

The scope and comparability of data on labour market programmes

Data are based mainly on information about individual labour market programmes which appears in state budgets and the accounts and annual reports of bodies which implement the programmes. Although such sources are to some extent supplemented with surveys of local practice and adjustments made for the purpose of cross-country comparability, the data as presented here remain influenced by national institutional arrangements and reporting standards. Users should note the following general issues of scope and comparability, and consult the table footnotes and other detailed sources of information, to determine the suitability of the data for a particular purpose.

General principles of scope and coverage

Table Q of the [OECD Employment Outlook](#) classifies most individual programmes into Categories 2 *Training*, 4 *Employment incentives*, 5 *Sheltered and supported employment and rehabilitation*, 6 *Direct job creation*, 7 *Start-up incentives*, 8 *Out-of-work income maintenance and support* and 9 *Early retirement*. Categories 2 to 9 include labour market programmes that are "targeted".

The criterion of targeting *includes* these types of action (training, start-up incentives, etc.) when targeted on the unemployed. Measures targeted on some closely-related groups (people who are inactive but would like to work, and employed people who are at known risk of involuntary job loss) are also included, and in countries where unemployment is often not compensated or registered, targeting on poverty or disadvantage associated with broadly-defined underemployment may be considered comparable. Also included are apprenticeship support for young adults who have been unable to find an apprenticeship through the usual channels, temporary subsidies for hiring people from age groups or regions where unemployment is concentrated (but not permanent subsidies for the employment of such people) and early retirement benefits which require the employer to replace the retiree with an unemployed person, which promote the restructuring of a particular industrial sector or enterprise, or are restricted to formerly-unemployed people.

The targeting criterion *excludes* training that is generally available to employed adults (Subcategory 2.2 *Workplace training* should not be understood to include such training), except when participation is funded (in terms of tuition fees or payment of a training allowance or unemployment benefit) due to membership of a target group. It also excludes apprenticeship programmes that are generally available to young adults; in-work benefits or payroll tax reductions available for all employees whose earnings fall below a threshold; lifetime sheltered work for the disabled (which is considered to act outside the open labour market); measures promoting local enterprise and business start-ups which do not create jobs specifically for the target groups; income-replacement benefits which are not conditional on labour market participation, such as most lone-parent and disability benefits; and early retirement benefits that are conditional only on age and/or contribution record.

Expenditure on Category 1, named *Public Employment Service (PES) and administration* in OECD data, can differ greatly from expenditure in Category 1 reported in the [LMP database of the European Commission](#) because OECD data in principle represent spending on a certain set of functions rather than spending by country-specific organisations. Category 1 includes placement and related services for employers and the employed as well as the unemployed, including similar services delivered by private providers but with public financing, and any administration costs of the active and passive programmes in Categories 2 to 9 that are not already included in those categories. The *implementation* costs of measures in Categories 2 to 7, such as the salaries of training instructors and the cost of training centres, should be counted in those categories while related costs of central organisation, supervision and overhead support which are not easily attributable to a specific measure are included in Category 1. Administration includes central management, regional and local offices, IT systems and national websites, buildings and maintenance, publication and advertising, and other

items which are typically associated with the placement function and the programmes in Categories 2 to 9. But the administration costs which relate to measures outside the scope of the database, such as training for employed people, the promotion of business start-ups, work permits and labour and health inspection, should be excluded.

Spending reported in Category 1 does not include income support paid to participants in placement or related measures (though it includes some reimbursements, e.g. of travel-to-interview expenses). In principle, spending reported in the "active" Categories 2 to 7 includes income support payments to participants (including those in Category 5, Sheltered and supported employment and rehabilitation). Category 8 *Out-of-work income maintenance and support* excludes the income support payments that are included in Categories 2 to 7. Spending in Categories 8 and 9 does not include any administration costs of the benefits.

Coverage and comparability issues arising for particular programme categories

Category 1 PES and administration. It is often not possible in practice to exclude certain spending by PES organisations on activities that are outside the scope of the database, or include certain spending on activities inside its scope. Benefit administration costs may be overestimated or underestimated in countries where unemployment benefits are jointly administered with other social security benefits. The cost of collecting unemployment insurance contributions is not included when they are collected jointly with other social security contributions and/or income tax. The administration costs of income support payments to participants in Categories 2 to 7 are often included in Category 1. Subcategories 1.1 (Placement and related services) and 1.2 (Benefit administration) include only expenditure that has been separately identified: in some cases the budgets of the main PES organisations can be wholly allocated across these subcategories while in other cases part (e.g. non-staff costs) or most of the budget is not allocated in this way, so the comparability of data for these two subcategories is very limited.

Category 2.4 Special support for apprenticeship. In several countries, relatively untargeted measures are included: notes to the table identify some instances. Data should not be treated as comparable.

Category 4 Employment incentives. Subcategory 4.1 *Recruitment incentives* includes measures which are payable for a limited period only and Subcategory 4.2 *Employment maintenance incentives* includes only measures to tackle specific cases of restructuring or other economic difficulties. General and indefinite-duration subsidies for particular types of employment are thus excluded. In some countries, over a half and in a few more about a third of the spending in this category consists of income maintenance and support payments to formerly unemployed individuals who have taken up part-time or full-time employment, which can closely resemble unemployment benefits (included in Category 8) paid to beneficiaries who have low earnings from part-time or intermittent work. Some countries in this category report high spending on broad employer hiring subsidies which are not directly targeted on unemployment: note to the table identify some instances. Data should be interpreted with caution.

Category 5 Sheltered and supported employment and rehabilitation. To the extent that disabled persons participate in regular measures (such as those in Categories 2 and 4), spending on employment services for the disabled does not necessarily appear in this category. Measures included in this category typically provide an ongoing support and have no planned duration. However, lifetime sheltered work provisions where the subsidies cover 100% or more of the wages (i.e. also cover administrative costs) for an indefinite period are considered as part of social policy and outside the scope of the LMP database. In Subcategory 5.1 *Sheltered and supported employment*, uneven implementation of the principle that lifetime sheltered work is excluded probably affects the spending levels reported. In several countries that report high spending in Subcategory 5.2 *Rehabilitation*, income support (rehabilitation benefit) is a large proportion of the total.

Category 8 Out of work income maintenance and support. This includes unemployment insurance and unemployment assistance benefits, i.e. assistance benefits which are formally targeted on the unemployed. However the majority of countries also have a social assistance (or minimum income) benefit that is non-categorised, i.e. some recipients are required to be available for work while other recipients are exempted from this requirement on grounds of incapacity or caring responsibilities. Spending on these social assistance benefits is included in Denmark (which has a reporting system that identifies the unemployed recipients of

social assistance) and the Netherlands (where all assistance benefit spending, including payments to inactive recipients, is included), but it is omitted in other countries with this type of benefit. For this and other reasons, the data permit only very approximate comparisons of benefit generosity or the benefit coverage of unemployment as defined in labour force surveys.

Category 9 Early retirement. In most countries where significant spending is reported, it relates to schemes which allow older workers on unemployment benefit to transfer to a similar benefit (albeit with a different name) where work availability requirements do not apply. Historically several other countries allowed workers above a certain age on unemployment benefit to continue receiving it with exemption from work availability requirements, and through to retirement, but with the corresponding expenditure reported in Category 8, and this may still be the case to some extent.

Payments to individuals within "active" spending

A large proportion of "active" spending takes the form of (income support) payments to participants in active measures. In number of EU countries which fully report the type of spending in the [LMP database of the European Commission](#), spending on measures in Category 2 *Training* (except for apprenticeships) consists of mainly "transfers to individuals", *i.e.* mainly (income support) payments to participants. Transfers to individuals may also be a major component of spending in Categories 4 to 6, depending on national programmes. Most measures in Category 7 *Start-up incentives* take the form of (continued) payment of (unemployment) benefit during the start-up of a business. Moreover spending of the type "transfers to employers", which is reported particularly in Category 4 *Employment incentives* and Category 6 *Job creation* in the European Commission database, is in large part further transferred to participants in these measures in the form of wages.

Comparability of data over the COVID-19 pandemic

During the COVID-19 pandemic, many OECD countries introduced schemes to protect jobs and incomes by compensating labour costs in times of dropping revenues due to the pandemic, for workers' reduced hours or for workers "on furlough". Dependent on the exact design of the schemes, these can fall under category 4.2 *Employment maintenance incentives* (payments are not aiming to cover workers' for loss of income as a result of hours not worked) or category 8.2 *Partial unemployment benefits* (payments are covering hours not worked). To provide the database user with comparable data across countries, the cross-country tables include the additional total figures for "Active programmes without employment maintenance incentives" (categories 1 to 7 without 4.2 in terms of expenditures; categories 2 to 7 without 4.2 in terms of participants), "Passive measures without partial unemployment benefits" (categories 8 to 9 without 8.2 in terms of expenditures; categories 8 to 9 without 4.2 in terms of participants), and the total of "temporary employment / income maintenance in continued employment relationship" (measures 4.2 and 8.2). Note that due to the differences in financial years, for some countries (such as Australia, Canada, New-Zealand) these expenditures appear already in the 2019 data, although the programmes were implemented in the 2020 calendar year. A few countries has similar schemes in place already before the COVID-19 pandemic.

Examples of programmes designed to address the challenges of the COVID-19 pandemic

Labour market programmes designed to specifically address the COVID-19 challenges were mostly in the form of LMP measures (categories 2 to 7) or LMP supports (categories 8 to 9), although also LMP services were often fundamentally re-designed. Below is some guidance on the classification of some of the more typical programmes that were adopted.

- a) Programmes targeted at *employees subjected to reduced working hours or suspension of work* due to enforced lockdown and restrictions on business activities (*i.e.* employed at risk).
- *Compensation for hours not worked* while the employment contract is maintained: paid directly to the employee or to the employer (as an intermediary), including support in relation to wages and/or social contributions → Included in the category 8.2 *Partial unemployment benefits*.
 - *Training provided to such employees* → Included in the category 2 *Training* under the sub-category most fitting the nature of the training.

b) Programmes targeted at *employees continuing to work normal hours but whose employment is at risk* due to economic difficulties of the employer arising from the crisis (i.e. employed at risk)

- *Incentives to maintain their employment or support their retraining* temporarily until the economic impact of the crisis for the employer has alleviated and normal business resumed: subsidies which represent a contribution to the labour costs of the person employed → Included in the category 4.2 *Employment maintenance incentives*.

Such incentives are distinguished from compensation for hours not worked, described under point a), as the support maintains working time rather than compensating for the loss of it. An example of such support is time limited provision of funds to companies to cover (part of) the wages of employees and avoid redundancies until economic recovery enables normal business to resume. General grants and subsidies to companies to support business income are not included here. The payments in this category must be specifically directed at supporting wages of employees.

Note that generally available in-work benefits for low-income groups are not included.

- *Training: provided to such employees* → Included in the category 2 *Training* under the sub-category most fitting the nature of the training.

c) Policies targeted at *self-employed¹ forced to reduce (fully or partially) their activities without ceasing their enterprise* due to enforced lockdown and restrictions on business activities (i.e. employed at risk) without ceasing their enterprise.

- *Compensation for loss of income* due to reduction in activities → Include in the category 8.2 *Partial unemployment benefits*.

Note that generally available support for all self-employed are be included. Cases falling within the scope of the LMP database are specifically targeted to those whose employment is at risk due to reduced activities. In practice, this limits coverage to support where eligibility or the amounts disbursed depend on loss of income.

Note that the complexity of the situation arising from the COVID-19 crisis has introduced a range of social policies which lie on the borderline between labour market policies, within the scope of the database, and more general social policy, outside the scope of the database. For example, some countries have provided financial support during periods when schools have temporarily been closed to persons who would otherwise be forced to take unpaid leave. In this case, there is a labour market element in that the inability to attend work may place such persons in difficult situation. However, it is not targeted to employed-at-risk as defined in the LMP methodology, specifically it does not target those “*in work but at risk of involuntary job loss due to the economic circumstances of the employer, restructuring, or similar*”. Such a policy is therefore out of scope and considered as part of social protection policy.

Other comparability issues

Programmes involving part-time participation. To be included in Categories 2 to 7, measures should be supervised and constitute a full-time or significant part-time activity of participants during a significant period of time. Programmes that are relatively cheap in terms of the services delivered may still be reported with high reported expenditure in the form of income support payments to participants.

Further issues affecting reported expenditure. In some countries net income support payments received by individuals are significantly below the gross amounts reported, because the gross amounts are subject to deduction of income tax and/or social security contributions at rates similar to those applying to wages and salaries. In some other countries this is not the case. In some countries the main unemployment benefit is supplemented by payments of social assistance benefit or housing benefit, and these supplements may or may not be included. Depending on national administrative arrangements, health and pension insurance contributions on behalf of unemployment benefit recipients may or may not be included. These factors will often influence the spending reported for active as well as passive programmes.

¹ Including owners of unincorporated enterprises (i.e. enterprises that are not a legal entity distinct from their owners).

Other spending. Coverage of spending by regional and local governments, and coverage of employment services such as employment-oriented personal counselling for social assistance beneficiaries, may be incomplete.

Accuracy thresholds. For some detailed programmes, no data are available or the available data are known to incorrectly include or exclude certain items of expenditure. As a rough guideline, missing-data issues that result in suspected errors of less than about 10% in subcategory spending totals are ignored, and suspected errors or omissions up to about 20% are corrected if possible but otherwise are tolerated. Larger suspected errors may be tolerated when a user note identifying the issue is given, or may lead to subcategory and category totals being reported as missing. This guideline is relevant for OECD Category 1, where the available data rarely have exactly the appropriate coverage. But no particular accuracy threshold applies as regards items omitted from Subcategories 1.1 and 1.2 which by definition include only separately-identified spending.

Participant stock data

Most of the issues noted above remain relevant for data on participant stocks, along with the following further points.

Part-time programmes. Participants' stocks are high relative to programme expenditure for measures that involve low subsidy rates or less than full-time participation (e.g. a hiring subsidy of 20% of the wage for 3 years, rather than 60% of the wage for 1 year; training with participation 2 days a week for 5 months, rather than 5 days a week for 2 months). Although participant numbers tend to be high for low-intensity programmes, below some threshold low-intensity programmes might be omitted from the database or classified to Category 1: this factor can make the participant data totals erratic. In Category 1, since there is no lower limit on the intensity of the interventions that are included and low-intensity interventions (e.g. short interviews) often continue during participation in specialised interventions (e.g. Job Clubs), participant totals are not reported.

Double counting within categories. Double counting can arise more easily in participant data than in spending data. For example, when training services are reported as one programme and allowances paid to participants in training are reported as a second programme - which occurs in several countries - the spending data can be added but the summing of participant data would involve double counting. Adjustment for known cases of double-counting are included at the level of category totals with the result that these are sometimes less than the sum of subcategory totals.

Further references

General definitional guidelines are given in European Commission (2018), [Labour market policy statistics - Methodology 2018](#). For EU countries, individual programme data are provided in [LMP database of the European Commission](#). For further discussion on historical data and previous classifications see Grubb and Puymoyen (2008), "Long Time-Series for Public Expenditure on Labour Market Programmes", OECD Social, Employment and Migration Working Paper no. 73 (<http://dx.doi.org/10.1787/230128514343>)

The current data series, with long time-series estimates back to 1985 for many of the countries, can be accessed online at [Public expenditure and participant stocks on LMP \(oecd.org\)](#).

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