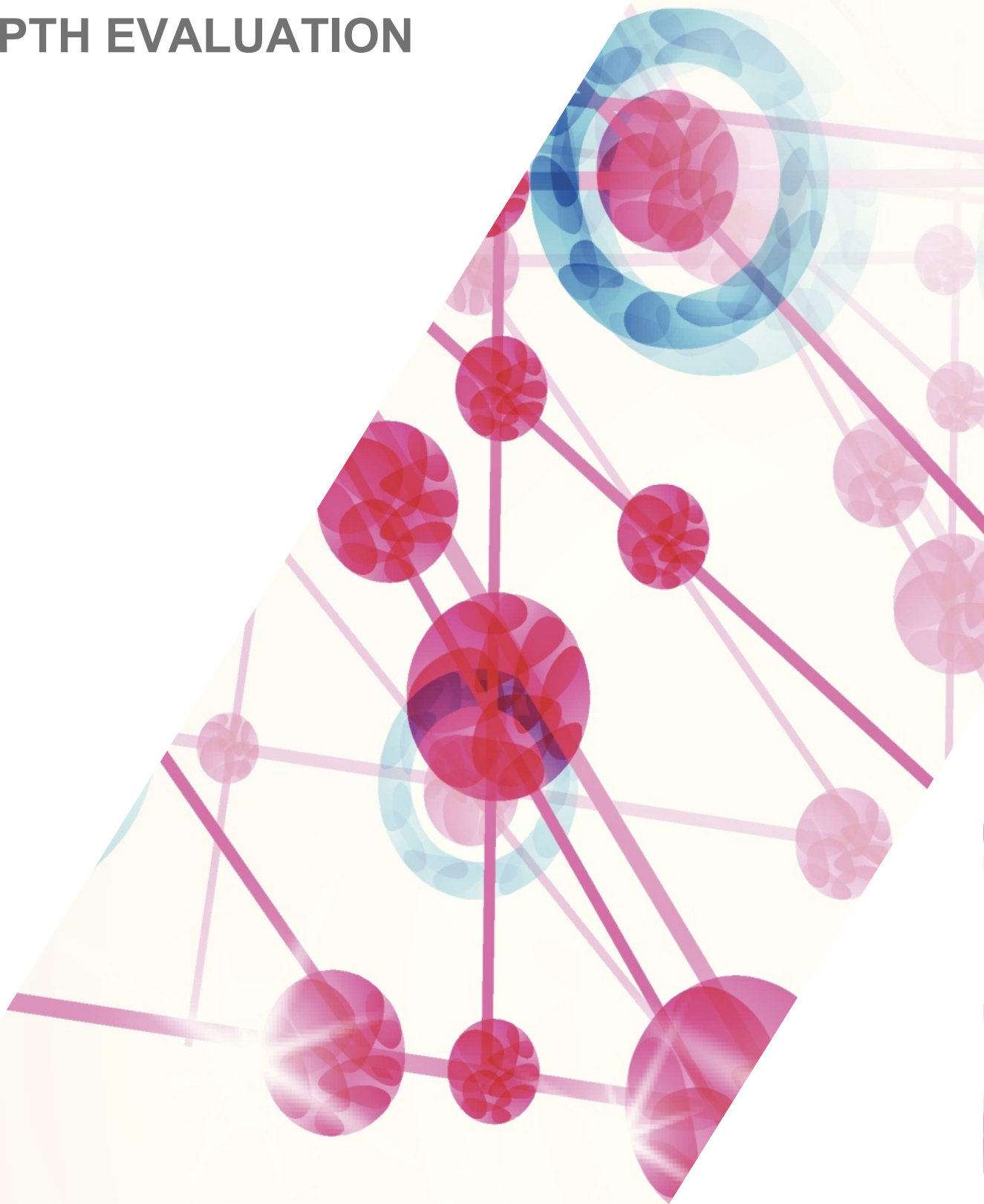


LMP INTERVENTIONS FOR THE LONG TERM UNEMPLOYED

IN-DEPTH EVALUATION



March 2019

LMP interventions for the long-term unemployed

In-depth evaluation



Foreword

Long-term unemployment still poses a key challenge to achieving more inclusive labour markets across the OECD and European Union (EU). In the third quarter of 2018, there were still 1 million more long-term unemployed (LTU) in the European Union (EU) than at the pre-crisis trough in 2008 (Q3). Against the background of persistently high long-term unemployment, the Council of the EU adopted the recommendation on the integration of the long-term unemployed in the labour market in February 2016. To monitor the implementation of these policy recommendations, data on labour market policies (LMP) is needed. Such data is available through the LMP database, which includes public expenditure on various types of LMP interventions and beneficiary numbers. In this context, the European Commission (EC) and the OECD started a project to highlight the usefulness of the LMP database for policymakers and researchers concerned about the development, design and effectiveness of LMP measures in assisting the long-term unemployed.

A related report by the OECD presents an initial assessment of the quality of the information available in the LMP database for identifying and assessing interventions targeted at the long-term unemployed across the EU (OECD, 2019^[1]). This present report provides a more detailed evaluation of data quality, comprehensiveness and comparability of the LMP data for five countries. The five countries studied are **Portugal, Finland, Bulgaria, Germany and Hungary**.

The work on this project was carried out by Kristine Langenbucher (Skills and Employability Division of the OECD Directorate for Employment, Labour and Social Affairs), under the leadership of Theodora Xenogiani (also Skills and Employability Division). Statistical assistance was provided by Agnès Puymoyen and editorial assistance was provided by Katerina Kodlova. This project was financed through a grant by the European Commission (EC). The author wishes to thank the LMP experts Krisztina Mezey and Péter Putnoki from Hungary, Peter Michael Schumacher and Matthias Gehricke from Germany, Pedro Jorge Bogalho from Portugal, Borislava Petrova from Bulgaria and Petri Syvänen from Finland for their advice and additional background on the LMP data in their countries. Furthermore, the author wishes to thank Petrica Badea (Thematic Analysis Unit in the Employment and Social Governance Directorate of DG EMPL) and Andy Fuller (Alphametrics) for useful discussions throughout this project, as well as Nirina Rabemifara (Applica), Nicole Fondeville (Applica), and Flavio Bianconi (Alphametrics) for comments on an earlier version of this report. The opinions expressed and arguments employed herein do not necessarily reflect the official views of the countries covered in this report or the European Union.

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Executive summary

Against the background of persistently high long-term unemployment, the Council of the European Union (EU) adopted the recommendation on the integration of the long-term unemployed in the labour market. As part of the monitoring for this recommendation, expenditure and participant data on labour market policies (LMP) is collected. This data is drawn from DG EMPL's LMP database. In this context, the European Commission (EC) and OECD started a project to highlight the usefulness of the LMP database for policymakers and researchers concerned about the development, design and effectiveness of LMP measures assisting the long-term unemployed. As part of this project, this report provides an in-depth evaluation of the quality, comprehensiveness and comparability of the LMP data in five countries: Portugal, Finland, Bulgaria, Germany and Hungary.

For the selection of countries, it is important to have good geographical coverage within the EU, include economies of different size with different labour market performance and ensure that the LMP data is sufficiently complete. The report is based on the analysis of LMP data available through the LMP database (i.e. statistics published on Eurostat; the LMP raw database as downloaded from CIRCABC; participant and expenditure data footnotes), the qualitative reports and national and international sources. Most of the analysis is based on participant stock and expenditure data.

One possibility to compare countries' support for the registered unemployed and specifically the LTU, is to consider the activation rates of the registered (long-term) unemployed. Activation rates show the proportion of the registered unemployed who participate in LMP measures (Cat. 2-7). Activation rates for the registered (long-term) unemployed vary to a large degree in the five countries studied. In all countries the activation rates are lower for the LTU than for the shorter term unemployed, i.e. registered unemployed with unemployment duration of up to 12 months.

Table 1. Long-term unemployed are activated to a different degree in the five countries studied

Activation rates^a for the registered shorter term unemployed and LTU, percent, 2016.

	Portugal	Finland	Bulgaria	Germany	Hungary
Shorter term unemployed (up to 12 months registered unemployed)	27	19	9	12	51
Long-term unemployed (more than 12 months registered unemployed)	24	8	5	6	15

Note: a. Activation of registered unemployed: Stock of participants in regular activation measures (LMP categories 2-7) that were previously registered unemployed divided by the stock of registered unemployed plus the stock of participants in regular activation measures that were previously registered unemployed and whose unemployment spell is broken by participation in a regular activation measure.

Source: Author's calculations based on DG EMPL LMP database.

The main findings for the quality, comprehensiveness and comparability of the LMP data with respect to the LTU for the five countries studied are listed below and should be used in future LMP data validation processes with the five countries concerned.

- Among the five countries studied, **Portugal** has the highest activation rate for the LTU. In 2016, 25% of the LTU were activated through LMP measures and over the last decade the activation rate of the LTU was always closely aligned with that of the shorter term unemployed.
- **Finland** has relatively low activation rates for the registered unemployed and the activation rate for the LTU is less than half of that for the shorter term unemployed. However, even though unemployment duration data for Finland *appears* the most complete among the countries studied – i.e. all measures available to the registered unemployed provide a participant breakdown by prior unemployment duration – it may nevertheless be *incomplete*. Some LMP participants who were previously unemployed are classified as “other registered jobseeker” without unemployment duration. This happens, as their labour market status is already changed before their first day of participation in a LMP measure. Hence, activation rates of registered (long-term) unemployed are underestimates. Going forward it should be explored whether the definitions of statistics could be changed in order to identify more LMP participants as unemployed, when in fact they have been unemployed shortly (e.g. 1 week) before participating in a LMP intervention.
- **Bulgarian** LMP data with respect to unemployment duration is very complete. However, in line with declining expenditure LMP participant numbers have dropped substantially over the past decade, resulting in very low activation rates. On average, the shorter-term unemployed have a higher likelihood of being referred to measures than the LTU.
- **Germany** also has very low activation rates for the registered unemployed, which have been falling over the past decade due to a shift in Germany’s approach to ALMPs. This resulted in a decline in LMP measures and LMP services now play a more important role. This also has an impact on registered LTU: A reduction in participation in LMP measures means that unemployment spells of the registered unemployed are broken less often and are more likely to be suspended (i.e. after the end of an intervention the previous unemployment spell continuous). Hence, unemployment duration increases on average. An important point for comparisons with other countries is that the time until unemployment spells are broken is longer in Germany (six weeks) than the 28 days recommended by the EMCO Indicators Group. Germany’s definition of registered LTU further results in a larger population of registered LTU than that of the LFS long-term unemployed.
- **Hungary** has not always been able to provide LMP participant data by unemployment duration, but the introduction of new IT enabled the provision of unemployment duration data for all interventions. An outstanding characteristic of Hungary’s expenditure on LMP measures is that it is concentrated almost exclusively in direct job creation (Cat. 6). While more than half of short-term unemployed are activated through LMP measures, only around 15% of the LTU are. One factor driving these results is the high number of participants in direct job creation who are repeat participants. Repeat participants may have been long-term unemployed when referred to direct job creation for the first time. Participation, however, breaks their unemployment spells and they are not any longer long-term unemployed. Hence, while earlier cohorts of long-term unemployed may have been activated, there is now a significant number of LTU who do not benefit from LMP

measures. Overall, the Hungarian example demonstrates that considering long-term unemployed LMP participants risks neglecting equally disadvantaged groups like long-term benefit dependent individuals.

A number of areas for improvement for the LMP database more generally or specifically for some interventions have been identified:

- **Participant data is missing or incomplete** for some interventions studied here. Often it is technically not possible to obtain this data and countries already make a large effort in providing complete data for each intervention. Nevertheless, the nature of missing data should be well documented, especially in case of large interventions (e.g. DE-104). Instances of partial data should be reviewed to see whether estimates or data with fewer breakdowns (i.e. totals only) can be included in the database (e.g. PT-34).
- **Expenditure data is missing or incomplete** for a number of larger interventions included in the database. Possible solutions may involve obtaining the expenditure data from other sources or estimating the expenditure. These options should be explored going forward (e.g. FI-17 and DE-76).
- **Inconsistencies between target group and participant data** should be avoided through additional validation checks going forward. A number of interventions specify a certain group of participants, but they are not reflected in target group data or vice versa.
- **A potential issue of double counting participants in Portugal** has been identified for category 4 (PT-23 in combination with PT-29 or PT-37). This should be checked and addressed either through making necessary adjustments or, if double counting does not arise, through stating this in the accompanying documentation.
- **The qualitative reports could be expanded** for a number of interventions in all five countries studied here. Suggestions for improvements are provided in the country-specific chapters and relate to i) including programme names as used in the countries (e.g. PT-136); ii) more detailed descriptions of the action/instrument (e.g. PT-29, PT-37, DE-107, DE-131, HU-3, HU-42, BG-95); iii) ensuring that important information on the intervention can be easily found in the qualitative reports or participant/expenditure data footnotes (e.g. DE-106, DE-114); and iv) providing meaningful titles for interventions.

Crucial information for the evaluation of the effectiveness of LMP interventions is participant exit data. Countries are requested to provide participant exit data by destination and prior unemployment duration (if applicable). Exit data can provide interesting insights into post programme destinations of participants (e.g. employment, unemployment, other LMP measure). However, the in-depth study showed that exit data (totals) and especially key information on destinations is often missing. Information on prior unemployment duration is provided only in a few instances. The destination information collected is currently not published. **It is recommended to publish this information going forward and kindly request countries to provide more complete information on exit totals and especially destinations.** As a minimum information on exits to employment should be published (not including employment facilitated through other LMP measures, which should be counted as exits to “other measure”). Publication of destination data would require to also publish information on the timing (e.g. immediately, after three months). A more distant aim for the future could be the collection of exit data at various point in times, which would be crucial for the evaluation of interventions (e.g. 1 month, 3 months, 6 months, 1 year, 2 years and – ideally – longer horizons).

Acronyms and abbreviations

ALMPs	Active labour market policies
Cat.	Category
CIRCABC	Communication and Information Resource Centre for Administrations, Businesses and Citizens
ESF	European Social Fund
ESS	Employment substituting support, Hungarian means-tested unemployment benefit
EC	European Commission
EU	European Union
EUR	Euro
GDP	Gross domestic product
IEFP	Instituto de Emprego e Formação Profissional, PES in Portugal
KELA	Kansaneläkelaitos, Social Insurance Institute in Finland
LFS	Labour force statistics
LMP	Labour market policies
LMS	Labour market support, Finnish means-tested unemployment assistance
LTU	Long-term unemployed
ppy	per participant-year
PWS	Public work scheme (equivalent for HU-42 Public employment)
RSI	Social insertion income, social assistance benefit in Portugal (<i>rendimento social de inserção</i>)
RU	Registered unemployed
SGB	German Social Security Code (<i>Sozialgesetzbuch</i>)
UA	Unemployment assistance
UB I	Unemployment benefit I, refers to unemployment insurance in Germany (<i>Arbeitslosengeld I</i>)
UB II	Unemployment benefit II, refers to unemployment assistance in Germany (<i>Arbeitslosengeld II</i>)
UI	Unemployment insurance

1. An in-depth study of LMP services and measures available for the LTU in Portugal, Finland, Bulgaria, Germany and Hungary

1. Against the background of persistently high long-term unemployment, the Council of the EU adopted the recommendation on the integration of the long-term unemployed in the labour market in February 2016. To monitor the implementation of these policy recommendations, data need to be collected on labour market policies (LMP), including the spending on various types of measures and beneficiary numbers. In this context the European Commission (EC) and the OECD started a project to highlight the usefulness of the LMP database for policymakers and researchers concerned about the development, design and effectiveness of LMP measures in assisting the long-term unemployed. A first report by the OECD presented an initial assessment of the quality of the information available in the LMP database for identifying and assessing interventions targeted at the long-term unemployed across the EU (OECD, 2019^[1]). This second report provides a more detailed evaluation of data quality, comprehensiveness and comparability of the LMP data with respect to the LTU through an in-depth analysis of five countries. The five countries studied are **Portugal, Finland, Bulgaria, Germany and Hungary**. The report is based on the analysis of LMP data available through the LMP database (i.e. statistics published on Eurostat; the LMP raw database as downloaded from CIRCABC; participant and expenditure data footnotes), the qualitative reports and national and international sources.

2. The remainder of this first chapter provides first the rationale for choosing those five countries and a short overview on labour market developments in the five countries over the past decade. In order to assess outcomes of LMP measures and services for the LTU (and any other participant) it is important to have information on their destinations. The second sub-section finds that the exit data included in the LMP database can, however, not be used for such assessments. Each of the following five chapters is dedicated to one of the countries' studied, providing additional country-specific findings and recommendations.

1.1. Rationale for the country selection and overview of the countries studied

3. For the country selection of this in-depth study it was important to have good geographical coverage within the EU, including economies of different size with different labour market performance and ensuring that the LMP data is sufficiently complete with respect to unemployment duration information provided. While some final choices remain somewhat arbitrary, a number of countries could not be included in this study due to incomplete data (OECD, 2019^[1]).

4. Table 1.1 provides statistics on the size of the working-age population, labour market outcomes and some characteristics of the LMP data in the five countries studied as well as the EU median. The first set of statistics show that the five countries have quite different labour market outcomes in 2017 in comparison with each other and the EU median. Figure 1.1 shows that (long-term) unemployment now is on a downward trend in all countries considered here and employment going up. Country specific peaks in

unemployment and long-term unemployment, however, have occurred at very different times and e.g. long-term unemployment in Finland only started to decline in 2017.

Table 1.1. Population size, employment and unemployment and LMP data characteristics of the five countries studied in comparison to the EU median

Numbers and proportions, 2016 (LMP statistics) and 2017 (population and labour market statistics).

	Portugal	Finland	Bulgaria	Germany	Hungary	EU median
Population and labour market						
Population aged 15-74 years (in 1 000)	7,789.3	4,096.7	5,454.8	62,053.9	7,460.4	7,008.6
Employment rate (15-74 years)	60.3	60.4	57.7	66.9	59.3	60.1
Unemployment rate (15-74 years)	9.0	8.6	6.2	3.8	4.2	6.7
Long-term unemployment rate (15-74 years, % of active population)	4.5	2.1	3.4	1.6	1.7	2.7
LMP data: count of interventions/components^a						
Individual case management interventions/components ^a (Cat. 1.1.2)	1	6	1	12	x	5 ^b
LMP measures/components ^a (Cat. 2-7)	71	16	43	44	11	25 ^c
Distribution of LMP expenditure for categories 2 to 7 (% of Cat. 2-7 total)						<i>EU average</i>
Training (Cat. 2)	48	56	19	72	2	35
Employment incentives (Cat. 4)	39	12	38	9	9	27
Supported employment and rehabilitation (Cat. 5)	2	15	-	10	-	19
Direct job creation (Cat. 6)	10	16	43	5	87	14
Start-up incentives (Cat. 7)	1	1	0	4	1	4

Notes: - absolute zero; x not applicable; 0 nil or negligible.

a. The count considers interventions or components in case of mixed interventions (i.e. interventions with more than one component are double-counted).

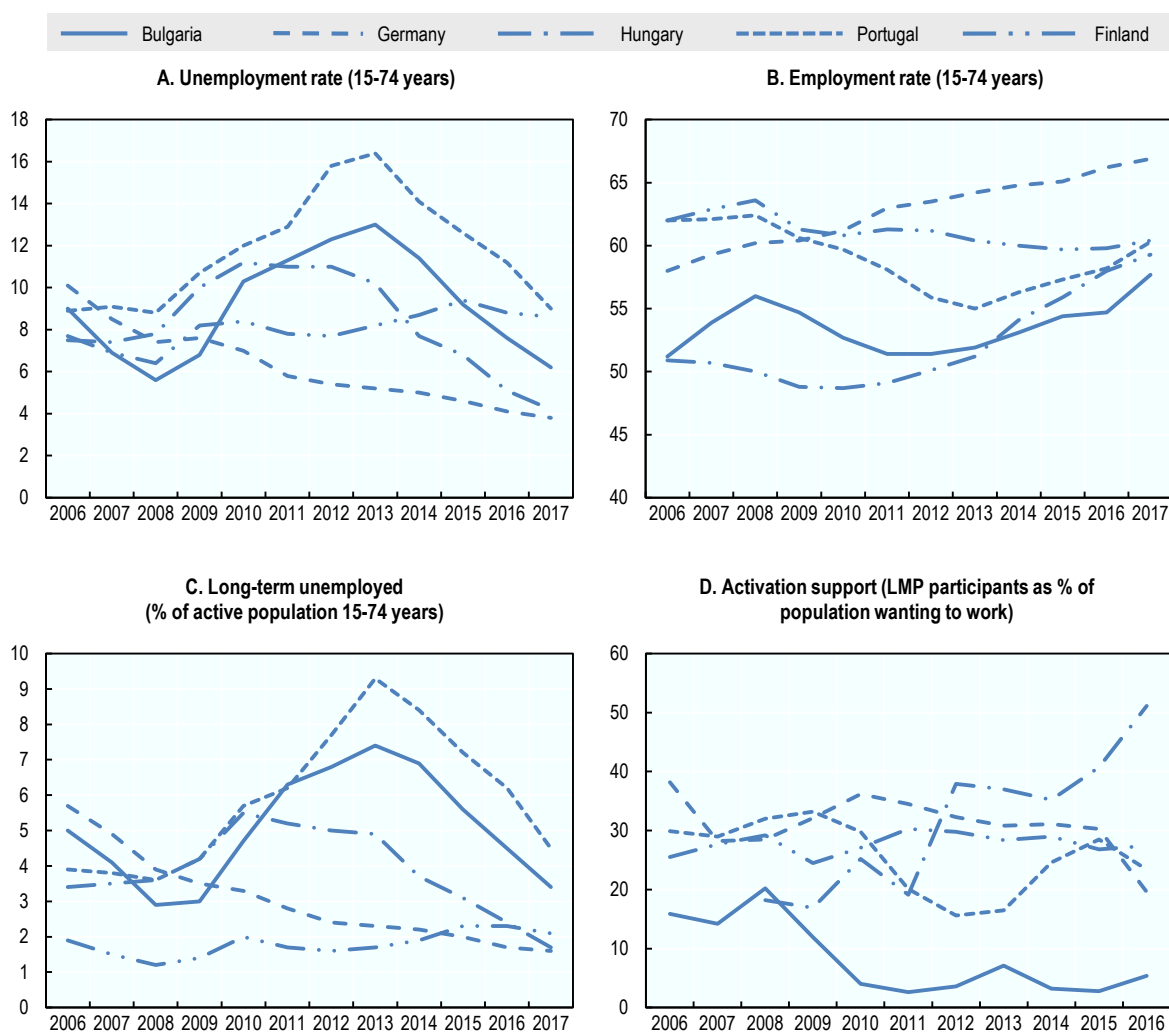
b. Includes 21 countries only, as other countries do not have Cat. 1.1.2 services in the LMP database.

c. Does not include United Kingdom, as not LMP data available for 2016.

Source: Eurostat and DG EMPL.

5. The second set of statistics in Table 1.1 shows the number of interventions/components countries included in the LMP database. While telling nothing about the size of a country's LMP expenditure or the number of LMP places offered, it shows how many programmes countries run and reflects their sedulity in creating new ones. Finland, for example, has a small set of LMP interventions, which all have existed for a relatively long time. Portugal also has some long-existing interventions, but generally creates new interventions more often, many of which, however, exist for a couple of years only or are small in size. The third set of statistics shows the distribution of expenditure across the active measures. On average in the EU, training (Cat. 2) is the most important category, followed by employment incentives (Cat. 4). Portugal, Finland, and Germany also have training as the most important category, but the mix is quite different in Hungary and Bulgaria, where direct job creation is the most important measure. The latter two are also among the countries that do not run Supported employment and rehabilitation programmes (Cat. 5). The activation support, as measured through the ratio of participants in LMP measures divided by the population wanting to work, varies to a large degree (Figure 1.1, Panel D) and no simple relationship with labour market outcomes emerges. Hungary has the highest activation rate among the countries, with the ratio of places on LMP measures to population wanting to work exceeding 50%. Finland, Germany and Portugal rank about mid-field, while Bulgaria has very few LMP places on offer.

Figure 1.1. Development of employment, unemployment, long-term unemployment and participation in LMP measures in the five countries studied



Source: Eurostat, Labour Force Survey (Unemployment by sex and age - annual average [une_rt_a], Employment rates by sex, age and citizenship (%) [lfsa_organ], Long-term unemployment by sex - annual average [une_ltu_a]) and DG EMPL (Activation-Support - LMP participants per 100 persons wanting to work [lmp_ind_actsup]).

1.2. Using participant exit data to analyse outcomes of LMP participants

6. LMP exit data can provide some interesting insights into post-programme destination of participants, if countries provide this type of information. For example, this helps to show that the majority of participants in public works schemes in Hungary are returning to LMP measures. However, as the table shows, exit data is often missing and when data is provided it might, nevertheless, lack crucial information on destinations. Destination data is not currently available in the published version of the LMP database available on by DG Employment, Social Affairs & Inclusion (<https://webgate.ec.europa.eu/empl/redisstat/databrowser/explore/all/lmp?display=card&ort=category>).

7. For the five countries studied, exit destination data including information on participants' prior unemployment status is only provided by Finland and Portugal. However, Portugal only provides this type of information for some very small interventions, which only total to 1% of all entrants (Table 1.2). The chapter on Finland, however, questions the quality of the exit data for some Finnish interventions. Hence, a more general assessment of which interventions might support the re-integration of the LTU does not seem possible with LMP exit data.

Table 1.2. Exit data by destination and prior unemployment duration is seldom available

Count of LMP measures (Cat. 2-7) and percentages, 2016.

	Bulgaria	Finland	Germany	Hungary	Portugal
All interventions (Cat. 2-7)	43	16	44	11	71
Interventions with entrant data	43	16	36	11	62
Interventions with exit data (total) ^a	43	13	36	11	58
Interventions with exit data by destination ^b	40	13	30	9	37
Interventions with exit data by destination & unemployment duration	0	12	0	0	21
<i>Size of measures^c (share of all entrants in these measures, %)</i>	-	88	-	-	1

Note:

a. Subset of those with entrant data.

b. At least one destination (employment, unemployment, inactivity). But for some measures, a significant share of total exits can be classified as unknown destination.

c. Provides the proportion of entrants in LMP measures, which contain exit data by destination and prior unemployment duration, relative to entrants in all LMP measures.

Source: DG EMPL LMP database.

8. More generally there are a few downsides to the participant exit data included in the LMP database:

- The destination exit data provided in the LMP database provides information on one single point in time only, whereas for the evaluation of programmes various points in time would be of interest (e.g. 1 month, 3 months, 6 months, 1 year, 2 years and – ideally – longer horizons).
- The participant exit data shows the total sum of exits that occurred during the year. The information does not relate to cohorts of entrants and entrant and exit data are thus not directly linked. Calculating exit rates (i.e. exits divided by entrants) with the existing LMP data only provides sensible estimates for interventions with i) a very short duration, ii) a duration of around one year (using entrant data for t-1), or iii) interventions with a constant flow of entrants and exits.

9. As the destination information collected is currently not published, it is recommended to publish this data going forward. An important aspect in this respect will be to kindly request countries to provide more complete information on exit totals and especially destinations (and ideally also prior unemployment duration information). As a minimum information on exits to employment should be published (not including employment facilitated through other LMP measures, which should be counted as exits to “other measure”). The publication of destination data would require to also publish information on the timing (e.g. immediately, after three months) of the destinations data. A more distant aim for the future could be the collection of exit data at various point in

times, which would be crucial for the evaluation of interventions (e.g. 1 month, 3 months, 6 months, 1 year, 2 years and – ideally – longer horizons).

2. Portugal

Summary and main findings for Portugal

Portugal's economy has been hit hard by the global financial crisis and the sovereign debt crisis that followed. The crisis added to Portugal's labour market problems: The labour market was highly segmented and the long-term unemployment rate was one of the highest in the EU already before the crisis. In order to address these problems, Portugal implemented a comprehensive set of labour market reforms between 2011 and 2015. Since 2014, unemployment and long-term unemployment are on a downward trend; however, employment remains below the pre-crisis level and, in 2017, 4.5% of the active population continued to be long-term unemployed, the highest rate among the five countries studied.

In an EU-wide comparison Portugal ranks just above the average in terms of expenditure on LMP measures (0.42% of GDP in 2016). The total expenditure on LMP measures as percentage of GDP has largely remained the same over the past decade, while expenditure on labour market services fell. Within this funding envelope the expenditure has been refocussed on different activities and a larger share of the total expenditure now is used to support the long-term unemployed. Among the five countries studied, long-term unemployed in Portugal have the highest likelihood of being activated, with 25% of the LTU participating in LMP measures in 2016.

Portugal's LMP data with respect to unemployment duration

A special feature of Portuguese LMP data is the high number of LMP interventions in comparison to many other countries. Furthermore, a high number of interventions in Portugal are "mixed", with some interventions containing up to four components.

Portuguese LMP data is relatively complete with respect to unemployment duration data for entrant and stock data. Such information (or participant/expenditure data more generally) is only missing for a number of small interventions. One notable exception is PT-34 *Vocational preparation schemes for disabled persons*, where a large part of the participants – representing 4% of all participants in LMP measures in 2016 – are not reported in the database. For the vast majority of interventions, participant exit data does not provide information on the destination of leavers. For three interventions the destination of leavers is provided, but this data is not further broken down by unemployment duration.

Main findings for Portugal

- While Portugal has a high number of interventions in the LMP database, further aggregation is not necessarily an option, as Portugal already combines an even higher number of programmes offered by the PES. Nevertheless, in some

circumstances this could be considered, including all necessary background in the qualitative report (e.g. PT-165 appears similar to PT-22).

- Given the high level of aggregation, Portuguese intervention names are not always the same as those used in national legislation, policy debates or programme management and administration. For the benefit of users working both with national LMP data and the LMP database, programme names as used by the PES should be reflected in the qualitative reports (e.g. PT-136 *Modular training* should mention *formação transversal* and *Vida Ativa*).
- It should be clarified whether a double counting issue arose for employment incentives (category 4) at least in some years. Possibly the same participants could appear both in PT-23, which offers wage subsidies and PT-29 or PT-37, which offer exemptions or reductions in social security contributions. Portugal acknowledged that this issue requires further investigation. If and participants are indeed counted twice, an adjustment for double counting through a dummy intervention should be made.
- The omitted participant data for PT-34 should be included in the main database (not only the participant data footnotes).
- The description of measures sometimes lack important characteristics of the interventions and more detailed descriptions should be considered for the qualitative reports (e.g. PT-23, PT-29, PT-37).

10. Portugal was badly hit by the global financial crisis with unemployment rising to over 16% in 2013 from less than 9% in 2008. Portugal's labour market was highly segmented and unemployment had been high already prior to the crisis. Portugal's long-term unemployment rate was among the highest in the OECD, rising further during the recession and surpassing 9% of the labour force in 2013. In line with these developments Portugal also experienced a sharp fall in employment, from a pre-crisis high of 62.4% in 2008 to 55% in 2013. Since 2014, unemployed and long-term unemployment have been on a downward trend. In 2017, the unemployment rate was 9%, still exceeding the EU average of 7.6%. While the unemployment rate on the Azores is close to the national average, the unemployment rate was slightly above the national average for Madeira (10.4%).¹ Also employment growth has rebounded, but has yet to reach the pre-crisis high (Figure 1.1).

11. In order to deal with these labour market problems, a comprehensive set of labour market reforms was implemented between 2011 and 2015. The most important aspects of these reforms, with direct impacts for the (long-term) unemployed, was widening the safety net provided by unemployment benefits, while at the same time reducing the maximum duration of unemployment benefits in an attempt to reduce long-term unemployment. The reforms also included a programme for the modernisation of the Portuguese public employment service (PES) *Instituto de Emprego e Formação Profissional* (IEFP), including a strengthened activation framework to improve the job readiness of jobseekers,

¹ Source: Statistics Portugal (2018), Unemployment rate (Series 2011 - %) by Place of residence (NUTS - 2013) quarterly, https://ine.pt/bddXplorer/htdocs/minfo.jsp?var_cd=0005598&lingua=EN. Note: Annual figures have been calculated as average of quarterly data.

adopting a more systematic approach to active labour market policies (ALMPs) and improving the coherence between active and passive labour market policies. Furthermore Portugal implemented one of the most substantial reforms of employment protection legislation (EPL) among OECD countries in recent years, which made it less costly for employers to dismiss workers, impacting both on hiring and firing of workers (OECD, 2017^[2]).²

12. Portugal has a three-tier unemployment benefit system. Unemployment insurance (UI) is compulsory for employees and some categories of self-employed. UI is paid by the *Segurança Social*, the Portuguese social security fund, but unemployed must register with the PES before to be entitled to UI and they can also make their claim via the PES. For claimants meeting the contribution condition the minimum duration of UI is just under 5 months, increasing up to 26 months with age and longer contribution records under the new rules, or 38 months under the old rules.³ Unemployment Social Allowance (USA) is a flat-rate means-tested benefit, available to those not entitled to UI (Initial USA) or who have exhausted their UI entitlement (Subsequent USA). The maximum duration of Initial USA is 26 months and 13 months for Subsequent USA under the new rules.⁴ An extraordinary measure created in 2016 allows LTU, who have ceased the period of initial or subsequent USA (provided that 360 days have elapsed since the last allowance), to reclaim USA at a lower rate for another 180 days. Lastly, Social Insertion Income RSI (*rendimento social de inserção*) is available to support individuals or families in situations of great economic need and, as for the unemployment benefits, is subject to on registration with the PES, active job search and participation in active measures (OECD, 2016^[3]).

13. This chapter first gives an overview on LMP expenditure and participation in LMP measures of the long-term unemployed in comparison to other participants in Portugal and second discusses characteristics of the Portuguese LMP data. The third to the seventh subsection are dedicated to an in-depth analysis of training (Cat. 2), employment incentives (Cat. 4), sheltered and supported employment and rehabilitation (Cat. 5), direct job creation (Cat. 6), and start-up incentives (Cat. 7). The eighth section presents some evaluation results for LMP interventions in Portugal, while the final section highlights some data issues identified for Portuguese data.

2.1. Trends in LMP measures in Portugal

14. In an EU wide comparison Portugal ranks slightly above the average in terms of expenditure on LMP measures (0.42% of the gross domestic product (GDP) in 2016). The total expenditure on LMP measures as percentage of GDP has largely remained the same over the past decade. However, expenditure has been refocussed on different activities and a larger share of the total expenditure now is used to support the long-term unemployed. Both in 2015 and 2016, 34% of the expenditure on LMP measures was spent

² Other important reforms concern the i) collective bargaining system; ii) wage moderation by freezing the national minimum wage between 2011 and 2014; and flexibility towards the middle of 2012 to adjust working time instead of employment (OECD, 2017^[2]).

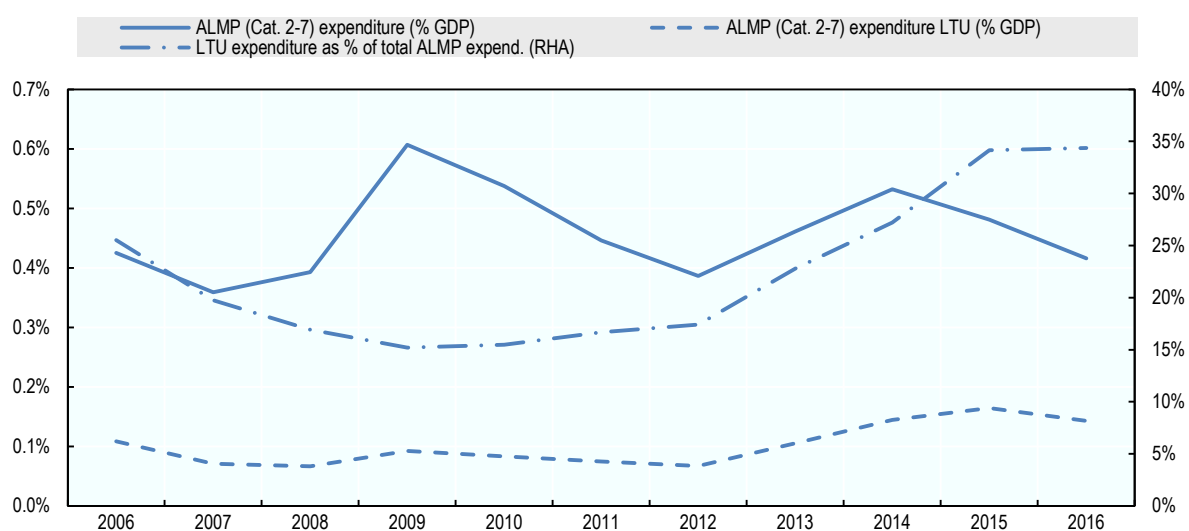
³ A grandfathering rule allowed unemployed that already had fulfilled the eligibility conditions for UI before the change in the law to be entitled to the durations formerly in force, but only for the first UI claim (OECD, 2016^[3]).

⁴ Under the old rules the maximum duration was 38 months for Initial USA and 19 months for Subsequent USA.

on the long-term unemployed, up from only 15% in 2009 (Figure 2.1). In contrast, expenditure on labour market services (Cat. 1) has dropped over the past decade from 0.12% of GDP in 2006 to 0.05% of GDP in 2016.

Figure 2.1. Expenditure on the long-term unemployed has increased in Portugal

Expenditure on LMP measures (Cat. 2-7) as percentage of GDP and expenditure for long-term unemployed as percentage of total expenditure, Portugal, 2006 to 2016.



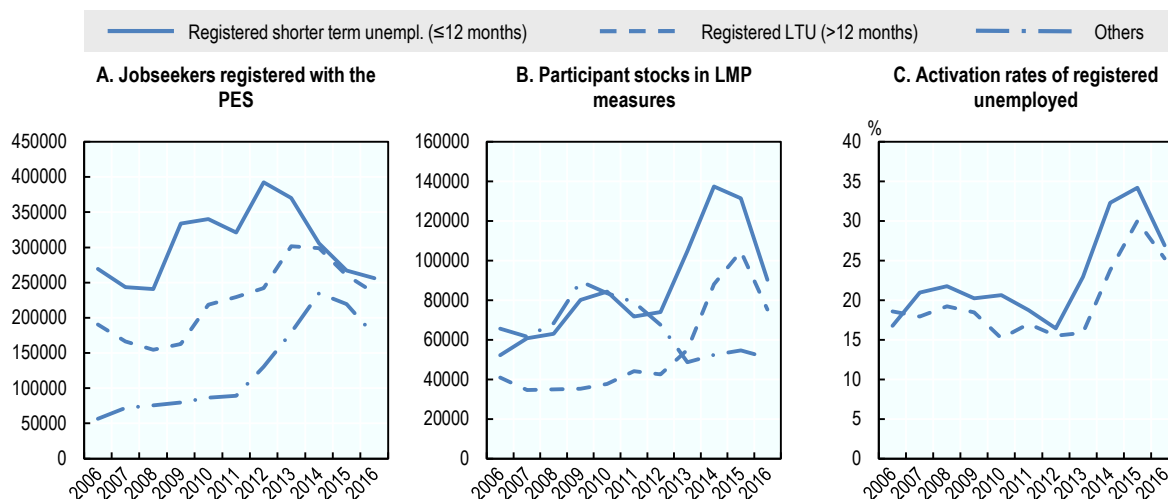
Note: The expenditure breakdowns for long-term unemployed are based on the assumption that the expenditure per participant year is the same for all types of participants in an intervention.

Source: DG EMPL LMP database.

15. This increase in expenditure on the long-term unemployed is also reflected in an increase in the likelihood of LMP participation by the long-term unemployed. Figure 2.2, Panel A, shows how the number of PES registered jobseekers developed over the past decade: Shorter term (up to 12 months) unemployment and long-term unemployment initially increased as a result of the global financial crisis (2008 and 2009), and in a second wave as a result of the sovereign debt crisis (2011 to 2013). In the years 2012 to 2014 there has been a strong increase in other registered jobseekers. While additional ALMP places have been created between also in 2008 and 2009, the activation rates of registered unemployed declined against the background of rising unemployment. Additional places have been created in 2013, resulting in an increase in the proportion of unemployed activated in LMP measures. Following a peak in 2015, the activation rate for the shorter unemployed is 27% and 25% for the LTU in 2016 (Figure 2.2). Among the five countries studied, Portugal has the highest activation rate for the LTU. The activation rate for the shorter term unemployed is the second highest after Hungary, where 51% of the shorter term unemployed are activated (Section 6.1).

Figure 2.2. In Portugal, the long-term unemployed have a similar likelihood of participation in LMP measures as the shorter term unemployed

Numbers and percentages, Portugal, 2006 to 2016.



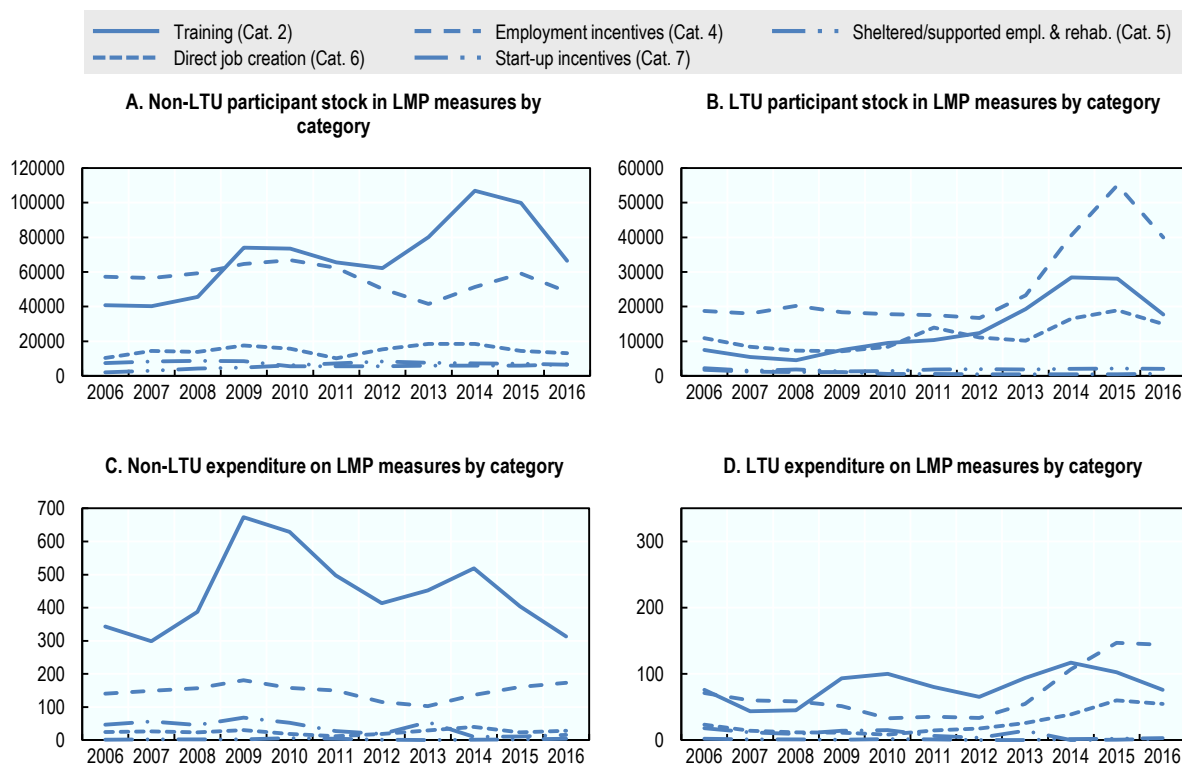
Notes: **Panel A:** Others relates to other registered jobseekers. **Panel B:** Others relates to LMP participants whose prior labour market status was other registered jobseekers, not registered, employed or unknown. **Panel C:** Activation rates of registered unemployed are calculated as the stock of participants in LMP measures (Cat. 2-7) that were previously registered unemployed divided by the stock of registered unemployed plus the stock of participants in regular activation measures that were previously registered unemployed and whose unemployment spell is broken by participation in a regular activation measure. Activation rates of other registered jobseekers cannot be calculated as it is not possible to separately identify them in LMP participant stock data.

Source: DG EMPL LMP database.

16. Employment incentives (Cat. 4) were the most important LMP measure for the long-term unemployed over the last decade, while training (Cat. 2) interventions were more important for other LMP participants from 2009 onwards. In the last five years training interventions were the second most important intervention for the long-term unemployed. Direct job creation measures (Cat. 6) also have an important role for the long-term unemployed with participation numbers being similar to those for training. Direct job creation measures, however, play no important role for non-LTU participants (Figure 2.3, Panel A and B). A slightly different picture emerges for expenditure, with expenditure for training surpassing expenditure for employment incentives in all years for the non-LTU and in most years for the long-term unemployed (Figure 2.3, Panel C and D).

Figure 2.3. Employment incentives are the most important LMP measure for the long-term unemployed in Portugal, while other participants benefit more often from training

Participant (stock) numbers and expenditure in EUR million (2010 prices), Portugal, 2006 to 2016.



Note: Based on the assumption that the expenditure per participant year is the same for all types of participants in an intervention (e.g. to obtain the expenditure for the long-term unemployed, the total expenditure of an intervention has been multiplied with the proportion of long-term unemployed among the annual average stock of participants).

Source: DG EMPL LMP database for LMP participant and expenditure data (<http://ec.europa.eu/eurostat/web/labour-market/labour-market-policy>) and OECD Prices and Purchasing Power Parities Database for consumer price index (http://stats.oecd.org/Index.aspx?DataSetCode=MEI_PRICES).

2.2. LMP measures with a special focus on the LTU

17. The PES manages the vast majority of LMP measures in Portugal. Other important institutions are the social security fund – especially for measures offering reduced social security contributions –, state and regional governments and the governments of Azores and Madeira. The data for LMP measures is relatively complete, providing participant stock and entrant data with complete unemployment duration breakdowns for the vast majority of interventions. One notable exception is PT-29 *Job creation for young people through exemptions or reductions from compulsory social security contributions*, where unemployment duration data is missing. Data issues with a number of smaller interventions (incomplete participant stock data; issues with entrant duration data; and interventions with zero expenditure) are discussed in Section 2.9. As for most countries in the LMP Database, the data on participant exits is not very complete. Indeed only interventions PT-3, -4 and -22 have some exit data by destination, but this information is not further broken down by prior unemployment duration.

18. A special feature of Portuguese LMP data is the high number of LMP interventions in comparison to many other countries. Furthermore, a high number of interventions in Portugal are “mixed”, with some interventions containing up to four components. In 2015, Portugal included 64 measures/components (Cat. 2-7) in the LMP database – the highest in the EU – against the EU’s median of 22 measures/components (Table 1.1). However, aggregation is not necessarily an option, as the Portuguese LMP data already combines an even higher number of programmes offered by the PES, which are often only small variations of one another or of previous programmes (Costa Dias and Varejão, 2012^[4]). Given this aggregation of different programmes, Portuguese interventions do not always have names that are used in national legislation, policy debate or programme management and administration, as recommended by (OECD, 2018^[5]). A number of examples are provided in this report, calling for “(...) *an explanation in the qualitative reports of how they relate to programme names that are more widely recognised in the national implementation and discussion of LMPs*” (OECD, 2018^[5]).

19. Another driving factor for the high number of interventions is the entry of separate interventions for the autonomous regions of Azores and Madeira. Both islands run their own programmes⁵, which are often similar to programmes offered on the mainland, but separately managed and funded (e.g. European Social Fund – ESF funding) and, hence, separately recorded in the LMP Database. Furthermore, [in Azores and Madeira interventions tend to have a shorter duration in comparison with the mainland.](#)

2.3. Training programmes (category 2)

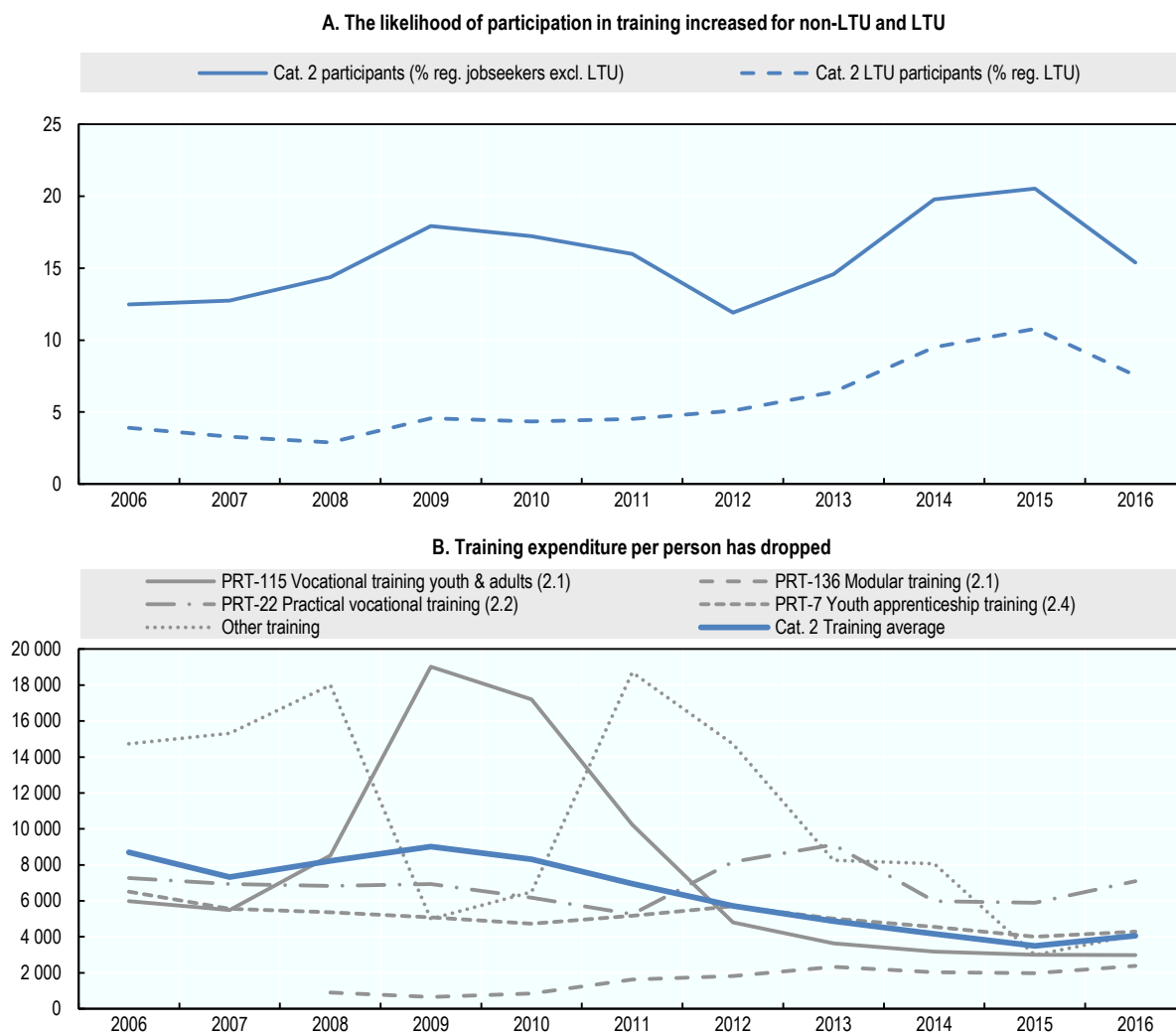
20. Over the past decade Portugal increased the number of training places. The number of training places increased more than 2.5-fold for non-LTU⁶ and nearly quadrupled for the long-term unemployed between 2006 and 2014 (Figure 2.3, Panel A and B). Also the likelihood of participation increased, reaching a peak in 2015; however it dropped again in 2016 (Figure 2.4, Panel A). While participation in training has followed an upward trend, total expenditure on training increased only between 2006 and 2009, but thereafter declined again and in 2016 was below the 2006 level for non-LTU participants and only slightly above the 2006 level for the long-term unemployed (Figure 2.3, Panel C and D). Combined these two developments resulted in a drop in the training expenditure per participant by more than half between 2006 and 2016 (Figure 2.4, Panel B), suggesting that Portugal offers more, but shorter/less intensive training now than a decade ago.

⁵ A number of mainland interventions are also available in Madeira (e.g. PT-23 (Cat. 4) *Subsidies for employment contracts* and PT-3 (Cat. 6) *Employment scheme for persons in receipt of unemployment benefits*), but not the Azores. However, both autonomous regions usually run their own LMP measures.

⁶ Combines shorter term unemployed (unemployment duration of up to 12 months) and other LMP participants (i.e. other registered jobseekers, employed, not registered, unknown).

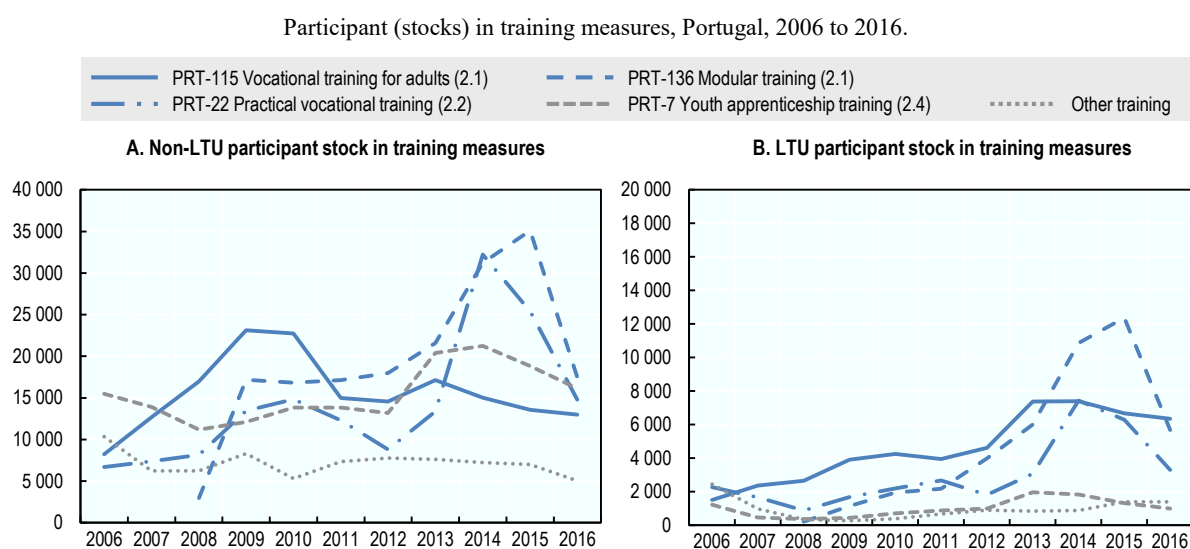
Figure 2.4. While creating more training places, on average the expenditure per person has more than halved in Portugal

Proportion of registered unemployed benefitting from training measures and expenditure per training participant in EUR (2010 prices) for Cat. 2 average and the largest Cat. 2 programmes.



Source: Source: DG EMPL LMP database for LMP participant and expenditure data (<http://ec.europa.eu/eurostat/web/labour-market/labour-market-policy>) and OECD Prices and Purchasing Power Parities Database for consumer price index (http://stats.oecd.org/Index.aspx?DataSetCode=MEI_PRICES).

21. The growth in participation in training programmes until 2015 was mainly driven by an increase in the size of PT-136 “Modular training” and PT-22 “Practical vocational training”. The size of PT-7 “Apprenticeship training for young people” has also increased, however, mainly affecting the non-LTU. For the long-term unemployed many more places became available in PT-115 “Vocational training for adults”, while the programme dropped in size for the non-LTU (Figure 2.5)

Figure 2.5. The growth of LMP training in Portugal can be attributed to four interventions

Source: Source: DG EMPL LMP database for LMP participant and expenditure data (<http://ec.europa.eu/eurostat/web/labour-market/labour-market-policy>).

2.3.1. Institutional training (category 2.1)

22. Portugal has two major class-room based (i.e. institutional) training programmes: PT-136 *Modular training* and PT-115 *Vocational training for adults*. Both interventions act as generic name for a number of labour market programmes implemented by the PES, which are included therein.

- PT-136 *Modular training (Formação Modular)* offers flexible training courses with the aim of increasing the educational and vocational qualification levels of the participants to support the reintegration or progress in the labour market. Beneficiaries are low-skilled individuals, i.e. those who have not completed primary or secondary education. The courses last between 25 and 600 hours (Eurostat, 2016^[6]). In 2013, Portugal introduced two short-duration training programmes *formação transversal* (a 25-hours training programme aimed at improving personal, communication, and job search skills); and *Vida Ativa* (short, modular training courses, or validation of existing skills within three months of registration at the Public Employment Service; OECD (2017^[2])), which have been included in PT-136 and explain the further increase in PT-136 from 2013 onwards. Including those new programmes might be valid, as they might be very similar to modular training courses included in PT-136 before. This change, however, is not well documented in the qualitative report and, therefore, the report could be updated going forward.⁷

⁷ It happened to some extent in 2016, when the section on “recent changes” in the qualitative report contained the following information: “A *Formação Modular* passa a incluir, a partir de 2016, a modalidade *Vida Ativa Jovem*.”

- PT-115 *Vocational training for adults*⁸ (*Cursos de Educação Formação de Adultos*) offer vocational training courses with the aim to provide learners with the required level of education and training to (re)enter the labour market or to move their career forward. Similar to PT-136 the beneficiaries are low-skilled individuals, however, the training courses (usually) are of much longer duration of up to 2 500 hours. PT-115 is targeted especially at the unemployed people receiving the social insertion income RSI, while no particular eligibility rules are mentioned for PT-136 (Eurostat, 2016_[6]).

2.3.2. Workplace training (category 2.2)

23. PT-22 *Practical vocational training (estágios profissionais)* is the largest workplace training intervention in Portugal and acts as a generic name for a number of different programmes implemented by the PES. PT-22 is aimed at individuals with intermediate or higher level of education, in contrast to the institutional training programmes, which are mainly target low-skilled individuals. The aim of PT-22 is to support the transition into the labour market, but also retraining and job creation in growing sectors. Internships usually last 9 months, but can be extended to 12. In 2012, as part of its strategic plan to tackle youth unemployment, the government introduced a new subsidised internship programme aimed at young people called *passaportes emprego*. In 2013, this programme was extended from only economically disadvantaged areas to cover the whole of Portugal and minimum unemployment spells for participants were abolished. The eligibility of the programme for adults was further extended and both programmes made more attractive to hiring employers through higher bursaries. In the same year, the pre-existing *estágios profissionais* and the *passaportes emprego* have been merged to the new programme *estágios profissionais* (OECD, 2017, p. 150_[2]).

24. In 2015, Portugal introduced the new internship programme PT-165 *Return to the labour market (Reativar)* targeted at the (very) long-term unemployed with a minimum age of 31 years. The aim of the programme is the development of practical experience in a working place and (re-)training opportunities to support the reintegration of (very) long-term unemployed into the labour market. Internships last a maximum of 6 months. PRT-165 is very similar to PRT-22, apart from having a very special beneficiary group and different duration. The intervention also had a very short duration, coming to an end in 2017 when new legislation for traineeships was approved. In order to reduce the high number of interventions, it could be considered to record newly created programmes in existing interventions, including all necessary background in the qualitative report.

2.4. Employment incentives (category 4)

25. In Portugal, employment incentives (Cat. 4) are the most widely available LMP measure for the long-term unemployed and in 2016 more than half (53%) of the

⁸ Before 2011, PT-115 was called “Vocational training for young and adults”. PT-115 has been split into two interventions thereafter on the basis of participants’ age. Younger participants are now recorded in PT-149 Education and training for youth. This enables the separate tracking of young people (with low education level), which was a priority group in the national context. This decision to split was strengthened by the youth guarantee and the youth employment initiative later adopted. The split does not need to be final and if it is considered to be better to have one measure only, both measures could be merged again.

long-term unemployed LMP participant stock benefitted from employment incentives. Over the past 10 years, Portugal ran a total of 26 different employment incentives (Cat. 4) interventions, some of which are further broken down into components. The focus of this report is on four interventions. Table 2.1 provides an overview.⁹ An important issue, which requires further investigation through the Portuguese LMP experts, is whether some participants in category 4 might have been counted twice. If this is the case, an adjustment for double counting should be made through the creation of a dummy intervention.

Table 2.1. Important employment incentive measures in Portugal

	23 (4.1.1) Subsidies for employment contracts – Permanent contracts [Component]	23 (4.1.2) Subsidies for employment contracts – Temporary contracts [Component]	29 (4.1.1) Job creation for young people through exemptions or reductions from compulsory social security contributions	37 (4.1.1) Exemption or reduction from social security contributions to promote recruitment of long-term unemployed	142 (4.1.1) Subsidies for permanent employment contracts – Exceptional measures
Reference year	2016	2016	2016	2016	2011
Stock	17,333	7,001	34,390	24,414	19,816
<i>of which LTU</i>	9,110	3,491	-	24,414	1,867
Expenditure EUR m	98.2	52.9	83.7	52.7	54.1
<i>Of which for LTU</i>	51.6	26.4	-	52.7	5.1
Planned duration	Variable	Variable	Typical: 36 months, Maximum: 36 months	Typical: 36 months, Maximum: 36 months	Maximum: 36 months
Responsible institution(s)	State/regional government, Public employment services	State/regional government, Public employment services	Social security funds	Social security funds	Public employment services
Action	1) Financial support for employers to enter into an employment contract (permanent or not) with certain categories of unemployed registered in job centres for at least 6 consecutive months, with the obligation of providing vocational training. 2) Another measure is the reimbursement of a percentage of the social security tax paid by employers who hire unemployed under 25 years or over 45 years, registered in a job centre, for at least 6 consecutive months.		Employers are (temporarily) exempted from paying social security contributions when recruiting young people aged between 16 and 30 years looking for their first job.	Enterprises recruiting long-term unemployed jobseekers on an open-ended contract of employment are temporarily exempted from payment of social security contributions.	Employers have 2 options: 1) Exemption from social security contributions for 36 months; or 2) Direct hiring support (EUR 2 000) combined with an exemption from social security contributions for up to 24 months.

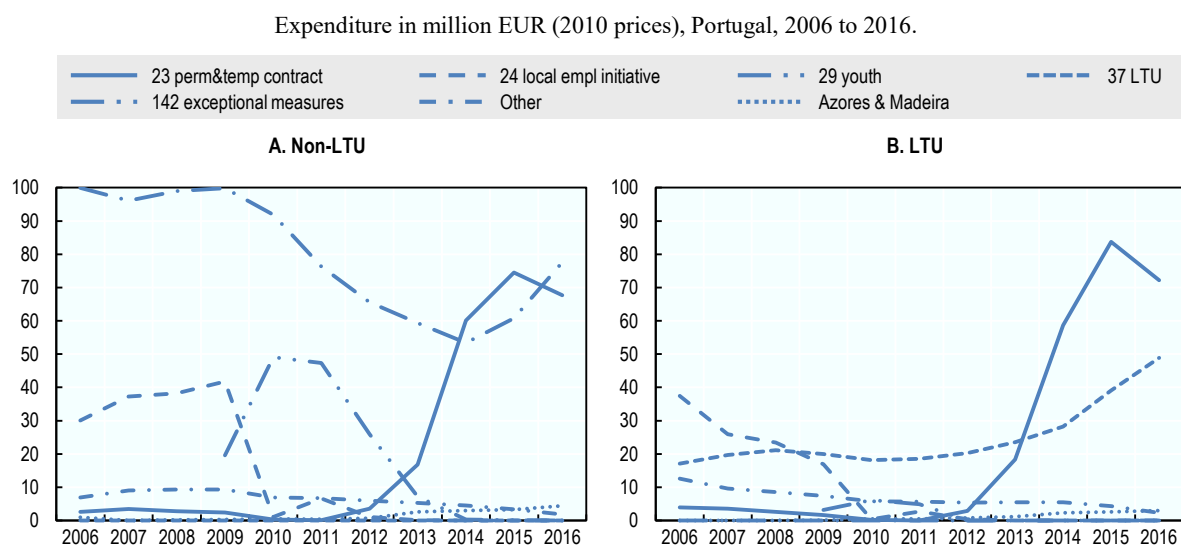
Source: DG EMPL LMP database and Eurostat (2016_[6]).

26. Figure 2.6 shows that the size of the different employment incentive interventions has changed over the past decade. PT-24 *Local employment initiatives* was the second largest employment incentive intervention until 2009, but has been phased out from 2010 onwards and does not apply in 2016 (LMP expenditure data footnotes 2016). In 2009, in response to rising unemployment a new major intervention PT-142 *Subsidies for permanent employment contracts – Exceptional measures* has been introduced, but was

⁹ The remaining 22 interventions are included in statistics, but are not discussed in detail. One of the measures is PT-24 *Local employment initiatives*, which was the second largest employment incentive intervention until 2009, but has been phased out from 2010 onwards. 15 further measures are applicable only in Azores and Madeira; and 6 are available on the mainland, but are of very small scale.

again phased out from 2013 onwards. Following the phasing out of PT-142, the size of PT-23 *Subsidies for employment contracts* has been scaled up massively, with participant numbers increasing 13-fold between 2012 and 2015 (expenditure increased nearly 30-fold). Given that a minimum registration with the PES is a pre-condition for participation in the intervention, long-term unemployed are among the main beneficiaries of PT-23, amounting to about half of the participants. PT-37 *Exemption or reduction from social security contributions to promote recruitment of long-term unemployed* exists since 1995 is targeted at the LTU, but has been scaled up recently. A similar exception from social security contributions is available for employers hiring first-time jobseekers (PT-29 *Job creation for young people through exemptions or reductions from compulsory social security contributions*) and OECD (2017^[2]) refers to it as the same programme, whereas it is separated into two interventions in the LMP database.

Figure 2.6. Growth and decline of different employment incentives interventions in Portugal



Note: “23 perm&temp contract” refers to PT-23 Subsidies for permanent employment contracts in the years 2006 to 2011 and the sum of i) PT-23 [Component] Subsidies for permanent employment contracts – Permanent contracts and ii) PT-23 [Component] Subsidies for employment contracts – Temporary contracts from 2012 onwards. “Other” combines six different employment incentive schemes available in the Portuguese mainland. “Azores & Madeira” combines 15 employment incentive schemes available on the Azores and Madeira only.
Source: DG EMPL LMP database for LMP participant and expenditure data (<http://ec.europa.eu/eurostat/web/labour-market/labour-market-policy>) and OECD Prices and Purchasing Power Parities Database for consumer price index (http://stats.oecd.org/Index.aspx?DataSetCode=MEI_PRICES).

2.4.1. PT-23 Subsidies for employment contracts

27. Expenditure-wise PT-23 is the largest Portuguese intervention in 2016 (151m EUR) and it ranks third for the average yearly participant stock. The measure consists of two components, which are mutually exclusive, as employers receive public support either for hiring unemployed on permanent (4.1.1) or temporary (4.1.2) contracts. While being included in the LMP database as one intervention, a number of different programmes offered by the PES over the past few years have been included in PT-23. The different programmes included wage subsidies and also reimbursements of social

security contributions.¹⁰ In July 2014, all these hiring subsidies have been merged into one programme called *Medida Estímulo Emprego* (OECD, 2017^[2]), which now comprises wage subsidies only as the PES no longer offers reimbursements of social security payments. The webpage of the PES refers to these hiring subsidies as *apoios à contratação*. Until recently it was possible to combine the hiring subsidies with reductions or exceptions from social security payments available through the social security fund (see next section). However, [the] programme *Medida Estímulo Emprego* finished and at the same time a new programme called *Contrato-emprego* was approved in 18 January 2017 (ministerial order no. 34/2017). This new programme cannot be combined with reductions or exceptions from social security or other financial support to the same job. It seems quite likely that over the past years employers claimed both wage subsidies through PT-23 and exemptions or reductions in social security contributions through PT-29 or PT-37 for employees when this was permissible. Hence, an issue of double-counting within category 4 may arise for Portugal. Adjustments for double counting are not currently made (European Commission Directorate-General for Employment, 2018, p. 40^[7]). The Portuguese authorities confirmed that this issue will be further investigated by Portugal and a pseudo intervention to account for double counting will be created, if necessary.

28. With the frequent changes to hiring subsidies, it makes sense to combine them into one measure. However, the Qualitative Report should highlight this more in the action/instrument text. Especially the fact that PRT-23 wage subsidies could be combined with social security reimbursements in some years (but possibly not all years).

2.4.2. PT-29 and PT-37 Exemptions or reductions in social security contributions

29. Both PT-29 *Job creation for young people through exemptions or reductions from compulsory social security contributions* and PT-37 *Exemption or reduction from social security contributions to promote recruitment of long-term unemployed* have been in place since 1995 (Decree-Law 89/1995 of 6 May) and offer a temporary exemptions or reductions from social security contributions for up to three years. Employers claim these exceptions or reductions directly from the *Segurança Social*, the Portuguese social security fund (<http://www.seg-social.pt/isencao-e-reducao-do-pagamento-de-contribuicoes1>). While the *Segurança Social* refers to it as hiring incentives (*incentivos à contratação*), the LMP database splits these exemptions or reductions into two separate interventions. This possibly makes sense given the two non-overlapping groups of beneficiaries and changes to eligibility rules and social security waivers over time (Eurostat, 2016^[6]).

30. The titles of both interventions suggest that there might also be “reductions” from social security contributions. The qualitative report, however, only mentions exemptions (Eurostat, 2018^[8]). Discussions with Portugal suggest that both reductions and exemptions are available: “*In accordance with legislation in force until July 2017 both exemptions and reductions were available for PRT-29 and PRT-37. Since August 2017 with the new legislation (Decree law n. 72/2017, of 21 June) both exemptions and reductions are only available for PRT-37 - that means exemptions for very long term unemployed and reductions for long term unemployed. Concerning PRT-29 only reductions are available.*”

¹⁰ This includes the wage subsidies *Estímulo 2012* and *Estímulo 2013* and social security reimbursements *Apoio à Contratação via Reembolso da TSU*; *Apoio à contratação de desempregados com idade igual ou superior a 45 anos via reembolso da TSU*; and *Apoio à contratação via Reembolso da TSU* (merger of the latter two programmes in 2013).

Furthermore, with the new legislation only permanent contracts are supported.” As the current description of both interventions is relatively short, it could be augmented to reflect those detailed rules.

2.5. Sheltered and supported employment and rehabilitation (category 5)

31. Sheltered and supported employment and rehabilitation (category 5) is the smallest LMP category in Portugal, both in terms of participant number and expenditure. In 2016, out of 7 256 participants in Cat. 5, 675 were long-term unemployed, representing less than 1% of the total stock of LTU in LMP measures. 550 LTU participated in PT-34 *Vocational preparation schemes for disabled persons*, which aims to support disabled individuals obtain competences required for vocational qualifications in order to get and keep a job as well as to progress towards the regular labour market (Eurostat, 2016^[6]). While participant data breakdowns are available for 2 115 participants (stock) who are under control of the PES, the vast majority of participants – 9 804 in 2016 – are not included in the LMP database, but only mentioned in the participant data footnotes.¹¹ This omission of participants in the LMP database is quite substantive, as they represent 4% of Portugal participant stock in LMP measures. Hence, Portugal should include the participants who are not under control of the PES also in the participant total of PT-34, even if breakdowns (gender, age, unemployment duration) cannot be provided. Inclusion of the corresponding expenditure is more difficult. However, this substantial proportion of participants should not be “hidden” and missing expenditure should, of course, be well documented in the expenditure data footnotes (e.g. as for DE-76, see Section 5.2.1).

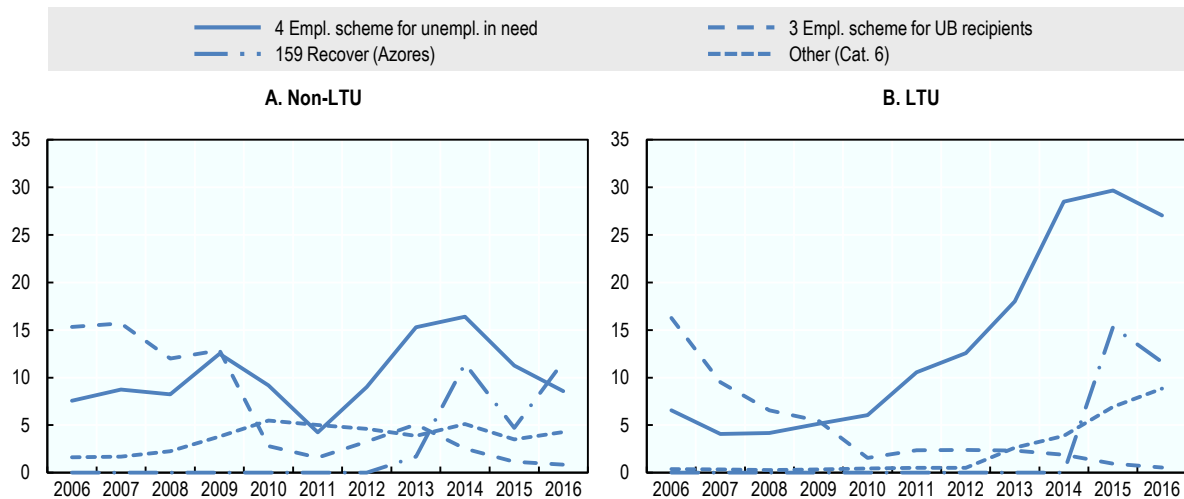
2.6. Direct job creation (category 6)

32. Direct-job creation ranks third for long-term unemployed LMP participants in Portugal and a fifth of LTU participants are found in category 6. Expenditure on this category increased in recent years, especially for the LTU (Figure 2.3). There are nine direct job creation measures in the LMP database in 2016. Three of them combine 88% of the category 6 participants and 82% of the expenditure, while the remaining six interventions are relatively small in size (Figure 2.7).

¹¹ “Data do not include 9 804 beneficiaries because breakdown is not available.” Source : LMP database, Footnotes – participants, 2016, http://ec.europa.eu/employment_social/employment_analysis/lmp/lmp_esms.htm.

Figure 2.7. Direct job creation measures in Portugal

Expenditure in million EUR (2010 prices), Portugal, 2006 to 2016.



Note: Other (Cat. 6) combines six different direct job creation measures in Portugal, which are each very small in size.

Source: DG EMPL LMP database for LMP participant and expenditure data

(<http://ec.europa.eu/eurostat/web/labour-market/labour-market-policy>) and OECD Prices and Purchasing Power Parities Database for consumer price index

(http://stats.oecd.org/Index.aspx?DataSetCode=MEI_PRICES).

33. A large proportion of Cat. 6 participants are long-term unemployed, presenting between a third and four-fifth of participants in the Portuguese Cat. 6 interventions. Direct job creation measures are seen as a “last” resort programme, with the aim of both PT-3 *Employment scheme for persons in receipt of unemployment benefits* and PT-4 *Employment scheme for unemployed persons in need* being described as

“To provide the unemployed with an occupation of interest for the community as far as no work or vocational training alternatives exist in order to keep them in touch with the labour market and so, preventing their social isolation and a tendency to de-motivation and exclusion.” (Eurostat, 2016_[6])

34. Both PT-3 and PT-4 have similar target groups according to LMP database target group info, but the information on “beneficiaries” shows that PT-3 is a programme for unemployment benefit recipients, while PT-4 is for unemployed receiving RSI and unemployed “in real economic need” (Eurostat, 2016_[6]), i.e. because they do not receive benefits. In 2016, PT-4 and PT-159 *Recover (Azores)* are the most important interventions in terms of expenditure. The intervention PT-3 *Employment scheme for persons in receipt of unemployment benefits* used to have the highest expenditure, but after 2009 the expenditure dropped to less than EUR 10 million per year. With respect to participant numbers PT-3, however, still is the largest direct job creation intervention in Portugal in 2016: PT-3 had 13 042 participants (of which 5 020 are LTU), followed by PT-4 with 8 336 participants (6 330 LTU), and PT-159 with 3 385 participants (1 689 LTU). As Table 2.2 shows, the expenditure per participant year has massively dropped since 2009/10.

35. The changes in total expenditure of PT-3 relate to changed financing rules in 2010 and new legislation in 2014, which aimed to reduce the PES costs for this measure. Hence,

not all expenditure is shown in the expenditure data of this intervention. This should be better documented in the expenditure data footnotes. Currently, the footnote seems to suggest that some of the expenditure is reported elsewhere and only missing in Cat. 6.¹²

Table 2.2. A break in the expenditure per participant figures for PT-3 “Employment scheme for persons in receipt of unemployment benefits”

Participants (numbers) and expenditure (m EUR), Portugal, 2006 to 2016.

	Participants (stock)	LTU participants (stock)	Expenditure (EUR million)	Expenditure per participant (EUR)
2006	18,470	9,511	29.89	€1,618
2007	19,795	7,483	24.44	€1,235
2008	18,080	6,397	18.48	€1,022
2009	20,199	6,007	18.07	€894
2010	18,490	6,544	4.34	€235
2011	17,773	10,635	4.07	€229
2012	18,982	7,977	6.02	€317
2013	19,573	6,128	7.90	€404
2014	18,570	7,889	4.71	€253
2015	17,032	7,629	2.23	€131
2016	13,042	5,020	1.51	€116

Source: DG EMPL LMP database.

2.7. Start-up incentives (category 7)

36. As in all other EU member states, start-up incentives (Cat. 7) are a small LMP category both in terms of participant numbers and expenditure. In 2016, about 1% of the total expenditure on LMP measures and 3% of the participants (stock) were in category 7. Around a quarter of the participants and expenditure can be attributed to the long-term unemployed. One peculiarity in Cat. 7 is the declining expenditure per participant year (ppy) for PT-25 Subsidies for creation of self-employment. This is the result of a change in financial support participants can receive through PT-25 in 2011. Since then participants only receive the unemployment subsidy. This change is, however, not documented in the expenditure data footnotes.

2.8. Evaluation of LMP measures

37. For the vast majority of interventions, participant exit data does not provide information on the destination of programme leavers, which has been attributed to a lack of resources (European Commission DG Employment, 2014^[9]). The LMP database contains information on the destination of leavers for three interventions only (PT-22 *Practical vocational training*, PT-3 *Employment scheme for persons in receipt of unemployment benefits*, and PT-4 *Employment scheme for unemployed persons in need*) but this data is not further broken down by unemployment duration. Hence, a comparison of exit rates between long-term unemployed and other participants is not possible. Due to limited information on post-programme destinations in the PES registry data, Portugal

¹² Expenditure data footnote for PT-3: “Expenditure is incomplete – amounts concerning unemployment benefits are still recorded in PT-75 in category 8. Amounts reported here refer only to additional financial support.”

sometimes undertakes follow-up surveys with LMP participants. However, these surveys are not implemented systematically (European Commission DG Employment, 2014^[9]).

38. As discussed in OECD (2017^[2]), there are very few evaluations available for Portuguese LMP interventions. Box 2.1 summarises two studies that have evaluated Portuguese LMP measures over the past 15 years and finds that employment subsidies and subsidised internships have the highest positive employment impacts. However, most of the existing studies do not always stand up to scrutiny.

Box 2.1. The effectiveness of LMP measures: Existing evidence from Portugal

Evaluation of LMP measures using linked register data by Costa Dias and Varejão (2012^[4])

Costa Dias and Varejão (2012) evaluate five different LMP measures between 2004 and 2011 including i) internships (Cat. 2.2, possibly PT-22 “Practical vocational training”), ii) direct job creation (Cat. 6, possibly PT-3 “Employment scheme for persons in receipt of unemployment benefits” and PT-4 “Employment scheme for unemployed persons in need”), iii) support for hiring and entrepreneurship (Cat. 4 and 7, possibly PT-23 “Subsidies for employment contracts” and PT-24 “Local employment initiatives”), iv) education and training courses (Cat. 2.1, possibly PT-115 “Vocational training for adults”), and v) modular and continuous training (Cat. 2.1, possibly PT-136 “Modular training”).

The study is based on linked register data, combining information on jobseekers’ registration with the Portuguese public employment service (PES) *Instituto de Emprego e Formação Profissional* (IEFP), registration data for LMP measures from the IEFP and social security data from the social security fund, which can be used to identify different types of employment and the employment duration. This information is combined with demographic information on age, sex, education and place of residence.

Among the studied measures, employment incentives have the highest impact in terms of increasing the probability of employment one year after participation, followed by internships and direct job creation, which also show positive effects after an initial lock-in effect. Modular training shows very modest positive impacts only and the education and training courses show a zero or negative impact. As the authors cannot fully control for unobservable characteristics their estimated impacts may be biased depending on the quality of the control variable data, which only has a limited number of dimensions (OECD, 2017^[2]).

Evaluation of LMP measures based on administrative PES data by OECD (2017^[2])

OECD (2017^[2]) evaluate four LMP measures – some of which are the same programmes as in Costa Dias and Varejão (2012^[4]) – over the period 2012-2014 based on PES administrative data. The analysis covers: i) subsidised internships (PT-22 “Practical vocational training”); ii) hiring subsidies (PT-23 “Subsidies for employment contracts”); iii) *Vida Ativa* (included in PT-136 “Modular training”); and iv) direct job creation (PT-3 “Employment scheme for persons in receipt of unemployment benefits” and PT-4 “Employment scheme for unemployed persons in need”).

Individuals who enrolled in one of these interventions (treatment group) are compared to a control group of similar individuals who did not enrol. The control group is formed

using propensity score matching (PSM) on the on the basis of age, gender, marital status, number of children, years of schooling, date of registration with the PES and previous employment history. The authors caveat the results, as PSM does not allow researchers to retrieve the causal impact of a programme on employment outcomes if selection into the programme occurs on the basis of unobservable characteristics.

The employment outcomes of the treatment and control groups are compared at six months' intervals in the two years following the start of the measures. An individual is considered to be employed when having left the PES database permanently and when the reason for leaving is either placement by the PES or self-placement. Unemployment is defined as being registered in the PES database. An additional confirmation of the labour market status, for example through social security records, is not available as the study does not use linked register data.

Results are similar to those by Costa Dias and Varejão (2012^[4]): For subsidised internships OECD (2017^[2]) shows that after an initial lock-in effect due to participation in the internship (usually lasting nine months; see Section 2.3.2), individuals participating in a subsidised internship have a higher probability of being employed than comparable individuals not participating. This suggests that participating in an internship has a positive impact on the probability moving into and staying in employment. Indeed many internships are transformed into normal contracts at the end of the programme (42% of all internships starting in 2012-2014). The positive impact on employment is even more pronounced for the hiring subsidies. The employment probability of the treatment group after six months is very high by definition, as hiring subsidies create subsidies jobs. However, employment probabilities for the treatment group remain substantially higher than for the control group even after the end of the programme. By contrast, *Vida Ativa* ("Modular training") appears to have very little impact on employment outcomes – which may be because of the modular nature of the programme and/or the short duration of many interventions included under this programme. Finally, the direct job creation interventions have a small positive employment impact, which, however, seems to disappear in the long-run.

2.9. Data issues identified for Portugal

2.9.1. Interventions with zero expenditure

39. In 2016, a number of Portuguese interventions have zero expenditure.

- Category 6: PT-86 "Programme for temporary placement of those receiving unemployment benefit (Azores)"; Stock: 682. Alphametrics confirmed that participants continue to receive unemployment benefits that are recorded in PT-75 in category 8. However, there is still no expenditure of running the programme as such recorded.
- Category 2.1: PT-99 "PROFIJ - Training programme for the integration of youngsters (Azores)"; Stock: 1 506; the expenditure footnotes (annex in European Commission DG EMPL (2018^[10])) explain that the expenditure are not available and that the intervention is coming to an end.
- Category 7: PT-143 "Support to unemployed persons who are entrepreneurs (Madeira)"; Stock: 3; the expenditure footnotes explain that the interventions is coming to an end. The additional free text footnotes explains further: "There is a lag

between the moment when the premium is paid and the moment of participation. In 2016, there was no expenditure.” This important information should be included in the published footnote text.

2.9.2. Planned duration: specifying the length of interventions in hours

40. When the planned duration of interventions is defined in hours rather than days/weeks/months/years Portugal provided the typical or maximum number of hours the intervention lasts and chose “< 1 day” from drop-down menu.¹³ As actual duration can already be defined in hours, also planned duration should have this as an option and the LMP software should be adjusted accordingly. Output 3 “Enhanced descriptors” also discusses this issue.

¹³ In Portugal, this affects the following interventions: PT-7 Apprenticeship training for young people, PT-63 Initial training (excluding apprenticeship), PT-67 Special training for disadvantaged groups, PT-115 Vocational training for adults, PT-135 Portuguese for everyone, PT-136 Modular training, PT-149 Education and training for youth, and PT-150 Management training (Madeira).

3. Finland

Summary and main findings for Finland

The Finnish labour market situation continued to worsen after the global financial crisis of 2008-09 and after a short recovery Finland fell back into recession in 2012. Unemployment finally started to decline in 2016 and long-term unemployment started to fall with some time-lag in 2017. Nevertheless, still over a third of the registered unemployed are LTU.

In an EU wide comparison Finland ranks third (after Denmark and Sweden) in terms of expenditure on LMP measures (0.85% of GDP in 2016). However, a relatively small proportion of the expenditure – less than 10% in 2016 – is spent on registered LTU. In fact, since 2013, the expenditure spent on other participants exceeds the expenditure for the registered unemployed. These developments have been caused by an expansion of the measure FI-17 *Self-motivated studies supported by unemployment benefit* to others than the already registered unemployed in 2010.

Finland's LMP data with respect to unemployment duration

Alongside Bulgaria, Finnish LMP data with respect to unemployment duration appears the most complete among the countries studied. Unemployment duration is provided for all measures for the entire period considered and is available for entrant, stock and exit data. Finland is the only country studied here, which also provides exit data. Some data recording errors have, however, been detected when working with this data.

Even though unemployment duration data appears complete – i.e. all measures available to the registered unemployed provide a participant breakdown by prior unemployment duration – it may nevertheless be incomplete. Some previously unemployed participants are classified as “other registered jobseeker” without unemployment duration, as their labour market status was already changed before their first day of participation. Hence, activation rates of registered (long-term) unemployed are underestimated. It is recommended to further investigate this issue to clarify, which intervention are affected and what proportion of participants might erroneously not be captured as previously unemployed.

Main findings for Finland

- It should be explored whether the definitions of statistics could be changed in order to identify more LMP participants as unemployed, when in fact they have been unemployed shortly (e.g. 1 week) before participating in a LMP intervention.
- It should be explored whether the implicit expenditure on course fees in FI-17 *Self-motivated studies supported by unemployment benefit* can be obtained

from other sources or whether it can be estimated reasonably. The current omission should be reflected in the expenditure data footnotes.

41. Compared with many other OECD countries, the Finnish labour market situation continued to worsen after the global financial crisis of 2008-09. After a short recovery and falling unemployment in 2011 and 2012, Finland fell back into recession in 2012 and unemployment was on the rise until 2015. While having the highest employment rate among the five countries studied until 2008, the employment rate fell thereafter and has not recovered since, being at the same level as Portugal. Also long-term unemployment has been on the rise since 2012 and only started to decline in 2017. Investing more in LMP measures, Finland was nevertheless able to nearly keep up its activation rate (Figure 1.1).

42. Unemployment insurance (UI) consists of two different components in Finland: i) basic benefit, which is administered by the Social Insurance Institution KELA (*Kansaneläkelaitos*); and ii) earnings-related supplement, which can be paid to persons who have fulfilled the employment condition while being insured as a member of an unemployment fund. The earnings-related supplement is administered by the unemployment funds, usually run by trade unions, and membership is voluntary. Unemployed, who have exhausted the right to UI (after 400 or 500 days) or are not entitled to it, can claim labour market support (LMS). LMS is a nationally financed means-tested unemployment assistance (UA) benefit and paid indefinitely. While the PES is not responsible for administering and paying unemployment benefits, claims for UI or UA are conditional on registration with the PES (Duell, Grubb and Singh, 2009^[11]).

43. The remainder of this chapter first gives an overview on LMP expenditure and participation in LMP measures of the long-term unemployed in comparison to other participants in Finland. The second section discussed the most important LMP services and measures for the LTU, while the final section discusses an analysis by outcomes.

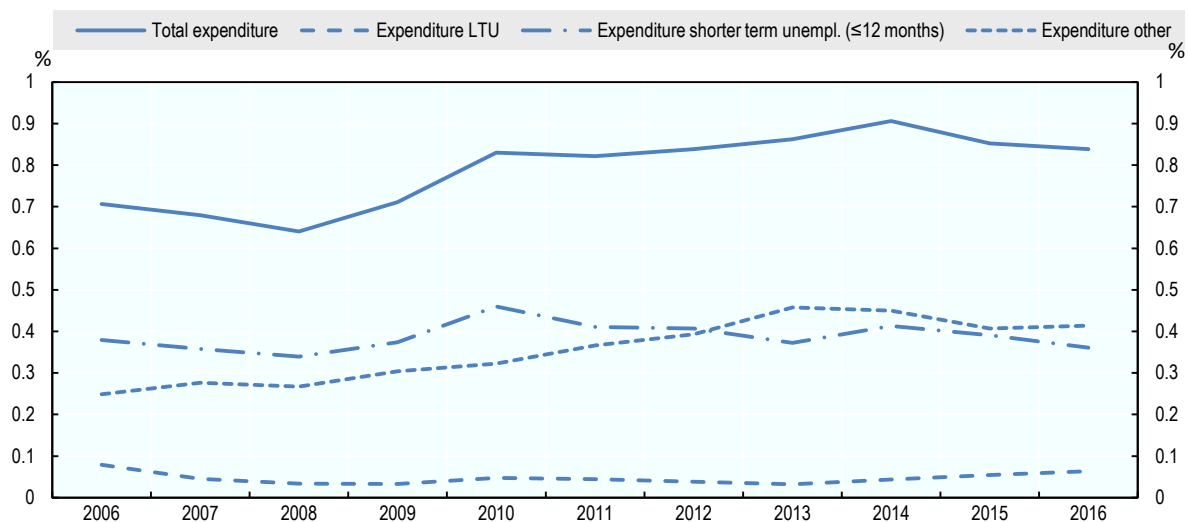
3.1. Trends in labour market policy measures in Finland

44. In an EU wide comparison Finland ranks third (after Denmark and Sweden) in terms of expenditure on LMP measures (0.85% of GDP in 2016). Even taking into consideration each country's level of registered unemployed, spending on active labour market measures per person is relatively high in Finland and ranks in the third place in the EU.¹⁴ The total expenditure on LMP measures as percentage of GDP has increased over the past decade from around 0.7% of GDP in 2006 to over 0.8% in 2016. However, a relatively small proportion of the expenditure – less than 10% in 2016 – is spent on registered long-term unemployed (Figure 3.1). In fact, since 2013, the expenditure spent on other participants exceeds the expenditure for the registered unemployed (sum of shorter term unemployed and long-term unemployed). The expenditure on labour market services has changed little over the same period (around 0.1% of GDP).

¹⁴ In 2016, Finland spent a EUR 12 737 per participant-year (ppy) on LMP measures. This was only exceeded by Sweden (EUR 15 641 ppy) and Denmark (EUR 17 415 ppy). Norway has the highest expenditure outside the EU at EUR 24 872 ppy.

Figure 3.1. A small proportion of expenditure on LMP measures is spent on the LTU in Finland

Expenditure on LMP measures (Cat. 2-7) as percentage of GDP, Finland, 2006 to 2016.



Note: The expenditure breakdowns for shorter term unemployed, long-term unemployed and other are based on the assumption that the expenditure per participant year is the same for all types of participants in an intervention.

Source: DG EMPL LMP database.

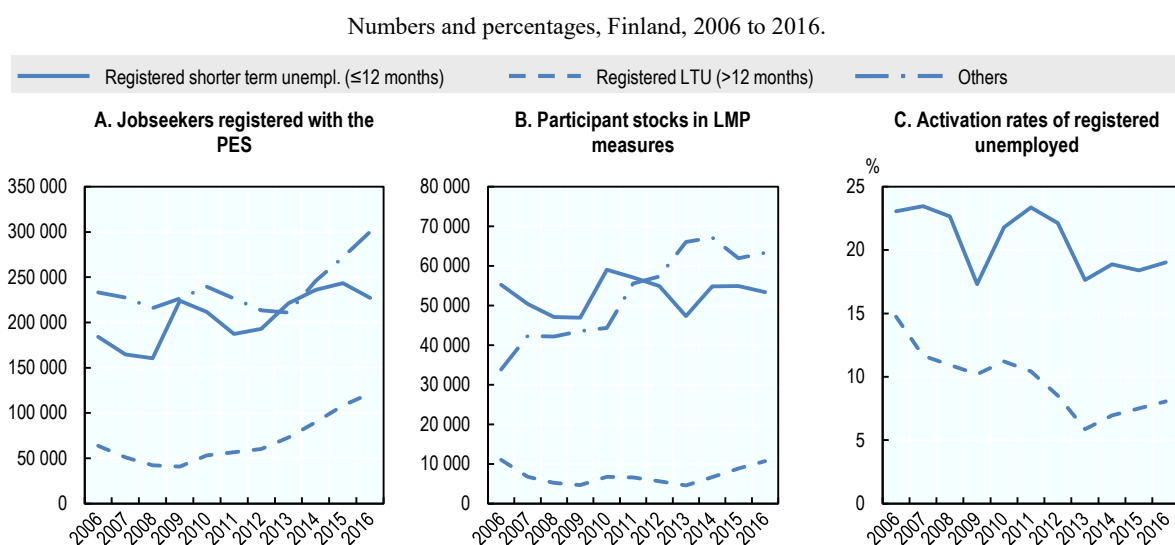
45. Considering data on PES registered jobseekers and LMP participant data sheds more light on the expenditure patterns in Finland. In Finland, registered unemployed represent just over half of PES registered jobseekers, while almost half (46%) are other registered jobseekers. This includes individuals claiming other benefits (e.g. maternity, sickness or study benefits) or those not claiming any benefits, as PES registration is open to anyone in Finland. Long-term unemployment has been on the rise in Finland and there are now over 120 000 registered LTU in comparison to around 41 000 in 2009. The number of registered LTU and other jobseekers is still on the rise, while the number of shorter term unemployed (less than 12 months unemployment duration) started to decline (Figure 3.2, Panel A).

46. The annual average participant stock in LMP measures for the registered unemployed (all durations) has remained relatively stable over the past decade. However, participant numbers for other jobseekers nearly doubled over the same period (Figure 3.2, Panel B). Finland is now among a number of other EU countries – notably Malta, France, Ireland and Denmark – where less than half of all entrants into LMP measures are registered unemployed (OECD, 2019^[1]). Considering LMP participant entrant data – which offers a more detailed breakdown by status prior to joining LMP interventions – shows that in 2016 the vast majority of those other jobseekers were “Other registered jobseekers” (75%), as opposed to “Employed” (3%) and entrants with an “Unknown” (22%) prior status. Discussion of these findings with Finland, however, suggest that the number of (long-term) unemployed may be underestimated in the statistics for LMP measures and services. This is because the labour market status of LMP participants sometimes is already changed right before the start of the measure. Then the participants prior status is not any longer unemployed – even though they technically were unemployed – but other registered jobseeker. It is recommended to further investigate this issue to clarify, whether only this

intervention is affected or also other interventions. It is also important to know what proportion of participants might erroneously not be captured as previously unemployed.

47. Expressed in relative terms, the likelihood of participation in LMP measures is much lower for LTU than unemployed with shorter unemployment durations. There has long been a downward trend for the participation likelihood of the LTU, which, however, has been halted over the past three years. Nevertheless, a gap of over 10 percentage points in the participation likelihood remains for the LTU in comparison to shorter term unemployed (Figure 3.2, Panel C).

Figure 3.2. LTU benefit the least from LMP measures in Finland, however, numbers are slightly on the rise



Notes: **Panel A:** Others relates to other registered jobseekers. **Panel B:** Others relates to LMP participants whose prior labour market status was other registered jobseekers, not registered, employed or unknown. **Panel C:** Activation rates of registered unemployed are calculated as the stock of participants in LMP measures (Cat. 2-7) that were previously registered unemployed divided by the stock of registered unemployed plus the stock of participants in regular activation measures that were previously registered unemployed and whose unemployment spell is broken by participation in a regular activation measure. Activation rates of other registered jobseekers cannot be calculated as it is not possible to separately identify them in LMP participant stock data.

Source: DG EMPL LMP database.

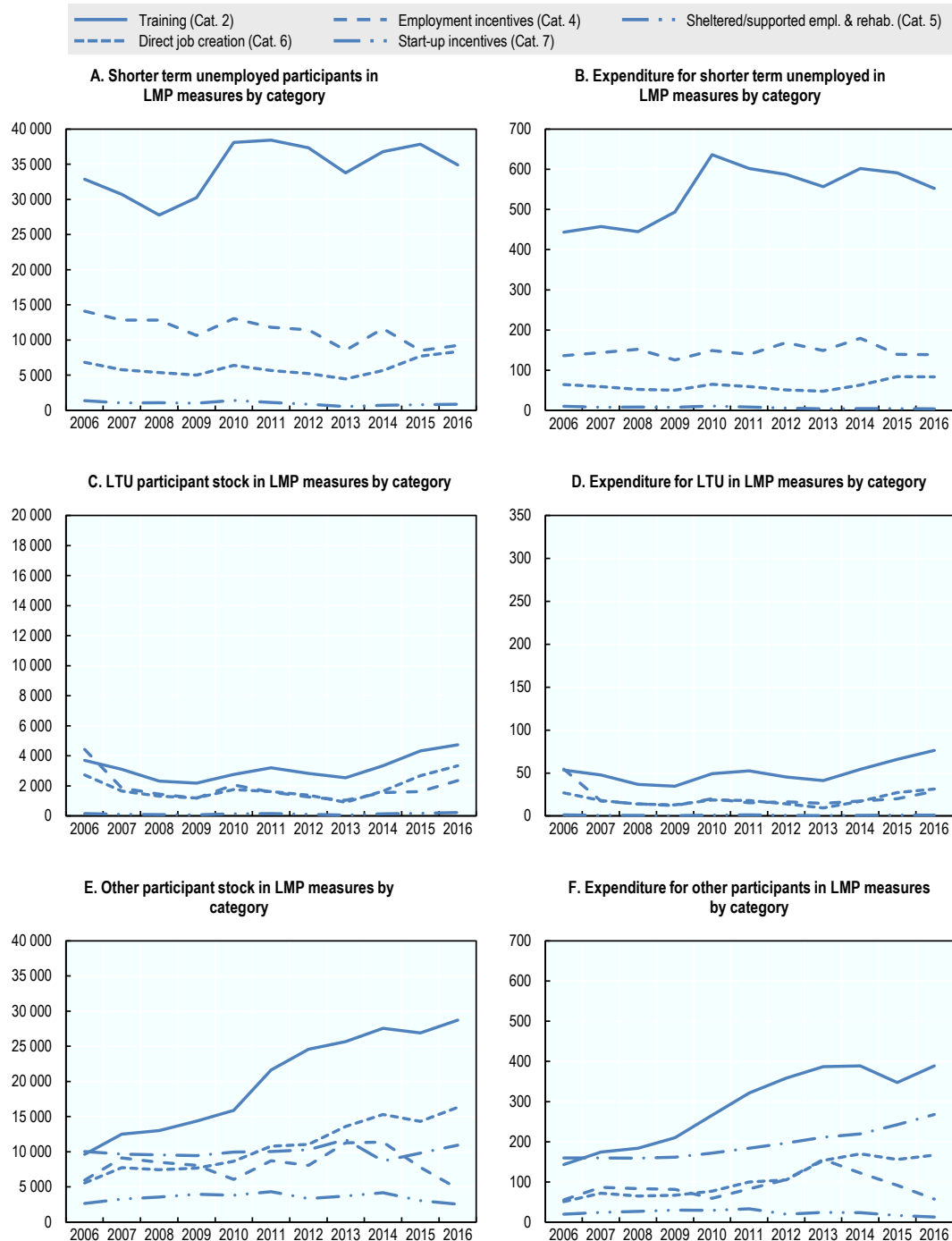
48. Training is by far the most important LMP measure in Finland in terms of participant numbers and expenditure for shorter term unemployed (less than 12 months unemployment duration), LTU and other registered jobseekers. Training programmes also were the major driving factor in increased participant numbers over the past decade, especially driven by the increase in FI-17 Self-motivated studies supported by unemployment benefit. While training possibilities in Finland are comprehensive and training is flexible, it can be quite random who gets what and how much training, thereby weakening the overall effectiveness (OECD, 2016_[12]). Other jobseekers benefitted most from the increase in training, while LTU are under-represented in training, as also observed by Duell, Grubb and Singh (2009_[11]).

49. For LTU and other jobseekers direct job creation (Cat. 6) is now more important than employment incentives (Cat. 4) and, hence, overall Cat. 6 now ranks as the second

most important LMP measure in Finland. Supported employment and rehabilitation (Cat. 5) measures play an important role for other jobseekers, but unemployed are generally not referred to this type of intervention in Finland (Figure 3.3). In Portugal and Germany, unemployed may be referred to Cat. 5, but very few unemployed participate in Cat. 5. Hungary and Bulgaria do not run Cat. 5 measures at all.

Figure 3.3. Training is the most important LMP measure for all types of jobseekers in Finland

Participant (stock) numbers and expenditure in EUR million (2010 prices), Finland, 2006 to 2016.



Note: Based on the assumption that the expenditure per participant year is the same for all types of participants in an intervention (e.g. to obtain the expenditure for the long-term unemployed, the total expenditure of an intervention has been multiplied with the proportion of long-term unemployed among the annual average stock of participants).

Source: DG EMPL LMP database for LMP participant and expenditure data and OECD Prices and Purchasing Power Parities Database for consumer price index.

3.2. LMP services and measures with a special focus on the LTU

50. Finland included 16 LMP measures in the LMP database in 2016. Seven of those measures combine 95% of the long-term unemployed participants (stock) and, hence, are discussed in more detail in this section in addition to four individual case management services.

3.2.1. Individual case management services

51. The largest individual case management service – FI-47 *Interviews and individual action plans* – presents 63% of category 1.1.2 expenditure in 2016. No participant data is reported for FI-47 in the LMP database. Participant data is provided separately in FI-57 *Individual action plans*, which is, however, no intervention, but reference data. In 2016, the number of entrants in FI-57 – i.e. new individual action plans – was 241 327, which compares to 370 879 newly registered jobseekers (spells data taken from FI-37 *Registered jobseekers*). While entrant data is available, stock data for this type of individual case management services cannot be provided, as the duration is not known.¹⁵

52. In 2013, Finland introduced three new Cat. 1.1.2 services: FI-59 *Job search training*, FI-60 *Career coaching* and FI-61 *Job coaching*. FI-59 *Job search training* may contain guidance to conduct independent job search, discussing competences with an instructor and writing a job application and a CV under instruction. It usually takes 1 to 10 days, with a maximum duration of 20 days within 12 months. Even though it is a relatively short intervention, unemployment spells are broken for the time of participation. FI-60 *Career coaching* aims to present jobseekers routes back into employment through a variety of activities (e.g. group work, discussions with a supervisor) or to support them finding a new field of study. The maximum duration is 40 days within 12 months. As for FI-59 the unemployment spells are broken. FI-61 *Job coaching* is a flexible service offering jobseekers guidance in finding a job, stabilising employment relationships, but also supports employers in integrating new staff. The maximum duration is 50 hours within 12 months and unemployment spells are not broken. The participant stock of the three measures was 3 951 in 2016, of which 60% were LTU. While this gives the impression that these interventions are targeted at the LTU, it has not been true in previous years when less than 10% were LTU.

3.2.2. FI-17 *Self-motivated studies supported by unemployment benefit (category 2.1)*

53. FI-17 *Self-motivated studies supported by unemployment benefit* enables jobseekers without any specialised vocational training to obtain a vocational qualification in order to improve their professional potential. The intervention provides jobseekers with an opportunity to receive unemployment benefit for self-motivated studies for up to two years if they apply under their own initiative for training or studies. During participation

¹⁵ The “free text” participant data notes section mentions: “*In the register there is only information on when the plan is made/renewed. No information on when the plan stops. Therefore stocks cannot be calculated. At the national level, the authorities are only interested of the number of made plans and especially for how many unemployed the plan is made before 1/3/6 months of unemployment.*”

the participants receive the unemployment benefits they are eligible to during unemployment (Eurostat, 2016_[13]).

54. The name of the intervention FI-17 changed in 2010, before that it was called FI-17 *Training allowance*. Up to 2009 the intervention was targeted only to registered unemployed. From 2010 onwards, the measure also included other jobseekers to give a wider group of citizens the opportunity to participate in publicly funded further education. Accordingly the size of the measure increased significantly, from less than 2 000 participants in 2009 to almost 35 000 in 2016 (see also OECD (2016_[12])). The expenditure per participant was EUR 10 934 in 2016 (2010 prices), which is less than for FI-6 *Labour market training* (Table 3.1). While participants receive the same benefits in both measures, FI-17 appears as less expensive, as participants often follow courses in the regular education system (e.g. university studies) and these costs are not reflected in the LMP database. The expenditure on course fees is possibly within scope of the database and should be included (Grubb, 2017_[14]), or as a minimum, the omission should be mentioned in the expenditure data footnotes.

3.2.3. FI-6 Labour market training (category 2.1)

55. FI-6 *Labour market training* includes different types of training programmes covering initial vocational training, retraining for those changing occupation, but also academic training. Programmes can last from a few days to more than a year. Unemployment benefit during labour market training is paid under same amount and regulations than during unemployment and participants can receive extra allowances for travel and accommodation (Eurostat, 2016_[13]).

56. Participant numbers of the intervention have dropped over the past few years from over 30 000 in 2011 to under 21 000 in 2016 with between two-thirds and three-quarters of the participants being unemployed, but only around a tenth being LTU (Table 3.1). The decline in FI-6 can be attributed to the increase in FI-17: Before the changes to FI-17 in 2010 regular studies were often covered by FI-6, albeit with more limitations on the total duration and content of the studies. Also the introduction of FI-59 *Job search training*, FI-60 *Career coaching* and FI-61 *Job coaching* resulted in some training being offered through these interventions rather than FI-6. As mentioned before, FI-6 is more expensive than FI-17 (Table 3.1). This can be explained by the fact that training offered through FI-6 is tailored to the jobseekers and the employment administration procures it from providers for this purpose.

3.2.4. FI-10 Employment subsidy, private companies (category 4.1.1)

57. FI-10 *Employment subsidy, private companies* provides private companies taking on registered unemployed on a permanent contract with an employment subsidies for up to 10 months. Fixed-term contracts are possible in certain sectors or employers hiring long-term unemployed. Also the duration can be extended, for example if the hired person is disabled or has been receiving unemployment benefits for more than 500 days. The amount being paid to hiring employers through the PES is 50% of the wage (or even 100% e.g. in case of foundations or religious organisations), up to a maximum of EUR 1 400/month. It is the second most important intervention for the LTU in Finland.

58. According to the qualitative report the beneficiaries of the intervention are unemployed, particularly long-term unemployed, youth, disabled and older workers. The target group data shows “Registered unemployed (All, LTU)”. The participant data, however, shows that not all participants are unemployed, but other registered jobseekers

are also among the participants. The stock of unemployed varied over the years and while only 41% of the participants were unemployed in 2015, 61% were unemployed in 2016. In fact, the other registered jobseekers may also be unemployed, but their labour market status might have already been changed before the measure started and, hence, they are not any longer recognised as unemployed, even though they were before starting on the measure. The same problem may also arise for other measures in Finland.

3.2.5. FI-9 Employment subsidy, municipalities (category 6)

59. FI-9 offers subsidies to municipalities, joint municipal organisations and other non-for-profit organisations that create temporary jobs for the unemployed. The duration is up to 10 months or 24 months for disabled and the very long-term unemployed (i.e. 500+ days of unemployment). The subsidy provided through central government covers the wage costs of the public/non-for-profit employers up to a ceiling and in that sense can be considered a public sector equivalent to FI-10. In 2016, FI-9 had a participant stock of 5 846 participants of which 32% were LTU. Following an earlier trend (Duell, Grubb and Singh, 2009^[11]), the measure has dropped in size since 2006, but the proportion of LTU benefitting has increased over recent years (Table 3.1).

3.2.6. FI-8 Temporary government employment (category 6)

60. FI-8 grants support to state offices and institutions that create temporary jobs for the unemployed. The duration is up to 10 months or 24 months for disabled and the very long-term unemployed. For FI-8 the central government covers wages and all employer related contributions (Eurostat, 2016^[13]). The expenditure in the LMP database therefore is also more likely to reflect the full expenditure of the jobs created. In 2016, FI-8 had a participant stock of 588, of which 18% were LTU (Table 3.1).

3.2.7. FI-36 Rehabilitative work experience (category 6)

61. FI-36 *Rehabilitative work experience* aims to provide long-term unemployed recipients of the means-tested Labour Market Support (LMS) with a route back to the labour market. FI-36 is targeted those with multiple problems and other jobseekers for whom all other measures and services have previously been tried or considered not appropriate.¹⁶ For young people under 25 years it is considered after 8-12 months of unemployment, for older unemployed after 24 months of unemployment. For rehabilitative work experience an activation plan is agreed collectively by the client, the employment office and local government. Local governments are responsible for arranging the work experience. It can last between 3 and 24 months (part-time or full-time) and participants continue to receive LMS. The central government compensates the costs of the local government linked to the rehabilitative work experience based on the number of days person participate the measure (Eurostat, 2016^[13]). The size of FI-36 in terms of participant number has increased more than five-fold over the past decade, however, less for the LTU who now present a smaller proportion of the caseload. This has been driven by changes at the beginning of 2010, which made participation mandatory and also administrative guidelines changed to increase the use of FI-36.

¹⁶ In many cases, participants are actually disabled, but not necessarily recognised as disabled (e.g. drug or alcohol dependencies).

Table 3.1. LMP measures with a special focus on the long-term unemployed in FinlandAnnual average participant stocks and average expenditure per participant year^a, Finland, 2006 to 2016.

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Cat. 2 Training											
FI-17 Self-motivated studies supported by unemployment benefit (2.1)											
Stock (total)	1 671	1 764	1 742	1 789	6 103	15 184	18 637	19 596	25 643	30 041	34 665
Stock LTU	668	706	697	716	368	801	866	923	1 223	1 879	2 619
Expenditure per participant (EUR, 2010 prices)	12 394	12 491	12 599	13 729	16 738	12 382	12 393	13 079	11 690	11 460	10 934
FI-6 Labour market training (2.1)											
Stock (total)	26 854	27 451	24 983	27 862	32 808	30 197	27 626	26 193	25 486	22 374	20 724
Stock LTU	2 137	1 802	1 177	1 019	1 676	1 677	1 222	1 034	1 378	1 442	1 873
Expenditure per participant (EUR, 2010 prices)	19 954	20 672	21 567	21 121	21 033	19 897	19 408	19 025	20 012	19 644	20 181
Cat. 4 Employment incentives											
FI-10 Employment subsidy, private companies (4.1.1)											
Stock (total)	15 176	15 698	14 631	13 064	14 375	14 959	13 052	14 921	18 932	12 460	11 055
Stock LTU	2 865	1 521	1 282	1 067	1 896	1 429	1 109	956	1 435	1 439	2 124
Expenditure per participant (EUR, 2010 prices)	8 439	10 070	9 951	10 184	9 527	9 031	12 142	12 532	9 398	10 270	10 389
Cat. 6 Direct job creation											
FI-8 Temporary government employment											
Stock (total)	1 907	1 741	1 206	1 193	1 479	1 327	814	826	897	661	588
Stock LTU	401	292	199	194	217	181	89	19	61	83	108
Expenditure per participant (EUR, 2010 prices)	23 674	24 133	24 829	24 677	25 428	28 367	29 127	30 488	29 760	30 290	29 637
FI-9 Employment subsidy, municipalities (6)											
Stock (total)	9 302	8 470	7 242	6 286	7 318	7 617	6 624	6 694	7 119	5 407	5 846
Stock LTU	1 916	980	739	627	1 083	983	786	424	871	1 311	1 841
Expenditure per participant (EUR, 2010 prices)	8 764	9 700	9 395	9 663	9 167	9 142	8 536	8 684	7 137	7 278	6 773
FI-36 Rehabilitative work experience (6)											
Stock (total)	3 921	5 009	5 704	6 396	8 006	9 158	10 216	11 466	14 646	18 649	21 591
Stock LTU	412	395	381	373	464	466	505	463	729	1 282	1 399
Expenditure per participant (EUR, 2010 prices)	7 330	7 107	6 466	6 606	7 004	6 975	7 768	9 600	10 192	9 828	9 154
Cat. 7 Start-up incentives											
FI-11 Start-up grant											
Stock (total)	2 232	2 171	2 126	2 342	2 659	2 656	2 128	2 207	2 705	2 281	2 140
Stock LTU	159	117	98	68	145	169	114	53	143	177	233
Expenditure per participant (EUR, 2010 prices)	8 059	8 036	7 821	7 780	7 666	7 433	6 095	6 323	5 489	4 998	4 339

Note:

a. Total expenditure per annum divided by the annual average participant stock.

Source: DG EMPL LMP database for LMP participant and expenditure data (<http://ec.europa.eu/eurostat/web/labour-market/labour-market-policy>) and OECD Prices and Purchasing Power Parities Database for consumer price index (http://stats.oecd.org/Index.aspx?DataSetCode=MEI_PRICES).

3.2.8. FI-11 Start-up grant (category 7)

62. FI-11 *Start-up grant* provides registered unemployed jobseekers that have a feasible business idea with counselling and financial assistance to set-up a new business. The start-up grant is payable for a maximum of 18 months and is paid for up to 5 days/week at the same level as unemployment benefits and can be increased by up to 60%. The payments are made in periods, with the first typically being six months. Further payments depend on a review of the viability of the business (Eurostat, 2016^[13]). Participation remained stable over the past decade with an annual average participant stock of around 2 300. The proportion of LTU participants has fluctuated over the past few years (between 2-8%), but has increased to 11% in 2016. The expenditure per participant year, however, nearly halved over the past decade dropping from EUR 8 059 in 2006 to EUR 4 339 in 2016 (all in 2010 prices; Table 3.1).

3.3. Evaluating outcomes of LMP measures with exit data?

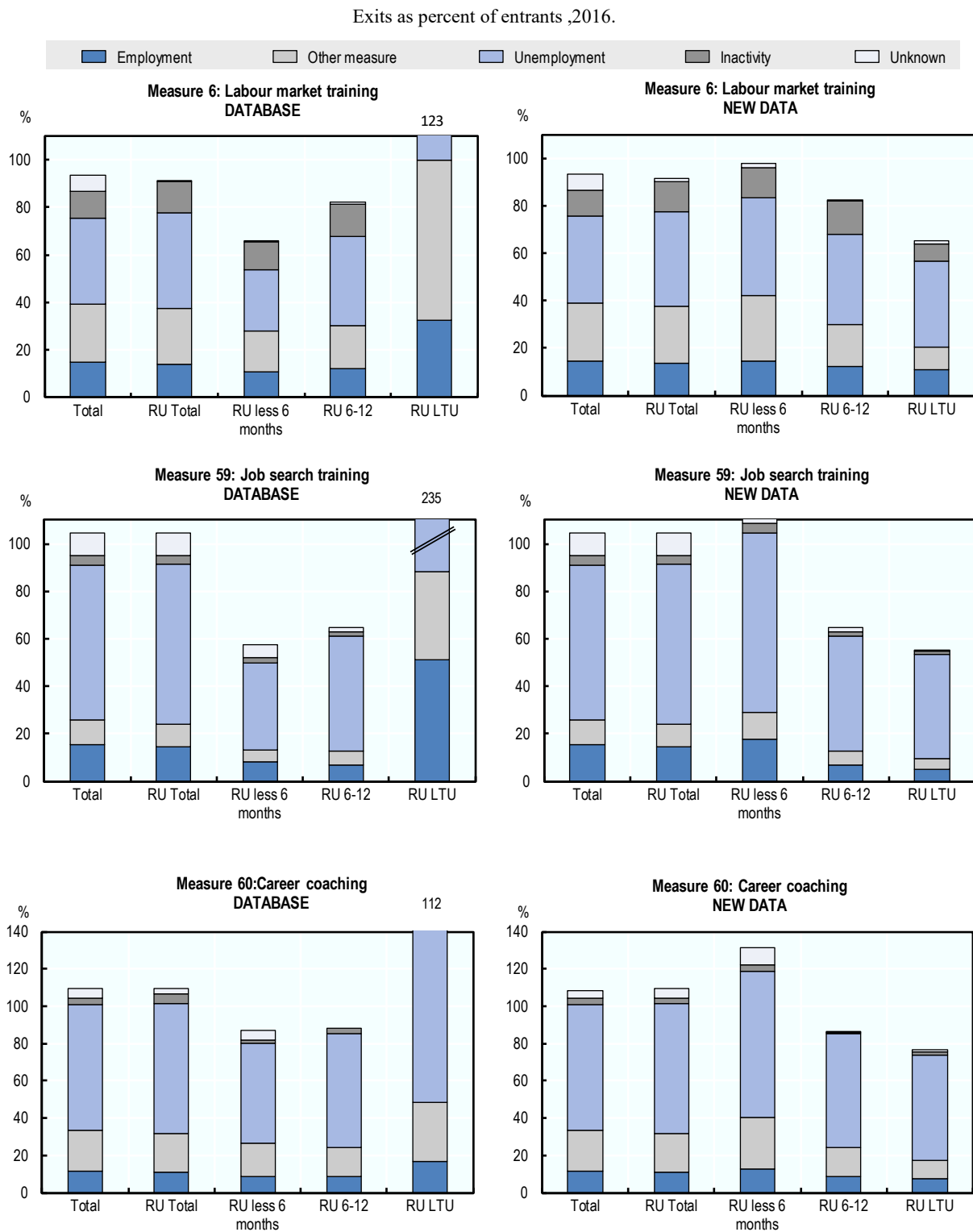
63. Among the five countries studied, Finland is the only country which provides comprehensive exit data broken down by prior unemployment duration. This facilitates the calculation of exit rates by post-intervention destination and broken down by unemployment duration. The presented analysis, however, questions the quality of this data.

64. Exit rates are ideally calculated for cohorts of entrants so that leavers are the same individuals as entrants. Such data is, however, not available in the LMP database. For quality assurance of the LMP data exits and entrant data should be compared. This has been done for a number of Finish interventions. Figure 3.4 shows exit rates (exits over entrants) the Finish interventions FI-6, FI-59, and FI-60 by destination (employment, other measure, unemployment, inactivity, or unknown) and unemployment duration for six of the LMP measures described before.

65. The first column in the charts of the panels A to F shows total exits by destination for all entrants. The subsequent ones show registered unemployed total (RU Total), registered unemployed with a prior unemployment duration of less than six months (RU less 6 months), six to twelve months prior unemployment duration (RU 6-12), and more than 12 months prior unemployment duration (RU LTU). For each of the interventions the left panel shows the calculations based on the data included in the database. Results far above 100% for the long-term unemployed for all three interventions shown, suggest some errors in the data. Having discussed this with Finland, a number of errors have been detected.. Corrected data – which is not yet included in the LMP database – is reported in the right set of panels.

66. Exits still might be below or above 100%, as the data is no cohort data. A comparison of the exits into employment for registered unemployed of different durations shows that for FI-6 those with higher prior unemployment durations have similar exit rates to employment than those with short unemployment durations. While the employment exits are slightly lower for the LTU participating in FI-60, they are significantly less for the LTU for FI-59.

Figure 3.4. Analysis of exit rates for three Finnish LMP measures



Source: DG EMPL LMP database and data provided by Finland.

4. Bulgaria

Summary and main findings for Bulgaria

Bulgaria has been hit hard by the global financial crisis, with unemployment and especially long-term unemployment rising to levels last seen in the early 2000s. From 2014 onwards, unemployment continued to fall and stood at 6.2% in 2017, but has not yet reached the pre-crisis low of 2008 at 5.6%. Long-term unemployment also started to decline again. However, in 2017 still 3.4% of the labour force (15-74 years) are unemployed for 12 months or more, representing more than half of the unemployed.

Bulgaria's expenditure on active LMP measures (Cat. 2-7) has substantially reduced over the past decade. While Bulgaria ranked about mid-field in a European wide comparison in 2006, it was one of the bottom spenders in 2016, with only 01% of GDP spent on LMP measures. Over this period direct job creation measures (Cat. 6) were the most important category, but drastically reduced in size after two major ESF funded direct job creation schemes came to an end in 2014 and 2015. In 2016, the distribution of participants and expenditure across categories appears more balanced, despite the low numbers in absolute terms.

Bulgaria's LMP data with respect to unemployment duration

Following Finland, Bulgarian LMP data with respect to unemployment duration appears the most complete among the countries studied. Unemployment duration data is provided for all LMP measures for the entire period considered and is available for entrant and stock data, but not exits.

In line with declining expenditure also participant numbers have dropped substantially over the past decade. Consequently also the activation rates of the registered unemployed have massively dropped. On average the shorter term unemployed have a higher likelihood of being referred to measures than the LTU.

Main findings for Bulgaria

- Bulgaria invests very little in LMP measures and for most of the last decade probably had a too strong focus on direct job creation measures. International evidence, however, has shown that direct job creation measures typically have no positive employment impact for their participants.
- Data for unemployment duration generally appears of good quality.
- The recommendations made relate to expanding intervention descriptions (e.g. BG-95) and carrying out consistency checks between target group and participant data (BG-54).

- Some data inconsistencies have been identified for a very small intervention (BG-26), which are mainly listed here to suggest additional validation checks of the database going forward.

67. Bulgaria joined the EU in 2007 at times of growing employment and falling unemployment. However, Bulgaria experienced a sharp increase in unemployment in 2009 to levels last seen in the early 2000s. Long-term unemployment increased shortly after. There has also been a strong decline in employment in response to the crisis, even though less pronounced than in Portugal. From 2014 onwards, unemployment continued to fall, but has not yet reached the pre-crisis low of 2008, when the unemployment rate was 5.6%. At the same time also long-term unemployment declined, however, in 2017 still 3.4% of the labour force (15-74 years) are unemployed for 12 months or more, representing more than half of the unemployed. In addition, employment growth has rebounded, but still is the lowest among the five countries studied and at 59.7% in 2017, 2 percentage points below the EU average (Figure 1.1, Panel A and C). Furthermore, not all groups benefit from these positive developments and NEETs, Roma and people living in poorer regions and rural areas continue to face significant difficulties in entering or re-entering employment. At the same time, while unemployment is still high, the numbers of unfilled vacancies are growing. Qualification mismatches are cited as one problem; however, in the last couple of years businesses also were concerned about an absolute shortage of labour (Loukanova and Tzanov, 2017^[15]; European Commission, 2018^[16]).

68. Activation of the working-age population is therefore key. Activation rates in Bulgaria, however, are the lowest of the five countries studied. Activation rates were higher before the recession and have not recovered since then. In 2016, only 5.4% of the population wanting to work is activated through LMP measures (Figure 1.1, Panel D) and an expansion of active LMP has, for example, been recommended by the EC (European Commission, 2018^[16]).

69. Unemployment insurance (UI) in Bulgaria is available for 4 months for those with a contribution record of up to 3 years, increasing to 12 months for those with a contribution record of 25 years (OECD, 2016^[17]).¹⁷ UI is administered by the National Social Security Institute. Entitlement to UI requires registration with the National Employment Agency, Bulgaria's PES. The PES is an executive agency to the Minister of Labour and Social Policy and is responsible for registration of the unemployed, providing labour mediation services, working with municipalities and employers to secure local labour market needs are met, administration of active measures (<https://www.az.government.bg/en/pages/zanas/>). Unemployed not entitled to UI can claim social assistance and also social assistance claimants must be registered unemployed. In 2016, Bulgaria introduced a new network of 65 Social and Employment Assistance Centres, which are designed as one-stop-shops for recipients of social assistance, combining face-to-face counselling, career and professional development advice, and labour mediation with the aim of addressing long-term unemployment and poverty (Loukanova and Tzanov, 2017^[15]). In its latest recommendation the EC, however, highlights that the integration of social services with labour market remains incomplete (European Commission, 2018^[16]).

¹⁷ The other duration-contribution-record steps are: 6 months UI duration for contribution records of 3-5 years; 8 months for 5-10 years; 9 months for 10-15 years; 10 months for 15-20 years; and 11 months for 20-25 years (OECD, 2016^[17]).

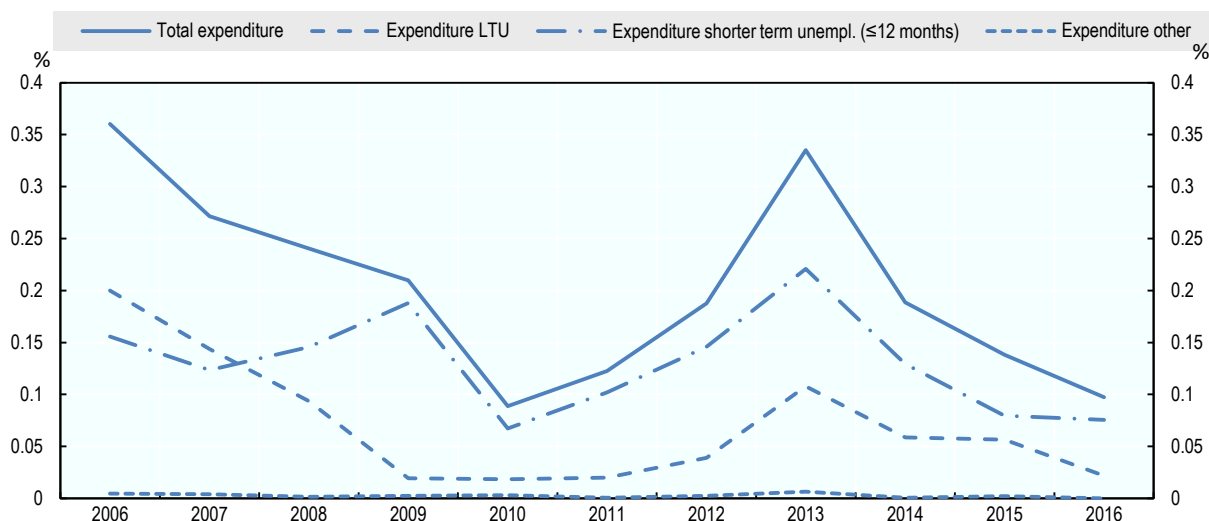
70. This chapter first gives an overview on LMP expenditure and participation in LMP measures of the long-term unemployed in comparison to other participants in Bulgaria. The second section discusses in detail LMP measures which benefit the LTU. The final section highlights a data issue found for a very small intervention, which however, can support introducing additional validation checks for the database going forward.

4.1. Trends in labour market policy measures in Bulgaria

71. Over the past decade there has been a substantial decline in Bulgaria's expenditure on active LMP measures (Cat. 2-7). While Bulgaria ranked about mid-field in a European wide comparison in 2006 (0.36% of GDP spent on active measures), it was one of the bottom spenders in 2016, with only 0.1% of GDP spent on LMP measures. There was another hike in expenditure in 2013, but thereafter expenditure dropped again. The hike can be explained in a massive increase in the expenditure on direct job creation (Cat. 6) in 2012 to 2014, which has levelled off since then.

Figure 4.1. Following a spike in 2013, expenditure on LMP measures as reduced to a new trough in Bulgaria in 2016

Expenditure on LMP measures as percentage of GDP, Bulgaria, 2006 to 2016.



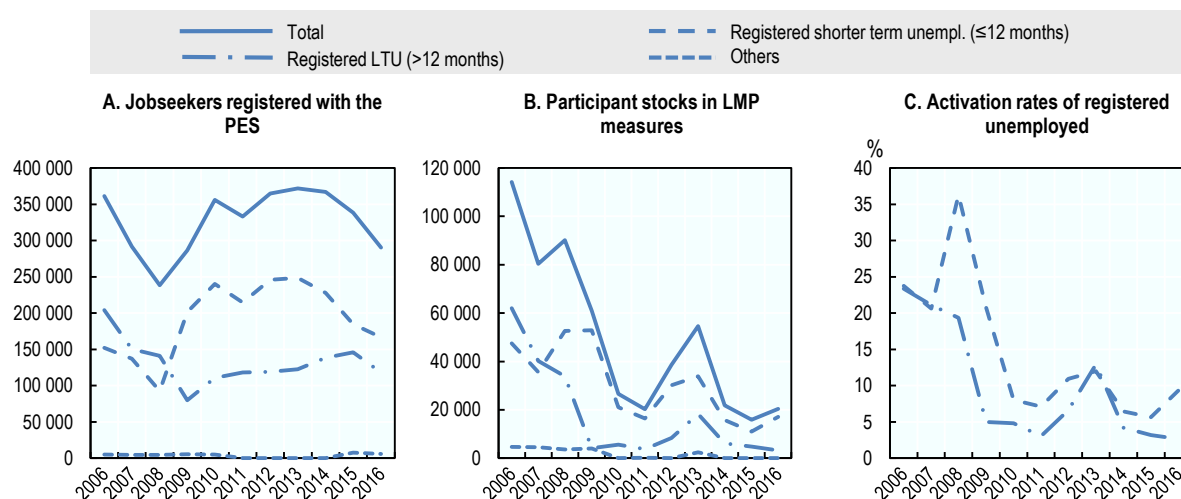
Note: The expenditure breakdowns for shorter term unemployed, long-term unemployed and other are based on the assumption that the expenditure per participant year is the same for all types of participants in an intervention.

Source: DG EMPL LMP database and Eurostat.

72. While unemployment measured by the LFS started a strong downward trend from 2014 onwards, registered unemployment only started to markedly fall in 2015. This decline was only driven by a reduction in the shorter term unemployed (unemployment duration of less than 12 months), while registered long-term unemployment was still on the rise. In 2016, finally, also registered LTU started to decline. The number of places available in LMP measures has massively dropped over the past decade, apart from a hike between 2012 and 2014. Consequently also the activation rates of the registered unemployed have massively dropped. On average the shorter term unemployed have a higher likelihood of being referred to measures, however, in 2013 and 2014 the rates were almost the same for LTU (Figure 4.2).

Figure 4.2. At times of high unemployment, there has been a massive drop in the number of LMP participants in Bulgaria

Numbers and percentages, Bulgaria, 2006 to 2016.



Notes: **Panel A:** Others relates to other registered jobseekers. **Panel B:** Others relates to LMP participants whose prior labour market status was other registered jobseekers, not registered, employed or unknown. **Panel C:** Activation rates of registered unemployed are calculated as the stock of participants in LMP measures (Cat. 2 7) that were previously registered unemployed divided by the stock of registered unemployed plus the stock of participants in regular activation measures that were previously registered unemployed and whose unemployment spell is broken by participation in a regular activation measure. Activation rates of other registered jobseekers cannot be calculated as it is not possible to separately identify them in LMP participant stock data.

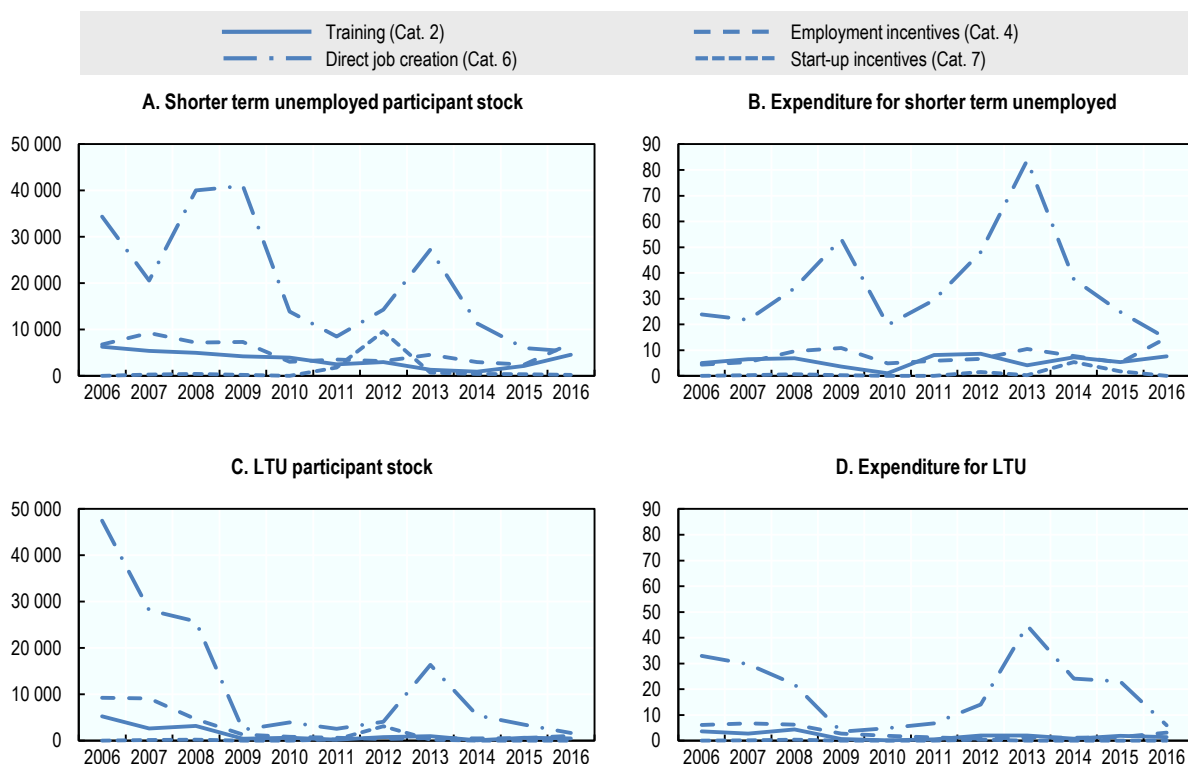
Source: DG EMPL LMP database.

73. Figure 4.3 shows that Bulgaria has been investing almost exclusively into direct job creation measures (Cat. 6). Changes in the overall expenditure and participant patterns over the last decade can mainly be explained by the changes in category 6. Two interventions have driven the recent spike in spending on category 6: BG-70 *Development*, which ran from 2010 to 2014 and BG-78 *Employment support* which ran from 2012 to 2015. In 2013, both interventions combined 77% of Bulgaria's expenditure on active measures. Both measures were financed through ESF monies and came to an end when the with ESF funding stopped. Probably Bulgaria invests too much in these type of programmes, which in an international context have shown to have negligible positive employment effects, more often actually negative ones (Card, Kluve and Weber, 2017^[18]).

74. In 2016, participation in and expenditure on the different LMP categories appears more balanced, albeit against a background of very low spending on LMP measures overall (Figure 4.1). Employment incentives (Cat. 4) combined 40% of the participant stock in LMP measures and 38% of the expenditure on LMP measures in 2016, while direct job creation combined 34% of the participant stock and 43% of the expenditure. A quarter of the LMP stock participated in training, with the expenditure being around a fifth of the total.

Figure 4.3. Direct job creation has been the most important LMP category in Bulgaria over the past decade

LMP measures (Cat. 2-7): Participant (stock) numbers and expenditure in EUR million (2010 prices), Bulgaria, 2006 to 2016.



Note: Based on the assumption that the expenditure per participant year is the same for all types of participants in an intervention (e.g. to obtain the expenditure for the long-term unemployed, the total expenditure of an intervention has been multiplied with the proportion of long-term unemployed among the annual average stock of participants).

Source: Eurostat and DG EMPL LMP database.

4.2. LMP services and measures benefitting the LTU

75. In 2016, Bulgaria included 34 LMP measures (Cat. 2-7) and one individual case management service (Cat. 1.1.2) in the LMP database. Eight interventions are discussed in more detail in this section, either due to a special focus on LTU or due to a high number of LTU participating in the intervention.

4.2.1. BG-86 Program for training and employment of long-term unemployed persons (categories 2.1 and 6)

76. BG-86 is targeted at long-term unemployed, with a special emphasis on those who receive social assistance, who are under 29 years or over 50 years. The intervention aims to provide the unemployed with job-search training, but also training to obtain professional qualifications. Employers hiring LTU receive state funding, which includes all labour related cost including wages, social security and health insurance. The maximum duration of the intervention is 15 months. With a total of 1 241 participants, the measures combines 6% of the total stock in LMP measures and 9% of the expenditure in 2016; the vast majority

of participants are in the direct job creation component *Providing employment to unemployed people* and only 41 participants are in *Providing training to unemployed people* (Cat. 2.1). Virtually all participants are LTU.

77. Most of the jobs created through BG-86 are non-market jobs. Private sector employers, however, can also participate in the programme. This is, however, not very obvious from the description provided in the “action/instrument” section in the qualitative report. “Action/instrument” should be augmented: a) providing more details on what type of support employers receive;¹⁸ and b) highlighting the non-market character of jobs created through BG-86, as the intervention is currently not distinguishable from an employment incentive (Cat. 4).

4.2.2. BG-42 Welfare to work (categories 2.1 and 6)

78. Up to 2014, BG-42 was one of the most important LMP measures in Bulgaria. However, in 2015 the intervention came to an end with no more new entrants that year. It has been replaced by BG-86, which offers similar benefits, but is also open to private sector employers. The aim of BG-42 was to provide employment and social integration to unemployed recipients of social assistance through creating jobs in the public sector. The maximum duration of the direct job creation component was 36 months. Participants further had the opportunity to enhance their employability through enrolment in training for upgrading their skills and qualifications. In 2014, the measure accounted for 38% of the total participant stock in LMP measures in Bulgaria. Over the last decade LTU accounted between a third and half of the participants in BG-42.¹⁹

4.2.3. BG-95 Training and employment Scheme (categories 2.1 and 6)

79. BG-95 shares some similarities with BG-86 in the sense that it is a direct job creation measure and provides job opportunities to unemployed individuals. However, different to BG-86 it is not restricted to the long-term unemployed. The description mentions that the jobs created are “special jobs”, which signals a non-market character of these jobs. The description does not mention any special beneficiaries, which is surprising, as direct job creation measures usually have a “last resort” character for jobseekers that cannot otherwise be integrated in the labour market. The measure combines 5% of the total participant stock in LMP measures and 8% of the expenditure. Out of 1 017 participants 309 are LTU in 2016.

80. The qualitative report describes BG-95 as both a training measure and a direct job creation measure (Eurostat, 2018_[19]). In 2016, all participants were in Cat. 6 and neither participants nor expenditure in the training component. This should be somehow explained (e.g. in the participant/expenditure footnotes) or corrected as necessary. The description of BG-95 in the qualitative report does not mention any special target groups, which is surprising for a direct job creation measure. The intervention has many LTU amongst its participants, as well as unemployed people over 54 years and unemployed people with low level of education or without qualifications. This important information on the beneficiaries

¹⁸ The details on wages, social security and health insurance are not currently reflected in the qualitative report.

¹⁹ The proportion of LTU dropped to only 2% in 2009, when there was a large influx of newly registered unemployed due to the crisis.

should be mentioned in the qualitative report and should be reflected in the target group information, if appropriate.

4.2.4. BG-46 Programme for training and employment of disabled persons (categories 2.1 and 4.1)

81. BG-46 aims to provide unemployed with a permanent disability with employment opportunities through providing employers with a recruitment incentive. The incentive amount is determined annually in the National Employment Action Plan and aims to cover all wage and related costs (basic holiday pay, employer social security contributions, employer unemployment insurance contributions, and indemnity payment) for employers offering job opportunities lasting a minimum of 24 months. The qualitative report also describes a training component, which provides vocational qualification courses through paying training organisations a fixed amount and scholarships to the participants. There has, however, been no participants or expenditure reported for this component since 2004. The intervention combined 6% of the participant stock in LMP measures in 2016 and 10% of the expenditure. 35% of the 1 227 participants were long-term unemployed.

4.2.5. BG-19 Incentives for employers to hire long-term unemployed and BG-87 Provision of incentives to employers to hire long term unemployed people under 29 on part-time job (category 4.1)

82. BG-19 and BG-27 are relatively small intervention, together combining less than 2% of the participant stock in and expenditure on LMP measures. They are mentioned here due to their special focus on the long-term unemployed. Both measures offer employers recruiting long-term unemployed subsidies towards their wage and related cost. For BG-19, employers must offer a 2-year contract and can receive a subsidy covering between 6 and 12 months. BG-87 offers a subsidy to employers for a maximum of six months and the employment must only last for the time the subsidy is paid. While all participants in BG-19 are LTU, only 29% of the BG-87 participant stock was long-term unemployed in 2016. This should be further explained.

83. What is surprising, is that the expenditure per participant year (ppy) for BG-19 has increased five-fold between 2014 (EUR 450 ppy) and 2016 (EUR 2 254 ppy). The increase in expenditure ppy for BG-19 can be explained by a more comprehensive subsidy employers receive since 2015. Before the subsidy paid to employers was only for social security insurance and health insurance. Since 2015, the subsidy paid to employers also includes wages in addition. This change should be reflected in the qualitative reports.

84. The title of BG-87 suggests that the measure covers part-time jobs only. The description, however, does not reflect this. If the measure indeed only covers part-time jobs this should be defined in the “action/instrument” section.

4.2.6. BG-54 Assistants for people with disabilities (categories 2.1 and 6)

85. BG-54 *Assistants for people with disabilities* is targeted at long-term unemployed. The beneficiaries are LTU and unemployed persons receiving social benefits and BG-54 offers them jobs in the social sector to get work experience and training for upgrading skills and qualifications. Participants work as “personal assistants” in families with a person with permanent disabilities in need of permanent care (Ministry of Labour and Social Policy, 2018^[20]). The qualitative report section “aim”, however, requires

updating, as the language used suggests it is the participants own relatives who receive care.²⁰

86. Employers hiring through BG-54 are fully reimbursed for their labour and related cost for a maximum duration of 36 months. The training component is organized in vocational training institutions (Eurostat, 2018_[19]), but has not been “used” since 2006. BG-54 is the third largest LMP measure in Bulgaria, combining 12% of the participant stock and 10% of the total expenditure on LMP measures in 2016. BG-54 is one of the rare examples of interventions targeted exclusively at the LTU. The participant data, however, suggests that only 1% of the participants are long-term unemployed. The remaining participants have been unemployed for less than one year. This is surprising and would require an additional explanation, as according to the target group information in the LMP database the intervention is targeted exclusively at the long-term unemployed.

4.2.7. BG-90 Youth Employment Scheme (categories 2.2 and 4.1)

87. BG-90 is Bulgaria’s largest LMP measure combining 40% of the annual average participant stock and 24% of the total expenditure on LMP measures. It is part of Bulgaria’s Youth Guarantee scheme and offers traineeships or on-the-job training in private sector companies for up to six months. Employers receive subsidies for the places they offer and the youth receive transportation support for one month. Employers willing to hire one of the youth who underwent the traineeship/on-the-job training on a permanent contract can receive an employment incentive covering social security contributions and health insurance for six month. There are relatively few long-term unemployed participating in the measure: For the training component 81 participants out of 2 854 were long-term unemployed; for the employment incentive 199 out of 5 359 were long-term unemployed.

4.3. Data issues identified for Bulgaria

4.3.1. Issues with entrant duration data

88. The participant entrant data seems to be inconsistent for BG-26 *Entrepreneurship promotion for people with reduced capacity*, which is, however, a very small one, with only 28 entrants over the years 2014 to 2016. Unemployed are not among the target group of this intervention and no entrants were registered unemployed. Unemployment duration is nevertheless specified for the “not registered” entrants. In the OECD’s processing of the data the participants were assumed to be unemployed, given the unemployment duration. This, however, may not be correct. Overall it is recommended that unemployment duration is only provided for the registered unemployed. Going forward such data entry errors should be prevented either through additional guidelines or through automated checks, which require that entrant duration data can only be provided for item 22.1.1. Experts at Alphametrix agreed that this should be corrected.

²⁰ Text on aim: “Providing support for long term unemployed whose relatives suffer permanent disability or are gravely ill and need permanent care.” (Eurostat, 2018_[19]).

5. Germany

Summary and main findings for Germany

The German labour market has been developing very favourably over the past decade despite the global financial crisis. Unemployment is at its lowest level since the German reunification and the employment rate is reaching new record highs each year and now is among the highest in the EU. Also long-term unemployment has massively dropped and in 2017 was 1.6% of the labour force (aged 15-74 years).

Part of the success in reducing unemployment and especially long-term unemployment has been attributed to the labour market reforms between 2003 and 2005. Expenditure on LMP measures in categories 2, 4, 6 and 7 over the last decade has dropped over and above of what might be expected from the improved labour market situation. At the same time expenditure on labour market services (Cat. 1) is now higher than in 2006 and overall exceeds the spending on Cat. 2-7. With respect to persistent numbers of long-term unemployed recipients of unemployment assistance benefits, the German government recently announced a new direct job creation measure, starting in early 2019.

Germany's LMP data with respect to unemployment duration

Generally German LMP data is relatively complete with respect to unemployment duration data for entrant and stock data, but is not provided for exit data. However, due to Germany's federal structure the PES may not have access to unemployment duration information for all interventions. A prominent example is DE-114 *Perspective 50plus*, one of the largest German LMP measures run over the past decade.

Germany's federal structure also poses challenges to compiling statistics for registered unemployment by duration. It is based on a complex procedure, which requires merging information from the PES with that of different providers. This procedure has been improved over the years (most recently in 2014) allowing a higher number of jobseekers being identified as long-term unemployed.

The before mentioned decline in LMP measures has another more subtle impact on registered LTU: A reduction in participation in LMP measures also means that unemployment spells of the registered unemployed are broken less often and more likely to be suspended. Hence, unemployment duration increases on average. An important point for comparisons with other countries is that the time until unemployment spells are broken is at six weeks longer in Germany than the 28 days recommended by the EMCO Indicators Group. Furthermore, in the last data revision of 2018, Germany changed the treatment of unemployment spells from "broken" to "continuous/continuous", reflecting that these interventions do not interrupt unemployment.

That said Germany has a very low activation rate for the registered LTU. LTU benefit less often than shorter term unemployed from participation in LMP measures. Among the five countries studied only Bulgaria has a lower activation rate for the LTU than Germany.

Main findings for Germany

- The description of services and measures sometimes lack important characteristics of the interventions and more detailed descriptions should be considered for the qualitative reports (e.g. DE-107, DE-131).
- Important information on interventions is sometimes “hidden” in fields of the LMP database, which are not published. E.g. the clarification section of “9. Receipt of benefits” (DE-106) or the overall comments section (DE-114). Depending on the issue all important information should be reflected in the qualitative reports or the expenditure or participant data footnotes.
- Expenditure data for the relatively large LMP service DE-76 *Accompanying services* is not available, as the expenditure is the responsibility of municipalities and the PES cannot obtain the data. It should be considered whether it is possible to obtain a reasonable estimate for this measure through collecting sample information from a number of municipalities.
- DE-101 *Bonus for apprenticeship* is marked as one-off intervention, but the measure has a stock and an average duration. This conflicting information should be corrected.

89. Germany’s labour market saw a massive improvement over the past decade and even the global financial crisis resulted in a slight rise in unemployment. The unemployment rate dropped from more than 10% in 2006 to 3.8% in 2017, the lowest value since the German reunification. At the same time there has been a marked decline in long-term unemployment, from 5.7% of the labour force (age 15-74) in 2006 to 1.6% in 2017. Over the same period employment massively grew, reaching 66.9% of the population aged 15 to 74 years (Figure 1.1, Panel A to C), the third highest proportion in the EU after Estonia and Sweden. The reduction in German unemployment and especially long-term unemployment is directly associated with the German labour market reforms of 2003 to 2005, referred to as the Hartz reforms. Important factors of these reforms were shorter and less generous unemployment benefits, stricter eligibility criteria for unemployment benefits (e.g. requirement to prove job search efforts) on the one hand and more effective placement and support services and measures (e.g. abolishing ineffective job-creation schemes) for the unemployed on the other hand (Burda and Hunt, 2011^[21]; Rinne and Zimmermann, 2012^[22]).

90. Activation support in Germany with respect to LMP measures (Cat. 2-7) Germany fell over the past decade, especially after 2010 (Figure 1.1, Panel D). These developments were driven by a number of reforms in 2009 and 2012, which put more emphasis on labour

market services (Cat. 1). In line the activation support per person wanting to work in category 1 more than doubled over the same period.²¹

91. Germany has a two-tier unemployment benefit system, consisting of unemployment insurance, referred to as unemployment benefit I (UB I), and means-tested unemployment assistance, referred to as unemployment benefit II (UB II). UB I lasts for up to a year for most, but may last for periods of up to two years for those aged over 50 years depending on their age and contribution record (OECD, 2016^[23]). The German PES *Bundesagentur für Arbeit* administers UB I covering both active and passive measures. Due to the limited duration of UB I, registered long-term unemployed are more likely to claim UB II and in 2017 90% of registered LTU claimed UB II, while only 10% claimed UB I.²² UB II is administered through a network of *jobcentres*. The majority of jobcentres are jointly operated by the PES and local authorities, while around a quarter of the Jobcentres are run by municipalities only. *Jobcenters* also combine active and passive measures, administering UB II and social assistance and delivering employment support, referral to active measures, but also other social services (e.g. childcare, drug counselling, housing support).

92. The remainder of this chapter first gives an overview on LMP expenditure and participation in LMP measures of the long-term unemployed in comparison to other participants in Germany. The second section is dedicated to an in-depth analysis of LMP services and measures benefitting the LTU, while the third section presents some data issues identified for a number of interventions.

5.1. Trends in labour market policy measures and services in Germany

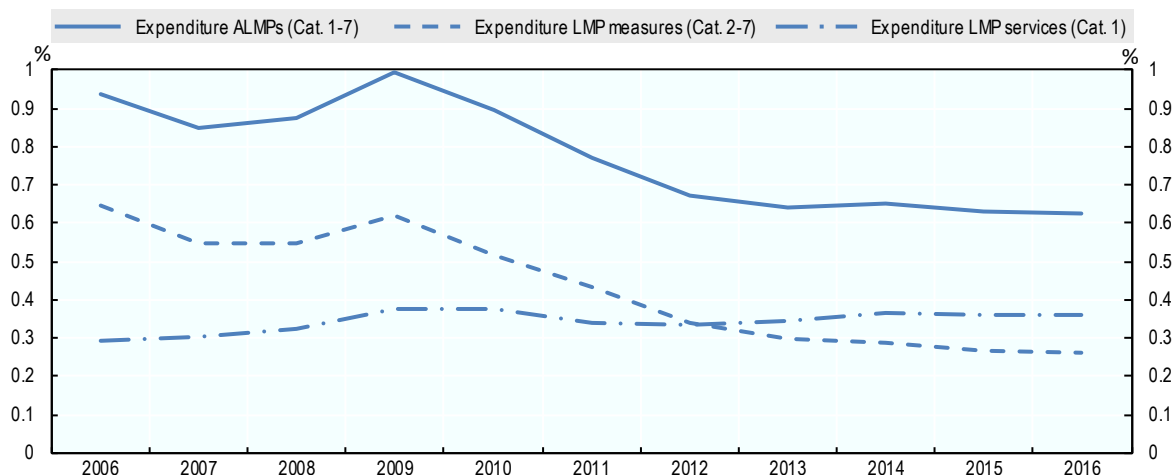
93. Germany has revisited its LMP policies over the past decade and related to this also the total expenditure on active measures (Cat. 1-7) and the distribution across measures and services has changed to a great extent. The overall expenditure on ALMPs (Cat. 1-7) has massively dropped between 2009, when it was still 1% of GDP, until 2012 when it was 0.67% of GDP and has stayed broadly flat since then. The reduction was mainly driven by a decline in the expenditure on LMP measures in categories 2, 4, 6 and 7, and also a reduction in the number of measures. In contrast, expenditure on LMP services (Cat. 1) has slightly increased over the past decade. These developments were driven by a number of reforms, which put more emphasis on LMP services, especially the since the introduction of DE-107 *Activation and re-integration interventions* in 2009. Since 2013, the expenditure on LMP services exceeds the expenditure on LMP measures (Figure 5.1).

²¹ In 2006, 3% of the population wanting to work benefitted from category 1 services, while in 2016 6.6% did. Source: Eurostat (2018), Activation-Support – LMP participants per 100 persons wanting to work (source: DG EMPL) [lmp_ind_actsup].

²² Over the past decade the proportion of UB I claimants among all LTU declined somewhat. While in 2006 still 25% of LTU were UB I claimants, the proportion reduced to 14% in 2010 and 10% in 2016. Source: Bundesagentur für Arbeit (2018), Register: „Statistik nach Themen“, Langzeitarbeitslosigkeit (Monatszahlen), <http://statistik.arbeitsagentur.de/Navigation/Statistik/Statistik-nach-Themen/Statistik-nach-Themen-Nav.html>.

Figure 5.1. Since 2006, Germany's expenditure on LMP measures has more than halved

Total expenditure on ALMPs, expenditure on LMP measures (Cat. 2-7) and labour market services (Cat. 1) as percentage of GDP, Germany, 2006 to 2016.



Source: DG EMPL LMP database.

94. While the main driver of reduced expenditure on ALMPs was driven by the just mentioned policy shifts, some of the reduction in total spending can be explained by an improvement in the German labour market situation, which resulted in a drop in unemployment and long-term unemployment (Figure 1.1). In line with these developments also the number of shorter term unemployed (duration of up to 12 months) registered with the PES fell and continues to fall. Long-term unemployment based on the LFS fell almost continuously over the past decade (Figure 1.1). However, the number of registered LTU in 2016 is only slightly below the 2009 level (Figure 5.2, Panel A).

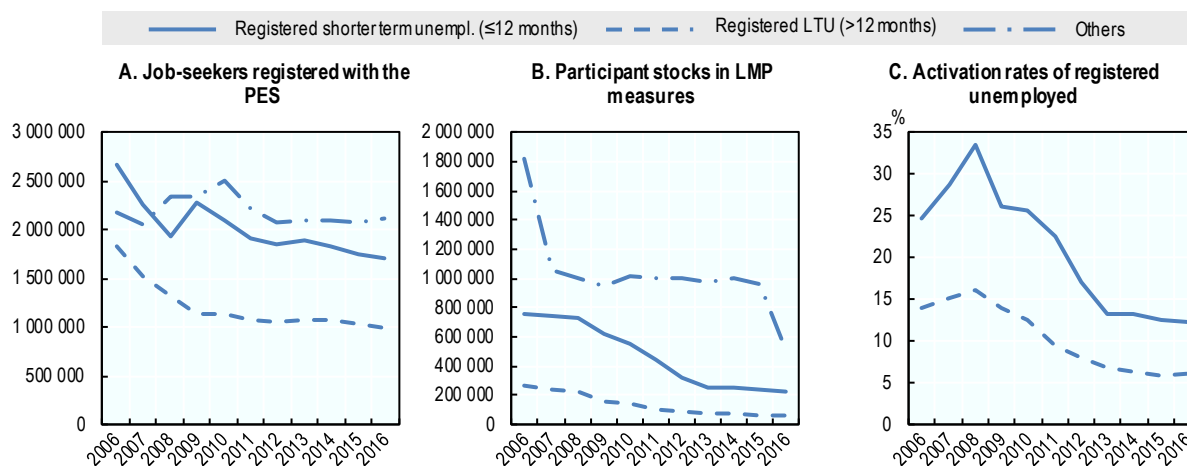
95. This development for the registered long-term unemployed is due to a wider concept of unemployment for the registered unemployed, but may also be driven by improvements to the registered unemployment statistics by duration (most recently in 2014): due to these improvements a higher number of jobseekers can be identified as long-term unemployed.²³

96. With reduced LMP funding also the participant stocks in LMP measures fell over the past decade, levelling off at around 230 000 for the shorter term unemployed and 60 000 for the LTU (Figure 5.2, Panel B). Hence, the activation rates for the shorter term unemployed decreased to 12% and those for the LTU to 6% (Figure 5.2, Panel C). The decline in LMP measures has another more subtle impact on registered LTU: A reduction in participation in LMP measures also means that unemployment spells of the registered unemployed are broken less often and more likely to be suspended (Box 5.1). Hence, unemployment duration increases on average. This is opposite to developments observed in Hungary, where a massive expansion of direct job creation measures helped to reduce unemployment and unemployment durations on average (see Section 6.2).

²³ A comparison of the Eurostat data with German official statistics shows that in the years before 2013 between 100 000 and 200 000 more jobseekers were long-term unemployed in the official statistics. While the back-series of the German official statistics has been updated following the improvements in the statistics, Eurostat data has not been updated.

Figure 5.2. The proportion of jobseekers benefitting from participation in LMP measures has reduced over the past ten years in Germany

Numbers and percentages, Germany, 2006 to 2016.



Notes: **Panel A:** Others relates to other registered jobseekers. **Panel B:** Others relates to LMP participants whose prior labour market status was other registered jobseekers, not registered, employed or unknown. **Panel C:** Activation rates of registered unemployed are calculated as the stock of participants in LMP measures (Cat. 2 7) that were previously registered unemployed divided by the stock of registered unemployed plus the stock of participants in regular activation measures that were previously registered unemployed and whose unemployment spell is broken by participation in a regular activation measure. Activation rates of other registered jobseekers cannot be calculated as it is not possible to separately identify them in LMP participant stock data.

Source: DG EMPL LMP database.

Box 5.1. Definition of registered unemployment in Germany

Definition of registered unemployment based on the German Social Security Code (SGB)

“(1) Unemployed are persons who, as in the case of entitlement to unemployment benefit

1. are temporarily unemployed,
2. seek employment subject to social insurance and are available to the placement efforts of the Employment Agency; and
3. have registered with the Employment Agency.

(2) Participants in active labour market policies are not classified as unemployed.”
(unofficial translation, SGB III §16)

Computation of unemployment duration

When measuring the duration of unemployment, interruptions due to participation in DE-107 *Activation and re-integration interventions* or interruptions of up to six weeks – e.g. due to sickness – are not taken into account and the unemployment spell is suspended: i.e. individuals are not considered unemployed for the period of the interruption. However, no new unemployment spell starts after the interruption, but the

previous spell continues. Unemployment spells are broken and a new unemployment spell starts when, i) the unemployed takes up employment of 15 hours per week or more; ii) the unemployed is not registered unemployed because she is unable to work for more than six weeks; or iii) the unemployed participates in an active labour market policy measure (excluding DE-107). The time until unemployment spells are broken is at six weeks longer in Germany than that recommended by the EMCO Indicators Group, which has "... recommended that all temporary interruptions of more than 28 days should be treated as a break in the unemployment spell and reset the counter" (European Commission Directorate-General for Employment, 2018^[7]). Furthermore, in the last data revision of 2018, Germany changed the treatment of unemployment spells from "broken" to "continuous/continuous" for six interventions (DE-23, -71, -79, -123, -130, and -131), reflecting that these interventions do not interrupt unemployment.

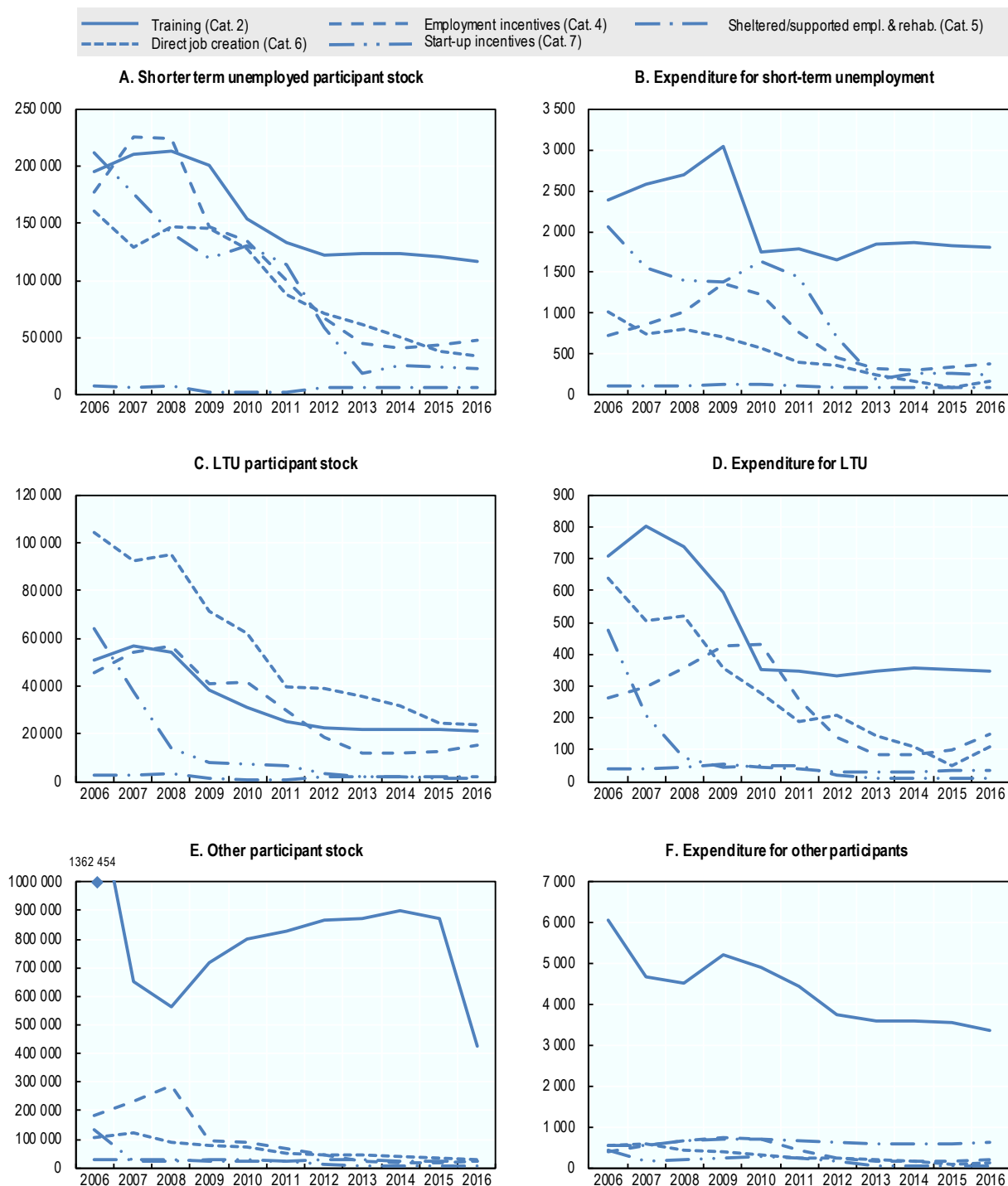
97. Training (Cat. 2) measures are the most important LMP measure in Germany, both in terms of participant number and expenditure. This picture is driven at large by other participants (i.e. other registered jobseekers, not registered, employed or unknown) in LMP measures, which seldom participate in any other measures but training (Figure 5.3, Panel E and F). Also the shorter term unemployed benefit most from training, followed by employment incentives (Cat. 4), direct job creation (Cat. 6) and start-up incentives (Cat. 7; Figure 5.3, Panel A and B). Nevertheless, the total expenditure on training in 2016 was 30% lower than a decade ago.

98. The LTU are more likely to participate in direct job creation measures (Cat. 6), followed by training (Cat. 2) and then employment incentives (Cat. 4). Prior to 2012, employment incentives played a more prominent role for the LTU. Few participate in start-up incentives (Figure 5.3, Panel C and D).

99. In 2016, across all types of participants, Germany spend around 40% less on training, 48% less on employment incentives, 80% less on direct job creation and 90% less on start-up incentives than a decade ago. In fact, sheltered/supported employment and rehabilitation (Cat. 5) is the only category where expenditure grew over the last decade by around 4%. In 2016, Category 5 participants represented 4% of all participants, but only around a quarter of them were registered unemployed.

Figure 5.3. Training is the most important LMP measure in Germany, but the long-term unemployed direct job creation and employment incentives also play an important role

LMP measures (Cat. 2-7): Participant (stock) numbers and expenditure in EUR million (2010 prices), Germany, 2006 to 2016.



Note: Based on the assumption that the expenditure per participant year is the same for all types of participants in an intervention (e.g. to obtain the expenditure for the long-term unemployed, the total expenditure of an intervention has been multiplied with the proportion of long-term unemployed among the annual average stock of participants).

Source: DG EMPL LMP database and OECD Prices and Purchasing Power Parities.

5.2. LMP services and measures benefitting the LTU

100. Germany included 39 LMP measures (Cat. 2-7) and six individual case management services (Cat. 1.1.2) in the LMP database in 2016. Eleven interventions are discussed in more detail in this section, either due to a special focus on LTU or due to a high number of LTU participating in the intervention (Table 5.1).²⁴ Six LMP measures are targeted at the registered unemployed (amongst others), but participant data is not broken down by unemployment duration.²⁵ Of the six measures without any duration breakdowns only DE-114 *Perspective 50plus* has a special focus on the LTU according to target group data and, hence, is discussed in this section. Another important programme for LTU, DE-119 *Model project “community work”*, which has ended in 2015, is also included in this section.

5.2.1. Individual case management services (category 1.1.2)

101. This section discusses the three largest individual case management services in Germany.

DE-107 Activation and re-integration interventions (category 1.1.2 and 7)

102. DE-107 is an intervention comprising seven separate components. Six of the components are individual case management services (Cat. 1.1.2) and one component is classified as start-up incentive (Cat. 7). DE-107 offers intensive support to unemployed, employed at risk and persons seeking training targeted. The supports may include individual counselling (e.g. identification, reduction or removal of placement obstacles); familiarisation with training options, employment options, or self-employment; placement into insurable employment; and ongoing support for those who take up employment. The maximum duration is eight weeks, during which the unemployment spell is suspended. Measures provided by employers are for a maximum of four weeks.

103. The intervention is available to registered unemployed (UB I and UB II) – who are the largest group of beneficiaries (76% in 2016) – and other registered jobseekers. With an annual average participant stock of 206 993 of which 44 097 are LTU (Table 5.1), DE-107 is the largest German intervention, benefitting around 4% of the registered

²⁴ DE-79 *Start-up subsidy* is a relatively large LMP intervention for UB I recipients: 7% of all registered unemployed LMP participants benefit from this measure. There are, however, very few LTU in DE-79, as the eligibility rules make it unlikely for LTU to participate. The eligibility rules for DE-79 stipulate that the remaining eligibility for unemployment benefits is at least 150 (SGB III §93). With a total benefit duration of UB I of 12 months for most UB I recipients, the participation of LTU is unlikely. LTU receiving UB II can participate in DE-74.

²⁵ The six interventions are: DE-113 *European Globalisation Adjustment Fund*, DE-114 *Perspective 50plus*, DE-80 *Transitional subsidy*, DE-81 *Training allowance*, DE-101 *Bonus for apprenticeship*, and DE-105 *Reimbursement of payments for rehabilitation to agencies governed by public law*. For DE-113 the number of registered unemployed participants is flagged as not significant. DE-101 is coming to an end; even before registered (long-term) unemployed were only a small group among the participants.

long-term unemployed. Given the importance of this intervention the qualitative report could provide a more detailed description of the intervention and its seven components, along the following lines:

1. Combination (Cat. 1.1.2) offers a combination of socio-pedagogical support, competence assessment, schooling and work trial.
2. Familiarisation with training or labour market (Cat. 1.1.2) covers support provided important for application processes (e.g. assessment centre or interview training).
3. Identification, reduction or removal of placement obstacles (Cat. 1.1.2) is a very flexible component comprising very different offers for people with (multiple) integration barriers (e.g. lack of mobility, language deficits).
4. Measures provided by employers (Cat. 1.1.2) can e.g. provide work trials or internships.
5. Placement into insurable employment (Cat. 1.1.2) combines a range of different elements such as application training, assisted placement, or post-integration support.
6. Stabilisation after having taking up employment (Cat. 1.1.2) typically involves several months of coaching for people who are in a subsidized or non-subsidised employment relationship. However, it also includes standard measures for the activation and integration of the (long-term) unemployed.
7. Familiarisation with self-employment (Cat. 7) offers business start-up seminars with the aim of identifying suitable candidates and providing information relevant to business start-ups (e.g. start-up formalities, legal form and organisation, contract and labour law, financing, marketing, accounting, taxes, etc.).

DE-106 Individual re-integration budget

104. DE-106 *Individual re-integration budget* is the second largest Cat. 1.1.2 intervention in Germany with respect to expenditure. The intervention provides additional funding in form of an individual placement budget to provide individual support to participants in a needs-oriented way. DE-106 covers expenditure not covered in any other intervention. It can e.g. reimburse travel costs for job interviews or relocation expenses. As this support is continuously available, no duration is specified. Participant stock data therefore is not relevant and the information provided in Table 5.1 is based on participant entrant data. Some important information on what benefits the intervention includes is “hidden” in the clarification section of “9. Receipt of benefits” in the LMP database. Going forward, it would be good for users to have some of this information included in the section on 3.3 Action/Instrument.

DE-76 Accompanying services (category 1.1.2)

105. The aim of DE-76 *Accompanying services* is to eliminate placement barriers of UB II recipients through arranging care of underage or disabled children or dependent adults, providing debt counselling, psychosocial advice or substance abuse counselling. The measure was introduced in 2005 and is targeted at UB II recipients. It has massively increased in size over the past decade and in 2016 the annual average stock was 53 182, of which 12 543 were LTU (Table 5.1). Expenditure data for the service is not available, as the “expenditure in the responsibility of municipalities and data are not available” (LMP database expenditure footnotes). One option to address this could be to estimate the expenditure of these services through collecting a sample of expenditures from a number of municipalities.

Table 5.1. The most important LMP services and measures for the long-term unemployed in GermanyNumbers, percentages, expenditure (EUR million), Germany, 2016^{a,b}.

		Beneficiaries	Total stock	Shorter term unemployed participants	Long-term unemployed participants	LTU as % of all LTU ALMP participants	Total expenditure (m EUR)	LTU expenditure ^c (m EUR)
1.1.2 & 7	DE-107 Activation and re-integration interventions	UB I & UB II	206 993	112 650 (54%)	44 097 (21%)	35%	1 812	395
1.1.2	DE-106 Individual re-integration budget	UB I	1 243 598 ^d	484 887 ^d (39%)	188 980 ^d (15%)	x	160	24
1.1.2	DE-76 Accompanying services	UB II	53 182	18 934 (36%)	12 543 (24%)	10%	n.s. ^e	0
2	DE-12 Support for further vocational training	UB I	147 089	90 243 (61%)	17 806 (12%)	14%	2 785	337
2	DE-14 Perspective 50plus ^a	UB II	451 999	312	..
4	DE-18 Integration subsidies	UB I	60 344	37 594 (62%)	8 441 (14%)	7%	564	79
4 & 7	DE-74 Job finders grant	UB II	17 022	8 459 (50%)	3 812 (22%)	3%	49	11
4	DE-131 ESF-programme to reduce LTU	UB II	6 795	1 670 (25%)	3 377 (50%)	3%	135	67
6	DE-73 Community service jobs	UB II	80 125	30 690 (38%)	21 804 (27%)	17%	344	94
6	DE-125 Promotion of employment contracts	UB II	7 890	-	7 890 (100%)	6%	99	99
6	DE-119 Model project "community work" ^b	UB II	20 555	8 714 (42%)	5 370 (26%)	4%	266	70

Notes: - absolute zero; .. missing value/not available; x not applicable; n.s. not significant.

a. DE-114: Data for 2015, as the intervention ended in 2015.

b. DE-119 Average for 2011-2014. The intervention was running between 2011 and 2014, with variable stock and expenditure over the years.

c. Based on the assumption that the expenditure per participant year is the same for all types of participants in an intervention (i.e. proportion of long-term unemployed participants multiplied by the total expenditure). For DE-106 the LTU expenditure is based on entrant data information.

d. For DE-106 no duration is specified. The planned duration is defined as "continuously available" and, hence, participant stock data is not available. The figures provided are participant entrant data instead.

e. Expenditure is labelled as not significant. The LMP expenditure data footnotes, however, state that "Expenditure in the responsibility of municipalities and data are not available."

Source: DG EMPL LMP database and (Eurostat, 2016_[24]).

5.2.2. DE-12 Support for further vocational training (category 2.1)

106. DE-12 *Support for further vocational training* is the largest LMP measure in Germany, representing about a fifth of the total participant stock and third of the expenditure in 2016. The intervention offers further vocational training for career advancement, to provide vocational qualifications or enable participants to change jobs for a maximum of two years. The intervention is financed through the social security funds and is targeted at registered unemployed (UB I and UB II), other registered jobseekers and employed individuals. Jobseekers who have agreed a need for further vocational training receive a voucher (*Bildungsgutschein*) from the PES, which allows them to select training from accredited training providers. The voucher does not have a certain amount and all

payments and other organizational matters are settled between the PES and the service provider. DE-12 is the second most important LMP measure for LTU in Germany: In 2016, of 147 089 participants in DE-12, 17 806 out were LTU (Table 5.1). Participation of long-term unemployed in DE-12 has, however, reduced over the years. While 19% of the participants were LTU in 2016, only 12% were in 2016.

5.2.3. DE-114 Perspective 50plus (category 2)

107. The intervention DE-114 Perspective 50plus, aimed to support the integration of older (50-64 years) long-term unemployed recipients of unemployment assistance (UB II) into the labour market.²⁶ The intervention was initiated and financed from federal funds and implemented by the *jobcentres*, which are responsible for the administration of UB II. The intervention came to an end in 2015.²⁷ Participation in Perspective 50plus was on a voluntary basis for the over 400 jobcentres in Germany and the initiative was run in three phases (2005-2007, 2008-2010, 2011-2015), with more and more jobcentres participating over time. Participating jobcentres were relatively free to decide on how to use allocated funds (Knuth et al., 2012_[25]).²⁸ Hence, the intervention could encompass many different actions/instruments like providing placement and counselling, individual and group coaching, internships and integration subsidies. From the description in “action/instrument” it is not obvious why DE-114 was classified as “training”, but the reason why DE-114 is classified as Cat. 2 is not documented.

108. Not all of the actions used in the programme were financed through the special federal funds, but also included other regular LMP measures. The intervention DE-114 therefore only includes participants financed through the federal funds allocated to *Perspective 50plus*. Participants which were financed otherwise by the PES are excluded (*Source: Comments section for DE-114 in the LMP database years 2009-2016*), i.e. double counting is not an issue for DE-114. Given that this is quite important information, it should not be “hidden” in the comments section of the LMP database, but be more prominently reflected in the beneficiaries section and also the participant data footnotes.

109. Until 2015, DE-114 was the largest German LMP measure (Cat. 2-7), representing 37% of the total participant stock. Given the targeting of the programme on older LTU, the vast majority of participants possibly were LTU or long-term benefit dependent. A quantitative assessment, however, is not possible, as the participant data contains totals only and no breakdowns (by gender, age, nor unemployment duration). Another striking fact of the DE-114 is its low expenditure per participant year, which was only EUR 690 ppy in comparison to an average of EUR 6 387 ppy for all remaining LMP measures. The reason for the low expenditure per ppy is that the participant stock data and expenditure data stem from different sources. The participant data included in the LMP database contains a full count of participants serviced through the Federal Employment Agency and participants serviced without its involvement (statistics were provided by the company which carried out the evaluation of Perspective 50plus). The expenditure data in the LMP database, however, only covers the participants serviced through the Federal Employment

²⁶ The LMP database target group data specifies as detailed target groups: LTU, Older, Disabled, Immigrants/ethnic minorities.

²⁷ Some expenditure was remaining in 2016, but participant numbers have not been provided any longer.

²⁸ Participation required prior participation in an ideas competition.

Agency and therefore is incomplete. The fact that expenditure data is partial should be reflected in the LMP expenditure data footnotes.

5.2.4. DE-18 Integration subsidies (category 4.1.1)

110. DE-18 *Integration subsidies* offers employers hiring unemployed who are difficult to place a wage subsidy. The amount and the duration of the subsidy are variable and depend on the worker's reduced productivity. The maximum amount is 50% of the eligible earnings and can be paid for a maximum of 12 months. The measure is financed through the social security funds and is targeted at the registered unemployed²⁹ (regardless of benefit receipt) and other registered jobseekers (e.g. also employed individuals). In 2016, 14% of the 60 344 participants were LTU (Table 5.1), much less than a decade ago, when 22% of the participants were LTU.

5.2.5. DE-74 Job finders grant (category 4.1.2 and 7)

111. DE-74 *Job finders grant* aims to support the integration of UB II recipients in the regular labour market. DE-74 offers a wage subsidy for those going into dependent employment (*Kombilohn*) or an allowance to participants setting up their own business. As such, it covers income from employment, but not other investments for those choosing to become self-employed.³⁰ The size of payments depends on the size of household (*Bedarfgemeinschaft*), geographical area and length of unemployment and is granted for a maximum of two years. The wage subsidy is only granted for employment of at least 15 hours per week. Self-employment is expected to be full-time. The measure is targeted at the detailed target groups registered LTU and registered unemployed “public priorities and other”.

112. In 2016, there were 15 025 participants in the insured employment component, of which 3 253 (22%) were LTU. The stock for the self-employment component was 1 998, of which 559 (28%) were LTU. A decade ago the insured employment was the much smaller component, with only 5 180 participants in 2006 (1 176 LTU). In contrast, there were 18 802 participants (6 387 LTU) in the self-employed component in 2006. Overall fewer LTU benefit from the measure now (3 812 LTU participants; 22% of stock) than in 2006 (7 563 LTU participants; 32% of stock). The shift from the self-employment towards the insured employment component can be explained with more experience among jobcentre staff in assessing business start-up proposals than a decade ago. Jobcentres now apply stricter standards when assessing the suitability and viability of proposals and will not support projects that will not be self-sufficient. More generally the more stable labour market situation may also make the take-up of dependent employment more attractive.

²⁹ While being available to all registered unemployed, the qualitative report specifies a number of detailed target groups, one of which are the LTU.

³⁰ Such support is available through DE-109 *Benefits for the integration of self-employed persons*, which offers “loans and subsidies for the purchase of materials and equipment necessary and appropriate to take up or exercise a self-employed activity” (Eurostat, 2016_[24]).

5.2.6. DE-131 ESF-programme to reduce long term unemployment (category 4)³¹

113. In 2015, Germany introduced this new ESF-funded programme to reduce long-term unemployment. DE-131 is targeted at UB II recipients who are LTU, older than 34 years, without (usable) training qualification, and “whose integration would not be possible in another way” (Eurostat, 2017_[26]). Other target groups include UB II recipients with at least one integration obstacle located (health problems, early school leaver, missing language skills), who were unemployed during the last five years. As the DE-131 is only in its second year, the participant stock was still growing between 2015 and 2016. In 2016, the annual average stock was 6 795, with half of the participants being LTU.

114. “Acquisition managers” play an important role in the programme, as they recruit employers for the programme to offer jobs to the individuals in the target group and advice employers on various aspects of the programme. They serve as interface between employers, jobcentres and the employee’s coach (Bundesministerium für Arbeit und Soziales, 2017_[27]). Given this crucial role for the programme acquisition managers should be mentioned in the qualitative report, especially as some of the expenditure relates to payments made to service providers, which presumably are the acquisition managers.

5.2.7. Direct job creation measures in Germany (category 6)

115. In 2016, Germany included two direct job creation measures (Cat. 6) in the LMP database. The largest group of participants in direct job creation measures in Germany are recipients of the means-tested UB II. Recipients of unemployment insurance (UB I) are not referred to direct job creation measures. Germany used to have a higher number of Cat. 6 measures and also the number of participants in/ expenditure on Cat. 6 has reduced massively in size (see Figure 5.3). The largest driver behind this reduction is the decline in DE-73 *Community service jobs*, which will be discussed in this section together with three other direct job creation measures. The Government recently announced the introduction of a new direct job creation measure from early 2019 (Bundesregierung, 2018_[28]). The aim of the new measure is to support LTU with a great distance to the labour market who have been receiving UB II for at least seven years and who did not work or only for a short spell during this time. A narrow selection of the target group for the new measure will be important. Evaluations in an international context have shown that direct job creation measures to have negligible positive employment effects, more often actually negative ones (Card, Kluve and Weber, 2017_[18]). However, research for various programmes in Germany has shown that these measures can contribute to improving the participants’ social integration and interaction (see Box 5.2). Lietzmann (2018_[29]) show that it is a narrowly defined group of individuals that could benefit from this type of programme. They therefore propose a statistical profiling tool to assist PES staff in identifying suitable candidates for the new programme.

DE-73 Community service jobs (Category 4.1 and 6)

116. DE-73 *Community service jobs* is targeted at long-term unemployed recipients of unemployment assistance benefit (UB II) and aims to bring them back in the labour market through socially useful activities. Colloquially known as *One-Euro-jobs*, the legislation

³¹ In older documentation (Eurostat, 2017_[26]) the programme may still appear as category 6 intervention, but it has been reclassified as category 4.1, which seems to better suit the action/instrument of the intervention.

refers to them as “work opportunity” (“Arbeitsgelegenheit”, § 16d SGB II). Two different variants exist, reflected as two different components in the LMP database: i) The *variable payment* is a recruitment incentive (Cat. 4.1), which supports the creation of employment subject to social security contributions. ii) The *additional expenditure variant* (Cat. 6) creates jobs not subject to social security contributions and participating individuals receive a compensation for their participation, but no wage. For both options, the law stipulates that the jobs have a non-market character. Employers receive a subsidy and may receive a lump-sum payment in addition. Insurance for work accidents is the employer’s responsibility (Eurostat, 2016_[24]).

117. The vast majority of jobs created through DE-73 are part of the *additional expenditure variant* (Cat. 6) and over the past two years the recruitment incentive variant has not been used any longer, as the variant is coming to an end (LMP participant data footnotes 2015). In total, the intervention has dropped massively in size after 2010. While there the participant stock was 306 432 in 2010 (259 950 in Cat. 6 and 46 478 in Cat. 4.1), the stock was 80 125 in 2016 (Cat. 6 only). A round a quarter of the participants were long-term unemployed, making it the largest measure (Cat. 2-7) for LTU in Germany (Table 5.1). Evaluations of *One-Euro-jobs* show mixed results. For example, Hohmeyer and Wolff (2007_[30]) find a significant but small positive impact on the employment rate of female but not male participants and a negative impact on the employment rate of younger participants, but a positive one on that of older participants. Overall participation in *One-Euro-jobs* does not contribute to avoiding UB II receipt.

DE-125 Promotion of employment contracts (Category 6)

118. Created in 2012, DE-125 aims to reintegrate UB II recipients who have been unemployed for a year or more and are difficult to place into the labour market. It provides them with a job subject to social insurance contributions and the aim is to terminate welfare dependency with a maximum of two years.

DE-119 Model project “community work” (Category 6)

119. The intervention DE-119 started in 2011 and finished in 2015 (when there were already no more participants). The intervention was targeted at unemployed³² recipients of UB II, partly with a focus on special groups (e.g. certain city districts, single parents, migrants). Just over a quarter of the participants were LTU. DE-119 consisted of two phases: The *activation phase* of at least six months provided participants with intensive activation (counselling/assessment, placement activities, skills development/promotion) and aimed at integrating participants in the regular labour market. A second *employment phase* followed when the integration was not successful. The employment phase lasted a maximum of 36 months and offered participants employment through municipalities, towns and districts in regular employment relationships (subject to social security contributions, except unemployment insurance) and ongoing coaching support. Jobcentres did not receive extra funding to cover the activation phase, which was covered through their regular budgets. For the employment phase additional funds were paid through federal funds and the ESF (Eurostat, 2017_[26]). Participant data for DE-119 refer exclusively to the

³² Not all recipients of UB II in Germany are “unemployed”. Around 60% of UB II recipients are not unemployed, but either inactive (e.g. due to care responsibilities, education, sick leave, participation in LMP measures) or employed recipients of UB II (<https://statistik.arbeitsagentur.de/Statistischer-Content/Grundlagen/Kurzinformationen/Generische-Publikationen/Kurzinformation-Grundsicherungsstatistik-SGBII.pdf>).

employment phase, which is also the reason the intervention was classified as Cat. 6. The expenditure data, however, relates to the activation and employment phases. This different coverage of participant and expenditure data should be documented in the LMP participant and expenditure data footnotes.

120. An evaluation of DE-119 found positive impacts of integrating participants into the primary labour market during the activation phase, but not for the employment phase, where the probability of integration into the primary labour market reduced. Due to these negative effects of the employment phase DE-119 possibly would not pass a cost-benefit assessment (Box 5.2).

Box 5.2. Results of the evaluation of DE-119 Model project “community work”

The evaluation of DE-119 Model project “community work” by Brändle et al. (2015^[31]) suggests that the *activation phase* of the programme resulted in positive employment impacts, while the impact of the *employment phase* was negative.

A first positive aspect of the activation phase was its selective nature. The intensive support provided during this phase resulted in positive employment impacts for participants closer to the labour market. Due to the lack of additional funding, it was often not possible to increase staff numbers. However, over a quarter of the participating Jobcenters reported the use of innovative practices (e.g. group work) during the activation phase, which differed from the regular services provided. The impact evaluation, based on Propensity Score Matching techniques, showed positive impacts on employment in the primary labour market. The effect, however, diminished over time. At least partly, this has been attributed to the employment phase, which has a negative effect on integration into the primary labour market.

Negative findings for the employment phase are not surprising and meta-analysis of LMP evaluations have shown that direct job creation measures tend to have negligible positive employment effects, more often actually negative ones. Factors helping to explain these findings for DE-119:

- Jobs created through DE-119 were too distant from the primary labour market to provide participants with skills/experience, which support the transition into the primary labour market.
- During the course of the employment phase, job-search behaviour of participants and their willingness to accept (other) employment declined. With a duration of up to 36 months, the employment phase was possibly too long, resulting in long lock-in effects.
- Factors further exaggerating the lock-in effect: Jobs created through DE-119 were more demanding than those in comparable direct job creation measures and the compensation paid was relatively high. Moreover, the majority of Jobcenters (64 out of 94) portrayed the jobs as reward for efforts to integrate into the primary labour market.

One of the more positive findings of the employment phase was that it contributed to improving the participants’ social integration and interaction, which mirrors findings of evaluations of other programmes in Germany (e.g. Bauer (2016^[32]) and IAQ et al. (2018^[33])).

Source: Bauer, F., M. Fertig and P. Fuchs (2016), “Teilnehmerauswahl und professionelle Begleitung machen den Unterschied”, *IAB Kurzbericht*, No. 10, Institut für Arbeitsmarkt- und Berufsforschung, Nürnberg, <http://www.iab.de/de/publikationen/forschungsbericht.aspx> (accessed on 10 October 2018); Brändle, T. et al. (2015), *Evaluation der Modellprojekte Bürgerarbeit: Endbericht*, Institut für Angewandte Wirtschaftsforschung (IAW) and Institut für Sozialforschung und Gesellschaftspolitik (ISG), Tübingen/Köln/Berlin, <http://www.bmas.de/DE/Service/Medien/Publikationen/Forschungsberichte/Forschungsberichte-Arbeitsmarkt/fb-458-evaluation-der-modellprojekte-buergerarbeit.html> (accessed on 10 October 2018); and IAQ; ZEW; Zoom; SOKO (2018), “Evaluation des Bundesprogramms ‚Soziale Teilhabe am Arbeitsmarkt‘; (Zb1-04812-2/31): Zweiter Zwischenbericht”, Bundesministerium für Arbeit und Soziales Forschungsbericht, No. 504, Bundesministerium für Arbeit und Soziales, Berlin, <https://www.bmas.de/DE/Service/Medien/Publikationen/Forschungsberichte/Forschungsberichte-Arbeitsmarkt/fb504-evaluation-des-bundesprogramms-soziale-teilhabe-am-arbeitsmarkt.html> (accessed on 10 October 2018).

5.3. Data issues identified for Germany

5.3.1. Missing participant data: DE-104 Unassigned expenditure on rehabilitative training activities (category 2)

121. For DE-104 Unassigned expenditure on rehabilitative training activities participant data is labelled as “not relevant”, as “expenditure on rehabilitative training that cannot be assigned to particular interventions” according to the qualitative report (Eurostat, 2016_[24]). With an expenditure of EUR 1 177.65m in 2016, 14% of Germany’s total expenditure on LMP measures (Cat. 2-7) cannot be assigned to LMP participants. The intervention is targeted at the disabled, but they can have any type of status: registered unemployed, other registered jobseekers, not registered, employed.

5.3.2. Missing information: DE-105 Reimbursement of payments for rehabilitation to agencies governed by public law

122. DE-105 *Reimbursement of payments for rehabilitation to agencies governed by public law* has a very incomplete entry in the LMP database and the qualitative report is largely empty (Eurostat, 2017_[26]). The incomplete entry is somewhat surprising, as the measure combines expenditure from a number of different interventions according to the footnotes on expenditure data.³³ While more detailed expenditure data in the future would be desirable, the qualitative report could provide more some additional information the coverage of the intervention, expanding on the expenditure data footnotes.

5.3.3. One-off intervention (or not)? DE-101 Bonus for apprenticeship

123. DE-101 *Bonus for apprenticeship* mentions for the planned duration that it is a one-off intervention and, hence, no planned duration is provided. However,

³³ DE-82 (Cat. 5.1): Part of the expenditure included in DE-105; DE-23 (Cat. 5.1): Part of the expenditure included in DE-105; DE-89 (Cat. 5.2): Expenditures are included in DE-104 and DE-105; DE-90 (Cat. 5.2): The breakdown by the different types of expenditure is not available. The full amount is allocated under transfers to service providers. Part of the expenditure included in DE-105.

the participant data shows participant stock data and an average duration is calculated. This conflicting information should be corrected.

6. Hungary

Summary and main findings for Hungary

Hungary saw a big improvement in its labour market situation over the past six years with unemployment falling and employment rising to unprecedented levels. Also long-term unemployment fell and was less than 2% of the labour force in 2017. Nevertheless, in 2016, there were still about 90 000 registered long-term unemployed, presenting 28% of all registered unemployed. However, while more than half of shorter term unemployed are activated through LMP measures, only around 15% of the long-term unemployed are.

Hungary's LMP data with respect to unemployment duration

Hungary provides an interesting example to evaluate the data quality and comprehensiveness of LMP data with respect to the long-term unemployed. An outstanding characteristic of Hungary's participation in/expenditure on LMP measures is that it is concentrated almost exclusively in direct job creation measures (Cat. 6). 87% of all expenditure on LMP measures and 85% of the annual average participant stock are concentrated in direct job creation.

Data to identify unemployed participants more generally and in particular by their unemployment duration has not always been available. However, Hungary started to provide more complete unemployment duration data for LMP participants from 2009 onwards. Since 2012 stock and entrant data for LMP measures provides full unemployment duration breakdowns. Exit data provides post-participation destinations, but this data is not broken down by prior unemployment duration.

Why are only short-term unemployed activated?

One factor driving these results is the high number of participants in direct job creation. A high number of long-term unemployed were referred to these measures when they were expanded in 2012. But a high proportion of direct job creation participants return to such schemes thereafter. Repeat participants – while often being long-term benefit/public support dependent – are not any longer “long-term unemployed” when subsequently participating. They then are usually shorter term unemployed, as their unemployment spells were broken during the earlier participation. Moreover, there is still a significant number of LTU who do not benefit from LMP measures, as only 15% of the LTU are activated.

Main findings for Hungary

- The Hungarian example demonstrates that considering long-term unemployed LMP participants only risks neglecting equally disadvantaged groups like long-term benefit dependent individuals.
- Hungary is in the process of reducing the size of its direct job creation measure as also recommended by the OECD and the Council of the EU. More should be invested in currently underdeveloped employment incentive and training measures. Both measures cost less per participant per year as shown in the presented analysis.
- Hungary has a comparatively low number of LMP measures (11 measures in 2016) in the LMP database. The description of measures, however, sometimes lack important characteristics of the interventions and more detailed descriptions should be considered for the qualitative reports for HU-3 and especially in the case of HU-42.
- Since 2012, participant data for LMP measures is largely complete for entrants and stock. Participant exit data contains information on the destinations, but this data is not broken down by prior unemployment duration. It should be explored whether such data is available in the future.

124. Hungary saw a massive increase in employment from 2011 onwards. In 2017, the employment rate of the population aged 15-74 years was 59.3% only slightly below the EU-28 average (59.7%). Increases in employment have been driven by significant reductions in unemployment since 2012, also resulting in a sharp drop in long-term unemployment especially from 2014 onwards. Increases in employment have not only been driven by the decline in unemployment, but also by inactive individuals moving into the labour force (Figure 1.1, Panel A to C).

125. These favourable labour market outcomes in recent years have been driven by growth in the primary labour market, however, are also a consequence of the high number of individuals employed in public work schemes. In 2016, nearly 5% (over 220 000) of the 4.4 million employed individuals in Hungary were participants in direct job creation measures (Bakó and Lakatos, 2017^[34]). The expansion of the public works scheme has started in 2012 and is also reflected in a sharp increase in the proportion of the population wanting to work who is activated: In 2016, the proportion exceeded 50% in Hungary (Figure 1.1, Panel D), with only Belgium and Luxembourg having higher rates. The government's aim with the expansion of public work schemes was to provide LTU with a route back into the labour market, which did not benefit from the general upswing in the economy.

126. The main responsible institution for the implementation of active labour market programmes in Hungary is the Public Employment Service, called the National Employment Service (*Nemzeti Foglalkoztatási Szolgálat*). The PES is structured into 20 labour centres at country level, most of which also have branch offices at the local level, and labour centres co-operates closely with local authorities. There are three different types of unemployment benefits available in Hungary. Hungary has an unemployment insurance system, however, after being shortened from 12 to 3 months in 2012, it now has the shortest duration across the OECD. People reaching retirement age in less than five years may be entitled to the flat-rate pre-pension job-seekers' allowance, which covers the entire period until the person gains eligibility for old-age pension. Otherwise persons capable of working

can claim means-tested employment substituting support (ESS). ESS recipients are required to cooperate with the PES and to take part in public work (OECD, 2016^[35]).

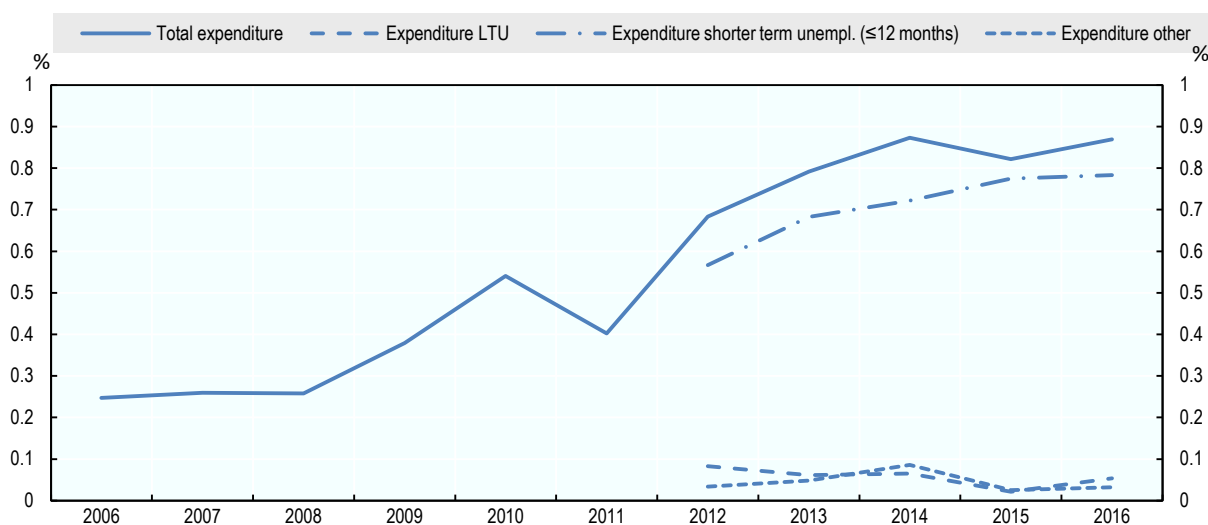
127. The remainder of this chapter first gives an overview on LMP expenditure and participation in LMP measures of the long-term unemployed in comparison to shorter term unemployed in Hungary. The second section provides an in-depth analysis of LMP measures benefitting the LTU.

6.1. Trends in labour market policy measures in Hungary

128. Hungary saw a large increase in its expenditure on LMP measures over the past decade, with expenditure increasing especially after 2008 (Figure 6.1). The increase has been driven almost exclusively by direct job creation measures (Cat. 6). Up to 2008, employment incentives (Cat. 4) were the most important measure, but participant numbers and expenditure were much lower (Figure 6.2). There has been a spike in participation in employment incentives in 2012, but since then category 4 has further reduced in size. Training programmes (Cat. 2) never played an important role in Hungary and have further reduced in size. As in most countries start-up incentives (Cat. 7) play a minor role in Hungary and there are no sheltered/supported employment and rehabilitation (Cat. 5) interventions.

Figure 6.1. Since 2006, Hungary's expenditure on LMP measures has more than tripled

Expenditure on LMP measures (Cat. 2-7) as percentage of GDP, Hungary, 2006 to 2016.

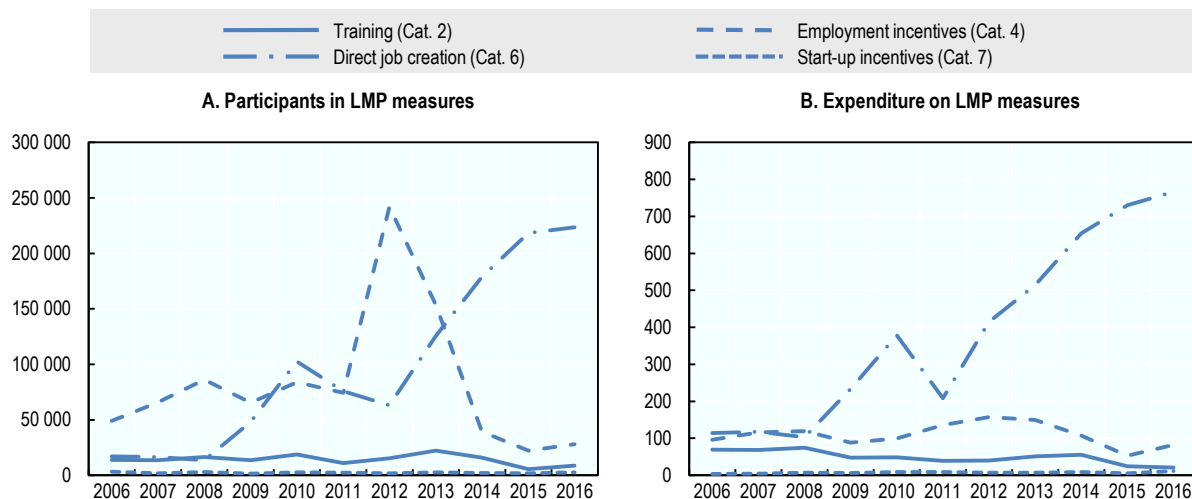


Note: A breakdown of the expenditure on LMP measures by the unemployment duration of participants is not available prior to 2012, as unemployment duration data was not available across all measures. The expenditure breakdowns for shorter term unemployed, long-term unemployed and other are based on the assumption that the expenditure per participant year is the same for all types of participants in an intervention.

Source: DG EMPL LMP database and Eurostat.

Figure 6.2. Direct job creation is the most important LMP measure in Hungary

LMP measures (Cat. 2-7): Participant (stock) numbers and expenditure in EUR million (2010 prices), Hungary, 2006 to 2016.



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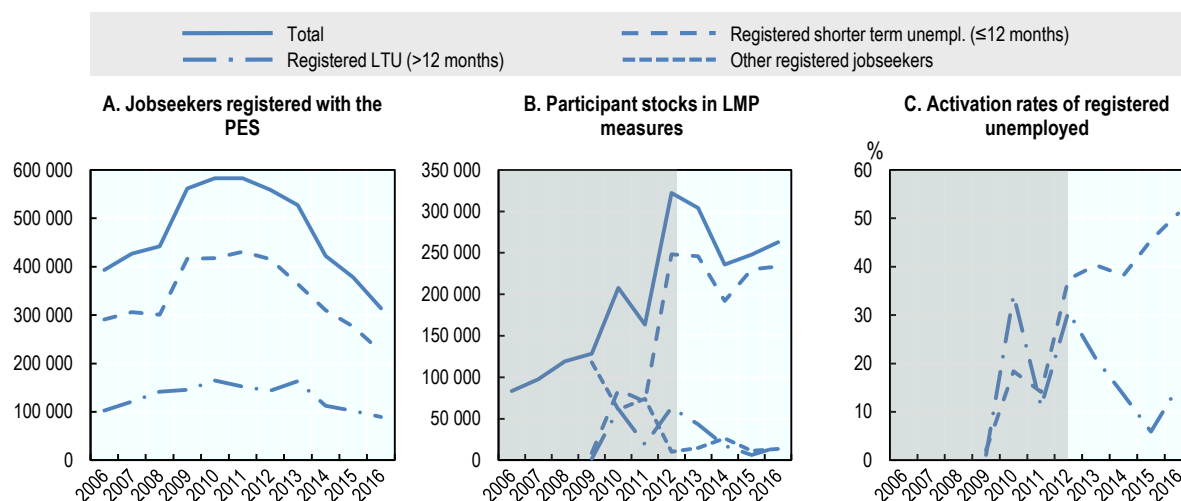
Source: DG EMPL LMP database for LMP participant and expenditure data and OECD Prices and Purchasing Power Parities Database for consumer price index.

129. In line with the falling unemployment rate from 2010 onwards (Figure 1.1), also the number of registered jobseekers declined massively after 2011. As observed across the EU, the decline in unemployment has mainly been driven by a decline in unemployed with a duration of less than 12 months (“shorter term” unemployed), but since 2014 also the number of LTU started to decline (Figure 6.3, Panel A). An important observation is that in Hungary only unemployed jobseeker can be registered with the PES. Participants in LMP are not tracked as “other registered jobseekers”, as e.g. in Finland or Germany, but temporarily excluded (“paused”) from PES registers.

130. Following a trend that started in 2008, the number of LMP participants continued to increase, even after unemployed started to fall (Figure 6.3, Panel B). As discussed before, some of the reduction in (registered) unemployment is explained by the increase in LMP participants – especially participants in the public works scheme –, whose unemployment spell is always broken (i.e. due to their status as employees).

Figure 6.3. An increase in LMP participation may partly explain the reduction in registered unemployed in Hungary

Numbers and percentages, Hungary, 2006 to 2016.



Notes: Panel A & B: The shaded area refers to unreliable data, as unemployment duration data was not available across all measures. **Panel C:** Activation rates of registered unemployed are calculated as the stock of participants in LMP measures (Cat. 2-7) that were previously registered unemployed divided by the stock of registered unemployed plus the stock of participants in regular activation measures that were previously registered unemployed and whose unemployment spell is broken by participation in a regular activation measure.

Source: DG EMPL LMP database.

131. Considering long-term unemployed participants in LMP measure for the entire period of 2006 to 2016 is not possible. Hungary progressively provided unemployment duration data for LMP participants from 2009 onwards. Since 2012 participant data is largely complete for entrants and stock, as all LMP measures available to registered unemployed have participant entrant and stock data broken down by unemployment duration.³⁴ This improvement of the data comprehensiveness is due to the introduction of a new IT system and data warehouse in 2012. Hence, Figure 6.3 Panel B and C are only meaningful from 2012 onwards, as before many unemployed participants would have been classified as “other jobseekers” due to missing duration data. Participant exit data contains information on the destinations, but this data is not broken down by prior unemployment duration.

132. Figure 6.3 (Panel C) shows that activation rates of shorter term unemployed and longer term unemployed were similar in 2012, but have diverged since then: a growing proportion of shorter term unemployed benefit from LMP measures, while the proportion of LTU referred to LMP measures has halved since 2012. In fact, Hungary has one of the lowest proportion of long-term unemployed being referred to active measures (OECD, 2019_[1]). One explanation of the high number of shorter term unemployed participating in direct job creation measures is repeat participation: The majority of participants in public work schemes return to these schemes six months following their exit from public work

³⁴ Unemployment duration data is not provided for the individual case management services included in HU-1 Labour Market Service.

(OECD, 2016^[36]), however, by that time they are not any longer LTU. Even though the number of LTU is reducing, there is a high number of LTU who do not benefit from access to LMP measures.

6.2. LMP services and measures benefitting the LTU

133. Hungary has a comparatively low number of LMP measures (11 measures in 2016) in the LMP database. Almost all participants and expenditure are concentrated in the only direct job creation measure: 87% of all expenditure on LMP measures is spent on HU-42 *Public employment* and 85% of the annual average participant stock. Also discussed are three employment incentive measures and the training measure HU-3 *Training for unemployed* (category 2).

134. Hungary has been criticised for including too many jobseekers in its direct job creation programmes, while investing too little into other LMP services and measures. The target group of direct job creation should be more narrowly defined and the size of HU-42 scaled back, as recommended by the OECD and the Council of the EU (OECD, 2016^[36]; European Commission, 2017^[37]; European Commission, 2018^[38]). Jobseekers that benefit from this type of programme could be identified using the new profiling system. For other jobseekers Hungary should invest more into labour market services and other LMP measures (OECD, 2016^[36]). As the analysis in this section shows, the cost per participant is lower for the employment incentives and training measures available in Hungary and evaluations have shown that they perform better in integrating jobseekers into the primary labour market.

6.2.1. HU-42 *Public employment* (category 6)

135. As mentioned in the last section, HU-42 *Public employment* is the single largest LMP measure in Hungary. The qualitative report describes the primary purpose of the measure as “(...) reintegration of currently inactive and unemployed groups into the labour market. The key objective of public employment is the activation of the long term unemployed” (Eurostat, 2016^[39]). While this is similar to the aims of direct job creation measures in Portugal (PT-3 and PT-4), Finland (i.e. FI-36), and Germany (i.e. DE-131), in Hungary, HU-42 “(...) also aims at maintaining links with the labour market for people who lost recently their jobs.” This is much in contrast to the other countries in this case-study where direct job creation measures are seen as “last resort” measures for long-term unemployed with multiple problems. However, the income from public employment is not high: While being higher than the applicable amount of social benefits, it is lower than the minimum wage.

136. Four main types of public sector employment are distinguished. The qualitative report provides a very short description of these measures, as shown in Table 6.1. Given the importance and size of HU-42, Hungary should consider providing longer descriptions of each of the measures alongside the advice provided as part of this project, which is summarised in Box 6.2.

Table 6.1. Different types of public sector employment in Hungary

Type	Description
1 Short term public employment	Granted to claimants of social assistance (ESS – Employment Substitution Support) and jobseekers; participants are employed for at least 4 months with 4 hour working time in a fixed-term employment relationship. The measure exists by law, but has not been applied after 2012.
2 Long term public employment	Granted to ESS claimants and jobseekers. Jobs requiring qualifications can be proposed. The employment lasts 2-12 month with 6-8 hours of working time in a public employment legal relationship.
3 National programme	Achieving the target set by the government or parliament. Granted to ESS claimants and jobseekers. Jobs requiring qualifications can be proposed. The employment lasts up to 12 months with a public employment legal relationship.
4 Sample programme (“small region start work model”)	The minister responsible for public employment can launch a sample program based on the other three forms of public employment. Within the framework of this programme not only the labour cost but investment and high value material costs are also supported. One of the most important types of this sample program is the so called sub-regional <i>startwork</i> sample programme, which provides support for disadvantaged sub-regions.

Source: Eurostat (2016^[39]).

Box 6.1. Operation of HU-42 Public employment

The stakeholders in the public work schemes

Four different stakeholders are involved in the running of the four different types of public work scheme (PWS; see Table 6.1): 1) Ministry of Finance; 2) Ministry of the Interior; 3) national and district level PES offices; and the 4) public sector employers. The PWS is financed by the **Ministry of Finance**, which also stipulates the overall methodology and the procedural principles of the scheme. It is, however, the **Ministry of the Interior**, which is responsible for the PWS operation and the Minister of the Interior decides which schemes receive funding. For the national and the small region start work model programmes the **employers** (e.g. local government, state forestry) have to demand funds directly from the Minister of the Interior. For the long-term (and short-term) public employment scheme the Ministry of the Interior provides grants to the district government offices based on local labour market indicators and information on the utilisation of funds in the previous years. The districts can independently manage the funds to support public **employers** (mostly local government, civil and church organisations), based on the directives by the Ministry of Interior and general PWS rules. All available funds are transferred to the **national and district level PES offices**, which sign support contracts with the actual employers and initiate payments. The PES also acts as a mediator and fills the vacancies by public employers according to their requirements.

Additional details on the PWS types

Long-term public employment is the largest PWS scheme and, in 2017, 43.6% of the (annual average) stock were in this scheme, followed by 37.5% in the small region start work model and 19% in national programme (short-term public employment has not been used since 2012).

Long-term public employment: It is usually claimed by local municipalities, social cooperatives, etc. The subsidy may be up to 100% of the public employment wage and social security contributions. In addition, subsidies may be granted to cover labour

related costs (e.g. occupational health examinations, workwear, transportation costs, and equipment) and material costs (which may not exceed 20% of the total subsidy). The duration is 12 months, which can be extended once for 6 additional months. The **short-term public employment** scheme was similar, but lasted only 3 months with a maximum of 4 hours a day.

Small region start work model: The scheme is only available in disadvantaged municipalities and usually local governments and their cooperatives claim it. In addition to wages and operating costs, the investment costs can be subsidised. The maximum duration of 12 months cannot be extended.

National public employment: The beneficiaries are budgetary units, church and civil organisations, public non-for-profit organisations, water and forest management associations, railway infrastructure operators, and public service providers designated by law. The extent of the subsidy may cover up to 100 of the public employment wage and social security contributions. Other labour related costs may be granted (up to 20% of the wage subsidy). The duration is 12 months, which can be extended once for six months.

Source: Based on exchanges with Hungarian LMP experts.

137. What is surprising is that long-term public employment and the national programme explicitly mention the option to hire qualified workers through the scheme (Table 6.1) and Bakó and Lakatos (2015^[40]) discuss the development of wages of skilled participants and team leaders participating in the scheme. A temporary, non-market character of many public works jobs can therefore be questioned. The most important type of public employment in recent years has been the long-term public employment scheme, which supports direct job creation in disadvantaged regions. In fact, in 2016, in two of the most disadvantaged counties around 15% of all employees were public workers (Bakó and Lakatos, 2017^[34]). However, evaluation studies found that through their lock-in effect, the public work schemes significantly reduce the probability of open labour market integration (Csoba and Nagy, 2012^[41]; Cseres-Gergely and Molnár, 2015^[42]). Also the LMP database exit data show that the most common destination for leavers is subsidised employment (43% in 2016), followed by unemployment (25% in 2016). Hence, the scheme has been criticised for its low efficiency in reintegrating people into the primary labour market and poor targeting (Albert, 2017^[43]).

138. Recognising some of the difficulties, the Hungarian government introduced a number of changes to the scheme over the past two years, which, however, have not yet shown impact in 2016 (Bakó and Lakatos, 2017^[34]) and therefore cannot be analysed in this report. The changes cover:

- Since January 2016 (Government decree No. 328/2015), public workers moving into the primary labour market can receive a new incentive payment. Public workers who found employment before having reached the maximum duration of the public works programme, receive an award equal to the remaining ESS payments they would have received if they had not found employment (Scharle, 2016^[44]).
- In July 2016, an experimental project started, which pilots the extension of the public works scheme to previously non-eligible groups with a total of 300 participants. The new beneficiaries include individuals with mental, health or

social problems who previously were not able to enter the scheme (Hajdu et al., 2018^[45]). These target groups are more likely to be in need of public works scheme as a last resort labour market support measure.

- In March 2017, the Government passed another Decree (No. 1139/2017) which aims to reduce the number of public works participants, gradually decreasing them to 150 000 by 2020. People under 25 years now could only be involved in public works if the Youth Guarantee Scheme could not offer them an alternative. Skilled workers can only be involved if other placement efforts have failed three times. From June 2018, the maximum duration of participation will be limited to 12 months in a three year period (Hajdu et al., 2018^[45]), which is even more strict than for a similar measure in Finland (FI-9).

6.2.2. *Employment incentive measures in Hungary (category 4)*

139. Hungary has three employment incentive measures which subsidise direct wage costs of employers employing unemployed jobseekers: HU-5 *Creation of new jobs and maintenance of existing jobs*, HU-11 *Creation of new jobs (temporary contracts)*, and HU-33 *Wage-costs support*.³⁵ HU-11 offers employers hiring jobseekers from disadvantaged groups (e.g. LTU, disadvantaged youth, older workers, lone parents) on temporary contracts subsidies of 50-100% of the employees' wages. Wage costs are covered for a year, but the support may be for up to 18 months, with subsidies only covering social security contributions in the last period. HU-33 was created in 2007 to expand employment subsidies to jobseekers that are not eligible for such subsidies through HU-11. Even though HU-33 is targeted at less disadvantaged jobseekers,³⁶ it is more generous than HU-11. The maximum duration of HU-33 is three years and it grants subsidies of up to 100% of the total wage costs (including social security contributions). This is also reflected in the expenditure per participant year (ppy): The expenditure ppy for HU-11 was EUR 2 851, but it was EUR 4 121 for HU-33. HU-5 are employment incentives embedded into larger investment funds available from government. Employers compete for the funds on a tender basis. Successful applicants receive not only wage costs subsidies to support the creation of new jobs and the expansion of existing jobs, but also subsidies to purchase equipment and non-material goods. The measure does not specifically target disadvantaged jobseekers.

140. Together the three measures combine 10% of the participant stock and 8% of the total expenditure in LMP measures. The highest number of LTU is found in HU-33 (883, presenting 5% of the annual average stock of HU 33). An evaluation found that that

³⁵ HU-8 *Maintenance of existing job* is targeted at employed at risk. HU-22 *Group transportation* and HU-23 *Support for long-distance travel costs* support employers who offer transportation to their employees and HU-46 *Housing support* supports employees who work at least 100 km away from their usual place of residence. Together the four measures combine less than 1% of the stock of and expenditure on LMP measures in 2016.

³⁶ The target groups of HU-33 *Wage-costs support* have changed over the past few years. Before 2014, the intervention targeted only registered unemployed. Since 2014, the intervention targets registered unemployed and not registered jobseekers. The participant data, however, suggests a different composition of participants: Participant entrant data suggests that also employed individuals entered the HU-33 in 2008, 2009 and 2014. Over the past three years, half of the entrants into HU-33 were not registered on average. However, already in 2009 – when the target group data did only show registered unemployed as beneficiaries – around 15% of the entrants were not registered.

employment incentives in Hungary significantly raise the employment prospects of participants in comparison to the control group, however, they many enhance the employment prospects of the short-term unemployed and are associated with large substitution effects and deadweight loss (Csoba and Nagy, 2012^[41]). Nevertheless, against a background of better targeting an expansion of employment incentives at the expense of direct job creation measures could be considered. In fact, the expenditure ppy in 2016 for HU-11 *Creation of new jobs (temporary contracts)* at EUR 2 851 was even less than that for HU-42 Public employment at EUR 3 850.

6.2.3. HU-3 Training for unemployed (category 2)

141. Hungary includes two training measures in the LMP database, but only HU-3 *Training for unemployed* is relevant for unemployed jobseekers, while HU-4 *Training for employed persons* is targeted at employed individuals. HU-3 offers participants income replacement benefits for the duration of the training and reimbursement of the training costs (direct training costs, transition allowances, eating, and accommodation). Furthermore, HU-3 provides support to employers offering training to unemployed people with reduced capacity to work. All unemployed are eligible to participate in HU-3, but some special groups of beneficiaries are also defined: youth not entitled to unemployment benefits, lone parents and unemployed with a disability. The qualitative report lacks a description on how training needs are identified and how training is organised and which institutions provide training. This should be added going forward. While training programmes never played an important role in Hungary, their seize has reduced further in recent year (Figure 6.2). While the annual average stock in 2006 was 12 561 participants, it was merely 7 374 in 2016. The number of LTU being referred to training has nearly halved since 2010: In 2010, there were 17% LTU among the participants, while only 9% were in 2016.

142. Evaluation studies found that training programmes in Hungary are not well targeted as a high proportion of participants have formal vocational qualifications (Csoba and Nagy, 2012^[41]; Adamecz-Völgyi et al., 2018^[46]). This is important, as Adamecz-Völgyi et al. (2018^[46]) find that training is more effective for low-educated workers. The authors also find that shorter training programmes (≤ 90 days) offered in Hungary have a greater effect than longer term training programmes (> 90 days) even 3 to 4 years after entering training. The authors therefore suggest that “(...) it is conceivable that a greater number of the relatively shorter programmes, targeting job seekers with a lower educational attainment, can significantly improve employment (and mitigate the labour shortage) within the foreseeable future (1–2 years).” Similarly as for employment incentives, the expenditure ppy for HU-3 (EUR 3 101) is lower than that for HU-42 Public Employment (EUR 3 850).

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