/Lower General Secondary Education</td>
<td>43%</td>
</tr>
<tr>
<td>Women</td>
<td>44%</td>
</tr>
<tr>
<td>Minorities</td>
<td>54%</td>
</tr>
<tr>
<td>Young people (age: under 20)</td>
<td>11%</td>
</tr>
<tr>
<td>45-64-year olds</td>
<td>62%</td>
</tr>
<tr>
<td>All registered unemployed</td>
<td>45%</td>
</tr>
</tbody>
</table>

Source: CBS
Instruments

The Employment Service possesses a number of instruments to help job-seekers with finding a job (table 7).

Table 7: Application of employment service instruments and number of job-finders after application of instruments (x 1,000)

<table>
<thead>
<tr>
<th></th>
<th>Number of applications</th>
<th>Number of job-finders</th>
</tr>
</thead>
<tbody>
<tr>
<td>Careers guidance</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Placement</td>
<td>323</td>
<td>181</td>
</tr>
<tr>
<td>Training</td>
<td>128</td>
<td>168</td>
</tr>
<tr>
<td>Recruitment incentives</td>
<td>18</td>
<td>11</td>
</tr>
<tr>
<td>Work experience</td>
<td>7</td>
<td>12</td>
</tr>
</tbody>
</table>

a) From: Hoe werven bedrijven.
b) Approximation on the basis of Hoe werven bedrijven.

Source: J. de Koning et al. (1995), op.cit.

Table 7 shows that the number of options for training has decreased after 1991. This tendency was already much earlier visible in the allocation of placement subsidies (usually wage-cost subsidies). On the other hand, the number of placements and places of work experience (places of work experience according to the Framework Regulation for Vocational Integration (KRA), the Youth Employment Scheme Act, and the Labour Pool Regulation)\(^6\).

The number of job-finders in table 7 gives an indication of the gross effects of these instruments. These are different from the nett effects, because some of the job-finders would have got a job without the help of these instruments. Research has shown that training and placement subsidies have, on average, a high nett effect. The same goes for places of work experience, with the exception of the Labour Pool, which is also meant for unemployed who are considered to have no chances in the labour market.

Some examples: An already older nationwide study which used control groups proved that participation in a training course of a Vocational Training

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\(^6\) The KRA is a wage-cost subsidy for long-term unemployed. Through the Youth Employment Scheme Act, the government provides temporary jobs to young people who run the risk of becoming long-term unemployed. Labour Pool Regulation provides permanent jobs to long-term unemployed who have no prospect of finding a regular job.
Centre\textsuperscript{7} has a small positive effect on the labour market chances of the participants\textsuperscript{8}. A similar study on the effects of participation in a training course of a Centre for Vocational Orientation and Preparation (CBB)\textsuperscript{9} indicates an increase of 50\% in the chance of finding a job\textsuperscript{10}. A relatively recent study in the West-Utrecht region showed that the chance of finding a job practically doubled after various types of training\textsuperscript{11}. A similar result was found in the North- and Midden-Limburg region for participation in courses of the Vocational Training Centres, in training within the scope of the Framework Regulation for Training\textsuperscript{12}, or in a job-club\textsuperscript{13}. Not only training, but also wage-cost subsidies and work experience have evidently nett effects. Research has shown that about 75\% of the participants had a job two years after they were placed via the KRA (a wage-cost subsidy, sometimes given in combination with a subsidised place of work experience). For the control group of long-term unemployed who were not placed, this percentage was only 28\%. Placement via the 'regular-job variant' (wage-cost subsidy) proved relatively more successful than placement via the 'places-of-work-experience variant'. In the first case, 79\% had a job after two years, in the second 63\%\textsuperscript{14}. The Youth Employment Scheme Act aims at the same effect. The same cannot be said of the Labour Pool. In line with the objective, the Labour Pool is an ultimate provision, also in practice. Between January 1991 and March 1993, only 2\% of the participants moved on to a regular job (national figure)\textsuperscript{15}.

**Carrier-Wave Theory**

The tripartite Employment Service opted for the carrier-wave theory. This theory has nowadays several variants, of which two have been subject of research. The *market-share variant* assumes that, if the Employment Service

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\textsuperscript{7} Vocational Training Centres are training institutes within the scope of the Employment Service. These training facilities are meant for unemployed. With respect to content, they can be compared with the practical component of the dual system of vocational education.


\textsuperscript{9} CBB's are training institutes which are almost entirely subsidised by the Employment Service. Target groups are the lowest qualified groups, including many immigrants. The courses do not include any vocational training, but merely introductory and transitional training.

\textsuperscript{10} J. de Koning and P.J. van Nes, Evaluatie van het CBB: Bereik en plaatsingseffecten, Centraal Bureau Arbeidsvoorziening, OAV-rapport 90-11, Rijswijk 1990.

\textsuperscript{11} J. de Koning et al., Effectiviteit scholing in de RBA-regio West-Utrecht, Centraal Bureau voor de Arbeidsvoorziening, OAV-werkdocument 94-03, Rijswijk 1993.

\textsuperscript{12} The Framework Regulation for Training is a general subsidy regulation for the training of unemployed. The training can also take place at private training institutes.

\textsuperscript{13} S. Bavinck and Y. van der Burgh, Effectiviteit van het scholingsinstrumentarium, Research voor Beleid, Leiden 1994.

\textsuperscript{14} J. de Koning, et al., Met subsidie aan het werk, Arbeidsvoorziening, Rijswijk 1993.

\textsuperscript{15} M. van der Aalst et al., Landelijke evaluatie banenpool: eindrapport, Leiden June 1993.
has a large share in the filling of vacancies, the chances of the hard-to-place unemployed will increase. They surf along on the wave of satisfied vacancies. The contact variant assumes that frequent contact between job centres and individual enterprises will increase the chances of placement for the hard-to-place unemployed.

In testing the carrier-wave theory we will concentrate on the long-term unemployed (LTU). Most of the LTU have few opportunities on the labour-market, whereas a large proportion of the other 'target groups' of the Employment Service (minorities and women) have relatively good prospects. It would be interesting to test the theory for LTU women and LTU persons belonging to minority groups, but we lack the data.

Let us take a closer look at the market share variant of the carrier-wave theory. Table 8 contains data about both the market share of the Employment Service and the share of long-term unemployed persons in the Service's placements. In the period 1989-1991 both the market share and the LTU share in placements decreased, which could point at a positive relationship between the two variables. However, the increasing market share after 1991 did not coincide with an increase in the share of LTU placements.

Table 8: PES market share and share of the LTU in total placements

<table>
<thead>
<tr>
<th>Year</th>
<th>PES market share</th>
<th>Share LTU in placements</th>
</tr>
</thead>
<tbody>
<tr>
<td>1989</td>
<td>11%</td>
<td>34%</td>
</tr>
<tr>
<td>1990</td>
<td>9%</td>
<td>32%</td>
</tr>
<tr>
<td>1991</td>
<td>8%</td>
<td>31%</td>
</tr>
<tr>
<td>1992</td>
<td>10%</td>
<td>31%</td>
</tr>
<tr>
<td>1993</td>
<td>14%</td>
<td>27%</td>
</tr>
<tr>
<td>1994</td>
<td>16%</td>
<td>29%</td>
</tr>
</tbody>
</table>

This conclusion is confirmed by econometric analyses in which data from the 28 RBA regions were used. A regression in which the share of the LTU in placements (SHLTU) is explained by the market share (MSH) gives a significantly positive relation for the period 1989-1991 (t-values between brackets):

\[
SHLTU = 0.6 + 2.1 \times MSH \\
(28.9) (3.2)
\]

\[R^2 = 0.10\]
However, mark the low $R^2$ which indicates that the market share is only a minor factor in explaining placements of LTU persons. For the period after 1991 no significant relationship was found at all. Therefore, we conclude that the evidence in favour of the market share variant of the carrier-wave theory does not give a justification for the fact that target group policy was based on that theory. The same is true for the contact variant of this theory. On the basis of 1994 data we could test whether the LTU share in the placements depends on the frequency of the contacts with the employers involved. We found a significantly negative relationship.

The Evaluation Committee stated that neither a large market share in the filling of vacancies, nor frequent contact with enterprises suffice to place the target groups. The Employment Service will have to recommend qualified people to the employers. Training, with or without carrier-wave theory, remains of the utmost importance.

3.4 Surplus Value of the Tripartite Formula

On the basis of the Act of 1991, the Employment Service became an independent governing body with a tripartite structure. Legal history shows that the expectations with respect to the tripartisation ran high\textsuperscript{16}. The co-responsibility of municipalities, employers and unions would have to lead, among other things, to:

- a decisive organisation;
- a broad social basis;
- a link between the policy of the Employment Service and the policies of the municipalities, employers' and unions' organisations (policies concerning collective bargaining and social security).

Not all the expectations were met. It is true that the organisation has undeniably gained more zest. The regional Employment Services have orientated themselves in various ways towards the demand of the labour market (company visits, market research, etc.). The image that the Employment Service had among employers has evidently improved. In all regions, the organisation has been reorganised and has used the scope available for policy-making to the full. This has gone so far that one can no longer speak of a mission which is propagated unanimously by all RBA's, neither of a nationwide coherent policy (as envisaged by the legislator), nor of a recognisable unity in the presentation. The situation led to reports about unequal chances for the same groups in different regions, inefficiencies

\textsuperscript{16} See also: W.J. Dercksen, 'Functioneel bestuur in de arbeidsvoorziening', in: Bestuurswetenschappen, 1989 no. 6, pp. 394-401.
because each region started to 'reinvent the wheel', and a financial uncontrollability of the organisation as a whole.

It is rather remarkable that no links have been established between employment service policies and collective bargaining and social security. Employment service and collective bargaining remained separate circuits. This went so far that there were no representatives of the employers in the regional boards of the Employment Service who occupied themselves with collective bargaining. A better adaptation of the employment service policies to the implementation of social security has neither been established (see section 3.9). On the other hand, the number of covenants between the Employment Service and various branches of industry has increased since 1991. These covenants include agreements about vacancies, placement and training of jobseekers. For these, however, no tripartite management structure is necessary (a good covenant is based on the proper interests of the parties concerned). Furthermore, it is not evident that these covenants also contributed to more chances for the target groups of the Employment Service.

As the link between the labour market and social security policies of the 'social partners' and the government was not realised, the Evaluation Committee is of the opinion that the strongest argument in favour of the tripartite formula has lost its validity.

3.5 Management of the Organisation

Did the tripartite structure run the organisation adequately? The studies reveal that the CBA was not very decisive and did not quite fulfil its actual task, i.e. managing the organisation. The decentralisation of the organisation was taken to the extreme (see above) and the finances were not properly managed. The information supply as regards finances left much to be desired. For example, the Employment Service cannot answer apparently simple questions such as: which activities were financed, and what are the overall costs of providing training (see section 3.7)? Finally, policy-making was slow and laborious.

According to the Evaluation Committee, the main cause for this was the tripartite structure, as worked out by the legislator and the parties concerned. Although the intention of the legislator had been to bring about consensus between the parties, the representation of interests soon gained the upper hand in the CBA. This created differences of opinion which could not be solved within the management structure, and this again led to indecisiveness and postponement of decision-making.

An important factor in this was the asymmetry in the relations. The government is the most important financier of the Employment Service,
whereas the social partners do not bring in any financial means or equivalent policy options. The social partners accused the government branch of unreliability, because of cutbacks which were not provided for in the Act (the Act intended to fix the budget for the Employment Service for four years), and because of undesired government policies (by at least one of the parties) which were supposed to undermine the employment service policies. The amendment of the National Assistance Act (obliges the social services and the Employment Service to work together) and the Proportional Vocational Integration of Ethnic Minorities Act (opposed by the employers) are examples of this. These created impasses in the CBA.

The representative of the Minister of Social Affairs and Employment in the CBA was placed in a difficult position by the legislator. 'His' minister played four roles: manager of an independent governing body, legislator, financier and supervisor. The combination of the manager role with the other three created in actual practice much friction and irritation. Another factor was the fear to fall back into the centralism which had characterised the organisation before 1991. As a result the CBA offered the RBA's so much freedom that it could not control the organisation as a whole.

At the regional level, the situation was less univocal and therefore less negative. The RBA's certainly took advantage of the freedom in policy-making that they were given. Often the RBA managers allowed themselves a certain independence from their own organisation. Also, the fact that they were more in touch with the direct implementation made the results of a lacking policy-making sooner visible.

3.6 Supervision

The Act stated that the Minister of Social Affairs should have the supervision over the Employment Service. The relation between supervision and the equal input of the three branches in the CBA was a source of conflict from the very beginning. This became evident when a report of the Chamber of Audit (a government institution) was published, in which it was stated that the minister should not only supervise the lawful use of public funds, but also the efficient use of these. The social partners rebelled against this because they were of the opinion that it negatively affected the equality of the parties. In this way the Minister of Social Affairs might accomplish by supervision what he could not accomplish by management. Up till now, the Minister of Social Affairs and Employment has not actually taken up the supervision over the efficiency of the Employment Service Organisation.

The Evaluation Committee thinks that the use of the term 'efficiency' in this respect might lead to some misunderstanding. By its very nature, an
independent governing body cannot tolerate intensive supervision with respect to its policies. It certainly was not intended that the minister as supervisor should be able to undermine the freedom of policy-making of the CBA, which it was granted by law. If, however, 'efficiency' is seen as a question of spending funds efficiently to achieve the chosen policy objectives in the light of the policy choices that were made, then it should be obvious that the Chamber of Audit is the proper authority to check this\(^\text{17}\). In this way it is only a question of whether the instruments and resources were used in a professional way to support the chosen policy.

### 3.7 Financial Management

The studies have shown that the Employment Service lacks adequate financial information. The organisation has not clearly defined its products and does not know on which activities it spends its resources. For example, the overall costs of providing training is unknown. The Evaluation Committee considers this to be a serious shortcoming on the part of the CBA.

The CBA can make use of the services of an Internal Control Office, which task it is to check the financial reports of the RBA's. In 1992 and 1993, this office examined the application of the rules by the RBA's. This revealed that the RBA's deviated considerably from the existing rules. The CBA reacted to this by subsequently adapting the rules.

Furthermore, the CBA failed in its financial management. The level of expenditure was not adapted to the available funds on time (in the years 1991-1994, the government introduced several cutbacks in state subsidies). This led to problems of liquidity. In conformity with the chosen policy, which aims at realising as many placements for job-seekers as possible, the expenditures for staff increased considerably in the course of the years. Now the necessity of cutbacks is evident, the subsidies for training, placements and work experience are affected, as it is rather difficult to curtail the expenditure for staff in the short term. In this way, those expenditures are affected that actually have a demonstrable nett labour market effect, and the job-seekers with poor labour market qualifications become the victims.

\(^{17}\) The state subsidy granted to the Employment Service Organisation is part of the budget of the Ministry of Social Affairs and Employment. The Compatibility Act obliges the minister to examine periodically the efficiency of the administration, organisation and policy on which the budget of his ministry is based. Under article 114 of the Employment Service Act, the Chamber of Audit checks the financial management of the Employment Service Organisation and pays also attention to the efficiency of the organisation.
3.8 The Relation with Private Enterprise

One of the objectives of the law is demonopolisation in order to enable intermediaries, other than the Employment Service, to contribute also to the allocation of labour. The Employment Service has to direct the whole of these placement services. In the private sector, this concerns temporary agency employment and private placement agencies.

Temporary Work Through Agencies

In recent years, a growing number of the labour force is performing temporary work through agencies. Measured in years of service, temporary work had a share of 0.7% in the total employment figure in 1977. In 1990, there was an economic peak of 2.2%. In 1993, the percentage amounted to 1.8%. The importance of agency work goes further than its share in employment. For employers, agency work is a means to introduce flexibility in staffing. It is also a means to recruit regular staff (there is much job protection in the Netherlands18. For workers, agency work offers them the opportunity to gain work experience and sometimes to find a regular job. Not all agency workers aspire to a regular job, though. Some have holiday jobs or work for some extra money, others actually prefer the freedom involved in doing work through an agency.

For a long time, the importance of agency work within the framework of the employment service has been underestimated. This changed somewhat in 1977, when the ministry responsible for the Employment Service introduced START, an employment agency on a non-profit basis. This non-profit organisation is rather successful and helps a large number of long-term unemployed, unemployed women and young people to find a job. In the late 1980s, the cooperation between the Employment Service and START was intensified within the framework of the 'JOB-maatregel' (Youth Scheme). Within the frameworks of the 'Vergoedingsregeling Uitzendbureau' (VU, Compensatory Regulation for Temporary Agency Work, 1990) and the 'Kaderregeling Uitzendarbeid' (KRU, Framework Regulation for Temporary Agency Work, 1992) there were also established some links with commercial temporary work agencies. The scope of this cooperation is somewhat limited. Furthermore, there were a number of joint projects realised, for which the commercial agencies had primarily taken the initiative.

Up till now, temporary work agencies need a license, but the Minister of Social Affairs has plans to abolish the licensing system for temporary work agencies (as well as the licensing system for placement agencies). He is of the opinion that the entry threshold (prior testing of new businesses) and the

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standardisation (regulation of operations) are limiting the market parties unnecessary. The minister expects that the abolishment of this licensing system will have a positive effect on employment. New rules should only be introduced to prevent fraud with social security contributions and taxes.

Research revealed that the Employment Service has a somewhat ambivalent attitude towards cooperation with commercial temporary work agencies. At the managerial level (CBA and RBA's), people do see its usefulness. At the implementation level, however, people are often suspicious of this cooperation and regard the commercial agencies as rivals. Partly because of this, they prefer to cooperate with START, their 'own' temporary work agency. This preference has also to do with the fact that START is often situated at the same location as the job centres of the Employment Service, that it has access to the database of the Employment Service, and that the social partners are represented in its board of directors. After the demonopolisation of placement, this situation has somewhat changed. Commercial temporary work agencies also qualified for the Compensatory Regulation for Temporary Agency Work and the Framework Regulation for Temporary Agency Work. The RBA's, which had opted for further cooperation with temporary work agencies, often preferred the cooperation with START. Not all RBA's do this, though.

Although the situation is not the same in each region, the Evaluation Committee states that the historical ties of the Employment Service with START have created a certain distortion of competition. It is, however, hard to say whether a more open cooperation would have led to a better allocation of labour in the regional labour markets.

Private Intermediaries

The demonopolisation offered some space to private intermediaries. The Employment Service has to direct the whole of placement services.

In this respect, demonopolisation does not mean that there is a totally free market, but far more that the opportunities for other intermediaries have increased. As the Employment Service offers free placement services to job-seekers and employers on the basis of public funds, the market for private intermediaries is smaller than it would have been without public employment service. Furthermore, the CBA has ruled, within the framework of the licensing policy, that private intermediaries may not charge the job-seekers any costs for their services. The private intermediaries therefore operate in other market sectors than the Employment Service. For private intermediaries, a gross annual salary of Dfl. 60,000 is the minimum criterion for recruitment and selection. Placement on a commercial basis would probably take place on a larger scale if the Employment Service were to limit its free services.
Furthermore, the Employment Service might subcontract part of the activities that cannot be done without subsidies with commercial agencies.

The studies reveal that several RBA's offer, or intend to offer, full service. To that end, they themselves develop activities with respect to recruitment, selection and outplacement. This means that these RBA's do not choose for cooperation with private agencies, but for competition. They have made this choice on the basis of the carrier-wave theory. However, to avoid unfair competition between the Employment Service and the private sector, the Evaluation Committee recommends the following rule of conduct: the Employment Service should not develop any activities that the private sector has already developed or could perform better.

3.9 Cooperation with Public Intermediaries

Apart from private intermediaries, there are also public intermediaries, other than the Employment Service: municipal social services, other municipal institutions or institutions subsidised by municipalities, and industrial insurance boards. (Municipal social services and industrial insurance boards both provide unemployment benefits and also perform activities with respect to placement and guidance towards the labour market.) Also in relation to these institutions, the Employment Service had to create a certain coherence in the employment service policies. It did not succeed entirely in this. This was not only due to the Employment Service Act, the CBA and RBA's, but also due to the attitude of the other public intermediaries themselves.

Research by the Evaluation Committee, as well as other research, revealed that there were numerous forms of cooperation between the Employment Service on the one hand and the social services and other municipal institutions on the other. This research was mainly focused on managerial and organisational aspects. The policies of the RBA's in this respect were not examined. It is also true that very little is known about the effects that various forms of cooperation might have on the filling of vacancies and the outflow of target groups.

Several studies show that the Employment Service, in its endeavour to establish an efficient and equitable allocation of labour, was primarily concerned with its own organisations and far less with cooperation. However, there are indications that it did seek more cooperation with third parties in recent years. These studies also show that cooperation in actual practice often leads to rather vague definitions of tasks and responsibilities, extra counters, inadequate exchange of information and other problems in communication, clients not being referred to the proper authorities, insufficient capacity or service of job centres, unnecessary red tape, 'skimming' clients, and disputes
of competence. A streamlined guidance of clients towards the labour market does not often take place. The various forms of cooperation rather reduce than improve the transparency of the supply of public placement services. Many forms of cooperation between the Employment Service and the social services were established as a result of the Reorientation Talks in 1987. These should therefore no longer suffer from growing pains. Recent studies, however, do not give any indications that the participation of municipalities in the RBA's has led to a greater directive power of the regional Employment Service with respect to public guidance and placement services. Many forms of cooperation between the Employment Service and the social services were established as a result of the Reorientation Talks in 1987. These should therefore no longer suffer from growing pains. Recent studies, however, do not give any indications that the participation of municipalities in the RBA's has led to a greater directive power of the regional Employment Service with respect to public guidance and placement services. Municipalities see the Employment Service mainly as an addition to their 'own' placement services. In most of the regions, the Employment Service has a vacancy-related approach, whereas the municipal institutions have an approach that is focused on their own target group, i.e. the recipients of social assistance. Finally, the research carried out by the committee also shows that cooperation between the Employment Service and the industrial insurance boards is very rare.

3.10 Training of Unemployed Job-Seekers

An important task of the Employment Service is the stimulation of training of unemployed and people who are likely to become unemployed. Furthermore, the Employment Service contributes financially to the practical component of the Dutch dual system of vocational training by means of the 'Bijdrageregeling Vakopleiding' (BVL, a subsidy for dual programmes).

The Employment Service spends almost half of its funds on training, including the BVL. In 1993, this amounted up to a billion guilders. Various studies have shown that training usually has a positive nett effect on the labour market chances of unemployed job-seekers. The Employment Service Organisation possesses a large number of instruments to provide training. At national level, it is not known which forms of training produce the best result.

The Employment Service's instruments fall roughly into three categories:

(a) its 'own' training institutes (Vocational Training Centres, Centres for Vocational Orientation and Preparation, and Women's Vocational Schools);

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19 In addition to the studies by KPGM BEA and the NEI, see also:

20 Strictly speaking, only the Vocational Training Centres are the Employment Service's 'own' training institutes. The Centres for Vocational Orientation and Preparation and the
(b) agreements (Regional Subsidies for Adult Education, Basic Education, Subsidy for the Reintegration of the Partially Incapacitated, Subsidy for Dual Programmes (BVL), Subsidy for Training Programmes of Branches of Industry (BBS);

(c) training delivered at vocational schools and private training institutes (KRS, Framework Regulation for Training).

Specific details about the actual use of these instruments are not available. From 1991 onwards, the data on training provisions show considerable gaps. Our studies do however reveal that almost 40% of the funds for training go to the Employment Service's own training institutes. Approximately 35% goes to the BVL and the BBS, and 25% goes to the KRS.

From an international viewpoint, it is rather unusual that the Employment Service itself provides training for job-seekers. In the light of an efficient application of training funds, it can also be argued that the Employment Service is thus not free to spend the training funds in such a way that they produce the best results for the labour market chances of job-seekers. After all, it also has to take care of its own training institutes. Given the efficiency of its own training institutes, it can be said that they lack 'the discipline of the market'. This does not stimulate innovations in training. This does, however, not mean that its own training institutes function inefficiently. There are no sufficient reliable data available in this respect. Neither does it mean that they do not fulfil certain needs. The studies show that this differs per institution and course. For example, the administrative courses of the Vocational Training Centres have little additional value in contrast to the technical courses. By making these independent, the wheat can be separated from the chaff\textsuperscript{21}.

The agreements under (b) usually concern long-term obligations. The funds for these fall outside the public tender for subcontracting training. An unknown part of the funds for these agreements is used for the Employment Service's own institutes.

In the period 1991-1995, the CBA has indicated repeatedly in the Medium-Term Policy Programmes that cooperation with vocational schools and private training institutes is desired. It therefore developed a public tender procedure: taking costs, quality and duration into account, the RBA's can 'buy' training facilities from third parties.

The studies show that, due to the public tender procedure, additional training projects are not so readily set up by the Employment Service's own institutes.

Women's Vocational Schools are, however, almost entirely subsidised by the Employment Service.

\textsuperscript{21} J. de Koning et al., Kosten en baten van het Centrum vakopleiding, het CBB en de vrouwenvakschool, NEI, Rotterdam 1993.
institutes as they used to in the past. Nevertheless, it is also clear that (1) very little demands for training are put out publicly, and (2) that there are considerable regional differences in the absolute and relative extent of the public tender. A survey among RBA's in 1993 showed that 10 of the 25 responding RBA's had not yet implemented a public tender procedure. The amounts that were put out to tender, were limited: an average of 7% of the regional training budgets

In conclusion we can say that the Employment Service Organisation correctly spends large amounts of money on training. In 1993, this was more than a billion guilders. The Employment Service is however mainly focused on its own market share when it comes to the appropriation of training funds. Its own institutes lack the discipline of the market. Given the position of vocational schools (insofar as contract education is concerned) and private training institutes, one can speak of distortion of competition here.

The extent of its own training programmes is not really compatible with its directive function as laid down by law and which is also evident in the public tender procedure. Its own training programmes prevents the formation of a market for the training of unemployed and people who are likely to become unemployed. From the efficiency standpoint, this is not a favourable situation. This does, however, not affect the public co-responsibility for the training infrastructure. Should the training institutes become independent from the Employment Service, then this responsibility may find expression in the budget for training.

4. The Future of the Employment Service

The Netherlands are about to confirm the impression that our German colleague G. Schmid has of the socio-economic institutions in our country: they are 'moving targets'. As soon as you know how they work, they change.

In its reaction to the report of the Evaluation Committee, the cabinet states that the Employment Service Act needs to be changed. The tripartite and regional structures shall remain intact. The cabinet has developed the following plans:
- the main objective of the Act should emphasise that the Employment Service should primarily concern itself with the placement and guidance towards the labour market of hard-to-place unemployed;

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- job centres, industrial insurance boards and social services should integrate their services (collective intake of unemployed); an institutional amalgamation is not intended;
- job centres should not do what the market can do better or cheaper;
- the statutory link between the Employment Service and START should be reconsidered;
- the government will no longer be represented in the CBA; the representatives will be replaced by independent Crown-appointed members representing the public interest;
- the Act will state explicitly that the members of the board shall vote without burden and shall always serve the interests of the public employment service (in this way the government hopes to check the tendency to promote specific interests in the board);
- policy-making is decided by the majority of votes (the branches' right of veto will be abolished);
- the Minister of Social Affairs will determine the limiting conditions with respect to the policies and finances of the Employment Service;
- the cabinet intends to differentiate the financing (basic budget for statutory tasks, budget for scheduled output, market-orientated funding for placement activities that fall outside the main category). The cabinet wants a gradual shift towards a purchasing model, in which the issuing authorities (social security institutions) are allowed to stimulate the outflow by purchase and for which they receive an appropriate budget;
- the number of RBA's will be reduced from 28 to 15 to 20;
- the supervision of the Minister of Social Affairs and Employment over the Employment Service will also include efficiency.

Most of these points are in line with the report of the Evaluation Committee. One important difference is the composition of the CBA. The cabinet did not go as far as to limit the social partners' right of nomination to persons who are not on the payroll of the employers' and unions' organisations.

The cabinet holds on to the independent public employment service with a tripartite structure and does not choose any of the other options for a totally different organisation of the Employment Service. These options were only briefly referred to in the report of the Evaluation Committee:

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(a) Issuing authorities and the public employment service should be integrated at a managerial and organisational level (comparable with the German 'Bundesanstalt für Arbeit').

(b) A more market-orientated relation between social security institutions and intermediaries. The ultimate conclusion would be that the Employment Service Organisation would become privatised and a gradual shift of its budget to the social security institutions.

Although the final decision about the revision of the Act has not been taken yet, one thing seems to be clear. In the coming years, the Employment Service will have to focus more on the placement and guidance of job-seekers who have no real chances in the labour market. From a scientific-technical point of view, it will no doubt remain a difficult task to determine the results in this respect.