

Lessons from Western Active Labour Market Policies (ALMPs) - Activation of Workers Aged 45+ in Taiwan

Lillian (Pei-Ling) Huang
PhD student
Institute of Applied Social Studies
University of Birmingham
evalining@gmail.com
pxh496@bham.ac.uk

1. What are active labour market policies?

Berkel and Moller (2002:45) has stated that the idea of activation is influenced by “economic globalisation, demographic changes, labour-market changes, processes of differentiation and individualisation and reduced government spending.” Active labour market policies (ALMPs) mean activating the traditional labour market. This has become a popular policy option along with a number of significant social, political and economic transitions.

First, an ageing population and global economic competition provoke politicians’ concerns upon expensive welfare expenditure and labour forces shortages. Thus, how to enhance economic inactive populations’ and welfare recipients’ productivity and economic independence becomes a prior issue. Meanwhile, engaging in paid jobs is seen as an effective way to deal with these issues.

Secondly, arguments among individual rights and responsibility also weigh the importance of economic activity. As Riley (2007:65) pointed out, “mutual obligation” and “individual rights and responsibility” are entitled on unemployed population and economically inactive groups. “Citizens are increasingly considered to be responsible for their own lives and are expected to invest in employability. When depending on the welfare state, these should be granted rights and entitlements only on the condition that they fulfill the obligations society imposed on them” (Broghi and Berkel, 2007:413-4). Moreover, the prevalence of “individualisation” changes the traditional ideas of welfare states and social policies (ibid). It highlights the significance of individuals’ involvement and efforts upon improving their own well-beings.

Thirdly, following with shifting employment structure, from “Taylorist” to “post-Fordist” era (Rubery and Grimshaw, 2003:53-6), increase of knowledge-base working jobs and decrease of manual-intensive jobs cause skill gaps among employees’ capacity and employers’ demands. In the U.K., in 1989, sixty percentages of employers claimed that they had difficulties in recruiting particular and suitable employees whereas manufacturing workers fell into long-term unemployment (Maguire, 2002:90).

Therefore, as Lange and Georgellis asserted, “high unemployment rates and the well documented skills shortages” rise the economists’ and governments’ awareness on activating citizens’ working ability (2007:5). So narrowing down the skill gaps among labour force demands and provisions becomes crucial targets. It is major part of ALMPs’ aims.

In short, the appearance of ALMPs could be seen as a complex result of changing social, economic and political conditions. Reducing individuals’ dependence upon unconditional welfare provisions by entitling more personal obligations and increasing labour participations seemed to be ALMPs’ main principles. Increasing individuals’ working motivation and facilitating their employment difficulties, reducing benefits provisions and enhancing employability, so called ‘carrots and sticks’, become two important strategies. I will discuss in the followings.

2. What are ALMPs?

Kluge and Essen gave a comprehensive overview of ALMPs’ programme types and measures as follows.

“The most important categories across European countries are (i) training programs, which essentially comprise all human capital enhancing measures, (ii) private sector incentives schemes, such as wage subsidies to private firms and start-up grants, (iii) direct employment programs, taking place in

the public sector, and (iv) Services and Sanctions, a category comprising all measures aimed at increasing job search efficiency, such as counseling and monitoring, job search assistance and corresponding sanctions in case of noncompliance” (2006:2-3).

In brief, both incentives and sanction are invented to increase employees’ and employers’ capability and motivations to *activate the labour market*. Simultaneously, individual employment services and training resources are created as solutions to improve workers’ employability. Precisely, “job search assistance, provision of training, subsidization of job creation in the private sector, and direct job creation in the public sector” are identified as four major manners within ALMPs (Kluve and Schmidt, 2002:411).

Moreover, some additional policy manners also highly relate with the application and complementation of ALMPs. For example, reforming income protection systems, entitling workfare, or called welfare-to-work, are used as mechanisms to drive workers who applied for unemployment benefits or other benefits claimants to seek jobs actively (Berkel and Moller, 2002:49-50). In the meantime, it is likely that most active employment programmes adopted “work-first” approach. Helping clients to get paid-jobs is considered as the prior mission (OECD, 2005a:175)

Furthermore, networks of public employment services (PES) are changed by privatisation and deregulation. In order to create “additional channels to integrate jobseekers into the labour market”, private sectors were encouraged to involve in PES’ provisions by competitive tendering in Netherlands, Germany and the U.K. (Jahn and Ochel, 2007:125-6).

Meanwhile, functions and ways of PES have changed by introducing work-first interviews and occupational advisors. Case managers have been broadly introduced in PES in order to intensively help individual’s job-seeking and monitor unemployed benefits claimants’ motivation of job-seeking. For example, personnel services agency in Germany (Jahn and Ochel, 2007:126), “work-focused interview” in the U.K. (OECD, 2005b:212) and Denmark (Graversen and Ours, 2006:5-6).

3. Effects of ALMPs

So far, both positive and negative effects of ALMPs had been identified. In general, As OECD (2005a:174-175) report has pointed out, ALMPs have significantly reduced aggregate numbers of unemployed benefits claimants; more than half from the highest period in Denmark, Ireland, the Netherlands and U.K.. Moreover, successful experiences of re-entering labour market, even short-term jobs, can provoke a “virtuous circle” for further occupational development and it was found out that work-first programs have positive short-term impacts (2005a:174).

Furthermore, surprisingly, ‘stick’ and ‘sanction’ have more effective influence than ‘carrots’ and ‘assistance’ in terms of reducing workers’ job-seeking rates (Graversen and Ours, 2006:3,17; Kluge, 2006:1). Moreover, Kluge’s survey shown that direct wage subsidies was likely more useful than employment programmes (2006:1).

However, ALMPs seemed to have limited effects upon lone term problems and structural issues. Kluge and Schmidt pointed out that ALMPs are unlikely to “alter the economic prospects of the individuals” (2002:413); moreover, long-term labour market programmes produce less impacts than short-term ones (OECD, 2005a); short term effects of training courses and job creation was unclear (Graversen and Ours, 2006:3; Kluge and Schmidt, 2002:413).

Combined with welfare to work approach, it was shown that unemployed workers and welfare recipients likely suffered from either working in lower paid jobs or faced immediately financial difficulties as long as they lost their benefits and staying unemployed conditions (OECD, 2005a:174). Furthermore, in terms of employment services delivery, “creaming” which means “selection by service providers of which clients to serve”, is highlighted as a notorious problem as this would exclude disadvantaged groups from the major labour market (OECD, 2005b:211, Jahn and Ochel, 2007:127).

4. ALMPs toward older workers

Hartlapp and Schmid (2008, 414-8) pointed out seven influential factors toward activating older workers' employment: these are "labour demand, education, employability, health conditions, job satisfaction, relative wage costs and taxes"; it implied that active labour market policies for older worker are complex policy issues.

Along with ageing labour forces, the importance of this issue has been highlighted in ALMPs on the basis of active ageing (Carmel et al., 2007:397). In reality, reducing the impacts of early-retirement programmes was seen as a prior concern in the Western countries. Therefore, except for prolonging mandatory retired age, reforming pension systems and increasing older peoples' working motivations by providing financial incentives are essential (Carmel et al., 2007:394; Hartlapp and Schmid, 2008:423).

In addition, older workers are more likely to suffer from long term unemployment because of skill shortages. Thus, the significance of enhancing their employability is emphasised as well (Ilmarinen, 2002:1). From this Hartlapp and Schmid concluded four strategies to improve older workers' working rates:

- "A. reversal of the economic incentives so as to prolong working life;
- B. externalising child-rearing and care-giving from the family;
- C. coordinating income security in old age with the risks of discontinuous work biographies;
- D. Investment in sustainable employability for older workers" (2008:423-6).

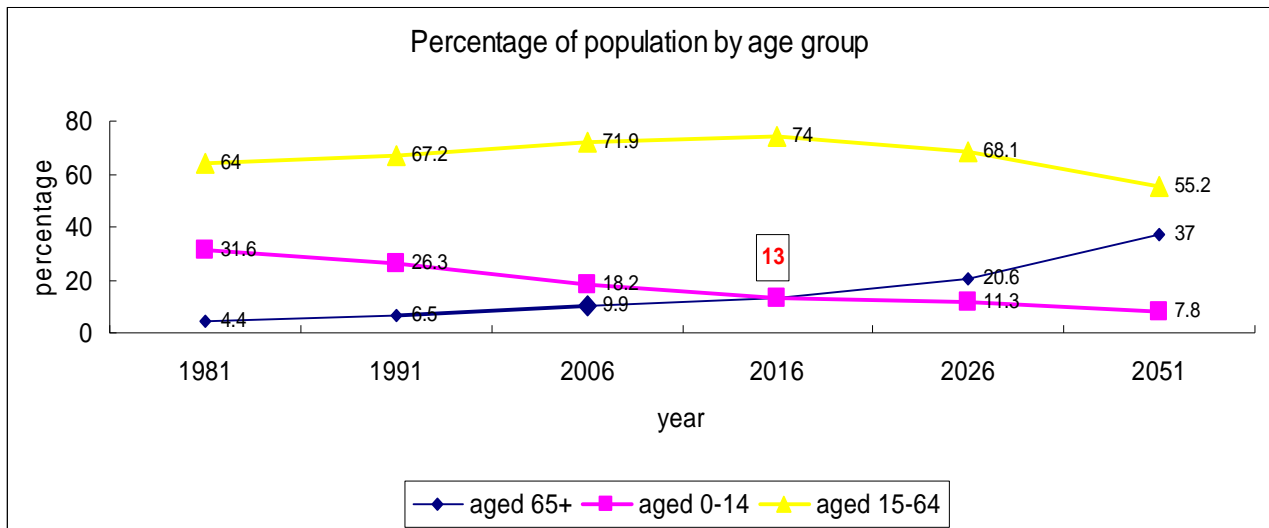
5. Labour market characteristics in Taiwan

Ageing labour market, decreasing young labour forces, concentration on services jobs and low older workers' labour participation rates could be seen as Taiwanese labour market's features. Illustrations of Taiwanese labour market characteristics please see the following discussions.

5.1 Speedy ageing in East Asia

Along with rapid ageing, it is predicted that Taiwanese labour market would encounter similar challenges in two decades (see Figure 1).

Figure 1



(CEPD, 2006)

Nevertheless, so far, Taiwanese labour participations for both older people and women were significantly lower than the Western and East Asian countries. According to United Nation (1999) and World Population Prospects (1998) reports, the ageing speed in the East Asian countries was significantly faster than the Europe (summarised by Kondel et al., 2002:30) (see Table 1). From 1975 to 2030, the percentages of populations aged 60+ will grow more than three times in East Asian. Moreover, one-third of population in both Europe and East Asian will be aged over 60 in 2030.

Table 1

Percentage of total population above age	1975		1995		2030	
	Europe	East Asia	Europe	East Asia	Europe	East Asia
60	16.4	7.4	19.0	10.3	29.9	24.0
65	11.4	4.7	13.9	6.8	22.9	16.0

75	3.8	1.3	5.2	2.2	10.3	6.6
80	1.8	0.6	3.0	1.0	5.7	3.2

Table 2, shows that due to a sharp decrease of birth rates, the dependent ratios of young people dramatically was half between 1960s to 1990s and will the lower than 30 % in late 2020s. By contrast, the dependent ratio of older people will rise nearly three times between 1960s to 2020s in East Asia.

Table 2

Dependency ratios	Europe			East Asia		
	1960-1965	1990-1995	2025-2030	1960-1965	1990-1995	2025-2030
Total	55.1	49.6	55.5	75.1	49.0	47.4
Young	41.4	30.6	22.9	66.6	39.9	26.5
Aged	13.7	19.1	32.7	8.5	9.1	21.0

Cite from: Kondel et al. (2002:34)

Source: United Nations, 1999, World Population prospects, The 1998 Revision. Vol.1, Table A.29

Notes: the young dependency ratio is the ratio of the population under aged 15-64, whereas the aged population dependency ratio is the ratio of those 65 and older to the population aged 15-64. The total dependency ratio is the sum of the two.

5.2 Occupational structure

According to DBGAS (2008), from 2001 to date, while the number of Taiwanese workers who worked in services jobs increased continuously as the major type of job;, more males worked in manufactory jobs than females (see Figure 2-4). This implies that males workers may more likely to suffer from skill-shortages and long-term

unemployment as long as Taiwanese employment structure enter to 'post-Fordist' era.

Figure 2

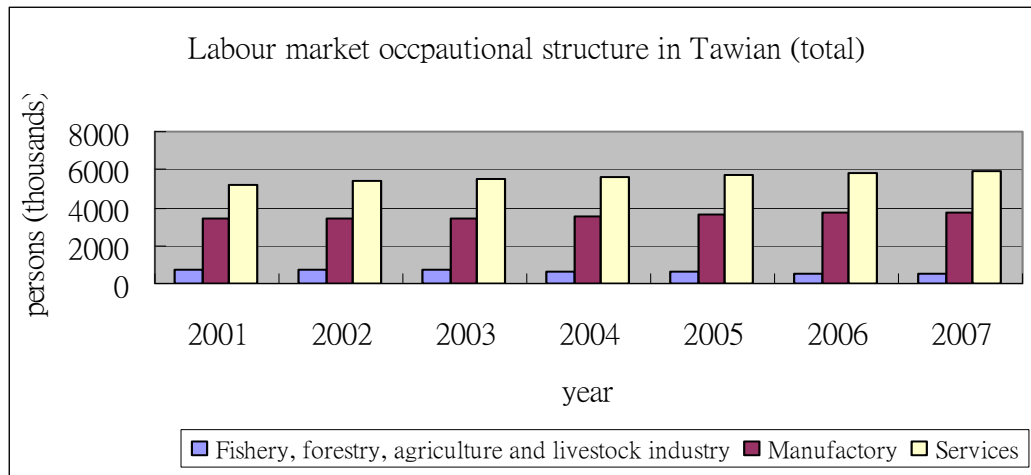


Figure 3

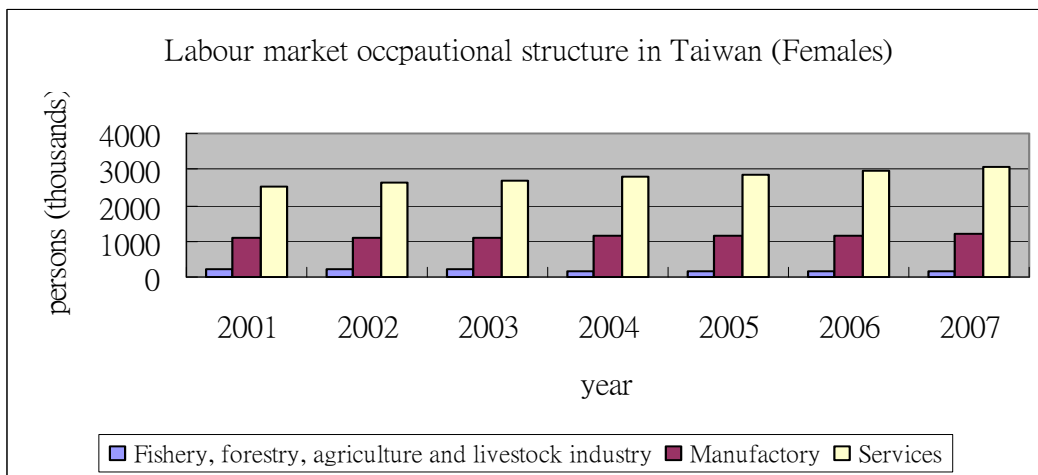
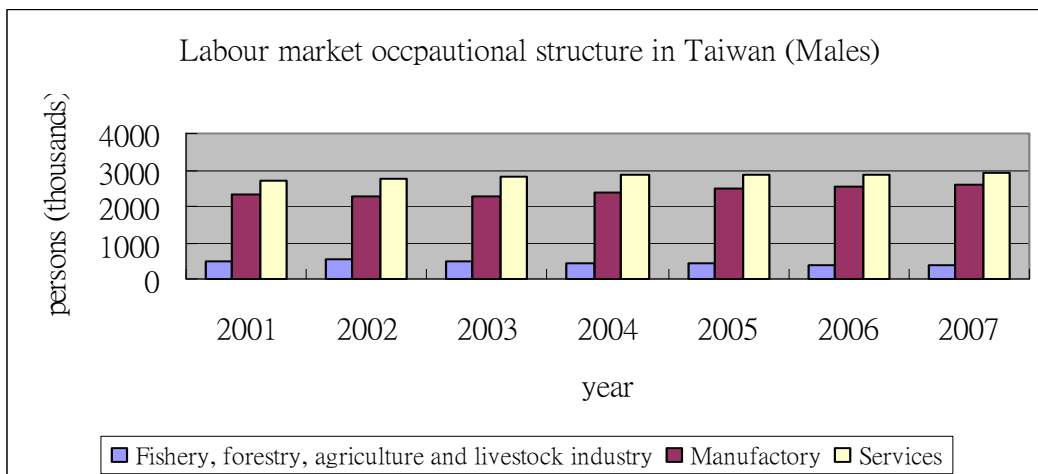


Figure 4



5.3 Low older workers' labour participation rates in Taiwan

Labour participation rates of the Taiwanese aged 45+ not only dropped annually but were also lower than the average rates among developed and developing countries. For example, average labour participation rates of workers aged 55-59 and 60-64 both declined by 6% between 1996 and 2007 (DGBAS, 2008). In 2000, labour participation rates of aged 45-46 workers were 86% and 42% for males and females respectively (DGBAS, 2008).

Table 3 shows that Taiwanese older workers' working rates were significantly lower for both males and females; when compared with Sweden (91%, 86%), Japan (95%, 66%), Thailand (95% and 74%), Philippines (96%, 68%) and China (93%, 59%) (Table 3).

Table 3. Labour force participation rates by sex and age groups in 2000

Country	Age 50-54		Age 55-59		Age 60-64	
	Males	Females	Males	Females	Males	Females
Taiwan	85.6	42.1	72.6	28.8	53.9	18.4
Japan	95	66.2	92.6	57.1	71.6	37.6
Korea	89.1	55.2	77.7	51.1	63.4	45.9
Singapore	91.3	46.7	74.4	29.6	49.6	15.3
China	92.7	58.9	80.9	41.5	68.7	26.9
Thailand	94.8	74.4	90.5	63.6	80.9	39.2
Malaysia	93.4	40.6	75.1	28.5	61.6	23.2
Philippines	95.6	68	89.3	55.7	79.1	50.3
Sweden	90.6	86.2	84.6	79.6	56.8	48.5
ILO, 2006; Tsay, 2003, cited by Peng and Fausten, 2006; DGBAS, 2008						

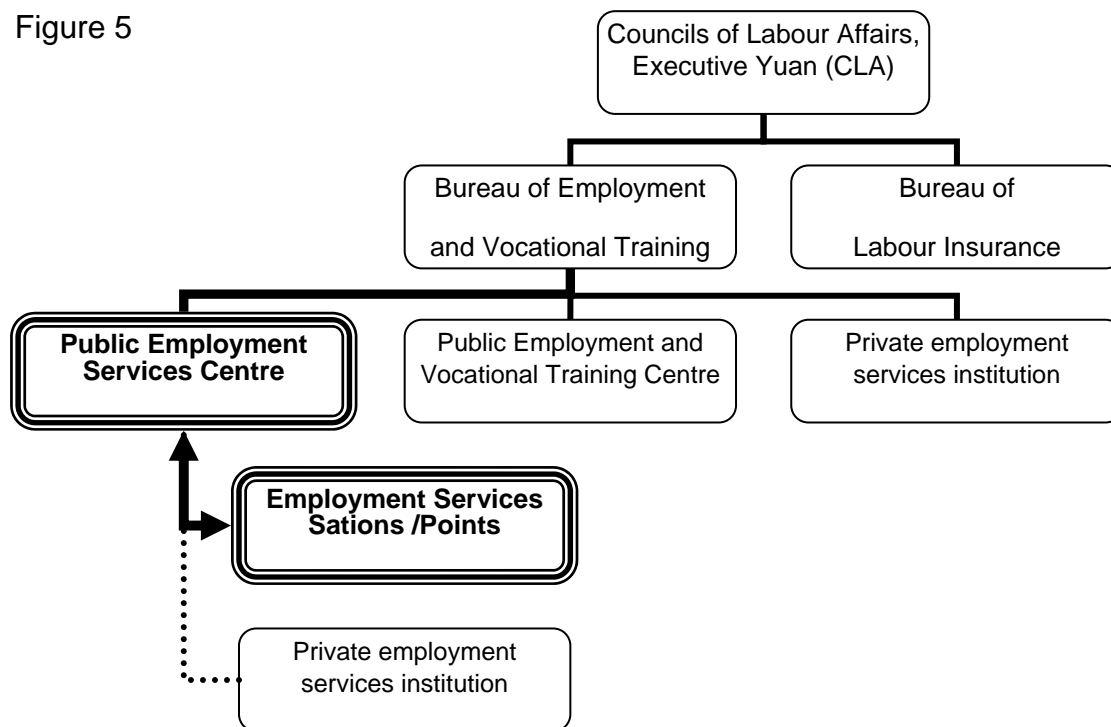
5.4 PES for older workers in Taiwan

PES systems in Taiwan

In Taiwan, all employment services and provisions are built by *Employment Services Law*, which was put forward in 1992 and adjusted in 2008; and *Employment Insurance Law*, which was put forward in 2002 and adjusted in 2007. According to these laws, the official definition of older workers refer to workers aged between 45 and 65 and is called “middle-aged and older workers”. But, concerning consistency of terminology, in the following discussion, I will keep using ‘older workers’.

Employment services are governed by CLA (Councils of Labour Affairs) and by BEVT (Bureau of Employment and Vocational Training). Both public and private sectors are included in the employment services provisions. Up till 2008, there are 5 ESC (Employment Services Centres) and over 300 Employment Services Stations/Points in Taiwan (figure 5).

Figure 5



In Regard to PES for older workers, few private sectors involve in service provisions at this moment. The major service providers for this age group are frontline-workers and case managers in Employment Services Centres and Employment Services Stations/Points.

While front-line workers are responsible for older workers' initial demands; for example, the application of general employment services and employment benefits case managers are providing more individual and specific services for older workers whose demands could not be completely satisfied by frontline workers.

5.5 Challenges and demands of activating older workers

The above features hint that young labour forces shortages will appear in near future in Taiwan. Consequently, the activating of older workers' labour forces will become one of crucial policy concerns toward addressing the insufficient labour forces issues.

However, low working rates for this age group also imply tough difficulties upon encouraging older workers to remain or re-enter in paid-jobs. This situation could be seen as a result of social values and traditional expectations of later life (Hsu, 2007:98-100); for example, according to Hsu's (2007:95) survey of Taiwanese older people's indicators of 'successful ageing', three last important indicators are: participating in social groups; keeping a job; and, being able to learn something new.

Moreover, Taiwanese employment structure continuously transforms from a manual-intensive type to a knowledge-base type. It also imply that the massive male workers, who were currently working in manufactory jobs, may more likely to experience skill-shortages to apply for new jobs.

In terms of PES for older workers, major providers are frontline workers and case managers in public sectors. Ideas of individulisation of personal services seem to put into practices in Taiwanese PES; but accessibility for older workers to get PES may be limited by absence of private sectors' engagement.

In terms of these predictable risks and needs in the Taiwanese labour market, I will try to identify lessons which Taiwanese government could learn from the Western ALMPs in the next section.

6. Lessons from the Western ALMPs

Lessons from the Western ALMPs include two aspects; in terms of policy making, a number of ALMPs strategies are crucial and adoptable; as for policy implementation, a number of ALMPs programmes and services are practicable and useful in Taiwanese content.

Lessons of ALMPs strategies

1. Creating 'carrots' to encourage older workers to remain or re-enter labour market by reforming pensions systems and supplying additional incomes.
2. Increasing governmental responsibility toward activating older workers' employment opportunities
3. Making aware of ageing labour forces issues and developing public discourse towards activating older workers' identity and employability.

4. Researching and identifying Taiwanese older workers' (labour force supply side) demands and difficulties to achieve 'active ageing' conditions.
5. Researching and identifying Taiwanese employees' (labour force demand side) concerns and difficulties to employ and retain older workers.

Lessons of ALMPs programmes and services

1. Enlarging accessibility of PES by creating incentives to invite private sectors' participations.
2. Entitling flexibility and responsibility for PES frontline workers and case managers to provide individual and tailored employment services and avoid 'creaming' of services users.
3. Integrating current long-term and short term employment services programmes in order to facilitate older workers' employment difficulties and to empower them to engage in paid-works.
4. Using unemployment benefits as sanctions and, in the meantime providing additional training and wages subsidies as carrots to motivate older workers' job-seeking.
5. Creating direct incentives and essential sanctions to employers in order to rise their willingness to hire and retain older workers.

7. Conclusions

From the above, it has been found out that ALMPs in the Western countries have significant impacts upon improving working rates of both long-term unemployed workers and welfare recipients, and at the same time it brings out the discourse that older workers are expected to live longer and work longer by promoting their employability and working motivation.

Combining with welfare-to-work and work-first approach, numbers of personal employed services have been invented along with provisions of wage subsidies and risks of reducing benefits. Most importantly, both labour force supply side (employees) and demand side (employers) have been well integrated in complementation of ALMPs.

Undoubtedly, a comprehensive comparison between the West and Taiwan should base on broad social, political and economic contents, but it is too broad a subject to properly discuss in this paper. However, through above critical analysis, a number of

general lessons from the Western ALMPs have been identified. It is worth while for the Taiwanese government to think deeper about the combination of carrots and sticks for both employees and employers.

Second, incentives may also be useful for attract private sectors to involve in PES systems; and meanwhile, more power and flexibility is needed to equip PES frontline workers' and case managers' capacity to genuinely produce individual services. Third, in terms of Taiwanese content, how to improve older workers' employability by an integrated package of employment services need to be further analysed.

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