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Labour Market Policy Seminar

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Presentation

This "Working Paper" presents the proceedings of the first Labour Market Policy Seminar, which was jointly organised by Eurostat and DG Employment, Social Affairs and Equal Opportunities, in Brussels on 10 October 2006. The Seminar was attended by 75 participants representing 32 countries, various international organisations and universities. It was chaired by *Antonio Baigorri*, Head of Unit of Eurostat-F2 "Labour Market", (ESTAT), *Robert Strauss*, Head of Unit D2 "European Employment Strategy, CSR, Local Development", (DG EMPL, Social Affairs and Equal Opportunities) and *Karin Winqvist*, Senior Administrator, (DG EMPL, Social Affairs and Equal Opportunities).

The main aim of the Seminar was to invite researchers, academics, policy makers and other users of the LMP database, to present their experiences and their comments and suggestions to improve the usefulness of LMP data.

Other important aims of the Seminar were to disseminate the first revision of Labour Market Policy (LMP) database methodology and to present the progress made in the provision of data and indicators required by the European Employment Strategy (EES) for the monitoring of labour market policy interventions.

The publication starts with a **short history of the project,** illustrating the main steps in the development of the LMP database and its main results from 1997 to 2006. This presentation is complemented by the **revised LMP methodology**. The main changes introduced are general improvements in the guidelines for completing data on expenditure and, in particular, improvements in the provision of data on participants. Thanks to new clarifications, examples and diagrams, the LMP methodology has been substantially improved.

These presentations are followed by an article demonstrating the effort to **link research results and policy making** – a subject that is particularly relevant to the development of the LMP database, which was created to collect comparable data on labour market policies in order to contribute to the monitoring of the European Employment Strategy. The third paper exemplifies the positive effects of the agreement to launch a **joint Eurostat-OECD LMP data collection**. The co-operation between the two institutions increases the efforts for a continuous improvement of data quality and comparability. This is followed by a document which deals with the coverage and comparability of data on category 1, on the continuing in-depth work to improve data on **"Labour Market Services"** of the LMP database, which has been a matter of concern for the LMP database since its first year of implementation. The following paper stresses the importance for the ECB of collecting and analysing data on **participants in "employment schemes supported by the government**", a particular type of public intervention which is also covered within the LMP data collection, pointing to the possibility of future synergies between both data collections.

The Universidad Autónoma de Madrid presented an interesting **follow-up and evaluation study** based on an impressive sample of one million people. It compares a large group of participants in LMP measures - over half a million unemployed - with a control group of the same size, with five similar characteristics: sex, age, educational level, unemployment duration and geographical location / region. This study was followed by the presentation of the LABREF (Labour

Reforms) database developed by the Directorate-General for Economic and Financial Affairs, which provided a general overview of legal decisions designed to have an impact on the labour market in the widest sense.

The next paper presented an interesting approach which is gradually being applied in several EU countries, namely the use of a **"data warehouse"** to efficiently collect all necessary data about unemployed persons benefiting from labour market policy measures. There is an increasing awareness of the diversity of data and their sources needed to effectively monitor labour market interventions.

The last paper explores for the first time the **contribution of the Regions to Labour Market policy** considered at national level. This input is very relevant, since regional interventions are often the most basic level of implementation of labour market policies. The paper launched a debate on the usefulness of the data collected for regional Labour Market Policies, and on how the LMP database could more adequately meet the political needs of the regions.

The seminar was greatly appreciated by all the participants, who considered that the presentations provided not only very interesting information, but also good opportunities for networking, and had led to the exchange of interesting new ideas for further development.

Conference Papers

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The Labour Market Policy Database – From 1997 to 2006

Africa Melis

chapter 1

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The Labour Market Policy Database – From 1997 to 2006

Africa Melis[1]

1. Introduction

Labour market policies (LMP) in this database are defined as public interventions in the labour market designed to ensure that it functions efficiently and to correct disequilibria. They can be distinguished from other general employment policy measures in that they act selectively to favour particular groups in the labour market. The classification by type of intervention comprises nine categories: one on "Labour Market Services", six types of "measures" and two categories of "supports. Most of these categories have two or more sub-categories (see Annex 1).

The Eurostat LMP database was created by the Directorate General for Employment and Social Affairs in 1998. Discussions between Eurostat, DG Employment and the OECD began in 1996 in order to improve existing data on labour market policies.

1997 was particularly significant year for the development of the LMP database, since events made it clear that comparable data on relevant indicators would be needed in order to monitor national progress in Employment Strategy. The primary reasons for this were the inclusion of a new Title on "Employment" in the Treaty of Rome at the European Council of Amsterdam, and the impact of the subsequent "Extraordinary Job Summit" in Luxembourg, after which the Commission decided to dedicate human and financial resources to the development of the LMP database in Eurostat. Preliminary technical discussions and work with a small task force of six countries had already started in 1996 to examine the feasibility of an LMP database. However, significant progress was only achieved in 1998, following the Commission's decision to make financial resources available.

In 1998, the only existing LMP data were collected by the OECD in its Active Labour Market Policy (ALMP) database, which had been the sole source of comparable data since 1985. However, these data presented some shortcomings which needed to be resolved if they were to measure up to the new challenge, namely the Commission's need to monitor labour market policies for the European Employment Strategy. ALMP data were collected at an aggregate level, covering public expenditure but containing no comparable data on participants. Moreover, the data lacked any detailed description of LMP measures and were thus not sufficient to enable detailed monitoring of country interventions in the effort to reduce unemployment.

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[1] Africa Melis is Project Leader of the Labour Market Policy database at Eurostat Unit F2 "Labour Market".

2. Main Achievements since 1997

In 1998, a draft methodology and user-friendly software were developed. Both were tested in 1999 by means of a pilot data collection (April-September 1999, reference year 1997). All 15 European Member States and Norway took part in this first stage and in the subsequent discussion of the methodological guidelines, contributing to the improvement of both the draft methodology and the software.

Thus, the development of the first detailed LMP methodology to collect data on expenditure and participants lasted two years, during which all participating countries were actively involved. LMP delegates contributed to the analysis of methodological problems and to the definition of the best possible solutions, and participated in technical Working Groups which included all countries. Complex issues needing more in-depth discussion were dealt with in smaller "Transnational meetings" of four to five countries.

Definition of an LMP Methodology in May 2000

The draft methodology was revised at the end of 1999, taking into account the results of the pilot data collection and the comments of all participating countries. It was published in May 2000.

Improvement of timeliness and data availability

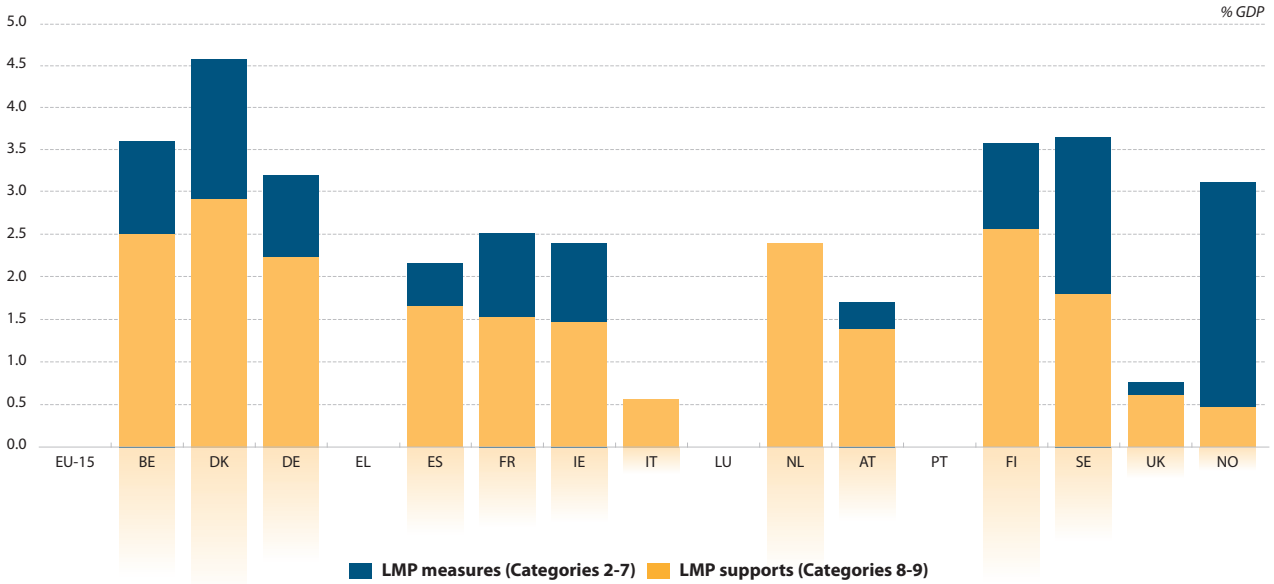
The first full data collection was launched in February 2000 (reference year 1998). However, at that time, it was not possible to publish complete results until 2.5 years (29 months) after the reference date, meaning that data for 1988 were published in June 2001.

Thanks to the cooperation of all the delegates, the improvement of the data collection methods and the rescheduling of the data collection from February to June, by 2004 timeliness had been improved. As a result, 2002 data were published in June 2004, i.e. within 18 months. The time-lag has since been further reduced to 16 months: data for 2004 were published in April 2006. Data for 2005 are due to be published in March 2007, thus reducing the time-lag to only 15 months.

Data on expenditure for 1998 were not available for all countries in 2000; thus no EU-15 average could be calculated. In an effort to improve the provision of the missing data, a rule was adopted not to publish "totals" when one or more values were missing. This strict rule showed users which data were not complete and encouraged delegates to improve data completeness. Data on expenditure proved easier to collect than data on participants, since there was a long history of reporting expenditure on these aspects to ESSPROS and to the OECD's ALMP databases. However, within the data on expenditure, reporting on "active" categories (training, employment incentives, direct job creation etc.) was more difficult than reporting on "passive" categories (i.e. unemployment benefits and early retirement) since most countries had already been collecting the latter for several years. The reclassification of "active" LMP measures into seven categories required the relevant data providers (generally Ministries of Employment) to collect a set of new data. The collection of detailed statistics on these categories continues to be a difficult exercise for some countries.

Graph 1 shows that, for 1998, complete data for categories 2-7 were only available for eleven countries and complete data for categories 8-9 were available for 13 countries. It was not possible to calculate any EU-15 totals.

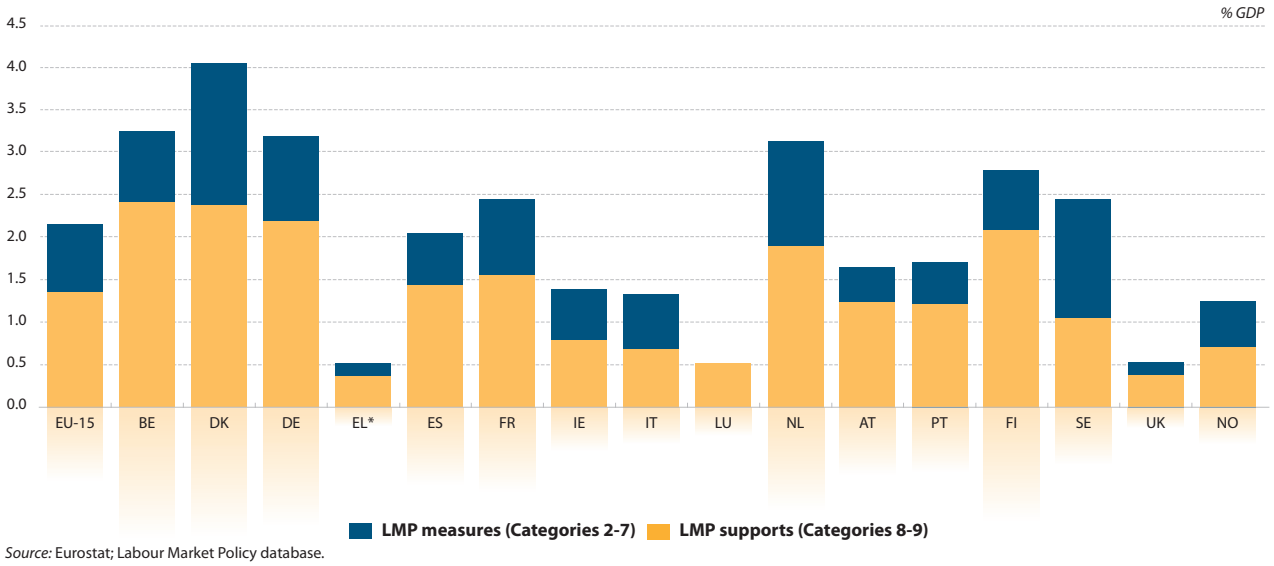
Graph 1 Public expenditure on LMP as a percentage of GDP, 1998.



Source: Eurostat; Labour Market Policy database.

It was only in 2003 (2002 data) that complete expenditure data for all countries (except LU for categories 2-7) were available, and EU-15 totals were calculated.

Graph 2 Public expenditure on LMP as a percentage of GDP, 2002.



Source: Eurostat; Labour Market Policy database.

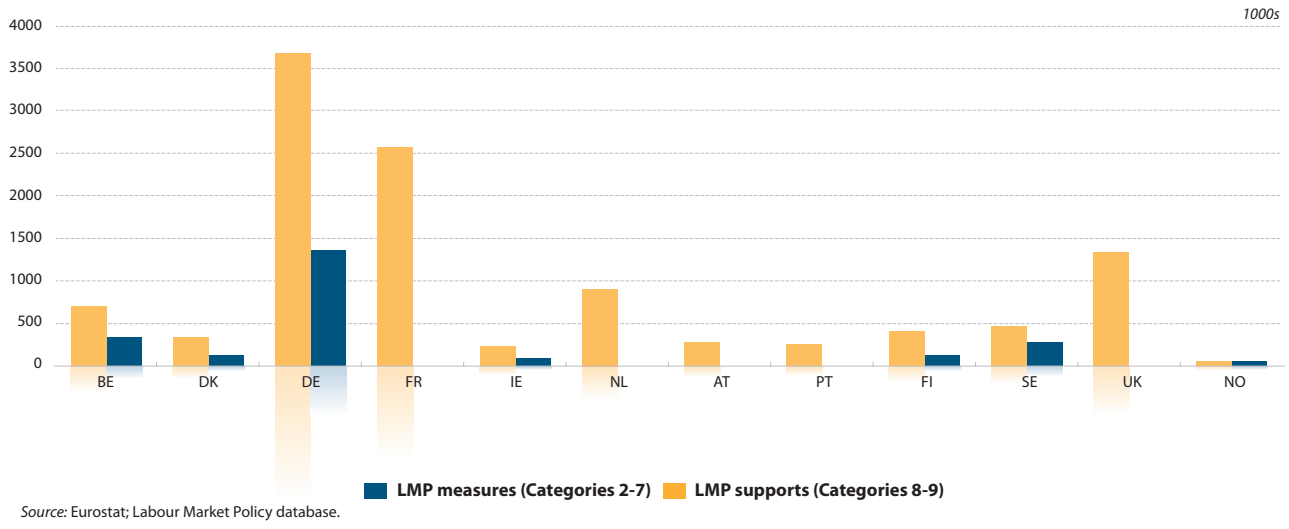
Concerning data on participants:

In 2000 (1998 data), even greater efforts were demanded of the participating countries, since there was no previous tradition of Member States reporting comparable data to statistical offices. The available OECD data on participants were only comparable when used at an aggregate level, including in some cases "stock", in other cases "entrants" and in others "total participants in the year".

Eurostat development of a detailed methodology and its definition of three different observations for data on participants (stock, entrants and exits) was a step forward, but data collection was and still is a difficult exercise for data collectors. As shown in the graph below, the figures available on participants in the first LMP publication were quite poor. However, most countries have gradually improved their data provision for all three variables. The collection of data on participants is the most important added value of Eurostat data.

Graph 3 shows that complete data on stocks for "active" categories (2-7) were only available for seven countries, (BE, DK, DE, IE, FI, SE and NO), whereas data on "passive" categories were available for 12 countries (as above, plus FR, NL, AT, PT and UK). As for expenditure, collecting data on benefit recipients was already a longstanding tradition in several countries and it was therefore not too difficult to report on these. However, here too, it was not possible to calculate EU-15 totals for participants in 2000 (1998 data).

Graph 3 Number of Participants on LMP - Stock, 1998.



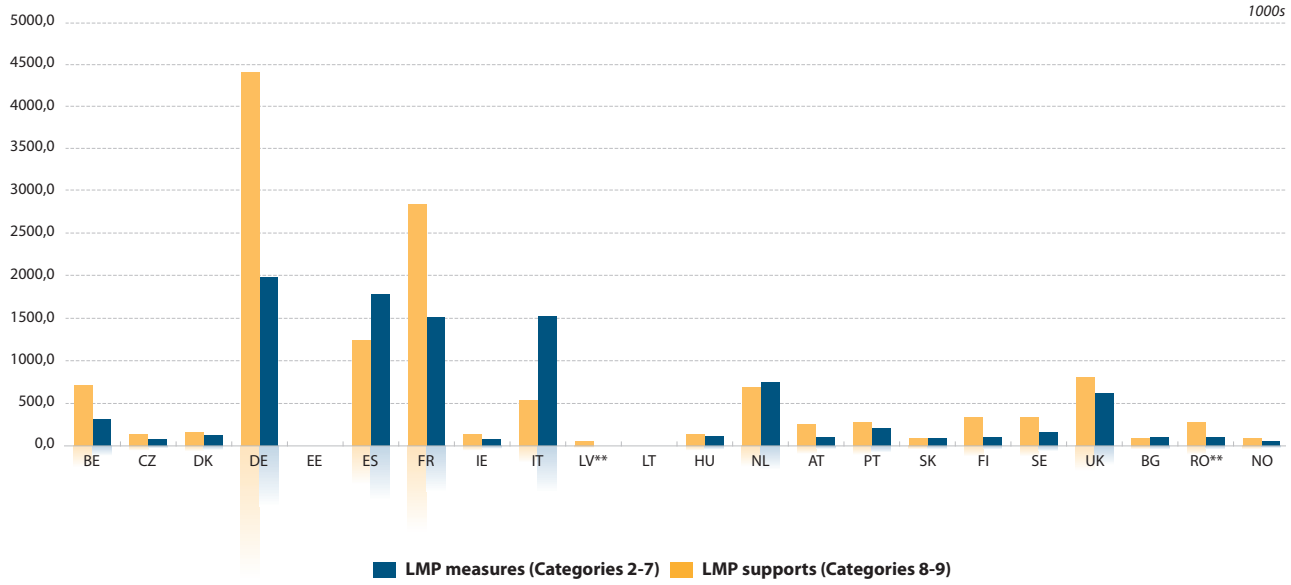
Source: Eurostat; Labour Market Policy database.

The situation concerning the availability of data on participants improved in 2004. Thirteen countries provided complete data on "Stocks" for active categories, (BE-DK-DE-IE-NL-FI-SE-UK-BG-RO-NO), and 17 countries provided data on beneficiaries in categories 8-9, (BE-CZ-DK-DE-EE-IE-LV-LT-NL-FI-SE-UK-BG and NO).

Since then, the level of reporting of participants' data has improved significantly – in terms of the number of measures with missing data – even if the number of countries with published totals has not changed appreciably. However, because of the continued application of the strict rule of not publishing "totals" when one or more values is missing, this improvement is not evident at the moment.

The introduction of a new "reliability" indicator, involving publication of participants' data for over 75% of expenditure in the corresponding measures, has already proved useful in calculating some LMP indicators submitted to the Employment Committee (EMCO) Group on Indicators. The discussion and refinement of that reliability indicator with the LMP delegates has been planned, since its use in the next LMP publication would improve the availability of data on participants for most countries.

Graph 4 Number of Participants on LMP - Stock, 2004.



Including only countries with reliability indicator>75%
*** Data refer to 2003.*
Source: Eurostat; Labour Market Policy database, March 2006.

Dissemination of the LMP database to all data providers

In 2003, the full LMP database containing data for all countries (after validation and publication) was made available to all LMP delegates and data providers. The dissemination allowed all data providers to consult and analyse all the consolidated data, as well as all the detailed descriptions of measures (approximately 700 measures for all 15 countries). Delegates from Austria, France, Germany and Sweden prepared articles based on these data (available on CIRCA).

Extended LMP expenditure coverage: "Labour Market Services"

Data on Category 1 (Labour Market Services) were not included in Eurostat publications or in the Eurostat NewCronos database until 2005, due to continuing methodological doubts about their quality and comparability. Thorough analyses of the contents and methodological work to improve guidelines and comparability were carried out over a period of six years, thereby improving the comparability of data on the "Client Services" sub-category within "Labour Market Services" category 1. Consequently, after discussion and agreement with Member States, for the first time partial data on "Client Services" in category 1 were included in the aggregates with 2003 data. Additional work on the harmonisation of contents (programmes included under category 1) enabled the total expenditure in category 1 for the 2004 data to be published a year later.

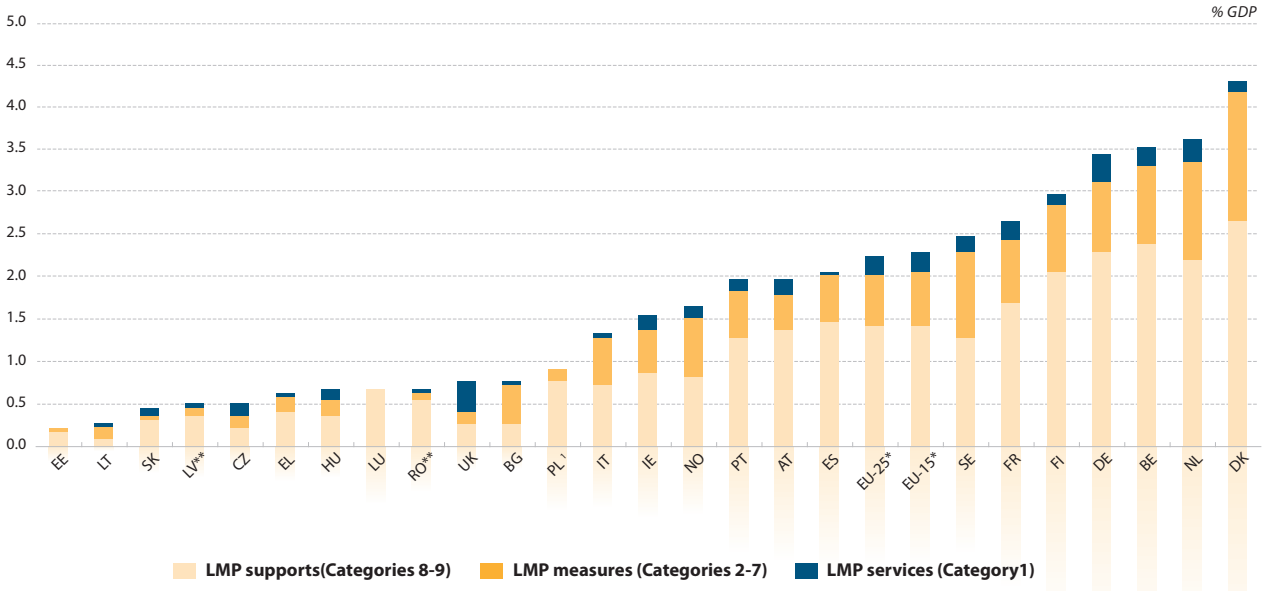
Extension of country coverage: from 16 to 24 countries

From 1998 to 2003, LMP data were collected in 16 countries. In 2005, following the enlargement of the European Union, the LMP database covered 24 countries (2004 data). The database included the "old" participant countries (15 existing EU Member States and NO), six new members (CZ-EE-LV-LT-HU and SK), and two candidate countries (BG and RO). Financial and technical support for the new Member States and candidate countries was provided through the PHARE programmes. In 2006 (2005 data), the LMP database will include 26 countries (with PL and SI, but not yet MT and CY).

Availability of data on expenditure for the eight new countries included in the 2004 publication was very good. All of them provided 100% of the expenditure data for all categories. The availability of data for participants, which is recognised as being much more complicated, was 100% complete for only two countries in the active categories (2-7); however, for the passive categories (8-9) all new countries provided 100% of the data on participants. Overall, the new countries did excellent work in the first year of participation.

Graph 5 shows that, for the year 2004, complete data on expenditure for all three groups of categories (services, measures and supports) were available for 23 countries. However, as data for five EU Members were incomplete or missing, no EU-25 totals could be calculated. For the purposes of analysis, however, (see SIF 12/2006 "Expenditure on Labour Market Policies in 2004") some provisional data for Poland submitted to the OECD were used at aggregate level (detailed data, not validated) and EU-25 totals were constructed, as the remaining missing countries are all relatively small (CY, LU, MT, SI).

Graph 5 Public expenditure on LMP as a percentage of GDP, 2004.



* *Eurostat estimations.*
** *Data refer to 2003.*
1 *OECD data.*
Source: Eurostat; Labour Market Policy database, March 2006.

Merging into the Labour Market Statistics Working Group

Until 2005, the Labour Market Policy Working Group was an independent network within the Social Protection Unit of Eurostat. It generally met once a year. In order to extend its outreach and include it within the statistical system of the Commission, the project was moved to the Employment and Unemployment Unit. The project now operates within the larger structure of LAMAS (Labour Market Statistics), whose meetings cover issues related to three sections of Eurostat: Employment and Unemployment, Earnings and Labour Costs and Labour Market Policies. Being a member of the LAMAS Working Group, the LMP database has become a more active component of the European Statistical System.

Revision of the LMP Methodology – June 2006

Work on the revision of the LMP methodology was completed in June 2006, after six years of cooperation and continuous discussion between members of the LMP delegate network and a number of technical Task Forces dealing with specific methodological issues and practical proposals. The methodology now has a clear structure and takes into account a large number of best practice examples and methodological solutions to complex problems which were suggested by LMP delegates. Specifically, the guidelines for collecting data on participants have been improved and expanded to include new issues of particular relevance to the monitoring of the European Employment Strategy. The text of *"The revised LMP Methodology of June 2006*" is available from Eurostat upon request.

Joint data collection with OECD (2004 data)

In June 2005, the OECD and Eurostat launched for the first time a joint LMP data collection, thus reducing the workload for participating countries. Both institutions have gained from this cooperation and will benefit even more in the future. The OECD can now make use of Eurostat's fully developed methodology, including detailed guidelines not only for expenditure data, but also - and most importantly - for data collection on participants. Moreover, detailed descriptions of all LMP measures are available in the database, as well as an in-built validation module which allows careful validation of EU-25 data, plus a user-friendly database and software which enables straightforward data analysis. Eurostat has benefited from the OECD's experience and, in particular, from its classification system, which served as a basis for Eurostat's work. Eurostat also receives data from non-EU countries, thereby broadening its geographical coverage. Discussions on methodological issues are further enriched through the input from both institutions pooling their efforts to improve the LMP data.

3. Data Analysis: Expenditure and Participants

The following section deals with a selection of various analyses that can be carried out using LMP data. Data are regularly validated internally and with Member States before being published, and short articles in the form of "Statistics in Focus" (SIFs) have been produced with a view to disseminating the large amount of data available in the LMP database. All articles can be accessed from the Eurostat website, which includes more detailed information.

The graphs below present some characteristics of the Labour Market Policy approach adopted in different countries. Information on expenditure and participants illustrates a variety of options and interventions designed to combat unemployment and reduce the number of people out of work.

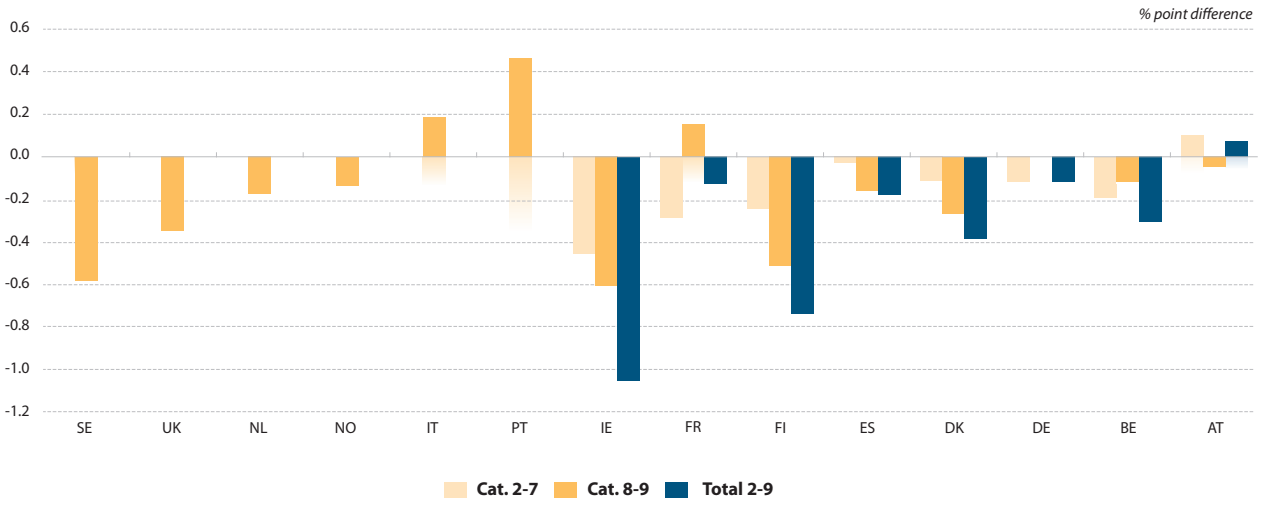
Expenditure

3.1. LMP expenditure in 1998 compared to 2004

Graphs 6a and 6b below present the two commonest ways to compare annual expenditures. Graph 6a compares expenditure on LMP as a % of GDP and shows that, during 1998 and 2004, total expenditure on Labour Market Policies (LMP) in the European Union decreased by between 0.1% and 1.05% of GDP in seven out of the eight countries which provided full data for those two years. Only in Austria was there an increase in LMP expenditure as a % of GDP.

Graph 6a shows partial or complete data for 14 countries. Partial data – on categories 8-9, passive benefits only – are available for Sweden, the United Kingdom, the Netherlands, Norway, Italy and Portugal. Complete data –for both passive and active measures and for 1998 and 2004 – are available for eight countries: Ireland, Finland, Spain, France, Denmark, Germany, Austria and Belgium.

Graph 6a Changes in LMP expenditure (% GDP), 1998-2004



Source: Eurostat; Labour Market Policy database.

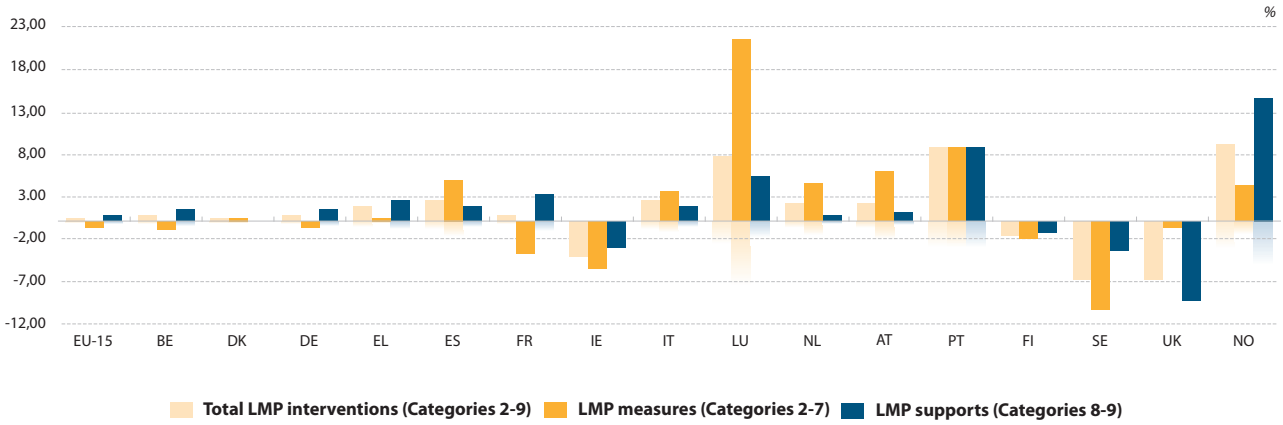
Expenditure on passive categories (categories 8-9, mainly unemployment benefits) as a % of GDP decreased in ten out of the 14 countries, whereas it increased in only three countries: Italy, Portugal and France.

Expenditure on active categories (categories 2-7) as a % of GDP decreased in seven out of the eight countries which provided complete data in 1998 - namely Ireland, Finland, Spain, France, Denmark, Germany and Belgium - and increased only in Austria.

The difficulty with this comparison is that increases in LMP expenditure might remain hidden if the rise in GDP for the country is higher, as has happened in several countries. This is why we present a second comparison in Graph 6b.

Graph 6b shows a second comparison in terms of "real per capita expenditure" (expenditure at constant prices per head of working age population). According to this analysis, EU-15 total LMP expenditure changed only slightly, with an overall increase of just 0.35% (Total categories 2-9). LMP expenditure in active measures (categories 2-7) decreased on average by 0.7% and passive expenditure (categories 8-9) increased by 0.85%. However, the differences between countries show that total expenditure increased in 12 countries (BE-DK-DE-EL-ES-FR-IT-LU-NL-PT-and NO) and decreased in four countries (IE-FI-SE-UK). The highest increases in active expenditure were observed in Luxembourg (22%) and Portugal (9%), and the biggest increases in passive expenditure were seen in Portugal (9%) and Norway (15%).

Graph 6b Annual average growth in expenditure on LMP measures, real tems per capita (populations 15-64), 1998-2004



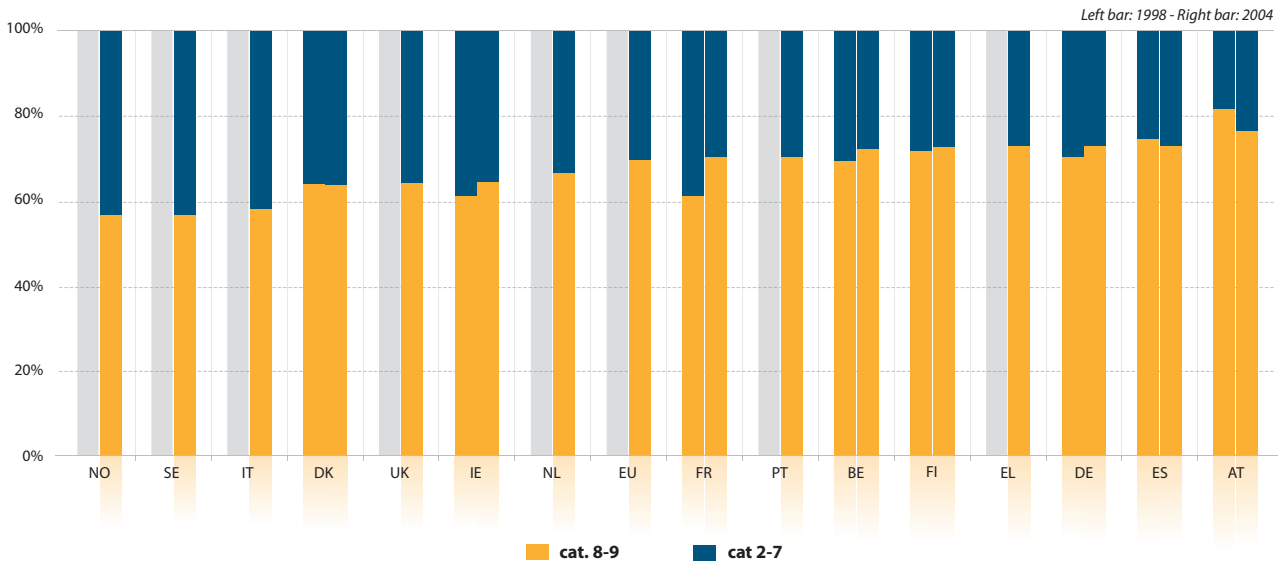
Source: Eurostat; Labour Market Policy database.

3.2. Distribution of expenditure among active and passive interventions in 1998 and 2004

Graph 7 shows the distribution of LMP expenditure among active and passive interventions for 16 countries. The same eight countries as above (Graph 6) have complete data for 1998 and for 2004 (IE-FI-ES-FR-DK-DE-BE-AT). The share of expenditure on passive and active LMP interventions in all eight countries showed little change from 1998 to 2004. Between 60% and 80% of total LMP expenditure was dedicated to passive interventions in 1998 and also in 2004. However, some small changes can be observed: the share of spending on active interventions during this period increased slightly in Denmark (+0.4%), Spain (+1%) and Austria (+5%), and consequently the share of spending on passive interventions decreased by the same amount.

Spending on active interventions decreased in five countries: Belgium (-3%), Germany (-3%), France (-9%), Ireland (-3%) and Finland (-1%), while these countries increased their share of passive interventions by the same percentage between 1998 and 2004.

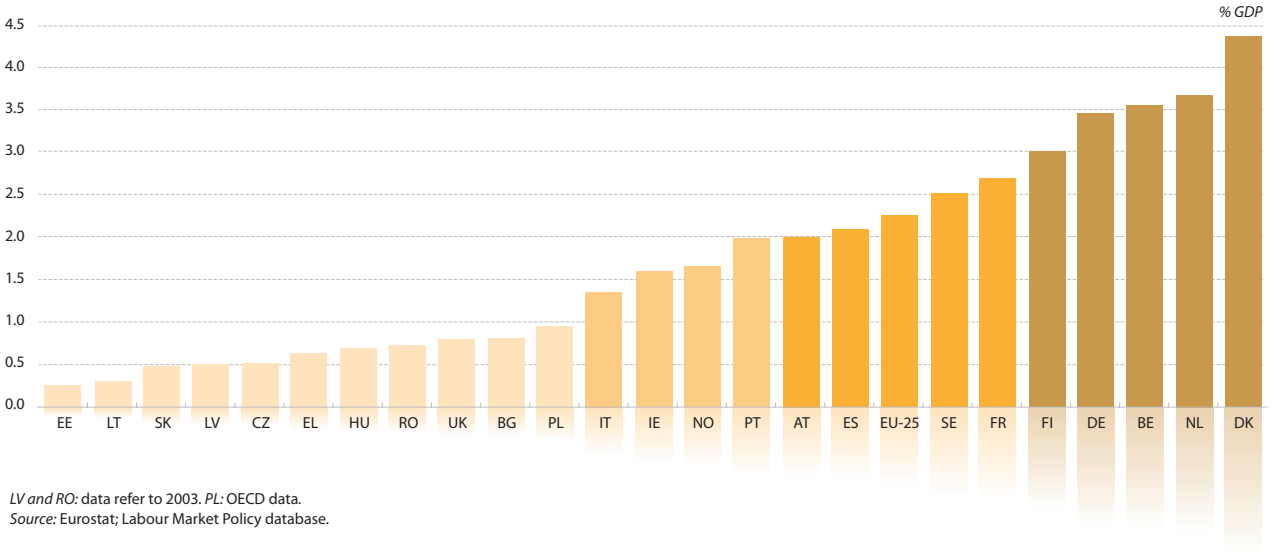
Graph 7 Distribution of LMP expenditre between active and passive interventions, 1998-2004



3.3. Importance of LMP expenditure as a % of GDP in 2004

Graph 8 shows **total expenditure** on LMP for 23 countries as a percentage of GDP. The EU-25 estimated average amounts to 2.26 % of GDP and the EU-15 average is 2.33%. Expenditure ranged from 0.25% in Estonia to 4.35% in Denmark. Seven countries spent more than the EU-25 average, with five - namely Finland, Germany, Belgium, the Netherlands and Denmark - exceeding 3% of GDP. However, more than 17 countries spent less than the EU-25 average.

Graph 8 Total LMP expenditure, 2004



LV and RO: data refer to 2003. *PL:* OECD data.
Source: Eurostat; Labour Market Policy database.

3.4. Distribution of LMP total expenditure between the three types of interventions, 2004

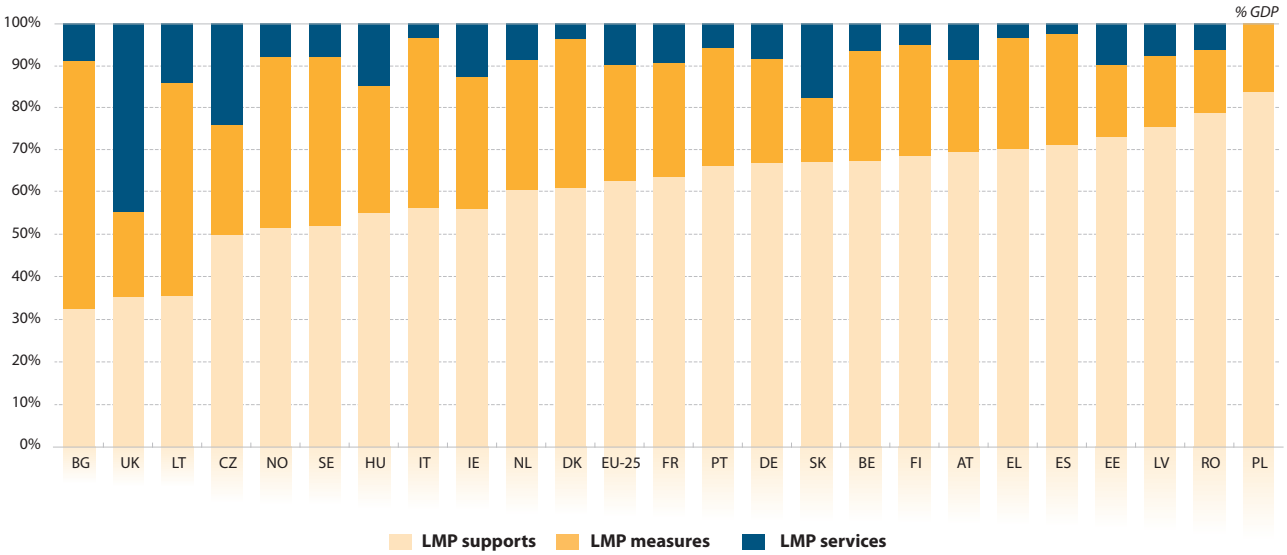
Graph 9 shows the distribution of LMP expenditure between the three types of interventions (see Table 9 in annex 2 for detailed figures).

Expenditure on Labour Market Policy Services (Category 1 – light green) accounts for less than 10% of total spending in most countries. The EU-25 estimated average is 9.5%, and 17 countries devote less than 10%. Five countries (LT, CZ, HU, IE, SK) allocate between 13% and 24%, and only the United Kingdom allocates more than 44% of total expenditure.

Expenditure on LMP measures ("active" measures such as training, employment incentives, start-up incentives, direct job creation, etc.) ranges from 15% in Slovakia to 58% in Bulgaria. The EU-25 estimated average is 28% and 14 countries spend between 20% and 40%. Six countries spend 20% or less: the United Kingdom, Slovakia, Estonia, Latvia, Romania and Poland. At the other end of the scale, five countries spend 40% or more of their total LMP expenditure: Sweden, Norway, Italy, Lithuania and Bulgaria.

Expenditure dedicated to LMP supports ("passive interventions" - mainly unemployment benefits) accounts for the biggest share of LMP expenditure in the vast majority of countries. The estimated average for EU-25 is 63%. Twenty out of the 24 countries that have complete data devote more than 50% of total LMP expenditure to categories 8 and 9. Only three countries - Lithuania, the United Kingdom and Bulgaria - spend between 30% and 40%.

Graph 9 LMP expenditure by type of intervention, 2004



LV and RO: data refer to 2003. *PL:* OECD data.
Source: Eurostat; Labour Market Policy database.

3.5. Preferred active intervention by country, 2004

Considering the different types of active labour market policies at the EU-25 level, the most popular type of intervention is *Training*, which accounts for 40.4% of active expenditure. Moreover, training is the preferred active intervention in nine countries: Denmark, Germany, Estonia, France, Lithuania, Austria, Portugal, Finland and the United Kingdom.

The second preferred type of intervention at EU level is *Employment Incentives*, accounting for 18.5% of active expenditure. It is the preferred intervention in five countries: the Czech Republic, Spain, Italy, Hungary and Romania.

Integration of the disabled is the third most frequent type of intervention, accounting for 18% of active expenditure; it is the most important intervention in two EU countries - the Netherlands and Sweden. Outside the EU, this is particularly true in Norway (81.4% of active expenditure).

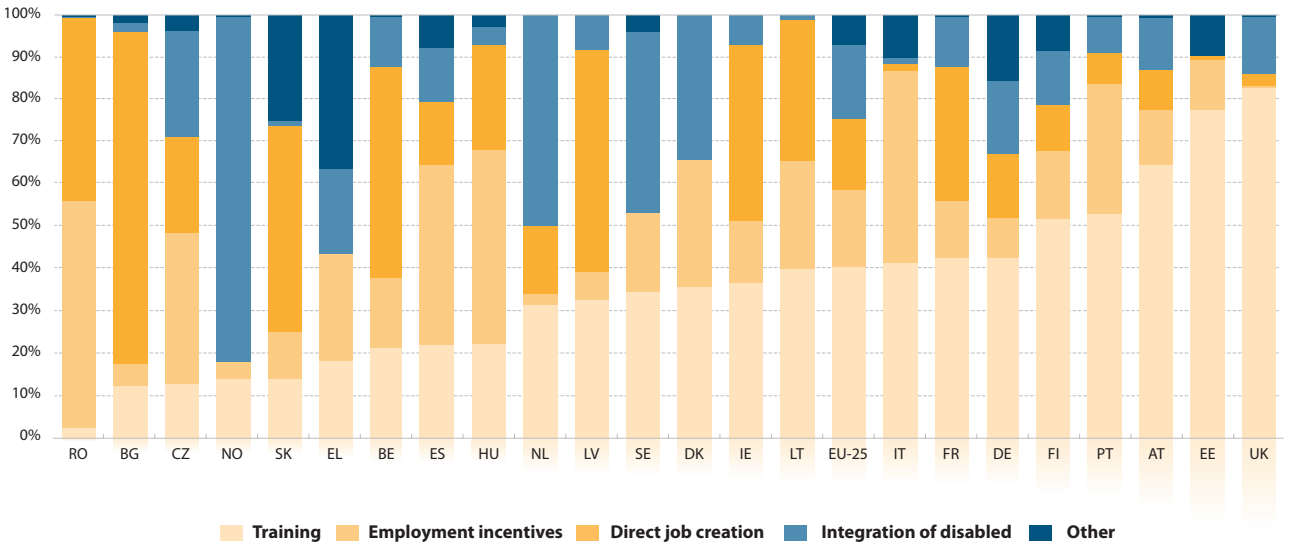
Direct job creation is the fourth biggest type of intervention in terms of expenditure. It is the preferred form of intervention in five countries: Belgium, Ireland, Latvia, Slovakia and more particularly in Bulgaria (78.3%).

Start-up incentives account for 6.6% of active expenditure at EU-25 level. However, it is the most important type of intervention in Greece (36.5%) and the second most important in the Slovak Republic (25%).

Job rotation and job sharing accounts for only 0.4% of active expenditure at EU-25 level and is not particularly significant in any country. However, it does represent 6.5% of active expenditure in Finland, and it is also practised in nine other countries.

Graph 10 presents all aspects mentioned above.

Graph 10 Share of expenditure on LMP measures, 2004



LV and RO: data refer to 2003.
Source: Eurostat; Labour Market Policy database.

3.6. Direct recipient of expenditure by country, 2004

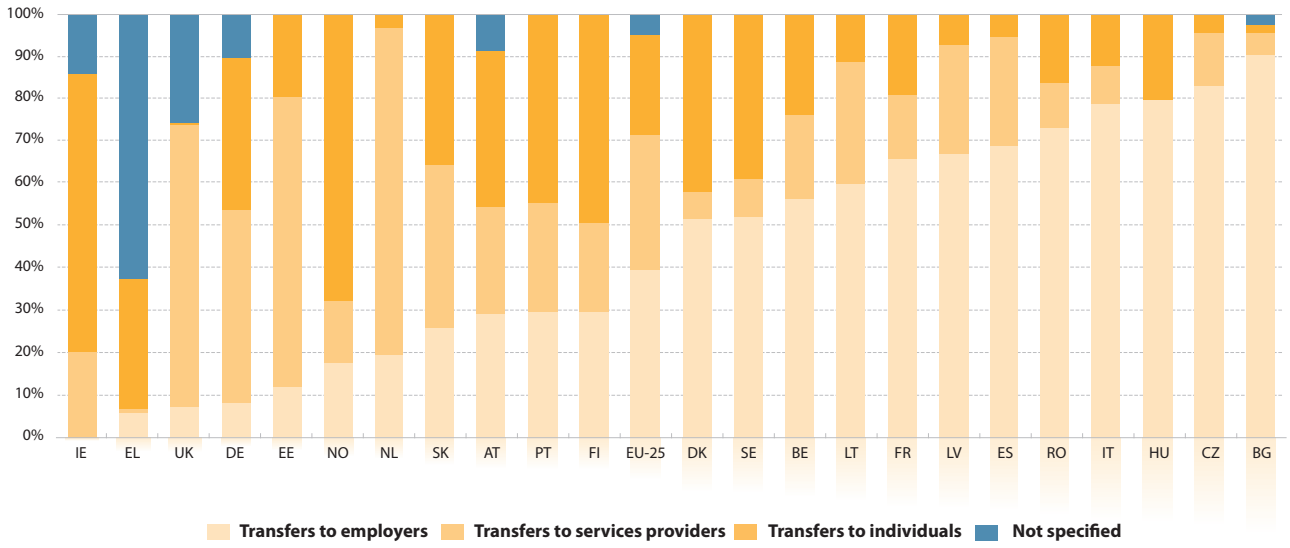
For any type of active labour market intervention, public expenditure directed at the reintegration of the unemployed into the labour market can be disbursed in different forms. Money can be transferred directly to the employers (in the form of a subsidy or a reduction in social contributions), to the service providers (who will provide the service to the unemployed persons), and/or can be paid directly to the unemployed individuals themselves.

At EU-25 level the most popular form of payments is that of *transfers to employers*, which account for 40% of active expenditure. This type of LMP payment is most common among the countries with complete data, and it is the first choice for 12 countries: Belgium (57%), Czech Republic (83.3%), Denmark (52%), Spain (69%), France (66%), Italy (79%), Latvia (67%), Lithuania (60%), Hungary (80%), Sweden (52%), Bulgaria (90%) and Romania (73%).

The second most popular type of payment is *transfers to service providers,* which account for 32% of active expenditure. It is the most frequently used type of payment in five countries - Germany, Estonia, the Netherlands, Slovak Republic and the United Kingdom - and ranges from 38% (SK) to 77% (NL).

Lastly, *transfers to individuals* account for 24% of active expenditure. This is the most commonly used type of payment in four EU countries: Ireland, Austria, Portugal and Finland, ranging from 37% (AT) to 66% (IE), and - outside the EU -, 68% in Norway.

Graph 11 Share of LMP expenditure by direct recipient, 2004



LV and RO: data refer to 2003.
Source: Eurostat; Labour Market Policy database.

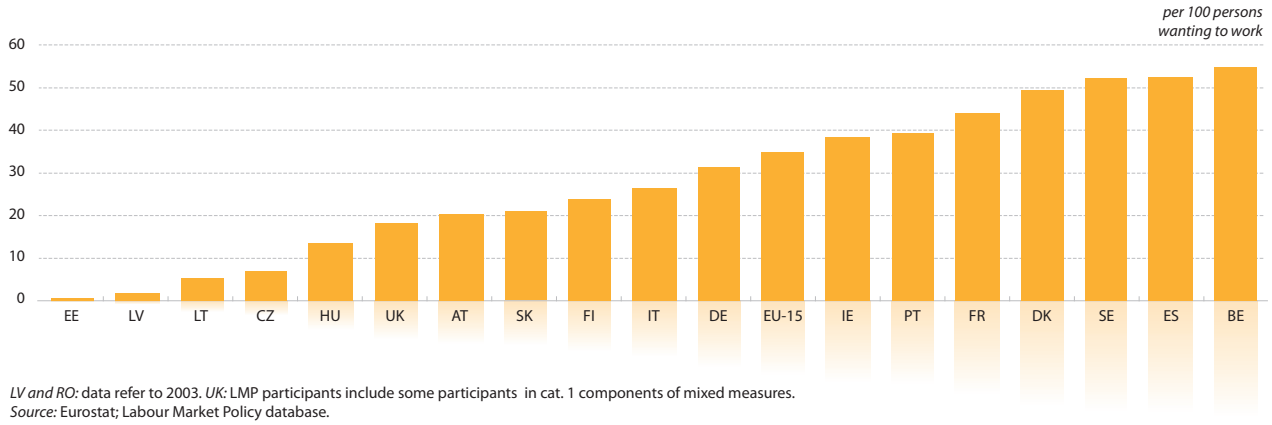
Participants

3.7. Total participants in LMP compared to the population wanting to work, 2004

The total number of participants in LMP active measures can be compared with the number of unemployed (harmonised figures from the Labour Force Survey, LFS) and those inactive persons who would like to work, thus providing an indicator of activation comparable across countries. This indicator is closer to the full text of the relevant European Employment Strategy Guideline than any other indicator previously developed, since it compares the number of people in active LMP measures with the broad target population of unemployed and inactive persons. The use of the LFS harmonised "unemployed" figures to cover the "unemployed", and of the "labour reserve" to cover inactive persons wanting to work, also based on LFS data, is widely accepted as being broadly comparable between countries. Previous work on activation indicators carried out for DG Employment demonstrated that the national data included in the National Action Plans (NAPs) are subject to a range of different interpretations that have made them non-comparable. In particular, there are problems with differences in the definitions of the registered unemployed, the measurement of long-term unemployment (differing treatment of spells) and even in the observations used (stocks, entrants, total number of individuals). Therefore, the use of the activation indicator presented here constitutes a step forward towards increased comparability.

Graph 12 shows the activation indicator for 2004.

Graph 12 Activation rate, 2004

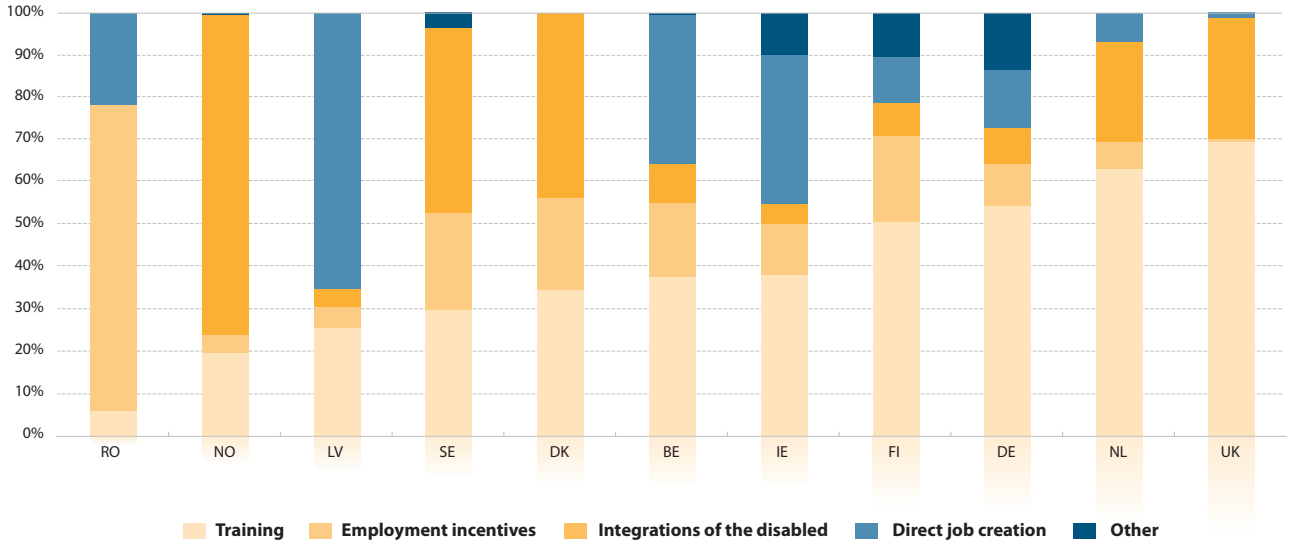


LV and RO: data refer to 2003. *UK:* LMP participants include some participants in cat. 1 components of mixed measures.
Source: Eurostat; Labour Market Policy database.

3.8. Distribution of participants in LMP measures by category, 2004

Graph 13 shows the distribution of participants in active measures for eleven selected countries. *Training* is overall the most important category in terms of participants, as well as the most important in terms of expenditure. Six out of the eleven countries - Belgium, Ireland, Finland, Germany, the Netherlands and the United Kingdom - have the largest share of participants in active measures undergoing some kind of training. For Germany, Finland and the United Kingdom, training is also the most important category in terms of expenditure.

Graph 13 Share of stocks by active category, 2004



LV and RO: data refer to 2003.
Source: Eurostat; Labour Market Policy database.

Integration of the disabled is the most important category in terms of participants for three countries: Denmark, Sweden and Norway. For the latter two, this is also the most important category in terms of expenditure.

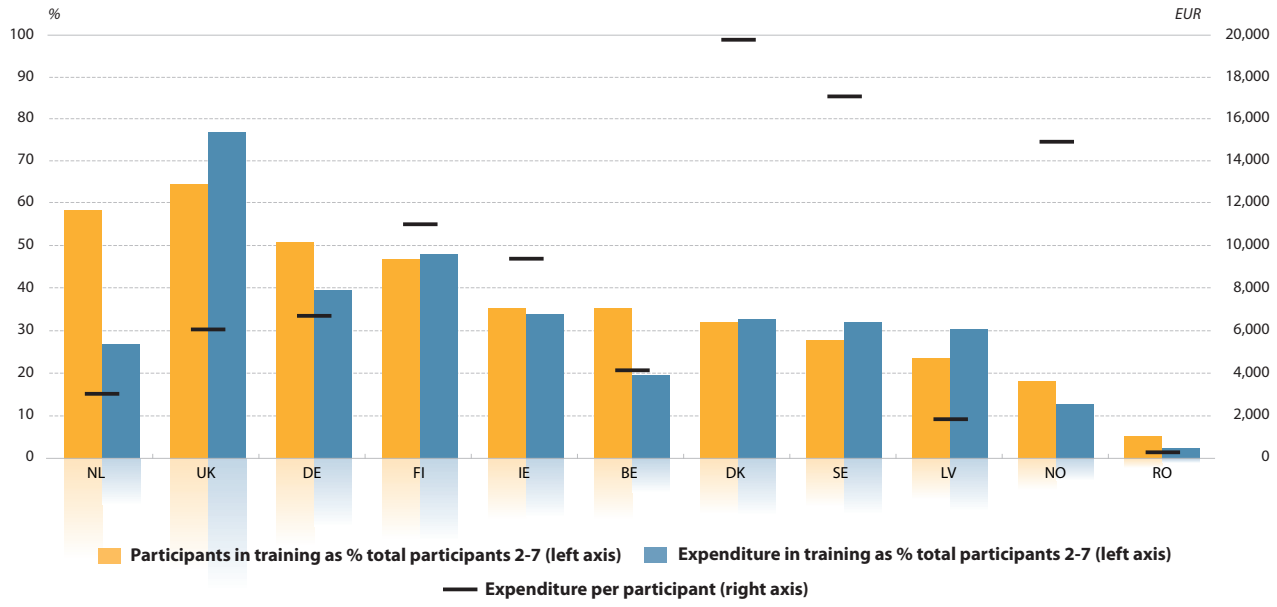
Employment incentives is the most important category in terms of participants for only one out of the eleven countries considered here, namely Romania, which also spent most of its LMP active expenditure on this category.

Likewise, *direct job creation* is the most important category in terms of participants for only one country, Latvia, which also invests most of its active expenditure in this category.

3.9. Participants in and expenditure on training, 2004

Graph 14 shows the number of those participating in training measures, expenditure on training measures and expenditure per participant for the same eleven selected countries. In four of these - the Netherlands, the United Kingdom, Germany and Finland - over 50% of participants in LMP measures are undergoing training. As shown in Graph 8 above, for three of these - Germany, the United Kingdom and Finland - the highest proportion of active expenditure is also dedicated to training. The graph shows small grey bars (to be read in relation to the right axis) indicating the expenditure on training per participant. Available data reveal an extremely wide range of values, from €250 per participant in Romania up to €20 000 per participant in Denmark.

Graph 14 Expenditure and participants in training, 2004



3.10. Young people and women in training measures, 2004

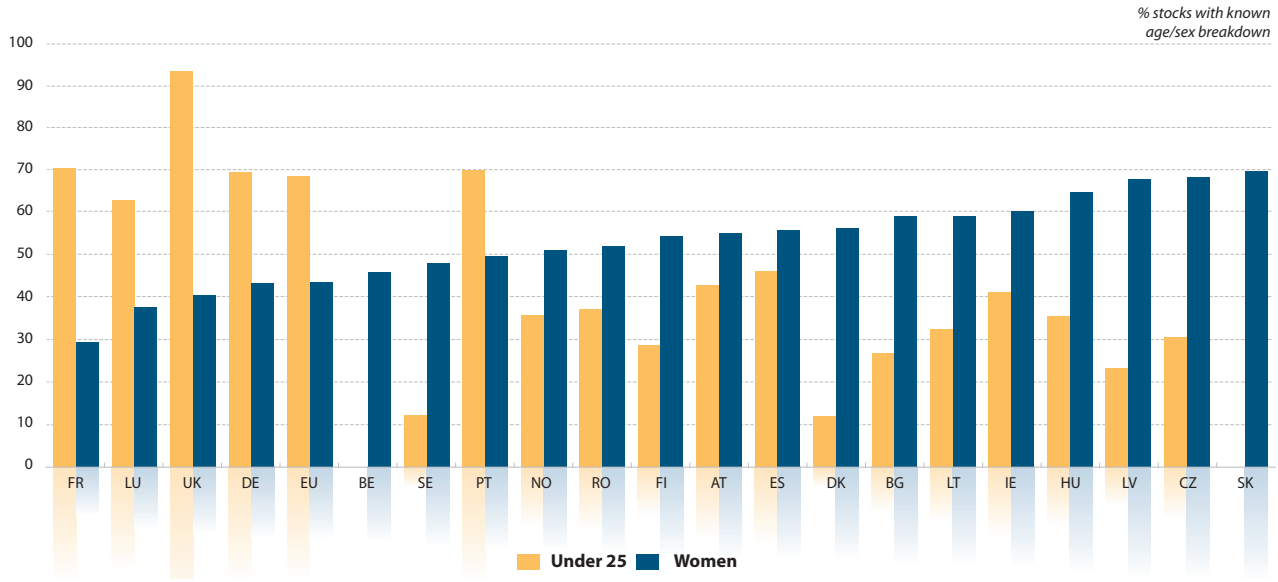
Graph 15 shows the share of young people under 25 and the share of women in comparison to the total population of participants in training measures for which breakdowns by sex and age are known. The reliability indicator has been used only for those countries where the total stock is known.

Young people under 25, as an average for all countries included in the graph, account for nearly 70% of training participants. Five out of the 17 countries have an LMP training policy which seems to be basically targeted at young people; the countries in question are Belgium, Germany, Portugal, France and the United Kingdom, with more than 65% of training

participants under 25. At the other end of the scale, five countries do not have the same priority target, with 30% or less young people under 25 as training participants (SE, FI, DK, BG and LV).

Women account for 43% of training participants, on average, although in 11 of the 19 countries shown in the graph there is a majority of women in training, ranging from 52% in Romania up to 70% in Slovakia.

Graph 15 Young people and women in training, 2004



4. Looking to the Future: Continuous Quality Improvement

Eurostat's *Labour Market Policy database* has made significant progress since data collection first started. As illustrated above, a significant number of aspects concerning the implementation of LMP interventions by country have been documented using comparable data and rich metadata. However, the construction of this complex database cannot be considered to be complete, since the moment a significant problem has been solved, other challenges appear. It is the policy of those responsible for the LMP database to invest as much effort as possible in continually improving comparability and in regularly revising the methodology. The involvement of LMP delegates is essential to improving data quality. Data validation is a joint task between LMP delegates and Eurostat, with the ultimate aim of collecting and providing correct and complete data for all countries.

LMP data providers are therefore regularly consulted on methodological issues and whenever the methodology is changed; training seminars are organised to ensure a common understanding and interpretation of the methodology.

In addition, the main problems and priorities are regularly assessed and Task Forces are set up to deal with methodological difficulties. This was the case in October 2005, when the LAMAS Working Group approved the creation of a Task Force to complete the revision of the LMP methodology which had been in force since 1999. Once this task was completed, the last LAMAS Working Group (12 September 2006) approved the creation of a new Task Force on Methodology, which will contribute to the current priorities.

The mandate of the LMP Task Force is *to work for the continuous improvement of LMP data quality and data completion so that the LMP Indicators used for the monitoring of the EES can be compiled for all Member States*. The Task Force will dedicate its efforts to the following issues which require further work:

1 – Development of a definition of "Assisted activation" and a methodology to collect data on "assisted activation". The inclusion of "Preventative services" as one of the monitoring indicators is important. Moreover, in some countries, formalised programmes of intensive counselling and job-search assistance are used extensively in preference to full activation, which is reserved for those most in need. It is recognised that this effort should be taken into account alongside regular activation (categories 2-7), but at the present time the definitions available are inadequate for this purpose. There is a continuum of services offered, ranging from ad hoc interviews available to all jobseekers through to planned programmes of assistance that are targeted and monitored. Although information on individualised services is collected within the current LMP methodology, the definitions are not adequate to distinguish between those that should be considered as "Assisted activation", on a par with regular activation, and those that should not.

The aim of the Task Force will be to develop a definition of "Assisted activation" that clarifies this distinction and the relevant guidelines which facilitate the collection of data that can be used for indicators.

2 – Improvement of guidelines for collection of data on difficult items. The clarification of guidelines concerning data on the previous status of participants in LMP measures was identified as a priority by some members of the first Task Force. Elucidation of the conditions for and the implications of using the Registered Unemployed (RU) figures as a denominator for some European Employment Strategy (EES) indicators has also been a subject of debate. However, there are other issues, too, which might require clarification. It is the task of the second LMP Task Force on Methodology to identify those issues that require further work and to develop the appropriate clarification.

3 – Identification of additional LMP information, concerning other relevant programmes. This relates to labour market interventions which are not included in the LMP database because they are outside the scope of the LMP, although they may play an important role in the labour market interventions of some countries. The inclusion of a new section in the LMP Publications containing information on such programmes was discussed by the first Task Force, whose members supported work in this direction.

4 – Establishment of guidelines for follow-up studies of those participating in active measures. Preparatory work for this issue was started some time ago with the support of a previous Task Force. For the last meeting of the LMP Task Force on Methodology, Eurostat prepared a draft document. This document contains a compilation of a number of **national studies on the follow-up of LMP participants,** and highlights the main elements that can be useful for the development of general "Guidelines" in order to make studies comparable. This work should be continued and completed, with some general guidelines or recommendations being proposed.

These are the tasks for the next LMP Task Force on Methodology, as of September 2006.

The Task Force should complete its work as described above, define its future work and present the results to the LAMAS Working Group.

5. Publications in 2006 and Data Dissemination

- *"European Social Statistics – Labour Market Policy – Expenditure and Participants – Data 2004*", (WEB_2006_2576_EN). The publication contains data on all new participating countries for the first time. Similar publications are available for years 1998-1999-2000-2001-2002-2003 as PDF files.
- "*Expenditure on training measures for the unemployed – Data 2003",* Statistics in Focus: SIF 5/2006
- "*Expenditure on Labour Market Policies 2004",* Statistics in Focus: SIF 12/2006
- *"LMP Methodology – Revision June 2006",* Eurostat Working Papers (ISSN 1725-0056) http://epp.eurostat.ec.europa.eu/portal/page?_pageid=1073,46587259&_dad=portal&_schema=PORTAL&p_product_code=KS-BF-06-003
- *LMP Qualitative Reports* (for each country and for each year are directly obtainable from the LMP database)
- These documents are available via *CIRCA – LMP Interest Group* (CIRCA – LMP – Library – Publications).
- LMP data are available in *NewCronos database* http://epp.eurostat.ec.europa.eu/portal/page?_pageid=1090,30070682,1090_33076576&_dad=portal&_schema=PORTAL

Acknowledgments

I am very grateful to all LMP delegates for their excellent co-operation and in particular to Eurostat consultants, Andy Fuller, Nirina Rabemiafara and Flavio Bianconi, for their help with the tables and graphs and their useful comments.

The Labour Market Policy Database – From 1997 to 2006

Annex

eurostat

Scope:

Labour market policies (LMP) in this database are defined as public interventions in the labour market aimed at reaching its efficient functioning and correcting disequilibria. They can be distinguished from other general employment policy measures in that they act selectively to favour particular groups in the labour market. The classification by type of intervention includes nine categories: one of "Labour Market Services", six categories of "measures" and two categories of "supports", most with two or more sub-categories.

LMP Services

1	Labour Market Services	1.1	Client services, 1.2 Other activities of the PES

LMP Measures

2	Training	2.1 2.4	Institutional training, 2.2 Workplace training, 2.3 Alternate training, Special support for apprenticeship
3	Job rotation and job sharing	3.1	Job rotation, 3.2 Job sharing
4	Employment incentives	4.1	Recruitment incentives, 4.2 Employment maintenance incentives
5	Integration of the disabled	5.1	Supported employment, 5.2 Rehabilitation
6	Direct job creation		
7	Start-up incentives		

LMP Supports

8	Out-of-work income maintenance	8.1 8.3 8.5	Unemployment Benefits, 8.2 Partial unemployment benefits, Part-time unemployment benefits, 8.4 Redundancy compensation, Bankruptcy compensation
9	Early retirement	9.1	Conditional, 9.2 Unconditional

Expenditure: Data on expenditure are collected at two levels, according to a classification by type of expenditure which refers (1) to the direct recipient (individuals, employers or service providers) and (2) to the type of expenditure involved (either cash payments or through a reduction in compulsory levies).

Participants: Three variables are collected by reference to the numbers of participants in LMP measures, namely stock, entrants and exits.
Stock refers to *the number of participants in a measure at a given moment.*
Entrants refer to *the number of participants joining the measure during the year (inflow)*.
Exits refer to *the number of participants leaving the measure during the year (outflow)*. As with entrants, the observation refers to participations and not individuals, so that any given individual may be counted more than once in a year.
Participants' data are analysed according to Sex; Age; Duration of unemployment; Previous employment status of entrants; Destination of exits.

Use of LMP data for the monitoring of the European Employment Strategy

João Medeiros

chapter 2

eurostat

Use of LMP data for the monitoring of the European Employment Strategy

João Medeiros[1]

The aim of these notes is to briefly present the chapter on active labour market policies (ALMPs) in the 2006 Employment in Europe (EiE) report.

I will start with the usual disclaimer. Although publication of the EiE report has been authorised by the European Commission, the views expressed in this presentation are mine and do not necessary reflect the official position of the Commission.

This presentation covers the following four aspects: a) data on aggregate expenditure; b) an overview of some of the theoretical arguments that rationalise public interventions; c) a review of the programme evaluation literature (both micro and macro); and d) the interactions between active and passive LMPs within the current flexicurity debate. I consider the review of the programme evaluation literature on ALMPs to be the core of the chapter.

Let me start by making a distinction between LMPs and general employment policies

We know that LMPs are public interventions in the labour market that are targeted at particular groups. Therefore, they differ from general employment policies which, by definition, are not targeted at any particular group. We also know that LMPs are generally grouped under either active or passive measures. Active labour market policies aim to increase the likelihood of employment or to improve earning prospects for the unemployed groups who find it difficult to enter the labour market. The most important active measures involve PES, training and employment subsidies. The main aim of passive labour market policies, on the other hand, is to provide income support to unemployed people or early retirees without, a priori, attempting to directly improve their labour market performance.

[1] João Medeiros is an economist at DG EMPL Unit D1 "Employment Analysis Unit"

I will start by presenting data for the main expenditure aggregates on LMPs. In order to evaluate trends in expenditure on LMPs over the medium term, we matched up OECD and Eurostat's LMP databases. The OECD's database covers the period from 1985 to 1997, while Eurostat's covers the period from 1998 to 2004. This match-up has a number of limitations and the extended series should be treated with caution because there is no precise equivalence between the two datasets.

The main facts emerging from a descriptive analysis of expenditure on LMPs are the following.

- Total spending on LMPs (including public employment services, PES) varies significantly across EU Member States, ranging from a low of under 0.5% of GDP in the Baltic countries and in the Czech and Slovak Republics, to a high of 4.4% in Denmark in 2004 (Table 1).

Table 1 Total spending on LMPs, including PES (as% of GDP)

	1985	1990	1995	2000	2004
Austria	1.2	1.2	1.7	1.7	2.0
Belgium	4.5	3.7	4.0	3.4	3.6
Czech Republic	-	0.4	0.3	0.5	0.5
Germany	1.8	1.9	3.6	2.9	3.5
Denmark	-	5.3	6.2	4.3	4.4
Estonia	-	-	-	-	0.2
Spain	2.4	2.4	2.7	2.0	2.1
Finland	1.7	1.7	5.2	3.0	3.0
France	3.0	2.7	3.0	2.5	2.7
Greece	0.2	0.5	0.8	0.7	0.6
Hungary	-	2.8	1.3	0.8	0.7
Ireland	4.3	3.8	4.4	1.6	1.6
Italy	-	-	-	0.7	1.4
Lithuania	-	-	-	-	0.3
Latvia b)	-	-	-	-	0.5
Luxembourg	1.2	0.7	0.8	0.5	0.9
Netherlands	5.1	3.7	3.9	2.7	3.7
Portugal	-	0.8	1.6	1.4	2.0
Sweden	3.0	2.5	6.5	3.0	2.5
Slovak Republic	-	-	-	-	0.5
United Kingdom	2.9	1.5	1.7	0.7	0.8
EU average a)	**2.6**	**2.2**	**3.0**	**1.9**	**1.8**

Sources: OECD and Eurostat's LMP.
a) Unweighed arithmetic average of countries for which data are available.
b) 2003.

- Spending on ALMPs (excluding PES) also varies significantly across the EU, ranging from a low of 0.25% of GDP in the Baltic countries, the Czech and Slovak Republics, Greece, Hungary and the UK to a high of over 1% in Denmark, the Netherlands and Sweden in 2004 (Table 2).

Table 2 Active spending, excluding PES (as% of GDP)

	1985	1990	1995	2000	2004
Austria	0.2	0.2	0.2	0.4	0.4
Belgium	1.1	1.0	1.1	1.0	0.9
Czech Republic	-	0.1	0.0	0.1	0.1
Germany	0.4	0.7	1.1	1.0	0.9
Denmark	-	1.0	1.8	1.7	1.5
Estonia	-	-	-	-	0.0
Spain	0.2	0.5	0.4	0.7	0.6
Finland	0.6	0.7	1.3	0.8	0.8
France	0.5	0.7	1.1	1.0	0.7
Greece	0.0	0.2	0.3	0.3	0.2
Hungary	-	0.5	0.3	0.3	0.2
Ireland	1.2	1.2	1.4	0.8	0.5
Italy	-	-	-	0.6	0.5
Lithuania	-	-	-	-	0.2
Latvia b)	-	-	-	-	0.1
Luxembourg	0.2	0.2	0.1	0.1	0.2
Netherlands	1.0	1.0	0.9	0.4	1.1
Portugal	-	0.4	0.6	0.4	0.6
Sweden	1.9	1.5	2.9	1.5	1.0
Slovak Republic	-	-	-	-	0.1
United Kingdom	0.6	0.4	0.3	0.2	0.2
EU average a)	**0.7**	**0.6**	**0.9**	**0.7**	**0.5**

Sources: OECD and Eurostat's LMP databases.
a) Unweighed arithmetic average of countries for which data are available.
b) 2003.

- Overall in the EU, active spending represents about 1/3 of total spending on LMPs (Table 3). Although over the last decade European countries have not made any significant progress on shifting resources from passive to active measures, developments in ICT are likely to have contributed to a significant improvement in the efficiency of spending on PES. Moreover, the implementation of activation strategies - making receipt of benefit conditional on participation in active measures - has somewhat blurred the "line" between active and passive measures.

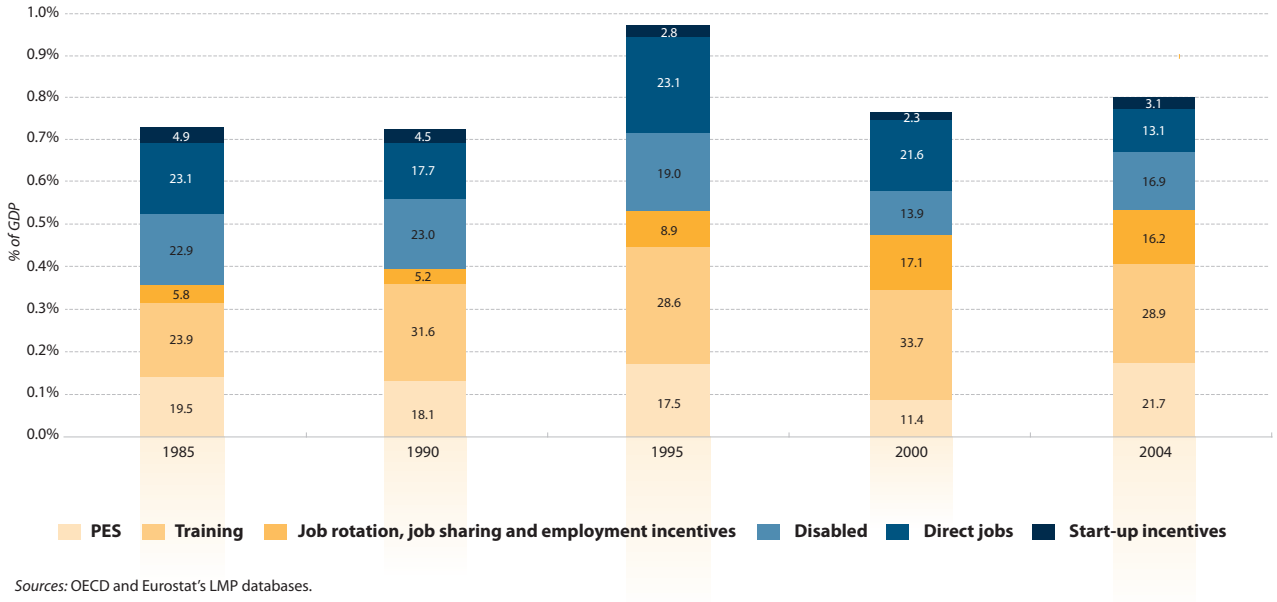
Table 3 Active spending, excluding PES (as % total spending on LMPs, excluding PES)

	1985	1990	1995	2000	2004
Austria	15.3	17.4	14.1	24.7	23.6
Belgium	25.4	28.4	29.6	31.5	27.7
Czech Republic	-	28.5	26.1	31.7	33.8
Germany	24.1	42.5	32.1	34.3	26.9
Denmark	-	19.1	28.6	41.2	36.3
Estonia	-	-	-	-	18.7
Spain	8.2	23.4	15.1	32.8	26.9
Finland	38.5	43.7	26.2	26.8	27.4
France	18.4	27.0	39.2	42.4	29.7
Greece	22.6	39.6	42.0	37.4	27.0
Hungary	-	17.0	24.8	37.7	35.3
Ireland	27.7	32.9	34.2	50.3	35.4
Italy	-	-	-	83.8	41.8
Lithuania	-	-	-	-	58.6
Latvia b)	-	-	-	-	18.5
Luxembourg	20.1	22.3	13.7	11.3	20.4
Netherlands	21.6	29.6	25.5	14.9	33.4
Portugal	-	59.1	43.0	30.0	29.5
Sweden	68.1	62.6	48.1	53.0	43.2
Slovak Republic	-	-	-	-	18.4
United Kingdom	21.7	31.3	17.2	30.6	36.0
EU average a)	**26.0**	**32.8**	**28.7**	**36.1**	**30.9**

Sources: OECD and Eurostat's LMP databases.
a) Unweighed arithmetic average of countries for which data are available.
b) 2003.

- As regards the structure of active spending, in 2004 spending on training represents about 1/3 of total expenditure on active measures, a figure that has remained more or less stable since the early 1990s (Graph 1).

Graph 1 Breakdown of active spending, including PES EU average 1985-2004

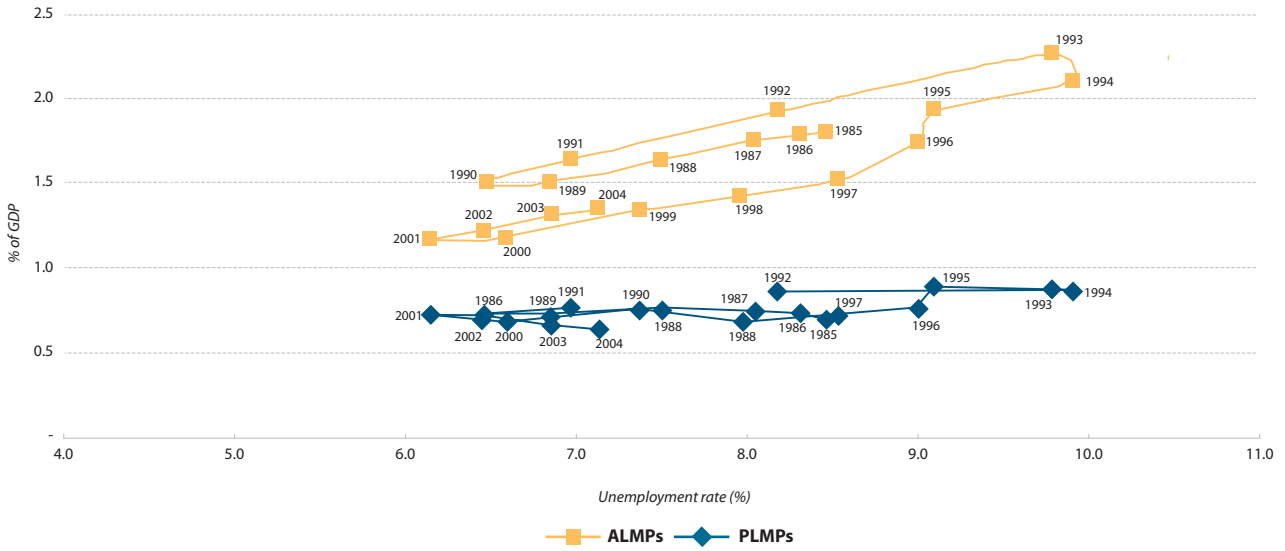


Sources: OECD and Eurostat's LMP databases.

- In recent years the main changes in the structure of active spending have been the following: a) employment subsidies increased from close to 9% of total active spending in 1995 to above 16% in 2004; b) expenditure on direct job creation measures, meanwhile, declined from 23% in 1995 to about 13% in 2004.

- There is a positive correlation between both passive and active spending and the unemployment rate (Graph 2). However, the slope of the passive curve is steeper than that of the active curve (Martin and Grubb, 2001) because entitlements to unemployment benefits tend to follow cyclical fluctuations more closely than active policies, which are more discretionary and take longer to implement.

Graph 2 Spending on active (excluding PES)/passive measures and unemployment rates – EU average 1985-2004

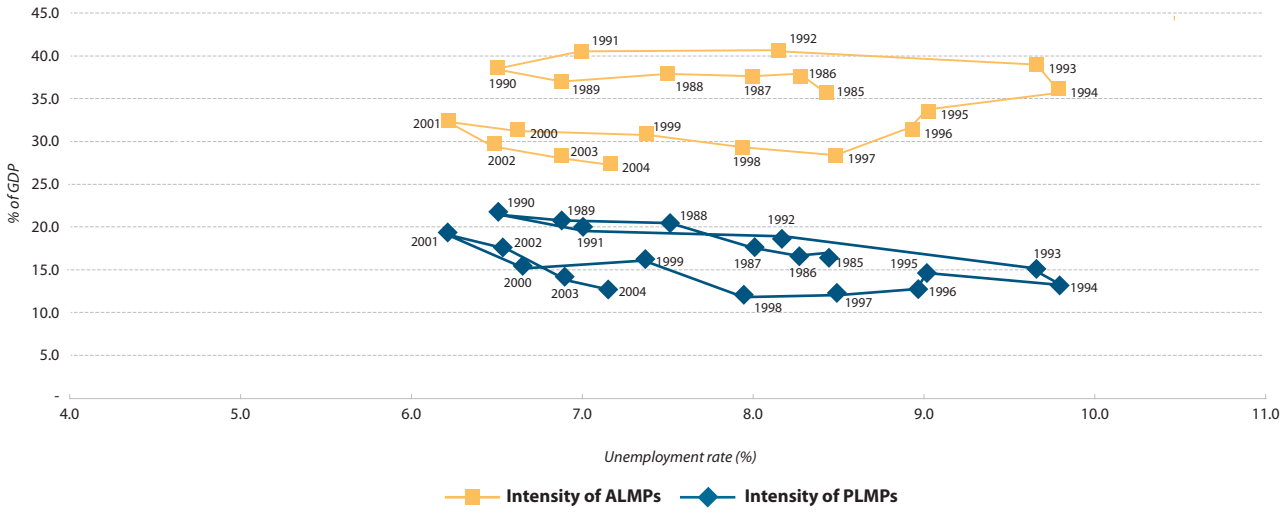


Sources: OECD and Eurostat's LMP databases.

The extended series are used to calculate two indicators of the intensity of expenditure on LMPs. A first indicator is calculated as total spending on LMPs per unemployed person expressed as a percentage of GDP per capita. A second indicator is calculated as total spending on LMPs (expressed in purchasing power parity units) divided by the number of persons wanting to work, which is the sum of the unemployed plus the labour reserve. The labour reserve is the number of inactive persons who would like to work, but who do not qualify as unemployed.

- As regards spending per unemployed person (expressed as a percentage of GDP per capita), this indicator of spending effort suggests a downward shift in the intensity of expenditure on both active and passive measures in the EU (Graph 3), particularly since the mid 1990s.

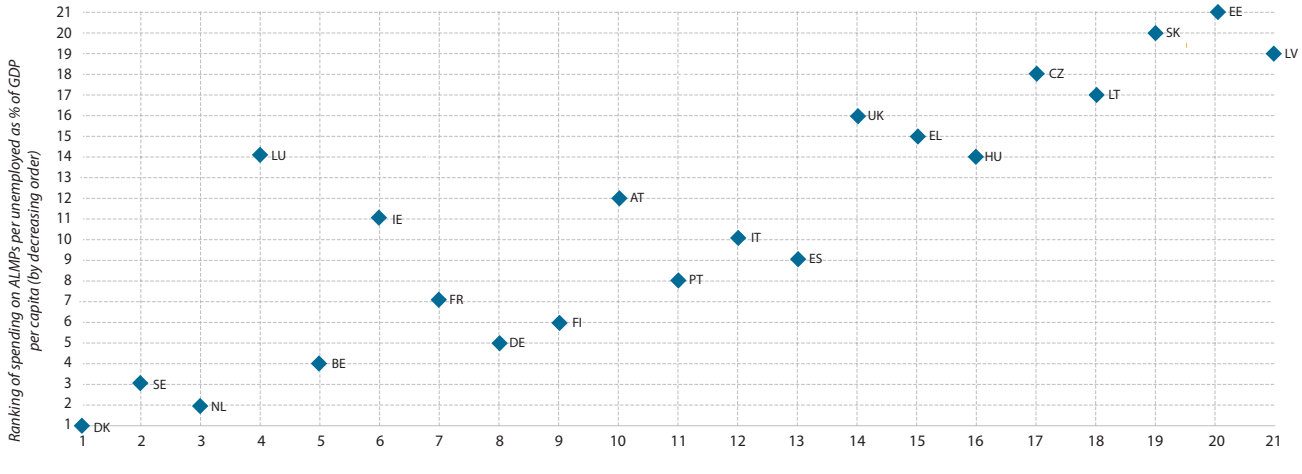
Graph 3 Intensity of spending on active (excluding PES)/passive measures and unemployment rates - EU average 1985-2004



Sources: OECD and Eurostat's LMP databases.

- The two indicators of expenditure intensity (i.e. based on per capita GDP or on the number of persons wanting to work) give similar results. In fact, the country rankings resulting from the two indicators are strongly correlated (Graph 4).

Graph 4 Rankings of two indicators on the intensity of spending on ALMPs in 2004 a)



Source: DG EMLP calculations.
a) Latvia 2003.

I will now say a few words about the rationale for ALMPs, with particular emphasis on training and employment subsidy policies.

It should be remembered that public interventions are warranted whenever *laissez-faire* outcomes are undesirable for reasons of either efficiency and/or equity.

As regards the rationale for PES, it has been shown that PES can increase the effectiveness of the process of matching up unemployed persons with job vacancies. Given the fixed costs and moral hazard problems in the provision of placement services, such as the creaming off of the most easily unemployed persons by private agencies, public authorities have had to regulate the creation of "quasi-markets" for the provision of placement services in those Member States where private organisations have been authorised to operate alongside public agencies.

As regards training measures, public intervention is usually justified on the grounds that private choices lead to sub-optimal levels of training which fall short of what is really needed for society as a whole. In order to discuss the foundations for public intervention on training, it is instructive to revisit the distinction introduced by Becker between general and specific training.

General training raises labour productivity in all future jobs, while specific training enhances an individual's productivity for only one particular type of job.

As regards general training, economic theory predicts that, in the absence of public intervention, general training would have to be financed entirely by the worker, because he or she could not make a credible commitment to share the proceeds of such an investment with their current or any future employer. Although the argument for public intervention is weaker in the case of specific training, a number of potential market failures still suggest that public intervention is also very likely to be justified in this case.

The importance of securing adequate levels of spending on training should be highlighted. Training is not only important as a way to alter the skills of the job seeker in order to reflect the needs of the labour market more closely, resulting in higher employment rates and/or better earning prospects for programme participants, but also because training is expected to improve the quality of employment, thereby securing more stable relationships. More stable jobs represent an incentive for further investments in training, creating a kind of "virtuous circle" that can break away from low training/education equilibria. In fact, a number of authors have argued that underspending on training could create a kind of vicious circle. On the one hand, firms would prefer technologies making intensive use of low skilled labour when workers have little training, while on the other hand workers would have little incentive to invest in training when the demand for skilled labour is weak (Acemoglou and Pischke, 1999b).

As regards employment subsidies, public intervention can be justified if targeted towards groups at risk of losing contact with the labour market, given the adverse consequences of inactivity on motivation and skills. Moreover, a number of authors have suggested that it is possible to raise aggregate employment (while keeping public expenditure broadly constant) by giving employment subsidies to low wage earners [or reducing the associated social security contributions] financed by higher taxes [or higher social security contributions] on high wage earners.

Now I will present the main findings of the literature on programme evaluation that uses both micro and macro analyses.

This year's EiE chapter on ALMPs draws on past surveys (e.g. work done at the OECD), but also on more recent research, including a study sponsored by the Commission and led by Kluve that considers the outcomes of more than 100 programme (or micro) evaluations in order to identify which types of measures seem to perform better in Europe and under what circumstances.

The study mentioned above [Kluve et al. (2005)[2]] carries out a *meta-analysis*[3] on the evaluations of European ALMPs to assess their effectiveness in improving employment prospects. A meta-analysis is a technique for explaining the qualitative results of programme evaluations (i.e. either positive or negative) using explanatory variables associated with contextual factors, including where (the country) or when (the time period) it was implemented, the macroeconomic environment and the labour market institutions in place.

One of the main results of the meta-analysis is that the likelihood of training having a positive impact on post-programme employment rates is modest, whereas employment incentives and PES are associated with significantly better outcomes. In fact, results suggest that employment incentives and PES are 40% to 50% more likely to make a favourable impact than training programmes. By contrast, programmes involving direct job creation in the public sector tend to be 30% to 60% less likely to make a positive impact on post-programme employment outcomes than training programmes. Youth programmes also seem to be particularly ineffective.

Microeconometric evaluations can give an insight into the causal impact of programmes, which is much more difficult or even impossible to obtain using macrodata. Although the conduct of evaluation studies is becoming more widespread across Europe in recent years, one of the conclusions of this chapter is that the development of an "evaluation culture" for LMPs is still in its infancy in many EU Member States. Furthering this "evaluation culture" is essential in order to improve policy design and secure better outcomes.

Besides microeconometric or programme evaluation, macroeconometric evaluation is also important especially when the programmes involved are relatively large in terms of either spending or participants. Assessment of the macroeconometric (or general equilibrium) effects of ALMPs should be given due consideration in the research agenda, because of the potential size of indirect effects, possibly even leading to a reversal of the initial findings on programme effectiveness solely on the basis of programme evaluation. However, extending the use of general equilibrium methods presents a considerable challenge for both theoretical and data-gathering reasons.

The few macroeconometric studies available suggest that total spending on ALMPs has no significant impact on aggregate labour market variables, such as unemployment and employment rates. Spending on training policies turns out to be the sole ALMP measure having a positive impact on aggregate labour market variables.

[2] Research project financed by the European Commission: Directorate-General for Employment, Social Affairs and Equal Opportunities.

[3] *Meta-analysis* is a technique for analysing and summarising the results of different studies, each of which answers the same question (in this case, the size and direction of the impact of a particular ALMP on post-programme employment prospects).

Consequently, the results of programme (or microeconometric) evaluations and of the few macroeconometric studies available are somewhat contradictory. On the one hand, programme evaluations tend to find that training programmes have rather mixed effects, but nearly always have a statistically insignificant impact on participants' future employment prospects. On the other hand, macroeconomic studies tend to find that training is the only category of ALMP that has a significant positive impact on aggregate labour market outcomes.

It seems that this apparent paradox can be solved by extending the observation period to include the post-participation effects of training (Boone and Van Ours, 2004). In practice, evaluations of training programmes often find a negative or only small positive effect on participants' outcomes immediately after taking part in a programme. However, after that initial period a growing number of follow-up studies have found evidence of a positive impact which can be attributed to training.

I will end this presentation by making some remarks about LMP interactions.

This year's EiE report, particularly the flexicurity and ALMPs chapters, highlights the importance of taking into account policy complementarities in order to improve the design of reform strategies. These complementarities or synergies are both of an economic nature, in the sense that the effectiveness of one policy depends on the implementation of other policies, but also of a political- economic nature, in that the ability to gain political consent for implementing one policy depends on the acceptance of other policies.

In the present context this means that, in order to increase the effectiveness of ALMPs, it is important to take into account the characteristics of unemployment benefit (UB) systems and their interaction with active policies.

UB systems have multiple dimensions (e.g. replacement ratios, the duration over which they are paid, the eligibility conditions and the strictness of administration, etc.); it is therefore difficult to assess their impact using a single indicator.

A commonly used indicator of the generosity of UB and its impact on incentives is the net replacement ratio, which is the ratio between unemployment benefits, including welfare benefits in the case of long-term net replacement rates, and previous labour income. The calculation of net replacement rates results from an ongoing joint European Commission/ OECD project aimed at monitoring the direct influence of tax and benefit instruments on household incomes (Carone et al., 2004). A somewhat unexpected result is that although the US has a considerably lower summary gross replacement ratio than the EU average (Table 4), after correcting for the influence of taxation and of income redistribution policies (Tables 5 and 6), net replacement ratios turn out to have similar values, particularly in the case of two-earner married couples.

Table 4 OECD's summary gross replacement ratio, 1961-2003

	1961	1963	1965	1967	1969	1971	1973	1975	1977	1979	1981	1983	1985	1987	1989	1991	1993	1995	1997	1999	2001	2003
Austria	20	18	16	13	22	23	21	21	26	29	29	25	29	28	29	31	27	33	32	33	32	32
Belgium	42	38	32	30	41	41	46	47	47	46	45	44	43	43	42	42	40	39	40	39	38	42
Denmark	20	21	19	21	27	34	36	39	44	50	54	56	53	49	52	52	51	65	62	61	51	50
Finland	5	5	4	4	6	8	28	24	29	27	24	25	34	36	34	39	38	36	34	34	35	36
France	25	25	25	25	27	24	23	26	24	24	31	31	34	38	37	38	38	37	37	37	44	39
Germany	30	30	30	30	30	29	28	29	29	30	29	29	28	28	28	29	28	26	26	27	30	29
Greece	6	6	6	6	6	6	6	6	6	6	6	6	7	8	7	13	13	15	16	17	13	13
Ireland	17	17	17	18	16	17	16	21	27	28	28	32	28	30	27	29	31	26	29	29	36	38
Italy	4	3	2	3	2	2	1	2	1	1	1	1	0	0	3	3	17	19	18	34	34	34
Netherlands	13	13	48	46	48	48	48	48	48	47	48	47	55	57	55	53	53	52	52	52	53	53
Portugal	0	0	0	0	0	0	0	5	5	7	9	7	22	31	32	34	35	35	35	45	41	41
Spain	9	9	19	19	19	12	13	21	21	21	28	28	34	34	34	34	32	39	39	38	36	36
Sweden	4	4	5	5	7	6	7	22	24	25	25	28	28	30	29	29	28	27	27	24	24	24
United Kingdom	24	25	26	28	27	25	24	22	25	24	24	22	21	19	18	18	19	18	18	17	17	16
EU 14 a)	**16**	**15**	**18**	**18**	**20**	**20**	**21**	**24**	**26**	**26**	**27**	**27**	**30**	**31**	**30**	**32**	**32**	**33**	**33**	**35**	**34**	**34**
EU 14 b)	**0.8**	**0.8**	**0.8**	**0.8**	**0.7**	**0.8**	**0.7**	**0.6**	**0.6**	**0.6**	**0.6**	**0.6**	**0.5**	**0.5**	**0.5**	**0.4**	**0.4**	**0.4**	**0.4**	**0.4**	**0.3**	**0.3**
United States	7	10	9	10	9	11	11	12	15	12	15	14	15	11	11	11	12	12	14	14	14	14
Japan	12	12	12	12	12	13	13	13	9	9	9	9	10	10	10	10	10	10	11	12	9	8

1. The OECD summary measure is defined as the average of the gross unemployment benefit replacement rates for two eamings levels, three family situations and three durations of unemployment. For further details, see OECD (1994), *The OECD Jobs Study* (chapter 8) and Martin J. (1996), "Measures of Replacement Rates for the Purpose of international Comparisons: A Note", *OECD Economic Studies*, No. 26.

Source: OECD, Tax-Benefit Models. www.oecd.org/els/social/workincentives

a) The simple arithmetic average of the preceding 14 EU Member States.

b) The coeficient of varation (i.e standard deviation over the average).

Table 5 Net Replacement Rates for six family types: initial phase of unemployment

	67% of APW						100% of APW						150% of APW					
	No children			2 children			No children			2 children			No children			2 children		
	Single person	One-eamer married couple	Two-eamer married couple	Lone parent	One-eamer married couple	Two-eamer married couple	Single person	One-eamer married couple	Two-eamer married couple	Lone parent	One-eamer married couple	Two-eamer married couple	Single person	One-eamer married couple	Two-eamer married couple	Lone parent	One-eamer married couple	Two-eamer married couple
Austria	55	58	80	74	76	86	55	57	76	70	71	82	55	56	72	65	67	77
Belgium	83	71	83	79	75	85	63	54	71	64	59	74	46	41	59	49	46	63
Czech Republic	50	50	76	64	60	79	50	50	72	64	61	74	50	50	67	57	60	68
Denmark	84	85	91	90	89	94	61	63	74	76	73	77	47	48	62	65	60	66
Finland	73	80	81	88	85	86	60	67	75	80	79	79	48	52	66	65	62	70
France	77	79	90	90	89	89	73	69	84	77	77	84	67	67	78	67	67	78
Germany	62	65	89	82	82	93	61	60	86	75	77	91	62	61	83	69	71	88
Greece	71	71	74	81	81	74	48	48	59	55	55	60	34	34	48	38	38	48
Hungary	58	54	77	70	69	81	43	39	65	53	52	70	34	31	57	44	43	62
Ireland	42	65	71	63	70	76	30	48	60	60	58	65	23	35	49	47	44	53
Italy	50	50	78	54	55	84	54	56	75	60	62	79	46	50	65	56	58	69
Luxembourg	84	82	90	90	90	94	85	84	89	89	89	93	87	84	88	93	91	92
Netherlands	81	87	84	85	87	85	71	76	82	80	80	83	59	60	72	64	62	73
Poland	75	78	76	76	70	84	52	54	62	81	54	68	35	37	48	56	41	53
Portugal	81	79	92	93	93	91	78	77	89	87	86	88	84	79	89	82	78	88
Slovak Republic	61	58	83	59	57	85	64	58	81	62	57	83	49	46	67	49	46	70
Spain	76	73	88	77	77	89	69	69	82	75	75	87	48	48	65	60	60	74
Sweden	82	82	91	92	90	92	77	77	87	88	81	88	55	55	70	67	59	71
United kingdom	63	61	63	71	69	77	45	45	52	65	65	65	31	31	42	50	50	52
EU 19 a)	**69**	**70**	**82**	**78**	**77**	**85**	**60**	**61**	**75**	**72**	**69**	**78**	**51**	**51**	**66**	**60**	**58**	**69**
United States	62	61	82	52	51	84	62	62	77	61	59	80	45	45	62	43	43	64
Japan	70	69	86	78	68	87	60	59	77	68	59	79	50	50	67	58	51	68

1. Initial phase of unemployment but following any waiting period. No social assistance "top-ups" are assumed to be available in either the in-work or out-of-work situation. Any income taxes payable on unemployment benefits are determined in relation to annualised benefit values (*i.e.* monthly values multiplied by 12) even if the maximum benefit duration is shorter than 12 months. For married couples the percentage of Average Production Worker (APW) relates to one spouse only; the second spouse is assumed to be "inactive" with no eamings in a one-eamer couple and to have full-time eamings equal to 67% of APW in a two-eamer couple. Children are aged 4 and 6 and neither childcare benefits nor childcare costs are considered.

Source: OECD, Tax-Benefit Models. www.oecd.org/els/social/workinsentives

a) The simple arithmetic average of the preceding 19 EU Member States.

Table 6 Net Replacement Rates for six family types: long-term unemployment

2004, different eamings levels (1)

	% of APW						100% of APW						150% of APW					
	No children			2 children			No children			2 children			No children			2 children		
	Single person	One-eamer married couple	Two-eamer married couple	Lone parent	One-eamer married couple	Two-eamer married couple	Single person	One-eamer married couple	Two-eamer married couple	Lone parent	One-eamer married couple	Two-eamer married couple	Single person	One-eamer married couple	Two-eamer married couple	Lone parent	One-eamer married couple	Two-eamer married couple
Austria	66	82	51	82	96	74	51	62	47	66	77	71	51	52	47	62	63	67
Belgium	69	71	75	79	75	77	52	54	64	64	59	68	39	41	53	49	46	57
Czech Republic	44	70	53	70	81	65	30	50	43	57	68	55	21	35	34	42	52	44
Denmark	81	76	59	84	91	71	59	56	48	71	75	58	45	43	40	61	62	50
Finland	67	85	63	75	94	74	49	64	53	64	81	63	36	47	44	50	61	53
France	55	75	52	80	90	57	40	52	43	61	69	48	28	36	35	43	48	38
Germany	81	84	59	92	84	66	60	62	50	72	67	58	54	54	52	61	64	57
Greece	0	0	50	5	5	51	0	0	40	3	3	41	0	0	33	2	2	33
Hungary	35	35	50	46	44	55	25	25	42	34	33	47	20	20	37	29	28	42
Ireland	71	92	74	64	90	76	51	67	62	60	75	65	39	49	51	47	57	54
Italy	0	0	56	0	0	65	0	0	47	0	0	56	0	0	38	0	0	46
Luxembourg	71	87	59	85	88	69	51	69	49	61	78	58	37	48	40	47	56	48
Netherlands	82	91	52	79	88	55	61	73	44	67	75	47	40	49	34	47	52	37
Poland	44	58	52	57	95	64	30	40	42	61	73	52	21	28	33	41	55	41
Portugal	35	68	52	84	87	71	25	48	42	61	81	59	18	33	34	45	58	48
Slovak Republic	29	48	50	49	58	54	21	32	41	36	41	46	14	23	33	26	30	37
Spain	35	43	53	54	61	53	25	31	44	39	43	44	18	22	35	28	30	35
Sweden	76	98	50	68	100	59	52	68	41	58	80	49	37	48	33	44	58	40
United kingdom	63	75	52	71	79	73	45	56	43	65	74	62	31	39	35	50	57	50
EU 19 a)	**53**	**65**	**56**	**64**	**74**	**65**	**38**	**48**	**47**	**53**	**61**	**55**	**29**	**35**	**39**	**41**	**46**	**46**
United States	9	16	54	42	48	65	7	11	44	34	39	54	5	8	34	24	28	43
Japan	49	71	51	82	87	62	33	48	41	62	71	51	23	33	32	46	50	40

1. After tax and including unemployment benefits, social assistance, family and housing benefis in the 60th month of benefit receipt. For married couples the percentege of APW relates to one spouse only, the second spouse is assumed to be "inactive" with no eamings in a one-eamer couple and to have full-time eamings equal to 67% of APW in a two-eamer couple. Children are aged 4 and 6 and neither childcare benefits nor childcare costs are considered.

Source: OECD, Tax-Benefit Models. www.oecd.org/els/social/workinsentives

a) The simple arithmetic average of the preceding 19 EU Member States.

The importance of eligibility criteria is often neglected when characterising UB, particularly as regards potential disincentive effects. The impact of a given UB system depends to a considerable extent on coverage rates. A large proportion of unemployed people are not eligible for UB in EU Member States and coverage rates tend to be rather low in Southern European countries (Table 7).

Table 7 Percentages of unemployed persons qualifying for unemployment benefits in 1995

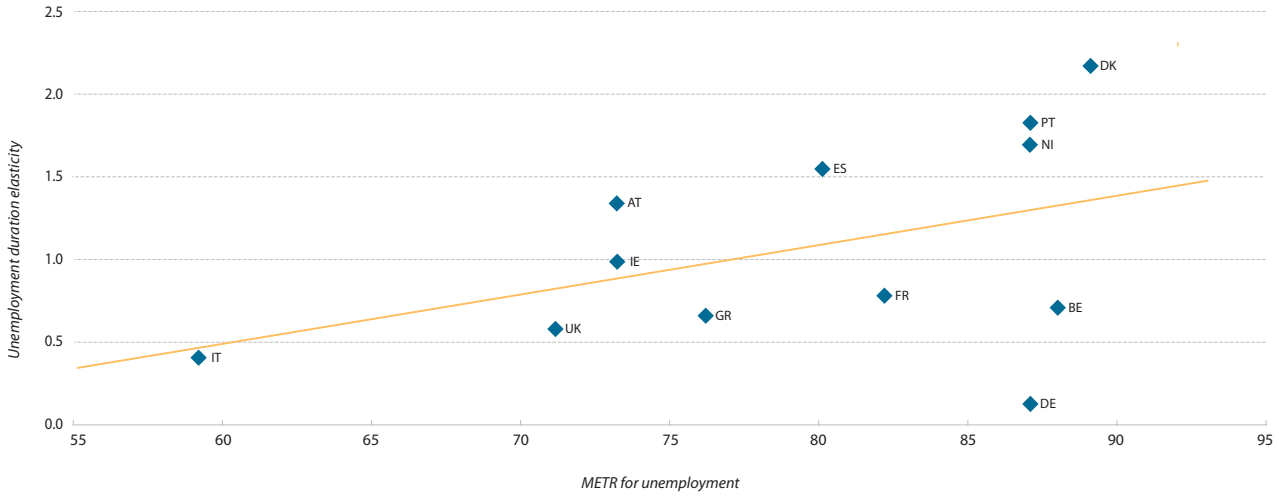
Austria	66	Germany	70	Portugal	27
Belgium	81	Greece	9	Spain	24
Denmark	66	Ireland	67	Sweden	70
Finland	73	Italy	7		
France	45	Netherlands	50		

Source: Manning (1988, table 1, p.144; cit Cahuc and Zylberberg, 2004).

Despite the multidimensionality of UB systems and the consequent difficulty in assessing their impact on incentives, UBs are usually associated with a number of well-publicised drawbacks, such as lowering job search intensity and increasing the reservation wage. All other things being equal, these two effects tend to put upward pressure on wages and prolong the duration of unemployment, thereby increasing the equilibrium unemployment rate.

A number of authors (e.g. Addison et al., 2004) found a positive cross-country correlation between the estimated elasticities of unemployment duration and a commonly used measure of distortions, namely the marginal effective tax rates (METRs) for unemployment benefits (Chart 5).

Graph 5 Unemployment duration elastivity and METR for unemployment



However, the disincentive effects on labour supply associated with UB can be counteracted, at least partially, by adopting well-designed ALMPs. This finding is particularly relevant in the current debate about how to achieve a better balance between security and flexibility in the labour market.

In accordance with the guidelines of the EES, EU Member States have developed activation strategies to coordinate expenditure on ALMPs with UB administration. The "mutual obligations" principle plays a central role in activation strategies. On the one hand, PES are supposed to provide quality counselling and job-brokerage services, while on the other hand the unemployed should comply with their obligations to search actively for a job, to accept any suitable job offers or to participate in ALMPs.

A number of studies indicate that well-designed activation strategies have improved labour market performance by making the job-matching process more efficient, improving the skills of participants in programmes and increasing the duration of periods of employment (OECD, 2005a and OECD 2005b).

Reference

Employment in Europe 2006, Chapter 3, Effective European Active Labour Market Policies.

The OECD and Eurostat databases on Labour Market Programmes, and directions for future work

David Grubb

chapter 3

eurostat

The OECD and Eurostat databases on Labour Market Programmes, and directions for future work[1]

David Grubb

Introduction and summary

The OECD has published data for spending on labour market programmes by its Member countries occasionally in the 1970s and regularly as from the late 1980s. In 1997, Eurostat began work on collecting similar data, supported by full-time staff and regular meetings between national experts held in Luxembourg. OECD has participated actively - though not regularly - in the development of the Eurostat system, to which 20 of OECD's 30 Member countries currently report. OECD adopted Eurostat's classification system for labour market programme (LMP) spending and most of Eurostat's definitional guidelines in 2004 (for data year 2002), now applying them to eight non-Eurostat countries as well as 20 Eurostat countries (Norway and the EU Member States which are also OECD Member countries).

Sections 1 and 2 of this paper note some key features of OECD-LMP and Eurostat-LMP data. Sections 3, 4 and 5 describe general user needs and the key issues of scope, comparability and interpretation for this type of data which OECD hopes can be tackled. Sections 6 and 7 describe OECD's current work with data for Eurostat countries and its collection of data from non-Eurostat countries, and Section 8 focuses on the time-series break that occurred in 2002 when OECD adopted the Eurostat classification system.

1. A brief history of OECD-LMP data

Building on earlier research,[2] in the mid-1980s OECD began systematically to build a database for spending on active and passive labour market programmes.[3] Data were constructed using information in national labour ministry budgets and other publications, and through personal missions to many Member countries to interview the people responsible for each main programme area. The first major publication of these data was in the 1988 OECD *Employment Outlook*, which included for each country a one-page table listing the individual programmes within each category, with extensive notes. Annex Table 1 illustrates this using data for the Netherlands as an example.

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1 By David Grubb, Employment Analysis and Policies Division, OECD, with thanks to participants in the DG-EMPL/Eurostat joint seminar, Andy Fuller of Alphametrics, Africa Melis at Eurostat and Willem Adema, John Martin and Anders Reutersward at OECD for comments and suggestions. The views expressed do not necessarily reflect their views or those of the OECD or its Member countries.

2 Data for six categories of spending on "employment and manpower policies" (training, temporary employment maintenance and creation, geographical mobility, employment service, handicapped, and "other") in 13 countries were published in OECD (1978). At that time, spending on these active programmes exceeded 1% of GDP in Denmark and Sweden, and exceeded 0.5% of GDP in another 5 countries.

3 The OECD usually refers to labour market "programmes", since labour market "policies" include for example labour legislation (employee rights, quotas for employment of the disabled) and some aspects of social policy.

From 1991, data were published annually in the OECD *Employment Outlook* (usually in the Statistical Annex), without programme detail but showing subcategory total; Annex Table 2 illustrates this with data for Greece and Ireland. The data for spending on "active" programmes were incorporated into the first full version of the OECD Social Expenditure (SOCX) database (OECD, 1996),[4] which mainly uses other (Social Affairs Ministry-based) data sources (in particular ESSPROS data, for Eurostat countries) for spending on cash benefits.

After the initial data construction effort, the OECD maintained its database largely by means of an annual questionnaire sent to national authorities. The OECD only occasionally conducted further visits to countries or commissioned studies by national experts to improve the quality of data. In the latter part of the 1990s, OECD supervision of data comparability and consistency with the stated definitions was variable. Particularly from 1998, when Eurostat began to collect LMP data, the supply of data for the OECD-LMP database from some smaller EU countries (Greece, Denmark, Ireland, Luxembourg and Portugal) was somewhat erratic.

2. OECD and the Eurostat-LMP database

By 2004, the EU-LMP database generally provided (for EU countries) more detailed information on individual labour market programmes, with better quality control, than the OECD-LMP database. However, the OECD-LMP publication (in the *Employment Outlook* Statistical Annex and online databases) still had some advantages in terms of

- the publication of data for aggregate national spending on "active" and "passive" labour market programmes;[5]
- comprehensive coverage: countries sometimes do not report programmes for which they lack the detailed information requested by Eurostat, and the Eurostat definition of "Category 0/1" often led to non-reporting of most of the cost of the Public Employment Service (PES);[6]
- timeliness – OECD data were often available about 6 months after the end of the calendar year. With relatively little detail being reported, labour ministry officials could often report spending as it had appeared in the year's budget estimates, sometimes revising the estimates later when outturn data were finalised;[7]
- the availability of time-series data and the availability of data for a wider range of countries.

The OECD has been actively - although not consistently - involved in discussion of the methodological framework for Eurostat-LMP data. From 2004 (data year 2002), it asked all its member countries to supply data classified according

[4] The SOCX data generally run from 1980 onwards, and they include figures for "active" LMP spending in the years 1980 to 1984 for a limited number of countries but not, for example, for France or Germany.

[5] As a rule of thumb, OECD-LMP and Eurostat-LMP publications report category aggregates when the "missing" components (relevant programmes which are known to exist, but for which data are missing) are believed to be less than 10% or 20% of the true category total: this makes it easier to publish a figure for the aggregate rather than no value at all. Eurostat is formally strict in this area (as regards programmes that are reported but with values missing from the quantitative data entries), but has not necessarily been any stricter in situations where national authorities omit entirely to report programmes or certain components of their cost (something which occurs quite often, given the difficulties national authorities face in obtaining detailed data for regionally and locally financed programmes, for example). OECD-LMP data have also included more spending in the PES and administration category (see below).

[6] In its 1985-2002 series, the OECD called on countries to supply data for the PES spending including the benefit administration function, but reported totals for only the placement organisation in countries where nothing more could be obtained (cf. the Netherlands in 1985-87: see Chart 1, note *a*). In the early years, Eurostat often reported little spending, owing to the lack of separate data for the cost of PES labour market services as distinct from its more general administration costs.

[7] Budget estimates can sometimes be seriously wrong, e.g. when an entitlement programme experiences a surge in take-up or a new hiring subsidy has an unexpectedly low take-up.

to the Eurostat-LMP system. From 2006 (data year 2004), OECD no longer issued a data request to Eurostat countries, but instead used Eurostat-LMP data as the main source of data for them; it still issues data requests to the non-Eurostat members of OECD.

The fact that the OECD corresponds with Eurostat on general and specific issues, and applies the Eurostat classification system to other countries, justifies referring to this as a "Joint Eurostat-OECD data collection".

3. User needs

User needs include:

1. Aggregate data for spending by main category (unemployment benefits, training, etc.) which are accurate and, more specifically, have consistent (comparable) and meaningful coverage across countries and through time.

2. Alternative measures of programme "size", e.g. data on stocks and flows of programme participants.

3. Detailed data on individual programmes in individual countries.

4. "Meta-data" for each individual national programme, i.e. descriptions of the nature of the assistance, the rules determining entitlement to the programme or membership of the eligible target group, method of implementation, etc.

3.1. Aggregate data

The information that spending in Denmark on active and passive labour market programmes totalled 4.5% of GDP in 2004, for example, can be a starting point for political decisions about the level of spending, given that it can be compared with public spending in other areas or in other countries (in the same year that Denmark spent 8.9% of GDP on health, the United States spent 0.5% of GDP on labour market programmes, etc.).

If countries with high LMP spending always had low unemployment and low poverty rates, OECD – and EU - Member countries would take note and probably spend more in this area. But statistics do not tell such a simple story. Economists therefore use cross-country and time-series data in multiple regression analysis, which attempts to isolate the impact of a number of different causal factors. However, for this research methodology to yield reliable estimates of the impact of LMP spending, high levels of data accuracy and comparability would be needed.

3.2. Alternative measures of programme "size"

Spending on services (also called government final consumption spending) arguably has a very different impact from that of income transfers, whether to employers (hiring subsidies) or to individuals (income support). Data users may not realise that what is reported as spending on "active" labour market programmes can be mainly training allowances (often similar in structure to unemployment benefits) paid to participants in the programmes. Eurostat's breakdown of LMP spending by direct recipient allows users in principle to identify the spending on training and related services delivered to the target groups.

Similarly, data on programme participant stocks and flows sometimes tell a quite different story from expenditure data: an expensive programme of sheltered employment for the disabled may have relatively few participants, while a cheap job-search training course can be one of the biggest measures in terms of participant numbers.

In combination with expenditure data, data on participant stocks and flows allow internal cross-checks (calculations of the mean duration of participation and expenditure per participant-month, etc.), which potentially reveal data errors or undocumented features of the programmes, and thus improve overall accuracy. In 1990 the OECD published limited data on participant inflows for the reference year 1988: the 1991 *Employment Outlook* dropped publication of these data and the 1993 *Employment Outlook* resumed it, but the data remained incomplete and their quality even deteriorated in later years. Administrators and junior staff may report stock numbers when flow numbers have been requested, or vice versa (and some administrative data report all people who participated in a programme at any time during the year, which is a third concept). An external expert has to do extensive research to thoroughly verify the conceptual basis of reported data. The participant stock and flow data now published by Eurostat - although still not perfect - are much more accurate, and thus allow more effective cross-checks.

3.3. Individual programme data

Data on individual programmes are essential for understanding labour market policies in a given country. In the absence of data, a researcher will encounter a maze of information and announcements about individual programmes and may read and hear much discussion of certain programmes (often the innovative ones) while others are rarely mentioned, which presents a distorted picture of policy. Basic statistics are a precondition for the overview needed to allow, for example, effective parliamentary scrutiny of public spending. In addition to their direct value in this respect, Eurostat and OECD LMP data publications have sometimes helped stimulate and structure data collection and publication efforts at national level.

3.4. "Meta-data"

Decisions to exclude a particular programme from the LMP database, or to transfer it to another category within the database, are based on qualitative information. This therefore plays a vital role in ensuring the accuracy of aggregate data.

Even within a particular category aggregate, such as "training", total spending is often dominated by one or two large programmes which can be very different in character from one country to another. Data users need to understand these qualitative differences.

Users may plan to use data for a particular purpose, for which the regular published totals are not appropriate, for example:

- to implement a concept of the unemployment "hidden" in labour market programmes (see further discussion of this below);
- to implement a concept of government employment in labour market measures, as discussed by Kanutin (in this volume);
- for selecting data to be included in OECD's SOCX database; in this case, data should exclude any transfers to individuals already counted in the total used (in the SOCX database) for unemployment benefits, and LMPs

implemented as tax expenditures (mainly reductions in social security contributions), which are excluded in order to avoid other forms of double-counting.

Research requiring analysis of individual programmes is so time-consuming - particularly in the case of international comparative work – that it may be practically impossible if high-quality summary descriptions are not available. Eurostat's *Qualitative Reports* are a vital resource,[8] containing information on some 700 individual programmes in 16 countries (EU-15, plus Norway) in 2001.

4. Data coverage and comparability

The 2006 *Employment Outlook,* Table H of the Statistical Annex, provides spending and participant data by main categories based, for Norway and EU countries, mainly on Eurostat's publication *Labour Market Policy: Expenditure and Participants, Data 2004*. The OECD's review of definitional and coverage issues is reflected in some notes to Table H and a general user note entitled *The scope and comparability of data on labour market programmes* (OECD, 2006*b*). Key issues identified in this note include:

- **Administration costs and the coverage of Category 1**. The OECD calls this Category "Public Employment Service (PES) and Administration" and Eurostat calls it "LMP Services". It includes publicly-financed labour market services such as job matching and personal counselling for the unemployed. The OECD defines it as including the costs of administering placement activities, other active programmes (e.g. the supervision but not the implementation of training) and passive programmes (mainly unemployment benefits), and understands "PES" as referring to all the institutions that do these things, i.e. not only the institution that is called the "employment service" at national level, but often one or two others. Eurostat's guidelines originally excluded administration costs of all kinds from the scope of the LMP data,[9] but coverage of Category 1 is now often (but not always) similar to the OECD's.[10] In the OECD approach, issues relevant to individual countries include: (a) the inclusion/exclusion of the administration costs of unemployment insurance funds in Denmark, Finland and Sweden; (b) the inclusion/exclusion of the administration costs of lone parent and disability benefits when the groups concerned are or may be a target group for employment services; and (c) the inclusion/exclusion of activities such as the administration of migrant work permits by the main PES institution, evaluation of programmes and other research by the labour ministry, etc.

- **The treatment of unemployment benefits paid to programme participants.** Reported spending on "active" programmes in Sweden and some other countries is high because unemployed people who participate in these programmes are transferred from unemployment benefit to a training allowance, which is paid at a similar rate but is reported as spending on training. In a number of other countries – Australia, the Czech Republic, Japan, the Netherlands, New Zealand, Norway and probably some others - unemployed people who participate in active

[8] Eurostat's *Qualitative Reports* as published relate to 2001 and at that time were not quite complete for some countries. But qualitative data are gathered for each new measure as it is added, and can be downloaded from Eurostat's (password-protected) CIRCA site.

[9] Eurostat (2002) specified that, in spending of the type "transfer to service providers", "the administrative costs associated with the measure should not be included". Administrative costs are an important issue: when PES and benefit administration are both included, Category 1 alone accounts for about half of total spending on services (*i.e.* spending exclusive of income transfers to individuals and to employers).

[10] Under current Eurostat guidelines, Category 1 includes all costs (including benefit administration) of the main employment service institution, but includes only the placement-related costs of institutions which are not primarily placement organizations (such as the labour ministry or separate benefit administration institutions).

programmes often continue to receive unemployment benefits, which continue in many cases[11] to be reported as spending on "passive" programmes. For the consistent treatment of income-support payments, unemployment benefits paid as income support to participants should be included in spending on the active programme (this spending then appears separately in the "transfers to individuals" component of spending on active programmes) and excluded from the total reported as unemployment benefits. Eurostat (2006*b*) adopts this approach, describing a methodology for implementing it on an estimated basis if necessary, so significant improvements can be expected. Remaining conceptual issues include the following:

- For programmes that involve only part-time participation and/or where income-support payments are conditional on continuing job search, income-support payments should probably be counted partly as active programme spending, and partly as unemployment benefits.[12]

- Guidelines do not fully clarify when spending on "non-employment" benefits (e.g. lone-parent and disability benefits) should be included. Norway currently includes disability benefits (called rehabilitation benefits) in "active" spending (Eurostat measures NO-21, NO-22, etc.) for participants and in "passive" spending (measure NO-27, "Payments for occupational rehabilitation between measures") otherwise. Most other countries probably do not include any disability benefits.

- **Other issues for the coverage of reported "unemployment benefits".** These include:

  - **Social assistance payments to the unemployed.** In countries which have multiple categories of assistance benefits (e.g. for lone parents, for people caring for invalid relatives, for the aged, and for the unemployed), assistance benefit for the unemployed is counted as an unemployment benefit. However, some countries have large "non-categorised" social assistance benefits, paid to both the unemployed and others. In the Netherlands these are counted entirely as unemployment benefits and in Denmark partly as unemployment benefits (based on a statistical reporting system which distinguishes unemployed recipients from others); in general, however, they are completely omitted in the many other countries that have non-categorised social assistance benefits.

  - **Exemptions from job-search requirements.** In some countries, unemployed older workers are exempted from the requirement to be available for work (the lower age limits range mainly from 55 to 60), but still receive a benefit which is called (at national level) an unemployment benefit. This causes an overstatement of unemployment benefit spending, as compared with countries that transfer unemployed older workers to formal early retirement benefits, such as Finland's "Unemployment Pension" or Australia's "Mature Age Allowance", which in substance are the same.

  - **Benefit payments to part-time workers.** Unemployed workers who take up part-time work may, depending on the amount earned, continue to receive unemployment benefits at a reduced rate. However, in some

[11] Administrative records in Norway identify the unemployment benefits paid to participants in active programmes, which are then reported as part of spending on these programmes, rather than as unemployment benefits. Finland also splits spending on the labour market support benefit between payments to participants and to non-participants. However, most other countries concerned are technically unable to do this, or possibly some consider it inappropriate to do so. In the 1985-2002 OECD data (old OECD classification), for the Netherlands spending on unemployment benefits paid to active programme participants was estimated, subtracted from the unemployment benefit total and added to the active programme total (see Chart 1). Although the intention was clearly stated in this case, in subsequent years this type of adjustment was not applied in every situation where it would be relevant. Eurostat (2006*b*) now specifies that such adjustments should be made.

[12] The OECD-Eurostat data for Denmark and Sweden currently include, in the "training" category, all the income-support payments to individuals participating in counselling, guidance and placement (the "Activity Guarantee" in Sweden). But the income support in this case remains strictly conditional on availability for work and job search, so it is not clear that this treatment is fully appropriate.

countries unemployed workers who take up part-time work receive a payment (called something like a "re-employment bonus") which is actually similar, but is classified as "active" spending.[13]

- **The "targeting" criterion for the inclusion of programmes.** Much of the spending in Category 1 *PES and administration* relates to activities - such as the detection of benefit fraud, or the management of buildings and IT systems - for which the concept of "participants" is not applicable. By contrast, Categories 2 to 9 by definition include labour market programmes that are "targeted". In the main this means targeting the *unemployed* and *employed people who are known to be at risk of involuntary job loss* (e.g. individuals who have received notice of future layoff) who have been individually identified. However, OECD countries have many measures that are financed and managed by the labour ministry and/or are regarded or promoted as "labour market programmes", but are not closely targeted in this way. Key examples are: (a) apprenticeship programmes that are generally available to young adults (without individual evidence that unemployment will otherwise occur); (b) public spending on training for employed workers generally, or disadvantaged employed workers; (c) payroll tax reductions for all employees in a demographic group (e.g. older workers) or a region that has poor labour market outcomes on average; (d) payroll tax reductions for an employer who converts a temporary contract into a permanent contract; (e) lifetime sheltered work for the disabled; (f) measures which increase net in-work income for low-wage workers generally, *i.e.* irrespective of former unemployment (Working Families Tax Credit in the United Kingdom, *Prime pour l'emploi* in France, etc.); and (g) programmes that promote business start-ups and local enterprise generally, not conditional on hiring from particular target groups. The inclusion/exclusion of such programmes can be a major factor limiting the meaningfulness and cross-country comparability of the data. Background issues include the following:

  – *Large financial transfers* sometimes benefit a target group that is considered to be "at risk", but within which most individuals are not actually unemployed (or expecting to be laid off). If a 2 percentage point reduction of employer contributions in certain regions of the country, or a 10 percentage point reduction of employee taxes on minimum-wage workers[14] is counted as active labour market programme spending, the countries concerned may have the highest reported levels of spending (in the category in question), but with little of the impact that results from spending on actual services for already-unemployed individuals.

  – *In principle,* Eurostat guidelines (Eurostat, 2006*b*) state that measures targeted at "disadvantaged groups" are included, and explicitly include measures of type (c).[15] However, measures of types (a)(op. cit., §64), (b)(§23), (e)(§87), (f)(§83) and (g)(§101) are all explicitly excluded. Measures of type (d) are not mentioned in the guidelines, but have been regularly included in data for Italy and Spain.[16]

[13] Paradoxically, a payment to part-time workers that is conditional on continued availability for full-time work will be classified as unemployment benefit, while a payment without such an availability condition is likely (subject to the criterion of targeting) to be classified as an "active" labour market programme. This illustrates a general point that some spending on unemployment benefits may be more "active" than some spending on "active" programmes.

[14] Note that a 2-point reduction in payroll taxes for disadvantaged regions may be economically the same as a 2-point increase in payroll taxes for congested urban regions, and a 10-point reduction in employee taxes on minimum-wage workers may be economically the same as a change in the general income tax schedule, etc.

[15] By contrast, the OECD (1988) - which discussed the definitions applied in the OECD 1985-2002 data - stated explicitly that a "group of programmes not covered here are non-targeted employment subsidies: these are excluded even when eligibility is restricted to depressed regions".

[16] Eurostat's inclusion of measures of type (c) (payroll tax reductions for all employees in a particular demographic group) and possibly type (d) may be motivated by a perception that these measures primarily promote hiring from groups with a statistically above-average unemployment rate or risk of unemployment, whereas measures (a), (b), (e), (f) and (g) primarily improve or maintain the situation of employed workers. However, it is not clear that the impacts of the measures actually differ in this way.

– *In practice*, national authorities often submit (to Eurostat or to OECD) data that include national programmes in categories (a) to (e). Eurostat and the OECD Secretariat then often insist that these programmes be excluded. However, as a result of inertia or in order to cooperate with national authorities (such as the labour ministry which reports the data), the Secretariats sometimes yield to pressure to include such spending.[17]

– *Where benefit coverage of unemployment is low and/or levels of informal work are high*, targeting formal (administrative) registered unemployment (or other) status may not be appropriate. For example, an important type of programme may be "public works" (job-creation programmes) where there is little effective restriction on who can participate, but the low level of wages paid to participants deters participation by workers who are not disadvantaged. These "public works" need to be distinguished from the "public works" which constitute normal infrastructure investment, for example. Some care is needed when assessing which programmes are *de facto* targeted mainly on unemployment and related labour market disadvantage (to be included) and which of them are targeted on already-employed workers or the general development of local businesses and the local economy or represent spending mainly for other purposes (to be excluded).

5. Data on participants

Two known issues with data for programme participants are:

- Eurostat and OECD exclude Category 1 (PES and Administration/LMP Services) from comparative tables for participant stocks and flows. This is because all registered unemployed can be counted as "participants" in the basic service of regular registration at the local PES office, which often delivers some employment services as well as administering benefits. As basic services such as counselling interviews are often not counted as part of a named "programme", the number of participants actually reported for Category 1 is relatively arbitrary.

- Eurostat applies a correction to prevent double counting within the "active" programmes categories (this arises primarily when subsistence allowances or cost-reimbursement payments to trainees, and the actual delivery of training services, are reported as two separate programmes). However, it does not (except in the case of Norway, footnoted above) correct for double-counting between "active" and "passive" programme categories, which arises when participants in an active programme are paid an unemployment benefit.[18]

Conceptual difficulties arise in cases of part-time participation in programmes, since a programme that involves relatively little expenditure and relatively little time (e.g. subsidised participation by the unemployed in evening classes once a week) might account for a large proportion of the participant total. Eurostat (2006*b*) specifies that the measures included in Categories 2 to 7 must either involve a change of status (i.e. such that the person is no longer considered unemployed) or must be "supervised and constitute a full-time or significant part-time activity of participants during a significant period of time."

[17] Eurostat's treatment of apprenticeship programmes illustrates this problem. Eurostat publications for data years 1998 to 2001 inclusive reported spending on training (Category 2) excluding "special support for apprenticeships" (Category 2.4), pending clarification of some countries' data. Eurostat publications for data years 2002 onwards include apprenticeship spending in the reported total for training, but the data continue to include general support for apprenticeships in some countries, such as tax reductions for employers hiring apprentices in Italy and the Netherlands, and support for apprenticeships open to all those who leave school at age 16 in the United Kingdom.

[18] In its annual data publication, Eurostat explicitly warns users that "Participants in category 8 should never be added to those in categories 2-7 since some of the participants in the 'active' measures may be allowed to keep their unemployment benefits reported in category 8." The new guidelines concerning unemployment benefits received by participants in Eurostat (2006*b*) should in principle avoid this type of double-counting, but caution will still be warranted.

A related problem is that some programmes in Categories 2 to 7 involve a one-off payment, with the result that only the concept of inflows (and not the concept of a point-in-time stock) is applicable. This makes the concept of the aggregate *stock* of programme participants somewhat problematic,[19] but the concept of aggregate inflows can also be problematic.[20]

Swedish economists have long referred to figures for "total unemployment", which includes participants in labour market programmes. At times this has been twice as high as "open unemployment" (measured as unemployment according to the PES register, which may also approximate to the level reported in the labour force survey). "Total unemployment" in this sense has sometimes been estimated for other countries (Holden and Nymoen, 2001, estimated it for Denmark, Finland, Norway and Sweden). Heckman (2006) charts "Differences between Open and Full Unemployment, 1998-2004 averages" which range from less than 2 percentage points in Norway, Czech Republic, Greece, Australia and the United Kingdom to 8 percentage points in Belgium and the Netherlands.

Although labour market economists are certainly interested in making multi-country estimates of "total unemployment", LMP data are not specifically designed to measure this concept. Many of the programme participants implicitly assumed to be "hidden" unemployed in Heckman's figure for the Netherlands probably were employed prior to participation (e.g. in the measure NL-51, *ESF-3 for employed*), or are already included in statistics for regular ("open") unemployment (e.g. in the case of measure NL-41, *Comprehensive reintegration*, an activation programme for the long-term unemployed).[21] Even in Belgium, where most of the participants that were counted as "hidden" unemployed probably entered their current programme from unemployment, many would have entered employment anyway (rather than remaining unemployed) without the programme.

As mentioned above, in order to allow implementation of a user-defined notion of "hidden" unemployment, both detailed quantitative information (e.g. on the number of participants who at the same time are registered unemployed or unemployment benefit recipients) and detailed qualitative information (about the intake process and the content of programmes) are needed; qualitative information can often give some idea of the situation for each programme, but fully adequate quantitative information is generally not available.

6. OECD-LMP data for Eurostat countries

For data year 2004, prior to the publication of the final Eurostat-LMP data, OECD worked with Eurostat on certain issues (e.g. programmes to be included/excluded and contacts with accession countries which had previously reported only to OECD). OECD was then able to review the Eurostat-LMP data in near-final and final form before the finalisation of the OECD *Employment Outlook* 2006 (Table H). OECD made some further revisions as follows:

- Some data for Category 1 were altered in line with the OECD's understanding of the coverage of this category and the reporting of Subcategories 1.1 *Placement and related services* and 1.2 *Benefit administration*. These subcategories relate to *separately-identified* spending, since much PES spending e.g. on buildings, the IT system,

[19] The concept of participant stocks is often considered not relevant for mobility allowances and certain types of self-employment start-up assistance which appear in Categories 2 to 7 (as well as severance and bankruptcy compensation/wage guarantee payments in Category 8, and many of the measures identified in Category 1). For example, Eurostat (2006*a*) reports non-zero participant inflows but zero participant stock for Category 7 in Portugal and the United Kingdom. However, as Eurostat (2006*b*, §235) notes, it should usually be possible to report participant stocks because lump-sum start-up payments are conditional on the recipient maintaining his/her self-employed activity for a minimum period.

[20] Inflows can be conceptually problematic because, for example, when a long period of unemployment is interrupted by some days of work, the unemployment may or may not be reported as multiple spells of unemployment; in this case, the concept of participant stocks is clearer.

[21] As noted above, in the Netherlands the unemployed who enter regular training continue to receive unemployment benefits.

etc. may not be possible to allocate across these functions. As compared to Eurostat's treatment, in a number of countries spending on benefit administration was added and in Ireland spending on "services to business" was excluded.

- Some additional data for other categories were included: historical data (for 2000-2002) for a few programmes in Ireland, data for Categories 1 and 2 (which allow total LMP spending to be calculated) in Luxembourg, data for Poland (which had not yet reported to Eurostat) and data for spending by the Autonomous Communities and Municipalities in Spain.

- The content of individual programmes and category totals was reviewed to prepare a general user note on scope and comparability (see above) and to prepare the table notes. The notes mainly:

  – explain discrepancies between Eurostat-LMP and OECD-LMP data, and discrepancies between category totals and the subcategory data;[22] and

  – highlight selected features of the data, for example where the categorisation of a major programme could be considered surprising or arbitrary or where a specific estimation method has been applied.

Slight differences in guidelines or in views on implementing existing guidelines can lead to divergences,[23] but overall a high degree of convergence between OECD-LMP and Eurostat-LMP databases was achieved with the 2004 data.

7. OECD-LMP data for non-Eurostat countries

Recognising that Norway is covered in Eurostat-LMP data and that Poland will be covered in the future, currently eight non-Eurostat countries supply data to OECD in response to a questionnaire: they are Australia, Canada, Japan, Korea, Mexico, New Zealand, Switzerland and the United States.[24]

In 2006, the Secretariat made some enquiries about the statistical treatment by these non-Eurostat countries of income-support payments received by programme participants. Fairly typically, in the case of training (although the issue is not confined to training), about two thirds of the reported "active" spending in European countries consists of income-support payments. If the "active" spending reported by non-European countries has a much smaller income-support component, comparisons which report that non-European countries spend much less on "active" measures[25] might be partly misleading.

This research confirmed that in Australia, Canada, Japan, Korea and New Zealand unemployment benefits are paid to some programme participants and are not, in this case, included in "active" spending. At least in Korea and New Zealand, separate training allowances are also paid to some participants (those who did not have a prior entitlement to

[22] This issue does not arise in the Eurostat-LMP publication, which does not report subcategory totals (e.g. within Category 5, *Integration of the disabled*, the subcategories are 5.1 *Regular employment* 5.2 *Sheltered employment*, and 5.3 *Other rehabilitation and training*).

[23] For example, OECD has recently applied to Korean data the guideline that general apprenticeship support is excluded from the scope of the database, and this argues for applying it consistently to EU countries.

[24] Two OECD Member countries, Iceland and Turkey, do not currently report LMP spending data.

[25] According to OECD data for 2004 (OECD, 2006*a*), total "active" spending (Categories 1 to 7) in European countries, excepting Eastern Europe and Luxembourg, ranged from 0.5% of GDP in the United Kingdom to 1.8% of GDP in Denmark. Among non-European countries, "active" spending is highest in New Zealand at 0.4% of GDP, and is only 0.1% to 0.2% of GDP in Korea and the United States.

unemployment benefits); moreover, in New Zealand, and probably also in Korea, these training allowances are included in reported active spending. However, trainees in New Zealand most often appear to be on unemployment benefit.[26] In the United States, training participants may often support themselves, but they may also receive income support which is not included in OECD-LMP data, from Food Stamps, TANF (single parent benefit), state General Assistance or other local programmes.

Korea and Japan both pay an early re-employment bonus to beneficiaries who re-enter work well before their entitlement to unemployment insurance (UI) runs out. In Korea, the early re-employment bonuses were paid in 2004 to about 13% of UI recipients, accounting for about 9% of the cost of regular UI payments (Hwang, 2005). In Korea and Japan, these payments are considered to be part of the UI system. But according to Eurostat (2006*b*), Category 4.1 "Recruitment incentives" includes payments to individuals "from an LMP target group and which are conditional on the take-up of a new job",[27] which suggests that re-employment bonuses in Korea and Japan should be included here (which is not the case at present).

Future OECD work with non-Eurostat countries might include research to ensure that all major programmes have been identified, and the collection of qualitative information in a format similar to Eurostat's.

8. The time-series break of 2002 in OECD-LMP data

Many OECD-LMP data users are interested in long-term time-series analysis, but this is made difficult by the statistical break in the series that occurred in 2002. This Section considers how the 1985-2002 data might be used to construct back-extrapolated or spliced estimates for 1985 to 2002 according to the current classification system.

Comparing the two classification systems (Annex Table 3), some of the issues are as follows:

- The classification system for OECD-LMP data from 1985 to 2002 included Category 3(a) *Youth measures – measures for unemployed and disadvantaged youth*. The measures in the old Category 3(a) now appear in several different categories (2. *Training*, 4. *Employment incentives*, 5. *Job creation*, etc.). Most other Eurostat categories have an obvious counterpart in the old OECD classification system and *vice versa*.[28]

- Guidelines for 1985-2002 OECD-LMP data Categories 2 *Labour Market Training* and 5 *Measures for the Disabled* allowed the inclusion of some spending which is excluded under Eurostat Guidelines:

  – Training for employed adults "for reasons of labour market policy other than the need to help the unemployed and those at risk";

  – Apprenticeship support "not restricted to persons with employment problems"; and

[26] Training Benefits in New Zealand have an average stock of about 2 000 participants, whereas training programmes overall have about 19 000 (albeit including some double-counting)

[27] Eurostat (2002) stated that Category 4.1 *Recruitment incentives* includes benefits conditional on the take-up of a new job "only if they are targeted". In practice, a fairly general measure in Belgium (measure BE-39, Income guarantee allowance for part-time workers) is included.

[28] The Eurostat Category 3 *Job rotation and job sharing* refers to arrangements with some incentive for the employer to release (at least in part) an employed person and take on an unemployed person to replace him/her; these measures probably appeared in the old classification category 4(a) *Subsidies to regular employment in the private sector*. Note also that the old Subcategory 5(b) *Work for the disabled* corresponds to two of the new subcategories i.e. *Integration of the disabled*, 5.1 *Regular employment* and 5.2 *Sheltered employment.*

  - Sheltered work for the disabled (not restricted to measures that aim at reintegration into the regular labour market).

- By contrast, guidelines for 1985-2002 OECD-LMP data for Category 4(a) *Subsidies to regular employment in the private sector* were relatively narrow, covering subsidies paid to employers but not incentive payments to unemployed people, and excluding employer social security reductions for broad labour market groups (e.g. all workers in disadvantaged regions). The Eurostat Category 4 *Employment Incentives* allows the inclusion of such measures.

- In some cases, individual programmes in the data for 2002 onwards cannot be matched with individual programmes in the 1985-2002 data. Sometimes the only problem is a change of a name or its translation, but sometimes national authorities have extensively revised how they group (unreported) subprogramme information into (reported) programme data.

- Eurostat-LMP data for the years 1998-2002 (years when OECD data on the 1985-2002 basis are also available) should be used, so that the effective/actual date of splicing is often 1998 rather than 2002. When doing this, however, data should be cross-checked between the sources.

Given the general problems of breaks, gaps, changes in national programme names and erratic reporting in the data, the estimation of "spliced" long-term time-series - if completed - will require some detailed analysis, and some errors will still remain in the "spliced" estimates.

Conclusions

The Eurostat-LMP and OECD-LMP databases each now contain data for around one thousand labour market programmes in 25 or more countries.

Most users of multi-country data do not know the detailed content of other countries' programmes. They use LMP data at the level of broad aggregates, to compare their own country's spending, in an area such as "training", with that of other countries. In this use, the conceptual comparability of the aggregate data is vital. A user in Canada or Korea comparing spending on training there with spending in Sweden may think the data refer to spending on instructors' salaries, etc. when in fact they refer mainly to income support. Statisticians should attempt to ensure that data mean what most users think they do, and should attempt to report aggregates that can meaningfully be used in the way they are actually used. Statisticians are responsible for making reasonable efforts to improve users' understanding of the data that are actually made available, especially if many users appear to be misunderstanding them. If statisticians have done this, they are not really to blame for the misuse of data, which continues to occur because users do not understand the complexity of the actual phenomena to which the statistics relate or fail to spend time understanding specific issues with different statistical instruments.

Broad aggregates in this field can only be constructed accurately through a database which contains relatively detailed data on the individual programmes. Eurostat has made great progress in this regard, but problems will continue as programmes change or as the information obtained for a particular programme turns out to be not quite sufficient, etc.

In relation to Eurostat data, OECD acts as a first user and cooperates with Eurostat in identifying and analysing both broad and detailed issues. OECD also collects data for non-Eurostat countries, and maintains historical OECD-LMP data covering the 1985-2002 period. OECD looks forward to continuing fruitful cooperation and improvements in these data. The development of a richer and more accurate picture of the labour market programmes of many countries has the potential to make a major contribution towards improving labour market policies as a whole.

The OECD and Eurostat databases on Labour Market Programmes, and directions for future work

Annex

eurostat

Table 1. OECD data with individual programme detail, as published in the *Employment Outlook* 1988: example of the Netherlands

NETHERLANDS

Programme	1985	1986	1987	
	million Gld	million Gld	million Gld	per cent of GDP
Employment services and administration[a]	336	307	321	0.07
Labour market training	700	709	743	0.17
Framework system[b]	..	158	186	
Adult vocational training centres[c]	..	76	66	
Vocational guidance and training centres[d]	36	36	36	
Other labour market training[e]	..	39	55	
Unemployment benefits during training[f]	400	400	400	
Youth measures	118	258	282	0.06
Training[g]	178	243	199	
JOB[h]	10	15	35	
Youth work guarantee plan	–	–	48	
Direct job-creation and employment subsidies	148	283	270	0.06
Short-term job creation[i]	98	23	0	
Recruitment subsidies for the long-term unemployed[j]	–	85	170	
Construction works[k]	50	175	100	
Measures for the disabled	3 210	3 151	3 141	0.72
Sheltered work[l]	3 085	3 031	3 021	
Rehabilitation centres	125	120	120	
Unemployment compensation[m]	12 732	12 700	12 700	2.90
Early retirement for labour market reasons[n]	..	..	..	..
Total	**17 314**	**17 408**	**17 457**	**3.99**

a) Including administration and other overhead costs of the Directorate General for Manpower, but excluding those pertaining to the Ministry of Social Affairs and Labour as a whole. Administration of unemployment benefits is not included.

b) From 1987, training for the unemployed and other targeted groups of workers, including employed persons whose job content has changed, is mostly funded in accordance with a set of framework regulations (*Kaderregeling Schooling*, KRS).The expenditure mainly includes grants towards training costs, but also subsistence allowances. The 1985 and 1986 figures refer to corresponding older schemes.

c) *Centra voor Vakopleiding van Volwassenen* (CVV).

d) *Centra voor Beroepsoriëntatie en Beroepsoefening* (CBB).

e) "Primary vocationally oriented adult education" (*Primaire Beroepsgerichte Volwasseneneducatie*, PBVE), special courses for women, and training in connection with information technologies. An additional amount of Gld 15 million a year has been included, representing the estimated cost of local-government sponsored schooling of hard-to-place persons provided in accordance with law concerning unpaid work for benefit receivers (*Wet Onbeloonde Arbeid Uitkeringsgerechtigden*, WOAU).

f) Rough estimate, based on the assumption that some 20-25 thousand trainees each month receive unemployment benefits with an amount per individual which corresponds to the average for all those entitled to such benefits.

g) Mainly a generally available support of apprentice training in accordance with the "grant regulation concerning vocational training of youth" (*Bijdragregeling Vakopleiding Jeugdigen*, BVJ).

h) "Youth development jobs" (*Jeugd-Ontplooingsbanen*), a subsidy scheme for long-term unemployed youngsters who are placed in temporary work with regular employers.

i) This job-creation scheme (*Werkgelegenheidsverruimende Maatregel*, WVM) provided temporary employment for long-term unemployed.

j) The item includes: *(i)* ca. Gld 79 million each year from 1986 for a recruitment subsidy in support of work insertion (*Maatregel ter Ondersteuning Arbeidsinpassing*, MOA); and *(iii)* an estimated Gld 6 million in 1986 and ca. Gld 91 million in 1987 for a scheme which combines a subsidy and the waiving of social security contributions (in accordance with special legislation for the very long-term unemployed (*Maatregel Langdurig Werklosen*, MLV, and the *Vermeend-Moor* Initiative Act).

k) The temporary "plough-back scheme" (*Terugploegprogramma*), in which Gld 325 million from the unemployment insurance and other sources are allocated to additional building projects during the period 1 November 1986-1 July 1988.

l) Managed by municipalities.

m) All kinds of benefits except disability pensions; excluding benefits paid during training [see note *f)* above]. The figures for 1986 and 1987 are estimates.

n) Decisions on disability pensioning are often influenced by labour market considerations, but there are no separate data available.

Table 2. OECD data with category and subcategory detail, as published in the *Employment Outlook* 1991: example of Greece and Ireland

Public expenditure on labour market programmes as a percentage of GDP *(Cont'd)*

	Greece						Ireland					
	1985	1986	1987	1988	1989	1990	1985	1986	1987	1988	1989	1990
1. Public employment services and administration	0.08	0.08	0.07	0.06	0.07	0.08	0.14	0.15	0.16	0.15	0.17	0.16
2. Labour market training	0.03	0.04	0.04	0.09	0.23	0.18	0.66	0.59	0.54	0.57	0.50	0.49
a) Training for unemployed adults and those at risk	0.02	0.02	0.02	0.02	0.02	0.02	0.43	0.36	0.33	0.38	0.34	0.33
b) Training for employed adults	0.01	0.01	0.02	0.07	0.21	0.17	0.24	0.23	0.20	0.19	0.17	0.16
3. Youth measures	0.03	0.04	0.04	0.04	0.04	0.04	0.51	0.45	0.50	0.43	0.38	0.39
a) Measures for unemployed and disadvantaged youth	–	–	–	–	–	–	0.35	0.31	0.37	0.30	0.26	0.28
b) Support of apprenticeship and related forms of general youth training	0.03	0.04	0.04	0.04	0.04	0.04	0.16	0.15	0.13	0.12	0.11	0.11
4. Subsidised employment	0.06	0.10	0.10	0.11	0.12	0.12	0.19	0.34	0.33	0.29	0.22	0.29
a) Subsidies to regular employment in the private sector	0.05	0.08	0.07	0.09	0.09	0.08	0.02	0.03	0.03	0.01	0.01	0.02
b) Support of unemployed persons starting enterprises	–	–	0.02	0.01	0.02	0.03	0.08	0.08	0.05	0.03	0.03	0.02
c) Direct job creation (public or not-profit)	0.01	0.02	0.01	0.01	0.01	0.01	0.09	0.23	0.25	0.24	0.18	0.25
5. Measures for the disabled	–	0.01	0.01	0.01	0.01	0.01	–	–	–	0.13	0.17	0.14
a) Vocational rehabilitation	–	–	–	–	0.01	0.01	–	–	–	0.13	0.17	0.14
b) Work for the disabled	–	–	–	–	–	–	–	–	–	–	–	–
6. Unemployment compensation	0.43	0.51	0.47	0.42	0.41	0.46	3.69	3.72	3.55	3.27	2.95	2.79
7. Early retirement for labour market reasons	–	–	–	–	–	–	–	–	–	–	–	0.05
Total	0.64	0.76	0.73	0.72	0.88	0.88	5.20	5.26	5.08	4.83	4.39	4.31
of which: "Active" measures (1-5)	0.21	0.26	0.26	0.30	0.47	0.42	1.51	1.54	1.53	1.56	1.44	1.47
Income maintenance (6-7)	0.43	0.51	0.47	0.42	0.41	0.46	3.69	3.72	3.55	3.27	2.95	2.84

.. Data not available.

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

Table 3. Old and new systems for the classification of labour market programme spending

Old OECD classification (data years 1985 to 2002)	Eurostat classification (Eurostat data years 1998 onwards, OECD data years 2002 onwards)
1 Public employment services and administration	1. Labour market services
2. Labour market training	2. Training
a) Training for unemployed adults and those at risk b) Training for employed adults	2.1 Institutional training 2.2 Workplace training 2.3 Integrated training 2.4 Special support for apprenticeship
3. Youth measures	3. Job rotation and job sharing
a) Measures for unemployed and disadvantaged youth b) Support of apprenticeship and related forms of general youth training	3.1 Job rotation 3.2 Job sharing
4. Subsidised employment	4. Employment incentives
a) Subsidies to regular employment in the private sectors	4.1 Recruitment incentives 4.2 Employment maintenance incentives
4. Subsidised employment	5. Measures for the disabled
b) Support of unemployed persons starting enterprises	5.1 Regular employment 5.2 Sheltered employment 5.3 Other rehabilitation and training
4. Subsidised employment	6. Direct job creation
c) Direct job creation (public or non-profit)	6.1 Permanent 6.2 Temporary
5. Measures for the disabled	7. Start-up incentives
a) Vocational rehabilitation b) Work for the disabled	
6. Unemployment compensation	8. Out-of-work income maintenance and support
	8.1 Full unemployment benefits 8.1.1. Unemployment insurance 8.1.2. Unemployment assistance 8.2 Partial unemployment benefits 8.3 Part-time unemployment benefits 8.4 Redundancy compensation 8.5 Bankruptcy compensation
7. Early retirement for labour market reasons	9. Early retirement
	9.1 Conditional 9.2 Unconditional

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A cross-country analysis of PES functions and implications for the LMP database

Andy Fuller and Britta Lüdeke

chapter 4

eurostat

A cross-country analysis of PES functions and implications for the LMP database

Andy Fuller[1] *and Britta Lüdeke*[2]

LMP Category 1: Coverage and comparability

Introduction

The LMP classification of interventions by type of action includes one category of *services*, six categories of (active) *measures* and two categories of (passive) *supports.* The scope of the data collection together with the definitions of each category of *measure* and *support* are sufficiently robust that data for categories 2 to 9 are now considered to be generally reliable and comparable between countries. For category 1, *LMP services*, the revised guidelines developed over the past couple of years have also led to a significant improvement in the completion of data and in the quality of the data (in terms of fulfilling the specifications of the methodology), with the result that data on total expenditure for LMP services were included in summary tables for the first time in the publication of 2004 data.

Category 1 covers, primarily, the activities of the public employment services (PES) and since the PES in each country has a different range of responsibilities, there are inevitably inherent differences in the coverage of expenditure reported to category 1. This is recognised in the LMP methodology (§51), but there is no further explanation of this observation and it therefore raises questions about the comparability of the data and the interpretation thereof. If the PES perform an expensive and important service in some countries but not in others, then this could significantly affect the comparability of data on expenditure, not only for category 1 but also for total LMP expenditure. On the other hand, if the differences in PES activities are of relatively minor importance in terms of expenditure, then perhaps there is no major cause for concern. The problem at the moment is that the extent of differences between countries is not known.

In order to answer these questions it is necessary to have a comprehensive cross-country study of PES activities that shows what is done by the PES in each country and how much it costs. However, at the present time no such study exists, and this document describes some of the results of a preliminary attempt to rectify this. The findings should be seen as provisional and certainly need revision and/or completion for some countries. Hopefully the analysis will stimulate all delegates to further improve the information for their country so that the work can be continued by the new LMP Task Force.

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Background

Right from the start of the LMP data collection, there have been problems with the data related to counselling, job-search assistance and other services provided by PES. The completion of data for the old categories 0 and 1 as defined in the LMP Methodology from 2000 was very poor, with no data at all for many countries and varied interpretation of requirements for others, and the data were never considered reliable enough to be included in summary tables.

With the help of two Task Forces, the methodological guidelines on LMP services have been improved in a number of stages. The old categories 0 and 1 were merged into a single category 1 that broadly covered all PES activities, but at various stages the guidelines have recommended excluding activities not directly related to LMP, or including some activities (e.g. benefit administration) undertaken by other organisations. Finally, after discussion at the last LMP Working Group in April 2005 and subsequent consultation, the situation is that category 1 is defined to include total expenditure of the PES, less the direct costs of measures/supports that are reported to other LMP categories (see Figure 1 and §169 of the LMP methodology). This formulation was applied to the data collection for 2004 (launched in June 2005) and again to the collection of 2005 data, which is currently in progress.

Figure 1 Coverage of category 1

Total costs of the PES
LESS
PES expenditure on • interventions already covered in categories 2-9 (direct costs) • services that are subcontracted by the PES to third parties and which are reported as separate entries in category 1
PLUS
The costs of client services provided by any other organisations (where relevant)

The category is broken down into two sub-categories:

1.1 Client services covers the provision of services for the benefit of jobseekers or to help employers in finding staff. Since the methodology specifies that client services provided by organisations other than the PES should also be included, the sub-category should cover all publicly funded actions in this area.

1.2 Other activities of the PES covers all other functions of the PES, including administrative costs and general overheads. However, the methodology is specific in noting that *"Similar services and activities undertaken by organisations other than the PES are not included"*. This restriction was imposed as a direct result of the consultation with all participant countries following the LMP Working Group in 2005, which concluded that the number and range of organisations involved to some extent in LMP related activities made it extremely difficult to delineate what should or not be

included and even more so to collect related expenditure[3]. For example, in the case of an organisation responsible for administering many forms of social benefit, how should the costs of administering LMP related benefits be estimated from total costs? The decision was taken, therefore, to simplify the data collection by restricting the collection of data on administrative costs to those of the PES. This restriction remains an issue for the joint data collection with OECD, which prefers to include the costs of benefit administration, although there is no clear definition of what this should cover in practice.

In assessing the quality of LMP data for publication, it is necessary to consider firstly if the data are complete – i.e. all services provided by each country within scope of the category have been covered – and, secondly, if the breakdown of expenditure by sub-category is correctly allocated. Following an analysis of the 2004 data it was concluded that for the majority of countries the expenditure reported was comprehensive (i.e. covered total PES expenditure) and the total for category 1 was therefore included in summary tables. However, the breakdown by sub-category remains incomplete and requires further efforts from many countries before it can be published.

It is a major step forward for the LMP database to be able to publish total expenditure on LMP, including category 1. However, there remain two important problems which make it difficult, at the present time, to make direct comparisons between countries. Firstly, the PES in each country may have a different range of responsibilities, with the result that important functions for the PES in one country may be carried out by another organisation in another country - for example, administration of benefits. Secondly, the extent to which countries are able to break down the expenditure of the PES varies considerably and this makes comparison at the sub-category level very difficult. For example, where the PES has a good staff-time monitoring system it may be possible to identify the costs of providing particular services quite accurately, and these can then be presented as separate entries in the LMP database. In other countries there is no possibility to break down expenditure, with the result that equivalent services are included only as parts of a larger aggregate, which cannot be allocated to a particular sub-category. With such aggregated data it is not easy to tell whether or not particular services are part of the PES function or are in fact undertaken by some separate organisation.

This document describes a first attempt to show the actual situation, i.e. what services/functions are undertaken by the PES in each country and, therefore, what the coverage of the LMP database should be in each country and how it is reported in practice. This should facilitate an understanding of what is covered by LMP category 1, which parts are comparable and which are not. In future, once the study is completed, the results can be used to clarify how the LMP data can be exploited for comparative purposes or whether we will actually have to learn to work with a situation that will never be comparable.

Services and activities carried out by the PES

The LMP methodology clearly requires entries for category 1 to include in the description a detailed list of the services/activities covered. After reading the descriptions for all category 1 entries in the LMP database, a preliminary list of all services/activities carried out by the PES was developed and these were grouped by sub-category. Subsequently, the descriptions were re-read in detail in order to ascertain which services/activities are covered by each intervention in each country.

[3] For example, in response to the *Questionnaire on the coverage of category 1 – Labour market services* issued in May 2005 after the LMP Working Group, Finland identified a wide range of different organisations that might be considered to play some part in the provision of services and administrative functions within the scope of category 1. These included: the Public employment service (PES); Social Insurance Institution (SII); Unemployment funds (visitor centres); Pension corporations; Training and Redundancy Fund; Federation of Unemployment Funds (TYJ); Insurance Supervisory Authority (ISA); Finnish Centre for Pensions; Ministry of Labour; Other Central Government departments.

This in itself is not a straightforward task – countries have different ways of organising PES services so that activities with completely different names may in fact be quite similar and vice versa. The services/activities may also have a different focus in the various Member States, so that a service that is important in one country may be included in the LMP database as a separate entry, whilst in another the same activity may be reported as part of a broader group of services/activities and not even specifically mentioned in the description. Moreover, in many cases the quality of descriptions for category 1 activities is quite poor, with the result that the reader has to make assumptions about what is actually covered.

A preliminary list of the services/activities covered by each intervention reported by each country was circulated to the delegates of each country for completion, and 16 countries replied. The results of the consultation were supplemented with further information from a document about PES services produced by a PES expert group (see: http://www.ams.at/benchmarking/) and information about responsibility for unemployment benefits that was taken from MISSOC (see further below).

Results

Annex 2 gives a summary of the results by showing a count of the number of countries undertaking each service/activity as measured before consultation (i.e. on the basis of descriptions provided in the LMP database) and then after revision by national delegates. The full set of results by country is available on Circa, and updates from all countries are welcome.

The initial lists circulated to delegates identified those services/activities which were explicitly mentioned in descriptions or which could be clearly assumed to exist from the limited information available. Where a service/activity was not mentioned at all in the descriptions then it was not "checked" for the country, even in the case of what might be considered as universal functions. For example, the "registration of jobseekers" – an activity that could be assumed to be undertaken by all PES – is explicitly mentioned in one or more descriptions provided to the LMP database by only 11 countries (2004 data). After the consultation, 16 countries confirmed that this activity is covered by the database even if it is currently not explicitly mentioned in any description. The document of the PES expert group also includes this activity, but in this case all 18 participating PES perform the activity of jobseeker registration.

"Self-help facilities, online job-banks, etc" are another service/activity where the consultation shows that the coverage in the LMP database is actually better (17 out of 25) than one is led to believe if only the current descriptions of category 1 activities are taken into account (8 out of 25). Here again, the results from the PES expert group show a higher percentage of participation of PES: all 18 participating PES offer these kinds of services, one of them only partially.

The same situation applies for other services/activities. The consultation shows – as would be expected, since it has previously been concluded that all PES expenditure is covered for most countries - that many services/activities in the list are in fact covered by the data already reported to the database even though they are not mentioned in descriptions. The results show, therefore, that there is in fact a better comparability (as regards which services/activities are offered in each country and included in the database) than could have been assumed before the consultation. However, it is equally clear that more information is needed to complete the picture – particularly in order to clarify whether services that have not yet been mentioned by a country really do not exist. There should also be a strong message that most countries need to make a significant effort to improve the descriptions that are currently given in the database!

Further work is also needed to refine the list of services/activities and to clarify what is meant by each entry in the list, since this clearly affects the completion of data. In the final list shown in Annex 2, entries in blue are the ones that were added by

one or more countries during the consultation process and which, therefore, may have been overlooked by other countries and may well be more prevalent than suggested by the figures. As part of this process, the work of the PES benchmarking group should also be taken into account. The list of services used in their analysis is different from that employed here, in that it is more detailed than the LMP list in some areas but less detailed in others, which probably reflects the differing remit of the respective groups. Table 2 shows an attempt to cross-reference the two lists of services/activities with their different groupings/levels of detail, and a final list should probably be somewhere in between the two.

The impact of selected services/activities on expenditure

It is a general principle of the LMP database that interventions considered within the scope of the data collection must be of benefit to identifiable individuals from one of the recognised target groups. However, an exception is made in the case of LMP services, where much of the cost relates to the provision of ad hoc services to anyone looking for help or to the administration and support of direct actions and the general overheads of the whole service provision. Thus, with the exception of sub-category 1.1.2 which covers individualised case management services, participant data are not requested and expenditure is the sole item of interest.

As discussed above, even though the LMP data on category 1 appear to be reasonably comprehensive in terms of covering the whole of the relevant expenditure, the issue now is to interpret that expenditure and know what it covers in each country and, further, to assess the importance of any services/activities that are not common to all countries. In general, the available data on PES expenditure are not detailed enough to facilitate a breakdown that would allow such an assessment. However, the service area that causes most concern in terms of comparability is that of benefit administration – not least because of the discrepancy between Eurostat and OECD requirements – and for this service area there are some interesting data available.

Benefit administration is a good example from the exercise above, where the consultation shows clear differences between countries. Only 11 out of 25 countries indicate that "Certification of unemployment status" is definitely included as a function of the PES in the LMP database (the activity is assumed for four others), and other activities related to benefit administration - "Verification of claims", "Decisions about benefit entitlement", and "Payment of benefits" show even lower coverage (see Table 1). It is likely that this figure will increase when countries are able to finalise the list of services/activities covered, but even so it is well known that benefit administration is completely independent of the PES in some countries.

Table 3 in annex presents a summary of the information derived from MISSOC tables on the organisation of social protection, which show the organisations responsible for each of the main types of social benefit. From these tables it can be deduced whether or not the PES is responsible for administering unemployment benefits and any other benefits. According to the results of the analysis, three groups of countries can be identified:

1. PES not responsible for payment of any social benefits (11 countries)
2. PES responsible for payment of unemployment-related benefits only (12 countries)
3. PES responsible for payment of unemployment and other social benefits (5 countries)

Clearly, if the PES is responsible for benefit administration there will be increased costs compared to a country where the PES does not undertake this function. Having responsibility for additional social benefits only increases this burden and the question is whether or not these costs are significant in terms of overall LMP expenditure and, therefore, affect comparisons between countries.

Table 4 shows the importance of sub-category 1.1.2 (Administration of LMP supports) in relation to the whole of category 1 (i.e. total PES plus other client services) and to total LMP expenditure for those countries where the breakdown is provided. The differences between countries are striking, with benefit administration accounting for 86% of category 1 expenditure in the Netherlands, but less than 1% in Portugal. In terms of total LMP expenditure, benefit administration accounts for around 12% of expenditure in the Netherlands and the UK, but is significantly less in all other countries.

Table 4 Expenditure on administration of benefits (sub-category 1.2.2), 2004

	DE	ES	FR	LT	NL	AT	PT	FI	UK	NO
% Category 1 expenditure	19.6%	40.3%	37.0%	4.9%	86.0%	12.5%	0.1%	6.5%	26.2%	17.3%
% Total LMP expenditure	1.6%	0.9%	3.4%	0.7%	12.3%	1.1%	0.0%	0.3%	11.6%	1.4%

On the basis of the high figures in the Netherlands and the UK it would seem to be necessary to take account of the inclusion (or not) of benefit administration when comparing expenditure between countries – not only for category 1, but also for overall LMP expenditure. However, it is too early to make this a formal conclusion as further work has to be done to clarify the situation.

Firstly, the analysis of services/activities by country needs to be completed and at a detailed level. It is not enough to refer only to "benefit administration"; the activity must be broken down into different functions. For example, in some of the 11 countries not responsible for the payment of benefits, the PES is not responsible for the actual payment of benefits but does have a role to play in the certification of unemployment status required before benefits can be paid (e.g. Finland).

Further, there remains an open question over the scope of category 1 in terms of the organisations that should be covered. If a strict definition of PES as "the public employment service" is adopted, then in both France and the Netherlands no benefit administration expenditure would be expected in the LMP database because neither ANPE nor the CWI is responsible for the payment of benefits. However, France has included the costs of UNEDIC in category 1 and the Netherlands has included the costs of benefit administration by UVW (Institute for Employee Benefit Schemes), ABP (the Dutch Pension Fund for the Public and Educational Sectors) and even municipalities. In both countries, and particularly in the Netherlands, the inclusion of these costs has a very significant impact on expenditure for category 1 and, therefore, a knock-on effect on total LMP expenditure. It is true that the LMP offers a somewhat open definition of the PES which refers to *"the national employment service (and regional/local equivalents) together with any other publicly funded bodies whose main responsibility is to facilitate the integration of unemployed and other jobseekers in the labour market"*. However, it would perhaps be worth reviewing whether this definition really fits such organisations and therefore justifies the inclusion of such large expenditure or whether, on the contrary, other countries might prefer to review whether costs that they may not have included to date should indeed be included.

Summary and next steps

The work described above represents a first step towards a better understanding of PES functions and what is covered by LMP category 1 in each country, and one which will facilitate interpretation and reasoned comparison of the expenditure incurred.

A draft list of PES services and activities has been developed and completed for each country. There has been consultation with all countries, but further work is needed both to refine the list of activities so that it better reflects the full range of activities undertaken and also to complete the information for each country. At the present time the list shows only where services/activities are known to, or thought to, exist in each country; blanks could mean that the service is not understood, not known about or does not exist. In future there should be clear coding of where services/activities are not undertaken.

Although it needs to be completed, the list of services already shows differences between countries and the important issue for the interpretation of expenditure data is to know whether any of the services that are not common to all countries have any significant impact on the level of expenditure. Analysis of data on benefit administration that are available for some countries indicates that there may be a very significant impact in some countries. However, it is also clear that the interpretation of the LMP methodology can affect this discrepancy, and some additional guidance is required on what should or should not be included.

For other services/activities that are covered in some countries but not in others – e.g. issuing of work permits to foreign workers - there are no sufficiently detailed data available to assess whether or not the costs will have a significant impact. However, given that benefit administration – which might be expected to have a substantial impact on costs – accounts for less than 2% of total LMP expenditure in seven out of the ten countries for which data are available, then it seems not unreasonable to assume that the impact of differences in other services will be relatively insignificant.

A cross-country analysis of PES functions and implications for the LMP database

Annex

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Annex1: Methodological specifications for category 1

(Extract from LMP Methodology, Revision of July 2006)

§36 **Labour market services** (category 1) are all services and activities undertaken by the PES together with services provided by other public agencies or any other bodies contracted under public finance, which facilitate the integration of unemployed and other jobseekers in the labour market or which assist employers in recruiting and selecting staff.

§37 *PES* should be understood to refer to the national employment service (and regional/local equivalents) together with any other publicly funded bodies whose main responsibility is to facilitate the integration of unemployed and other jobseekers in the labour market.

§38 When reporting PES services/activities it is recommended to distinguish between head-office and regional or local office services/activities.

§39 The scope of category 1 covers all activities of the PES plus client services provided by other publicly funded bodies.

§40 Client services (cat. 1.1) are services provided by the PES or other bodies, which facilitate the integration of unemployed and other jobseekers in the labour market or which assist employers in recruiting and selecting staff.

§41 Client services cover all services provided for the direct benefit of individuals and/or employers, including the provision of self-service facilities such as on-line job-banks.

§42 Information services (cat. 1.1.1) are open services for jobseekers providing ad hoc information and referral to opportunities for work, training and other forms of assistance, together with job brokerage services for employers.

§43 Individual case-management services (cat. 1.1.2) are services of individualised assistance (e.g. intensive counselling and guidance, job-search assistance, personalised action plans) and follow-up for unemployed persons provided as part of a planned path towards durable (re-) employment. Financial assistance for the unemployed in case of travel to interview costs, other job-search related costs and similar cases are included here.

§44 Other activities of the PES (cat. 1.2) covers all other services and activities undertaken by the PES as defined above and which are not covered in any other category. Similar services and activities undertaken by organisations other than the PES are not included.

§45 Administration of LMP measures (cat. 1.2.1) covers activities of the PES related to the implementation of LMP *measures.* In categories 2-7 expenditure should cover only the direct costs of the measure and not the indirect administrative costs of the PES as defined here.

§46 Activities related to the administration of LMP *measures* include:

– the management/co-ordination of employers and services providers engaged as direct recipients in LMP *measures,*

- other activities related to the management and implementation of LMP *measures* – e.g. planning, co-ordination, monitoring, evaluation, decision making, etc.,
- any other functions directly related to the provision of LMP *measures* but which cannot be attributed to a specific measure – e.g. running costs of PES own training centres.

§47 Administration of LMP supports (cat. 1.2.2) covers activities of the PES related to the administration and payment of LMP *supports* and/or the supervision by the PES of other bodies that undertake the payment/administration function.

§48 In countries where the PES is not responsible for the administration of unemployment and other LMP benefits then this sub-category may be empty.

§49 Activities related to the administration of LMP *supports* include:
- the registration and monitoring of beneficiaries (where not directly linked to ongoing monitoring of job-search activity)
- the payment of benefits, validation of claims, etc.
- the supervision or monitoring by the PES of external benefit funds/offices, legal developments, etc.

§50 Other services / activities (cat. 1.2.3) covers all other services, activities and general overheads of the PES and which are not covered in any other category of the LMP database.

§51 The scope of this sub-category will vary between countries depending on the responsibilities of the PES.

Annex2: Tables of data

Table 1 Category 1- Coverage of services/activities by country (summary)

Key	
Y	Service/activity clearly mentioned in one or more descriptions
?	Service/activity not explicitly mentioned in any description but assumed to be covered by one or more interventions
-	Service/activity not mentioned and does not clearly belong to any particular intervention (even though it may exist)
:	Service/activity not mentioned (item additional to the main list of services/activities but explicitly mentioned by one or more countries)

Service/Activity		After consultation					LMP database				
		Count of results					Count of results				
		Y	?	-	:	Total	Y	?	-	:	Total
1.1	**Client services**										
1.1.1	*Information services*										
	Registration of jobseekers	17	1	7	0	25	11	2	12	0	25
	Provision of information, guidance and counselling related to jobs, training, etc.	21	1	3	0	25	20	1	4	0	25
	Job brokerage, matching services, assistance for jobseekers and employers	22	1	2	0	25	20	3	2	0	25
	Self-help facilities, online job-banks, etc	17	0	8	0	25	8	4	13	0	25
1.1.2	*Individual case management*										
	Development of IAPs	17	0	8	0	25	10	4	11	0	25
	Individualised follow-up and support of job-search, monitoring of individual activity	19	0	6	0	25	17	1	7	0	25
	Skills appraisals, job testing	23	1	1	0	25	15	4	6	0	25
	Training in writing CVs and job applications, job interview techniques, personal presentation, etc.	17	4	4	0	25	8	7	10	0	25
	Job clubs	12	1	12	0	25	9	2	14	0	25
	Assistance for jobseekers with special needs (disabled)	16	2	7	0	25	11	2	12	0	25
	Financial support for job-search activities	12	2	11	0	25	9	1	15	0	25
	Childcare facilities/support for childcare costs	2	0	0	23	25	2	0	0	23	25
	Support establishment of special committees to help find jobs for people affected by collective redundancy	1	0	0	24	25	1	0	0	24	25
1.2	**Other activities of the PES**										
1.2.1	*Administration of LMP measures*										
	Procedure for selecting projects to be financed	9	0	8	8	25	2	4	11	8	25
	Selection and monitoring of participants, employers and service providers	13	1	11	0	25	3	6	16	0	25
	Verification of claims by participants, employers and service providers	13	1	11	0	25	3	4	18	0	25
	Managing transfers to participants, employers and service providers	12	2	11	0	25	3	6	16	0	25
1.2.2	*Administration of LMP supports*										
	Certification of unemployment status	11	4	10	0	25	2	5	18	0	25
	Verification of claims	9	5	11	0	25	4	4	17	0	25
	Decisions about benefit entitlement	8	5	12	0	25	2	4	19	0	25
	Payment of benefits	9	4	12	0	25	5	3	17	0	25
	Supervising funds, legal framework, etc.	8	1	16	0	25	2	1	22	0	25

1.2.3	*Other services/activities*										
	Promoting/developing labour market services/measures (active or passive)	13	1	11	0	25	7	4	14	0	25
	Evaluation / follow-up of interventions	12	1	12	0	25	3	5	17	0	25
	Research and evaluation of general labour market developments	13	1	11	0	25	5	6	14	0	25
	General building operations and equipment	12	2	11	0	25	10	1	14	0	25
	Administration of work permits/registration of foreign workers	3	0	0	22	25	2	0	0	23	25
	Issuing of licences and supervision of legal entities providing work placement services (except work placements on ships)	1	0	0	24	25					
	Pilot services, networking with enterprises and social partners	1	0	0	24	25					
	Staff training	2	0	0	23	25					
	Control of social assistance benefits	1	0	0	24	25					

Table 2 Comparison of the service/activity lists of the PES benchmarking group and LMP

PES expert group list		LMP list
1.1	**Client services**	
1.1.1	*Information services*	
	Registration of UE, maintenance of data in UE records	Registration of jobseekers
	Employment information / counselling for UE and referrals to JV	Provision of information, guidance and counselling related to jobs, training, etc.
	Vocational and career counselling for youths and others (not UE)	
	registration of JV, cooperation with employers in job-broking process (incl. EURES)	Job brokerage, matching services, assistance for jobseekers and employers
	Call-centres for UE and employers	
	Maintenance of interactive internet job-search support services - free access for all …	Self-help facilities, online job-banks, etc
	Maintenance of other internet e-services for PES specific clients…	
	Special centres/units for LM self-service, guidance & information, accessible/free for all	
1.1.2	*Individual case management*	
	Preparation of individual employment / back-to-work plan with UE	Development of IAPs
		Skills appraisals, job testing
	Following-up job-search activities and obligations of UE, including sanctions and reporting to social welfare or other institutions	Individualised follow-up and support of job-search, monitoring of individual activity
		Training in writing CVs and job applications, job interview techniques, personal presentation, etc.
		Job clubs
		Assistance for jobseekers with special needs (disabled)
		Financial support for job-search activities
		Childcare facilities/support for childcare costs
		Support establishment of special committees to help find jobs for people affected by collective redundancy

1.2	Other activities of the PES	
1.2.1	*Administration of LMP measures*	
		Procedure for selecting projects to be financed
	Referrals of UE into suitable LM programmes	Selection and monitoring of participants, employers and service providers
		Verification of claims by participants, employers and service providers
		Managing transfers to participants, employers and service providers
	Administration (…) of LM training & education programmes	
	Administration (…) of LM wage-subsidized programmes	
1.2.2	*Administration of LMP supports*	
	Collection of applications & documentation for UE claimants	Certification of unemployment status
		Decisions about benefit entitlement
	Administration of unemployment benefit scheme (payments, sanctions, reporting…)	Verification of claims
		Payment of benefits
		Supervising funds, legal framework, etc.
1.2.3	*Other services/activities*	
		Promoting/developing labour market services/measures (active or passive)
		Evaluation / follow-up of interventions
		Research and evaluation of general labour market developments
	Approvals of applications for work permits, issuing work permits and related tasks	*Administration of work permits/registration of foreign workers*
	Notification of data on employees from EU (free movements of workers) and those from EU who perform services (free movement of services)	
	Involvement in local/regional/nation. Partnership net-work in the field of employment policy	
	Labour redundancy (pre) notifications and co-operation with employers in these regards	
	Special Units for integrated PES and Social Welfare Service	
	Administration of national scholarships schemes for youth	
	Licensing and supervising the private employment agencies (concessionaires)	
		General building operations and equipment

Table 3 Responsibility for payment of unemployment benefits, 2006

			In LMP		
Country	PES resp.	Other benefits administered by the PES	By definition	In practice	Notes
BE	Yes	No	Yes	Part of BE-1 (unknown)	
CZ	Yes	Family benefits	Yes	Part of CZ-14 (unknown)	
DK	No	No	No	-	
DE	Yes	Child benefit (social allowance)	Yes	Part of DE-63 (known)	
EE	No	No	No	-	
	Yes	No	Yes	?	Reply to consultation indicates that EE-1 and EE-2 cover 1.1 only, which suggests that expenditure for 1.2 has not yet been included but needs to be clarified.
EL	Yes	Family benefits	Yes	? Could be part of EL-32	Coverage of EL-32 unclear
ES	Yes	No	Yes	ES-57	
FR	No	No	?	FR-73	Inclusion depends on interpretation of LMP definition of PES
IE	No	No	No	-	Except certification of unemployment status in IE-57/58 (FAS)
IT	No	No	No	-	Except certification of unemployment status in IT-121
CY	No	No	No	-	No LMP data yet available.
LV	No	No	No	LV-17 ?	Previously thought that benefit admin was not included here since it is undertaken by the State Social Insurance Agency but reply to recent consultation indicates that it is included but qualifies that it is the “area of responsibility of State Social Insurance Agency”. To be checked.
LT	Yes	No	Yes	LT-20	
LU	Yes	No	Yes	No	No data at all on category 1.
HU	Yes	No	Yes	Part of HU-1	It is not possible at the moment to disaggregate PES expenditure. Therefore HU-1 should be reclassified from 1.1.2 to top-level 1 in order to be clear that it covers expenditure of all functions.
MT	No	No	No	-	No LMP data yet available.
NL	No	No	?	Part of NL-46 (benefit admin) and NL-47 (benefit enforcement)	Inclusion depends on interpretation of LMP definition of PES. NL-46 includes admin of benefits not only by UVW but also ABP (Dutch Pension Fund for the Public and Educational Sectors) and municipalities
AT	Yes	No	Yes	AT-55	Plus certification of unemployment status in AT-54
PL	Yes	No	Yes	No	No LMP data yet available.
PT	Yes	No	Yes	Part of PT-95 (known)	Very small share of expenditure - large amount shown as admin of active measures needs to be checked (?double-counting with 2-7)
SI	Yes	No	Yes	? Not yet covered	Category 1 data provided to date appear to refer to client services only.
SK	Yes	No	Yes	? Could be part of SK-1	Coverage of SK-1 unclear.
FI	No	No	No	-	Except certification of unemployment status / verification of claims in FI-51
SE	No	No	No	-	AMS has a monitoring function

UK	Yes	All main social benefits	Yes	Part of UK-41	Covers admin of all benefits issued by JobCentre Plus
NO	Yes	Vocational rehabilitation	Yes	Part of NO-26 (known)	Cost of administering rehabilitation benefits also reported

Countries not included in MISSOC

BG	No	?	No	-	PES (labour offices) responsible for registration = certification of claims
RO	Yes	?No	Yes	RO-30	

Source: MISSOC tables on organisation of social protection (http://ec.europa.eu/employment_social/missoc/2006/organisation_en.pdf).

The ECB database on persons employed in Government Employment Schemes and the LMP database

Andrew Kanutin

chapter 5

eurostat

The ECB database on persons employed in Government Employment Schemes and the LMP database[1]

Andrew Kanutin

Abstract

The European Central Bank (ECB) has an interest in labour market developments in the euro area as part of its macroeconomic analysis. While employment and unemployment data are the key variables in this field, they need to be supported by a set of ancillary variables. One of these is the number of persons who are employed using schemes funded by Government. After consultation with Eurostat, the ECB found that no relevant data were available and therefore established a process of data collection via the European System of Central Banks. This work involved the establishment of a target definition for the data. National Central Banks (NCBs) then tried to obtain data as close as possible to the target definition using a pragmatic approach to ensure that data were available for as many of the euro area Member States as possible. While the data that have been collected are far from harmonised, initial results from these experimental statistics show that the data are indeed useful for the analysis of labour market developments. However, although the project is under way, there are still some countries in the euro area where data are only available annually and are subject to a rather long time lag. In the longer term, the aim should be to hand the work over to Eurostat, who would then maintain the data collection as part of the labour market policy (LMP) database.

1. General introduction

The European Central Bank (ECB) has as its primary objective to ensure price stability in the euro area. The monetary policy of the ECB is set using an analytical framework based on analysis of monetary developments and analysis of the macroeconomic situation. Labour market developments are included as part of the macroeconomic analysis. In particular, the interaction between labour supply and demand is an important part of the price setting process. The ECB makes use of data supplied by the European Statistical System (which comprises the national statistical authorities and Eurostat). The ECB is particularly interested in high-frequency and timely data on labour markets. In addition, structural analysis is undertaken using sources such as the LMP database. Although employment and unemployment data are the key variables for short-term analysis, they also need to be supported by a set of ancillary variables. One of these is the number of persons who are employed under schemes receiving financial support from Government.

[1] The views expressed in this paper are those of the author and do not necessarily reflect the view of the European Central Bank. Comments on this paper by Steven Keuning, Gabriel Quirós and Henning Ahnert are gratefully acknowledged.

This paper explains the background to this data collection in the next section. The target definition is presented in section 3. Section 4 describes the current data availability and results, and the final section briefly explains forthcoming work plans for the data set.

2. Background

The ECB's need for ancillary data to support labour market analysis was discussed even before the ECB established the European Monetary Institute. At the time, however, efforts were concentrated on establishing the key euro area aggregates, such as aggregate employment statistics. In 2002, ECB end-users asked for data on persons employed in Government employment schemes to be made available. These data are needed in order to assist the analysis of short-term changes in unemployment and employment, for example when major schemes are introduced or phased out. An investigation of Eurostat sources such as the quarterly labour force survey showed that data conforming to the ECB's requirements of high frequency aggregated data were not available. Furthermore, current work on implementing the LMP is focused on annual or less frequent data, and no work is being done to collect higher-frequency, short-term information. Therefore, the ECB initiated a limited data collection process via a sub-group of the ECB's Statistics Committee – the Working Group on General Economic Statistics (composed of representatives of each of the EU Central Banks, plus observers from Eurostat and from the Bank for International Settlements). This resulted in a stocktaking exercise aimed at establishing what data were available in each of the (then) 15 EU Member States. The stocktaking showed that data existed in many of the Member States, albeit with rather different definitions, frequency and timeliness. The WGGES then agreed to start work on devising a target definition for the data to be collected. NCBs were asked to collect data as close as possible to this target definition. A pragmatic approach was adopted throughout the whole process, with the emphasis on ensuring that data were able to be provided. This, of course, affects the comparability of the data to some extent. Nonetheless, the approach has been successful and data collection has been established with nine of the current 12 euro area NCBs that are already supplying data.

3. Definition

The WGGES established the following target definition for persons employed in Government employment schemes: the data should be made available, wherever possible, in four categories:

- Total number of persons employed in Government employment schemes, further broken down into.
- Those entirely undergoing training.
- Those that are employed.
- Those that cannot be allocated to the second or third categories above (this category is used for data quality control purposes).

A Member State's aggregated total of employment under government employment schemes is the number of employees at the end of the reference period under labour market policy instruments financed by general government.[2] Employment

[2] See ESA95 (sector S.13 paragraph 2.68 to 2.74) General government includes central, state and local government as well as social security funds. It should also include employment promoted by these instruments in non-profit institutions controlled and mainly financed by general government.

under government schemes is included if it is financed through a significant subsidy or tax incentive (conventionally: in excess of 50% of the salary or wage). One-off measures (e.g. allowances granted to subsidise employers' recruitment costs) should not be included. Subsidies[3] should be understood in this context as (per capita) subsidies payable on the total wage or salary bill, or total workforce, or on the employment of particular types of persons, such as physically handicapped persons or persons who have been unemployed for long periods. Other kinds of subsidies on products and production are excluded. The national aggregate should aim to include at least 80% of all employees under this definition[4]. The total figure should be broken down into schemes where the employee undergoes only full-time training and those where all or some of the employees' remunerated hours are spent working.

As mentioned above, the WGGES has taken a pragmatic approach with this data collection and the agreed definition serves as a guide rather than a clear-cut definition. It is more important to supply the data than to conform exactly to the target definition. However, in order to advise users where the data do not exactly fit the definition, significant metadata are also to be collected. This includes a list of the relevant schemes and information on when particular schemes are discontinued and/or replaced.

4. Current data availability and results

Recently, the WGGES started to forward data on persons employed in government employment schemes to the ECB on an ongoing basis. While this remains work in progress, the current coverage in the ECB database is summarised in Table 1.

Table 1 Persons employed in government employment schemes

(Data in the ECB databank as at 26 September 2006)

	Total	Solely Training	Working
Belgium	92 Q1 – 05 Q4	92 Q1 – 05 Q4	92 Q1 – 05 Q4
Germany	Mar 80 – Aug 06	Jan 80 – Aug 06	Mar 80 – Aug 06
Greece	2002 - 2004	2002 - 2004	2002 - 2004
Spain*	N/A	N/A	N/A
France*	2000 - 2004	2000 - 2005	2000-2004
Ireland	96Q1 – 06Q1	96Q1 – 06Q1	96Q1 – 06Q1
Italy*	N/A	N/A	N/A
Luxembourg	Jan 97 – Jul 06	Jan 99 – Jul 06	Jan 99 – Jul 06
Netherlands	1994 - 2004	N/A	N/A
Austria*	N/A	N/A	N/A
Portugal	03 Q1 – 06Q1	03 Q1 – 06Q1	03 Q1 – 06Q1
Finland	Jan 81 – Aug 06	Jan 81 – Aug 06	Jan 81 – Aug 06

Source: ECB databank.

* Annual data are likely to be available to be taken directly from the LMP database.

[3] See ESA95 (variable D.3 paragraph 4.30, 4.36-4.37).

[4] This threshold was agreed in order to simplify data collection, because in some countries large numbers of programmes for promoting employment already exist.

As can be seen from Table 9, NCBs in the Euro area have transmitted data to be included in the ECB databank with, in particular, Germany, Ireland, Luxembourg, Portugal and Finland supplying very timely and high frequency data. Much of the annual frequency data supplied by NCBs appears to come directly from the sources used in the LMP database, although in some cases the data are supplied more often than the update frequency of that database currently permits.

The LMP database is also used by the ECB for structural analysis. It aims to be a reference database for monitoring progress by Member States in implementing the Employment guidelines and covers "*Public interventions in the labour market aimed at reaching its efficient functioning and to correct disequilibria and which can be distinguished from other general employment policy measures in that they act selectively to favour particular groups in the labour market.*" The database contains detailed information on labour market policy actions undertaken by the Member States. Employment under government employment schemes is a sub-set of this information; the database covers a much wider range of information, including active measures such as training, job rotation, employment incentives, etc. as well as passive measures, such as early retirement. The database aims to collect data both on expenditure and on numbers of participants. The database contains annual frequency data with, in general, a 1-2 year time lag. As indicated above, the ECB requires high frequency and timely data on the number of persons in government employment schemes. The LMP data are expected to improve in timeliness but are unlikely, even when at full production, to fulfil the ECB's needs, especially with regard to the frequency of the data.

Table 2 shows persons employed in Government employment schemes as a percentage of total employment. The results are broadly similar across those countries that have supplied data, i.e. roughly in the range of 2.0 – 3.5% of total employment[5] since 2000. Movements in the series as shown in Chart 1 on the next page can result from changes in policy, as well as the expiry of particular schemes and/or the establishment of new schemes. In some countries (Germany, France and Ireland, in particular) it is possible to discern a marked slowdown in the use of this kind of policy instrument, while in others (Belgium, Luxembourg) its use is broadly stable or has increased.

Table 2 Persons employed in Government employment schemes

(as a percentage of total employment)

	BE	DE	GR	ES*	FR	IE	IT*	LU**	NL	AT*	PT	FI
2000	1.9	2.5	-	-	4.4	3.0	-	1.1	2.0	-	-	1.8
2001	2.1	2.5	-	-	4.3	2.8	-	1.4	1.9	-	-	1.6
2002	2.3	2.5	-	-	4.2	2.6	-	1.7	2.0	-	-	1.6
2003	2.6	2.3	0.6	-	3.9	2.2	-	1.8	1.9	-	1.2	1.7
2004	2.6	1.8	1.1	-	3.4	2.0	-	1.9	1.7	-	1.2	1.7
2005	2.8	1.9	0.8	-	-	2.1	-	2.0	-	-	1.4	1.7

Source: ECB calculations.

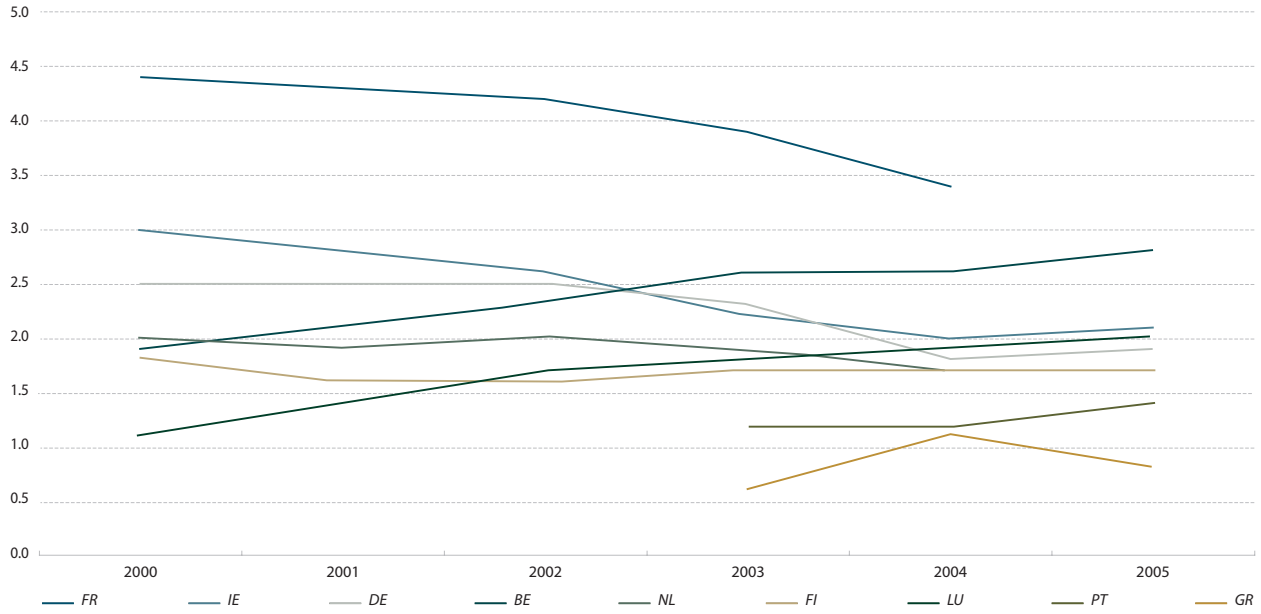
* Annual data are likely to be available in the LMP database but are not yet included in the ECB databank.

** LU data shown as percentage of national definition employment data (excludes staff at international organisations).

[5] Total employment domestic definition as reported in national accounts.

Chart 1 Persons employed in Government employment schemes

(as a percentage of total employment)



Source: ECB calculations.

Note: LU data shown as a percentage of national definition employment data (excludes staff at international organisations).

5. Forthcoming work

The collection of data on persons employed in government employment schemes is still in the experimental statistics phase. Further work is needed to ensure that the data are complete (ES, IT and AT) and that the metadata supplied are sufficient for end user analysis. In addition, the WGGES intends to examine the possibility of aggregating the data to produce a euro area indicator by supplementing the ECB data collection with data from the LMP database. The addition of data from Slovenia as part of that country's entry into the euro area will also be necessary. Looking further into the future, initial discussions between the ECB and Eurostat suggest there are some synergies between the data provided by the ECBs government employment schemes data collection and the LMP database. There are therefore likely to be advantages in amalgamating the two collections, with the ECB's higher frequency data set being incorporated into the LMP database.

Labour Market Policy in Spain: Analysis of microdata and main results

Ainhoa Herrarte and Felipe Sáez

chapter 6

eurostat

Labour Market Policy in Spain: Analysis of microdata and main results

Ainhoa Herrarte and Felipe Sáez[1]

Abstract

In this paper we use non-experimental microdata to analyse the effects of the main labour market policies (LMPs) carried out by the National Employment Institute (NEI) and the Regional Governments in Spain during the period 2001-2003. With this aim we analyse the relationship between participation in the programme and the probability of employment for those who have participated in LMPs, using a strict control group of non-participants with similar observable characteristics. Our results differ depending on the programme and on the group of beneficiaries. In fact, participation in the programme produced especially positive results for the long-term unemployed, even when regions are analysed separately. These results indicate the need to improve the design and management tasks undertaken by the Public Employment Services. We feel that it would be useful to understand the characteristics of unemployed people more fully before they take part in the programme and to offer these individuals specific measures adapted to them. A practical proposal to be taken into consideration in any LMP evaluation exercise across the EU involves making more widespread use of the statistical information (microdata) available in employment offices or in social security records.

Keywords: programme evaluation, active labour market policy, job training, job search assistance.

JEL Codes: J64, J68

1. Introduction

The aim of this paper is to analyse the effects of the main labour market policies (LMP) carried out by Spain's National Employment Institute (NEI) and the Regional Governments in Spain during the period 2001-2003 (MTAS (2001)). It is customary to develop ex-post evaluation studies in terms of some of the following variables, or a combination of them, all referring to a specific period after the individuals have participated in one of the measures in the LMP: i) probability of participants finding a job, ii) actual earnings of participants, and iii) duration of the employed situation. However, the key objective of this paper to estimate the first indicator and the main factors which also influence its variations. A second objective of this paper is to show the strong potential generated by the use of the statistical information (microdata) available in employment offices or in social security records, in order to carry out any ex-post evaluation of LMP.

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In its simplest form the evaluation can be expressed as:

$$\Delta_i = Y_i^1 - Y_i^0 \qquad (1)$$

where Y_i^1 is the outcome for individual i if he participates in the programme and Y_i^0 is the outcome for the same individual i if he does not participate. The fundamental problem is when the analysis tries to determine the labour success rate attained by an individual who took part in a programme and the result that the same individual would have reached in the hypothetical absence of LMP (Heckman et al. (1999), Blundell and Costa-Dias (2000), Caliendo (2006)). As this is not possible, the results for the counterfactual have to be estimated. In order to address the problem and to obtain operational results, we compare for each of the programmes the employment ratios of participants with those achieved by members of a control group (non-participants' group). The data managed during the evaluation are based on microdata coming from NEI and from the Social Security System (SSS) records.

It is well known that non-experimental data lead to a selection bias because the researcher cannot control the participation decision, so the outcome would be different even without programmes (Heckman (1979), Heckman et al. (1999), Eichler and Lechner (2002), Pierre (1999) among others). This means that there are influences on the outcome of factors that are different from the participation itself; for example, variation in skills or in the age of the individual affects their employment probability. These kinds of factors are usually mentioned as observable characteristics. Also, there could be other kinds of factors, such as motivation, the individual's social environment, social networks and other factors that researchers cannot observe and that produce a selection bias related to non-observable characteristics (Heckman (1979), Heckman et al. (1999)). In this paper we have taken great pains to reduce the selection bias produced by the existence of observable characteristics. To that end, using a random procedure, we have constructed a control group of the same size and characteristics matching –one to one- with the treatment group. In this way we have a control group of non-participants that is similar to those of the participants[2].

The paper is organized as follows. Section 2 describes the analysed programmes and the data, including the characteristics of the population – the beneficiaries - and of the control group. Section 3 contains the employment rates for all the programmes and collectives (gender, age, etc). Section 4 consists of two parts: the first part deals with employment probability estimates, obtained through logit regressions; the second part deals with the same estimates, but checking for a possible bias selection deriving from the existence of explicit opportunity costs. In section 5 we present the results for the Spanish regions and, finally, section 6 proposes some conclusions and practical recommendations.

2. Programmes and data

The paper focuses on five programmes: two related to job training - Occupational Professional Training (OPT) and Employment Workshops (EW) - and another three to job-search assistance: Individual Job-Search Assistance (IJSA), Personal Employment Orientation Plans (PEOP) and Employment Orientation (EO). The distinction inside the first group is that OPT consists in courses aimed at all unemployed people without distinction, while EW includes training for unemployed people with a very low qualification level. The distinction inside the second group is that IJSA and PEOP are more sophisticated than the last one (EO), as these kinds of services include continuing tutoring tasks. This section provides an overview of the groups included in each programme, together with their personal and labour characteristics.

[2] The paper includes part of the results reflected in the Report "Evaluation of the European Employment Strategy in Spain". UAM- INEM, December 2004.

In this paper we analyse 545.595 persons which have participated in the LMP mentioned above during the period from March 2001 to November 2003. The database was obtained from the NEI unemployment records and also includes a further 545.595 individuals selected among those that did not participate in active labour policies during this period. The main characteristic of this control group is that all its members are "exactly equal" to the participants in terms of the five types of variables that are available in the administrative records used: gender, age (groups of ten years), educational level (ten categories), unemployment duration and region (Spanish "*comunidades autónomas"*).

Table 1 shows the proportion of participants in each programme analysed. The main one is OPT, with 48.6% of participants; the Individual Job-Search Assistance programme accounts for a further 39.8%. As regards personal characteristics, 64.8% are women, the average age is 32 years, 38.2% of the individuals have completed primary education only and over 50% are older than 25 years and were unemployed for less than 12 months before the start of the programmes.

Table 1 LMP: Distribution of participants and non-participants (control group)

1a. Distribution by programmes

	Participants	%	Non-participants	%
Occupational Professional Training (OPT)	260.294	48,6%	260.294	48,6%
Employment Workshops (EW)	7.203	1,3%	7.203	1,3%
Individual Job-Search Assistance (IJSA)	213.052	39,8%	213.052	39,8%
Personal Employment Orientation Plans (PEOP)	55.028	10,3%	55.028	10,3%
Employment Orientation (EO)	10.018	1,9%	10.018	1,9%
Total	**535.577**	**100,0%**	**535.577**	**100,0%**

1b. Distribution by personal and labour characteristics

	Men	Women	Mean Age	S.D	Low skills	Primary studies	Secondary Studies	Tertiary studies	<25 years & < 6 months unemployed	>=25 years & < 12 months unemployed	Long-term Unemployed
OPT	35,7%	64,3%	30,29	9,28	10,9%	37,8%	32,9%	18,4%	24,4%	53,1%	22,5%
EW	41,4%	58,6%	38,54	10,29	39,7%	36,7%	10,6%	13,0%	5,1%	69,7%	25,2%
IJSA	34,1%	65,9%	32,58	10,49	27,7%	39,4%	19,3%	13,5%	19,1%	51,4%	29,5%
PEOP	35,4%	64,6%	33,06	11,18	24,3%	36,7%	22,8%	16,2%	25,6%	53,3%	21,1%
EO	39,5%	60,5%	36,38	13,34	36,5%	33,4%	18,2%	11,8%	24,1%	67,3%	8,6%
Total	**35,2%**	**64,8%**	**31,68**	**10,19**	**19,7%**	**38,2%**	**26,0%**	**16,1%**	**22,2%**	**52,9%**	**24,9%**

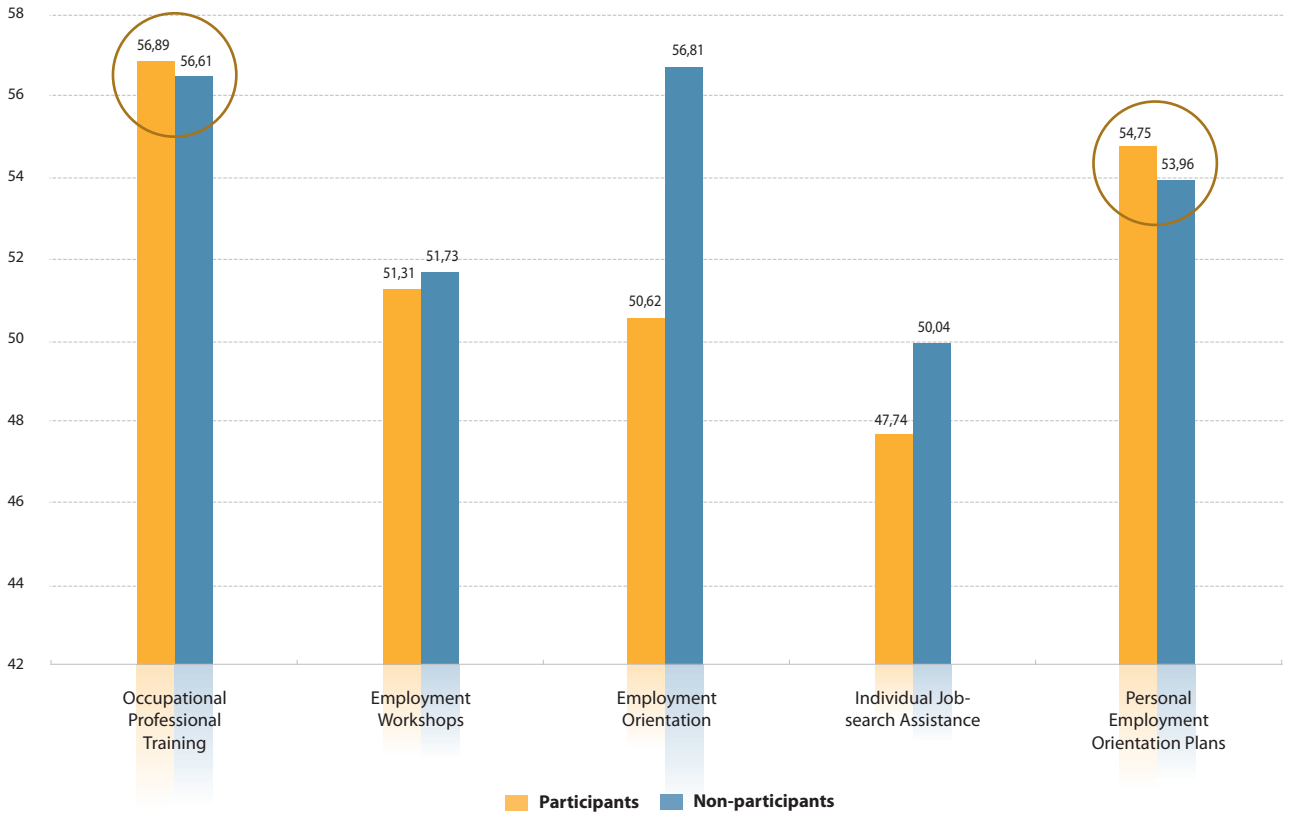
Source: Administrative records from the Spanish Employment Services and Social Security.

3. Employment rates: a descriptive analysis

This section shows, for all the programmes described here, the differences in the employment rate between the treatment group and the control group. We assume as a hypothesis that all the differences between participants and non-participants are observables, which means that the recorded information managed by us is only relevant as a way to describe the personal characteristics of unemployed people: i.e. gender, age, educational level, region and unemployment duration. The employment rate is defined as the proportion of individuals that were affiliated to the Social Security in November 2003, which is approximately one and a half years after the participation took place. In order to avoid distortions we have eliminated from the analysis those people that were affiliated to social security in November 2003 and were receiving simultaneously an unemployment subsidy[3]. Chart 1 presents the employment rates for all the programmes.

[3] The term "unemployment subsidy" embraces two concepts: contributory unemployment benefits and assistance-level unemployment benefits.

Graph 1 Employment rates (%): Participants vs. non-participants



Source: Administrative records from the Spanish Employment Services and Social Security.

Two of these programmes -*Occupational Professional Training* and *Personal Employment Orientation Plans* - show higher employment rates for the participants. People who participated in the OPT programme had an employment rate 0.5% higher than the non-participants. Those who participated in PEOP achieved an employment rate 1.5% higher than the control group. Conversely, non-participants obtained better results in the *Employment Workshops, Employment Orientation* and *Individual Job-Search Assistance*: 0.8%, 12.2% and 4.8% higher respectively.

A more positive impact can be observed in the programmes for specific groups. So, with the exception of EO and IJSA, women recorded higher relative employment rates than men (ratio of participants to non-participants), i.e. when both are compared with control groups. The same phenomenon appears in other cases too. For example, OPT and PEOP have a greater effect among people between 25 and 44 years old, and OPT, PEOP and EW among people with tertiary studies. In short, for all the programmes analysed, the relative employment rate for the long-term unemployed is over one hundred: 12.7 points in OPT, 18.8 in EW, 8.6 in EO, three points in IJSA and nearly three points in PEOP. Those in a long-term unemployed situation normally have a lower employment probability than the short-term unemployed. On the other hand, the higher employment rate for the long-term unemployed compared to non-participants that is a feature in all the programmes indicates that participation in active labour market policies increases the employment rate even over that of non-participants. These results are shown in table 2.

Table 2 Employment rates: Groups of Gender, Age, Education level and Unemployment duration. Participants vs. non-participants

		Employment rate (%)			95% Confidence intervals	
		Partici-pants	Non-Partici-pants	Odds ratio	Lower bound	Upper bound
Occupational Professional Training	Men	62,15	64,66	0,961	0,955	0,968
	Women	53,96	52,12	1,035	1,029	1,042
	< 25 years old	57,19	57,89	0,988	0,980	0,996
N = 260.294	25-34 years old	61,15	59,73	1,024	1,017	1,031
	35-44 years old	52,82	52,37	1,009	0,997	1,021
	45-54 years old	44,08	43,26	1,019	0,996	1,043
	55-65 years old	44,18	57,75	0,765	0,733	0,799
	Low skills	51,15	53,25	0,961	0,946	0,976
	Primary studies	55,03	54,62	1,008	0,999	1,016
	Secondary studies	57,70	56,68	1,018	1,010	1,026
	Tertiary studies	62,67	62,55	1,002	0,992	1,012
	< 25 years old & < than 6 months unemployed	57,38	59,78	0,960	0,951	0,969
	>=25 years old & < 12 months unemployed	59,53	60,29	0,987	0,981	0,994
	Long-term unemployed	50,12	44,46	1,127	1,114	1,141
	Total	56,89	56,61	1,005	1,000	1,010
Employment workshops	Men	55,73	63,30	0,880	0,844	0,918
	Women	48,19	43,54	1,107	1,056	1,159
7.203	< 25 years old	56,16	60,27	0,932	0,833	1,043
	25-34 years old	52,98	55,48	0,955	0,906	1,007
	35-44 years old	51,17	52,05	0,983	0,931	1,039
	45-54 years old	47,68	41,36	1,153	1,067	1,246
	55-65 years old	51,63	59,00	0,875	0,779	0,983
	Low skills	46,07	49,14	0,937	0,888	0,990
	Primary studies	50,96	51,27	0,994	0,943	1,048
	Secondary studies	53,42	55,26	0,967	0,882	1,060
	Tertiary studies	66,63	58,07	1,147	1,069	1,232
	< 25 years old & < than 6 months unemployed	56,01	62,30	0,899	0,797	1,015
	>=25 years old & < 12 months unemployed	53,41	56,10	0,952	0,919	0,987
	Long-term unemployed	44,54	37,49	1,188	1,098	1,285
	Total	51,31	51,73	0,992	0,961	1,024
Employment orientation	Men	59,37	65,68	0,904	0,873	0,935
	Women	44,90	51,01	0,880	0,848	0,914
N = 10.018	< 25 years old	55,64	60,76	0,916	0,875	0,959
	25-34 years old	54,03	59,90	0,902	0,860	0,946
	35-44 years old	46,84	54,25	0,863	0,812	0,918
	45-54 years old	35,91	46,76	0,768	0,705	0,837
	55-65 years old	56,57	58,42	0,968	0,908	1,033
	Low skills	47,42	52,80	0,898	0,858	0,940
	Primary studies	49,33	56,32	0,876	0,837	0,917
	Secondary studies	54,73	60,70	0,902	0,853	0,953
	Tertiary studies	57,82	64,58	0,895	0,839	0,955
	< 25 years old & < than 6 months unemployed	55,61	61,81	0,900	0,858	0,943
	>=25 years old & < 12 months unemployed	49,67	57,08	0,870	0,843	0,898
	Long-term unemployed	44,06	40,56	1,086	0,972	1,213
	Total	50,62	56,81	0,891	0,868	0,914

		Employment rate (%)			95% Confidence intervals	
		Partici-pants	Non-Partici-pants	Odds ratio	Lower bound	Upper bound
Individual job-search assistance	Men	57,89	60,97	0,950	0,942	0,958
	Women	42,49	44,38	0,957	0,949	0,966
	< 25 years old	52,74	53,51	0,986	0,975	0,996
N = 213.052	25-34 years old	50,35	52,55	0,958	0,949	0,967
	35-44 years old	43,60	46,88	0,930	0,917	0,943
	45-54 years old	36,04	37,45	0,962	0,938	0,987
	55-65 years old	41,22	51,44	0,801	0,775	0,828
	Low skills	41,12	45,28	0,908	0,896	0,920
	Primary studies	46,85	48,90	0,958	0,949	0,968
	Secondary studies	51,87	52,91	0,980	0,968	0,993
	Tertiary studies	58,03	59,01	0,983	0,970	0,997
	< 25 years old & < than 6 months unemployed	54,95	56,82	0,967	0,955	0,979
	>=25 years old & < 12 months unemployed	49,93	54,37	0,918	0,911	0,926
	Long-term unemployed	39,29	38,12	1,030	1,016	1,045
	Total	47,74	50,04	0,954	0,948	0,960
Personal Employment Orientation Plans	Men	61,45	61,85	0,994	0,978	1,009
	Women	51,08	49,63	1,029	1,014	1,044
	< 25 years old	58,78	58,23	1,009	0,991	1,028
N = 55.028	25-34 years old	59,99	57,30	1,047	1,029	1,065
	35-44 years old	55,23	52,38	1,055	1,028	1,081
	45-54 years old	38,39	38,22	1,005	0,965	1,046
	55-65 years old	37,01	55,81	0,663	0,623	0,706
	Low skills	47,71	49,08	0,972	0,948	0,996
	Primary studies	55,10	53,27	1,034	1,016	1,053
	Secondary studies	57,98	55,90	1,037	1,015	1,060
	Tertiary studies	59,98	60,10	0,998	0,975	1,022
	< 25 years old & < than 6 months unemployed	59,36	59,09	1,005	0,985	1,024
	>=25 years old & < 12 months unemployed	57,99	57,09	1,016	1,002	1,030
	Long-term unemployed	40,98	39,84	1,029	0,997	1,061
	Total	54,75	53,96	1,015	1,004	1,026

Source: Administrative records from the Spanish Employment Services and Social Security.

4. Employment probability

In order to achieve analytical results, this section tries to estimate the effect of the different programmes after controlling for all the variables that affect the employment rate. It comprises two parts: the first includes employment probability estimates using logit regressions; the second part deals with the same estimates but controlling for possible bias selection deriving from the existence of explicit opportunity costs.

4.1. Logit estimations

First, we estimate the individual's employment probability on the basis of their personal and labour characteristics. The main objective is to estimate the effect of participation in any of the active labour market programmes, using participation in the programme as an exogenous variable. Our endogenous variable is a dichotomy variable which is equal to one if

a person is employed (been affiliate to social security[4]) in November 2003 (approximately a year and a half after the participation) or zero if he is not. The variables considered as explanatory of the employment probability are: gender, age, educational level and time seeking work (unemployment duration). We also consider as an explanatory variable that affects the employment probability the participation in one of the active labour market policies analysed. The main results for employment probability according to the logit estimation are shown in table 3.

Table 3 Employment probability: Logit estimation

	Gender (1)	Age (2)	Educational Level (3)	Unemployment Duration (4)	ALMP Partecipation (5)
Total	-0,5441 ***	-0,0514 ***	0,2076 ***	-0,2432 ***	-0,0333 ***
OPT	-0,4347 ***	-0,0601 ***	0,1736 ***	-0,1796 ***	0,0118 **
EW	-0,5485 ***	0,0040	0,2215 ***	-0,3663 ***	-0,0173 ***
EO	-0,6564 ***	-0,0189	0,1832 ***	-0,2153 ***	-0,2581 ***
IJSA	-0,6756 ***	-0,0403 ***	0,2187 ***	-0,2855 ***	-0,0965 ***
PEOP	-0,4847 ***	-0,0901 ***	0,1331 ***	-0,2321 ***	0,0330 ***

Source: Administrative records from the Spanish Employment Services and Social Security.

OPT (Occupational Professional Training); EW (Employment workshops); EO (Employment orientation); IJSA (Individual job-search assistance); PEOP (Personal employment orientation plans)

(1) Codification: 1 (Men); 2 (Women)

(2) Codification: 1 (< 25 years); 2 (25-34 years); 3 (35-44 years); 4 (45-54 years); 5 (55-65 years)

(3) Codification: 1 (Low skills); 2 (Primary studies); 3 (Secondary studies); 4 (Tertiary studies)

(4) Codification: 1 (< 25 years and less than 6 months unemployed); 2 (>=25 years and < 12 months unemployed); 3 (long-term unemployed)

(5) Codification: 0 (Non-participants); 1 (Participants)

*** Significance at 99% level (Wald statistics)

** Significance at 95% level (Wald statistics)

* Significance at 90% level (Wald statistics)

Table 3 shows that the coefficient for gender is negative in all the programmes, indicating that women have less probability of obtaining a job than men. The negative coefficient of the age variable indicates that the employment probability decreases with rising age and, when the reference is the educational level, the positive coefficient indicates that a higher level of studies signifies a greater probability of being employed. As regards the duration of unemployment, the more time spent seeking a job means a reduction in the person's probability of being employed. Finally, ALMP participation has a different coefficient depending on the programme. Participation in Employment Workshops, Employment Orientation and Individual Job-Search Assistance does not increase employment probability. On the other hand, participation in *Occupational Professional Training* programmes or *Personal Employment Orientation Plans*, after controlling for the other variables, has a positive and clear effect on the participants.

Looking at these results we might conclude that only the latter two programmes improve the employment probability of participants. However, the higher relative rates of employment obtained for women, and especially for the long-term unemployed in the cases previously mentioned (table 2), as compared to non-participants strongly suggests that a new assessment of the participation effect is needed. Table 4 presents the results for women and for the long-term unemployed.

[4] The variable does not include those people who receive an unemployment subsidy.

Table 4 Logit estimations

4a. Women				
	Age	Educational level	Unemployment duration	ALMP Participation
Total	-0,0787 ***	0,2604 ***	-0,2806 ***	0,0089 *
Occupational Professional Training	-0,0916 ***	0,2252 ***	-0,2220 ***	0,0754 ***
Employment workshops	-0,0065	0,2376 ***	-0,4462 ***	0,1928 ***
Employment orientation	-0,0666 ***	0,2462 ***	-0,2062 ***	-0,2521 ***
Individual job-search assistance	-0,0657 ***	0,2667 ***	-0,3161 ***	-0,0799 ***
Personal employment orientation plans	-0,1150 ***	0,1737 ***	-0,2534 ***	0,0596 ***
4b. Long-term unemployed				
	Gender	Age	Educational level	ALMP Participation
Total	-0,5734 ***	-0,1777 ***	0,1402 ***	0,1348 ***
Occupational Professional Training	-0,4287 ***	-0,2109 ***	0,1066 ***	0,2330 ***
Employment workshops	-0,6470 ***	-0,0616 *	0,0800 **	0,2984 ***
Employment orientation	-0,5751 ***	-0,0882 **	0,2109 ***	0,1476
Individual job-search assistance	-0,6912 ***	-0,1444 ***	0,1274 ***	0,0506 ***
Personal employment orientation plans	-0,5785 ***	-0,2237 ***	0,0937 ***	0,0495 *
4c. Less than 25 years old and less than 6 months seeking employment				
		Gender	Educational level	ALMP Participation
Total		-0,3031 ***	0,1506 ***	-0,0825 ***
Occupational Professional Training		-0,2322 ***	0,1347 ***	-0,0993 ***
Employment workshops		-0,4032 ***	0,1822 *	-0,2629 *
Employment orientation		-0,4482 ***	0,1877 ***	-0,2604 ***
Individual job-search assistance		-0,4097 ***	0,1899 ***	-0,0769 ***
Personal employment orientation plans		-0,2690 ***	0,0660 ***	0,0115
4d. 25 years and older and less than 12 months seeking employment				
	Gender	Age	Educational level	ALMP Participation
Total	-0,6299 ***	-0,1198 ***	0,2074 ***	-0,0915 ***
Occupational Professional Training	-0,5196 ***	-0,1728 ***	0,1561 ***	-0,0322 ***
Employment workshops	-0,5359 ***	-0,0102	0,2497 ***	-0,1117 ***
Employment orientation	-0,7639 ***	-0,0777 ***	0,1566 ***	-0,3097 ***
Individual job-search assistance	-0,7725 ***	-0,0779 ***	0,2447 ***	-0,1864 ***
Personal employment orientation plans	-0,5310 ***	-0,1479 ***	0,1042 ***	0,0376 **

Source: Administrative records from the Spanish Employment Services and Social Security.

*** Significance at 99% level (Wald statistics)

** Significance at 95% level (Wald statistics)

* Significance at 90% level (Wald statistics)

In the case of women, as the last column in the table shows, participation in the programme has a positive coefficient for all programmes except the *Employment Orientation* and *Individual Job-Search Assistance* programmes. For the long-term unemployed, the participation variable has a positive coefficient for all programmes without exception, which means an increase in employment probability for those people with more than 12 months seeking a job. These results indicate that active labour market policies are generally quite effective for the long-term unemployed.

The same table includes the logit estimates for short-term unemployed, differentiating between those under 25 years and those aged 25 and over. In both cases, except for the *Personal Employment Orientation Plans*, the programme participation coefficient is negative, indicating that the Job Training programmes and the Job-Search Assistance programmes cannot increase the employment probability above the rate achieved by the control group. These results do not necessarily mean that the programmes are ineffective; we can interpret it as indicative of the constraint to improve the tasks of design and management by the Public Employment Services. In this sense, we consider that it would be useful to be fully conversant with the characteristics of the unemployed people before they take part and to offer them specific measures adapted to these individuals. Also, we consider that it might be necessary to accompany each programme with complementary and specific actions. This argument could be strengthened by the results of the *Personal Job-Search Assistance Plans*, where a positive effect was obtained for the short-term unemployed older than 25 years.

4.2. Selection of criteria

We have estimated the employment probability of individuals (participants and non-participants) taking into account their personal characteristics (gender, age and educational level) and labour characteristics (unemployment duration). Nevertheless, there could be other factors that influence employment probability which we have not considered before. One of these is to perceive an unemployment subsidy. According to the data in Table 5, those people whose unemployment subsidy has come to an end achieve higher employment rates than those who still perceive it. This could mean that when a person is receiving an unemployment subsidy, they have an explicit opportunity cost which increases their reserve wage, thereby simultaneously reducing the person's employment probability. In another sense, when a person has finished their subsidy, the reserve wage drops and the employment probability rises.

Table 5 Subsidy's beneficiaries employment rates

		Employment rates		
		Participants	Non-participants	Total
OPT	Without unemployment subsidy	54,0%	53,3%	53,6%
	Unemployment subsidy	64,0%	62,7%	63,3%
	Unemployment subsidy finished	64,1%	62,0%	62,9%
EW	Without unemployment subsidy	50,6%	47,7%	49,2%
	Unemployment subsidy	47,3%	54,8%	52,1%
	Unemployment subsidy finished	57,6%	60,0%	58,6%
EO	Without unemployment subsidy	48,4%	53,6%	51,0%
	Unemployment subsidy	51,7%	60,2%	55,8%
	Unemployment subsidy finished	64,3%	65,4%	64,9%
IJSA	Without unemployment subsidy	47,4%	47,8%	47,6%
	Unemployment subsidy	45,4%	51,9%	48,5%
	Unemployment subsidy finished	59,8%	58,0%	58,8%
PEOP	Without unemployment subsidy	52,2%	51,0%	51,6%
	Unemployment subsidy	57,0%	58,2%	57,6%
	Unemployment subsidy finished	63,0%	58,3%	60,5%
Total	Without unemployment subsidy	51,4%	50,9%	51,1%
	Unemployment subsidy	53,9%	57,5%	55,8%
	Unemployment subsidy finished	62,0%	60,1%	60,9%

Source: Administrative records from the Spanish Employment Services and Social Security.

Legend: OPT (Occupational Professional Training); EW (Employment workshops); EO (Employment orientation); IJSA (Individual job-search assistance); PEOP (Personal employment orientation plans)

Thus, we have re-estimated the employment probability taking this new exogenous variable into consideration with the aim of controlling the possible bias that this characteristic of agents could produce. The new variable will comprise three categories: 0 if the person does not perceive an unemployment subsidy, 1 if the person perceives an unemployment subsidy and 2 if the person has stopped receiving it. Thus, a positive coefficient for this variable indicates that the employment probability increases when the individual has stopped receiving the unemployment subsidy[5]. The results are set out in Table 6, and checks showed once again that participation in the programme gives a negative coefficient, except for measures included in the programmes of *Occupational Professional Training* and *Personal Employment Orientation Plans*.

Table 6 Employment probability: logit estimation considering receipt of an unemployment subsidy

	Gender (1)	Age (2)	Educational Level (3)	Unemployment Duration (4)	ALMP Partecipation (5)	Unemployment subsidy (6)
Total	-0,5175 ***	-0,0841 ***	0,2193 ***	-0,2451 ***	-0,0225 ***	-0,2578 ***
OPT	-0,4068 ***	-0,1061 ***	0,1840 ***	-0,1769 ***	0,0412 **	-0,3203 ***
EW	-0,5190 ***	0,0079	0,2204 ***	-0,3735 ***	-0,0149	-0,1563 ***
EO	-0,6058 ***	0,0452 ***	0,1885 ***	-0,2372 ***	-0,2545 ***	0,2719 ***
IJSA	-0,6516 ***	-0,0629 ***	0,2285 ***	-0,2865 ***	-0,0969 ***	0,1994 ***
PEOP	-0,4484 ***	-0,1203 ***	0,1503 ***	-0,2511 ***	0,0290 **	0,3107 ***

Source: Administrative record from the Spanish Employment Services and Social Security.

Legend: OPT (Occupational Professional Training); EW (Employment workshops); EO (Employment orientation); IJSA (Individual job-search assistance); PEOP (Personal employment orientation plans)

(1) Codification: 1 (Men); 2 (Women)

(2) Codification: 1 (< 25 years); 2 (25-34 years); 3 (35-44 years); 4 (45-54 years); 5 (55-65 years)

(3) Codification: 1 (Low skills); 2 (Primary studies); 3 (Secondary studies); 4 (Tertiary studies)

(4) Codification: 1 (< 25 years and less than 6 months unemployed); 2 (>=25 years and < 12 months unemployed); 3 (long-term unemployed)

(5) Codification: 0 (Non-participants); 1 (Participants)

(6) Codification : 0 (Without unemployment subsidy) ; 1 (Unemployment subsidy): 2 (Unemployment subsidy finished)

*** Significance at 99% level (Wald statistics)

** Significance at 95% level (Wald statistics)

* Significance at 90% level (Wald statistics)

Additionally, Table 7 shows the employment probability for women and for the long-term unemployed. For the first group, programme participation is accompanied by a positive coefficient in all cases except in *Employment Orientation* and in the *Individual Job-search Assistance* programme. For the latter group, participation in the programme has a positive coefficient for all measures. These results confirm our previous assertion: participation in the programme is especially effective for the long-term unemployed, while in the rest of cases the tasks of design and management need to be improved. The conclusion is that for all types of collectives the specific characteristics should be considered before the programme is designed.

[5] In Table 5 the employment rate for people without an unemployment subsidy is lower than for beneficiaries. This because there is a higher proportion of women in this latter group (70% vs. 60%)

Table 7 Employment probability: logit estimations considering claiming of unemployment subsidy

7a. Women					
	Age	Educational Level	Unemployment duration	ALMP Participation	Unemployment subsidy
Total	-0,1028 ***	0,2689 ***	-0,2842 ***	0,0170 ***	0,2284 ***
OPT	-0,1270 ***	0,2321 ***	-0,2218 ***	0,1003 ***	0,2941 ***
EWE	-0,0106	0,2370 ***	-0,4561 ***	0,1961 ***	0,1838 ***
EOE	-0,0829 ***	0,2501 ***	-0,2301 ***	-0,2501 ***	0,2446 ***
IJSA	-0,0816 ***	0,2736 ***	-0,3186 ***	-0,0814 ***	0,1659 ***
PEOP	-0,1390 ***	0,1893 ***	-0,2733 ***	0,0551 ***	0,2954 ***
7b. Long-term unemployed					
	Gender	Age	Educational Level	ALMP Participation	Unemployment subsidy
Total	-0,5702 ***	-0,1913 ***	0,1464 ***	0,1375 ***	0,0852 ***
OPT	-0,4260 ***	-0,2325 ***	0,1137 ***	0,2419 ***	0,1198 ***
EWE	-0,6372 ***	-0,0708 **	0,0820 **	0,2981 ***	0,0896 **
EOE	-0,5772 ***	-0,0798 *	0,2093 ***	0,1482	-0,0544
IJSA	-0,6878 ***	-0,1537 ***	0,1324 ***	0,0509 ***	0,0663 ***
PEOP	-0,5687 ***	-0,2453 ***	0,1055 ***	0,0452 ***	0,1489 *

Source: Administrative record from the Spanish Employment Services and Social Security.

*** Significance at 99% level (Wald statistics)

** Significance at 95% level (Wald statistics)

* Significance at 90% level (Wald statistics)

Legend: OPT (Occupational Professional Training); EW (Employment workshops); EO (Employment orientation); IJSA (Individual job-search assistance); PEOP (Personal employment orientation plans)

4.3. Results interpretation

The interpretation of these results is not simple. In one sense it was possible to measure the effectiveness of the programmes by the positive difference between the rate of the target group and that of the control group – a difference that is generated precisely by participation. There is no doubt about it. However, in the case of programmes where participants do not achieve the rate of the control group, this should not always be seen as an indication of failure. In many cases, participants are regular clients of employment offices, and use them as the sole channel for seeking jobs. It is the virtual absence of personal and labour relations among its members, i.e. the lack of a "nearly labour net" that obliges them to be habitual clients of such offices.

This is not the case for the rest of the unemployed who do not need to take part frequently in any LMP measure in order to get a job. If that were the case, the level of success of the labour insertion measures could not be reflected in a higher employment rate but in the path of that indicator. So, approximating the target's group rate gradually to that of the control group would be a better measure of the programme's effectiveness. However, a methodological problem has grown up with this phenomenon: the statistical information in NEI records contains no direct or proxy variables in which this characteristic could be reflected.

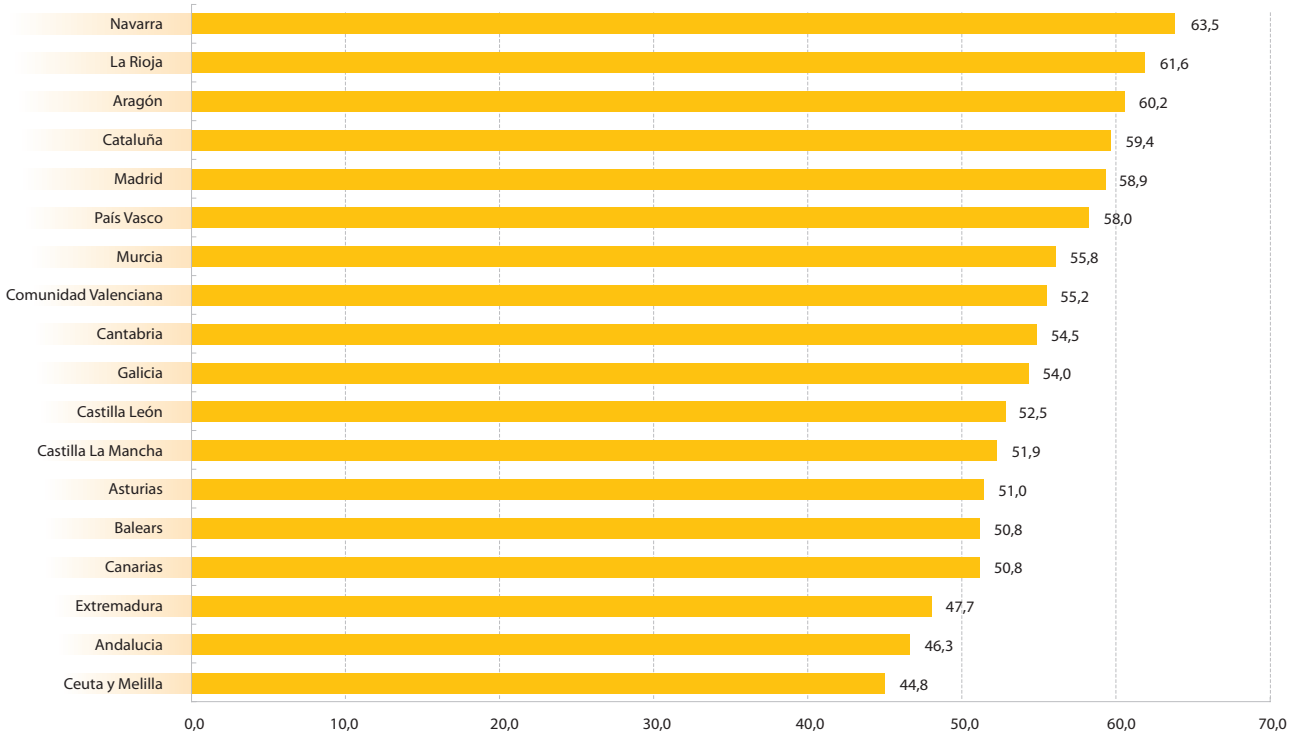
This shows the importance of continuing evaluation as a methodological way of checking whether this path has been reached or not. It leads to the conclusion that the administrative records are essential in order to obtain adequate and prompt information for that type of evaluation. Therefore, it is also essential to deal with clear variables and indicators which must be based on uniform definitions, not only at regional or national level but for all EU Member States. This is even more necessary in the case of programmes that are co-financed out of common European resources.

6. Employment rates in the Spanish regions

In this section we analyse the various degrees of effectiveness of participation in the programme by the Spanish regions (*Comunidades Autónomas*). We present for all the programmes the employment rates obtained by participants and non-participants in the various regions. It should be remembered that each member of the control group is an unemployed person from the same region as the person in the treatment group whom he is replicating, so that comparisons can be made between regions.

Firstly, we present an overview of the employment rate achieved by participants in ALMP in the different regions. As we can see in chart 2, the regions with the highest rates are Navarra, La Rioja and Aragón, with employment rates higher than 60%. Nevertheless, these results are related to the different evolution of the labour market. In fact, the highest employment rates occur in the regions with lower unemployment rates and higher employment growth. Thus, in order to have an indicator of the programme's effectiveness it is necessary to compare again the results obtained by participants and non-participants, i.e. the odds ratio. The comparison between participants and non-participants makes it possible to eliminate the particular labour market situation as a cause of differences among regions in terms of the effectiveness of the programmes. It means that such differences depend almost exclusively on the way LMPs are designed and managed by the Regional Governments.

Graph 2 LMP Participants' employment rate by regions

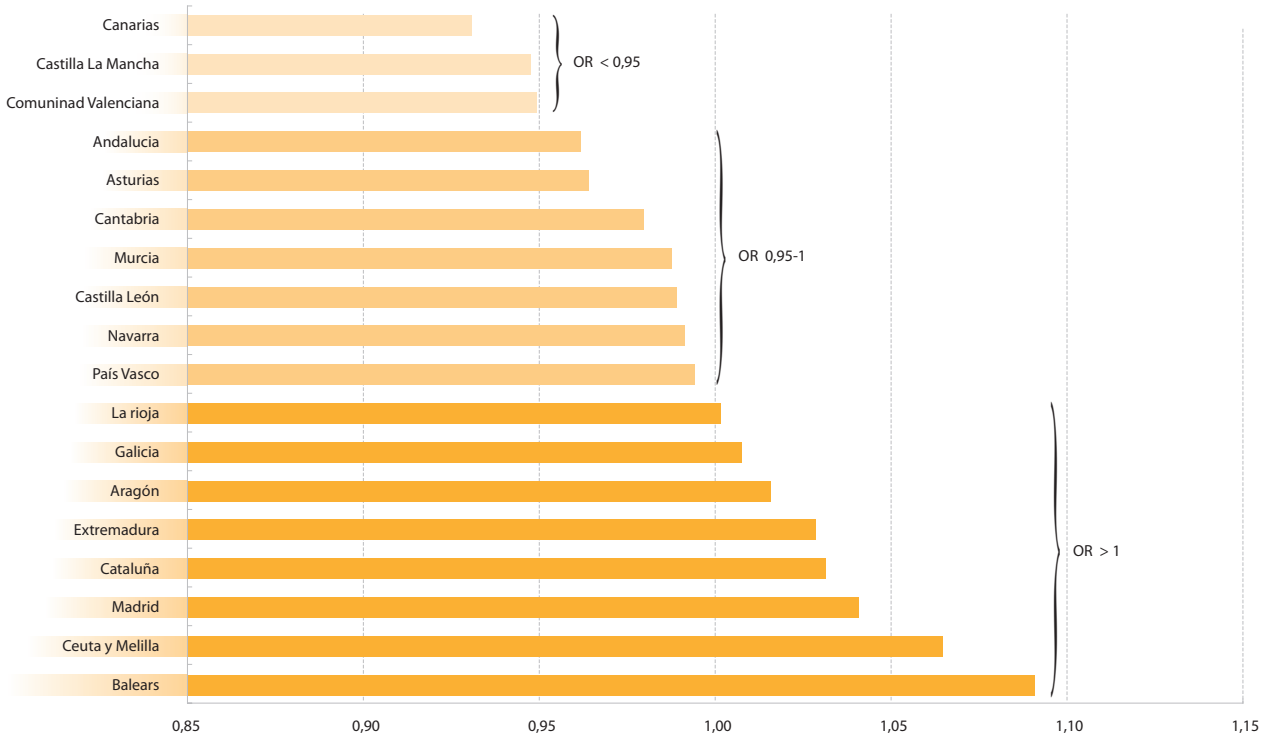


Source: Administrative records from the Spanish Employment Services and Social Security.

As we have shown in Section 3, only two programmes achieved higher employment rates than the control group: these were *Occupational professional training* and *Personal employment orientation plans*. Nevertheless, some Spanish regions did not achieve the same result. This was the case of La Rioja, Murcia, Comunidad Valenciana and Canarias for the OPT programme and of Galicia, Andalucía and Canarias for the PEOP.

Taking all the programmes together, the odds ratio included in chart 3 shows that eight regions achieved higher employment rates than the non-participants' group. These were Baleares, Ceuta and Melilla, Madrid, Cataluña, Extremadura, Aragón and Galicia. La Rioja also has an odds ratio greater than 1, but the employment rates achieved by both groups in this region are very similar. Baleares and Ceuta and Melilla even have employment rates that are 5% higher than for non-participants. On the other hand, the three regions that obtained the worst results for all of the programmes were Canarias, Castilla La Mancha[6] and Comunidad Valenciana.

Graph 3 Odds ratio (employment rate of participants' vs. non-participants) in the Spanish regions



Source: Administrative records from the Spanish Employment Services and Social Security.

Another group of regions formed by País Vasco, Navarra, Castilla León, Murcia, Cantabria, Asturias and Andalucía has an odds ratio lower than 1, but higher than 0.95, indicating that although the employment rates of participants in ALMP are lower than those of the control groups, the difference is not more than 5%. These results have important implications because this shows that differences in the design and management of the programmes lead to differences in their effectiveness. Thus, in the light of these results we could conclude that the best management of the LMP is located in those regions with the highest odds ratio.

Lastly, we can observe in table 8 that the participants' employment rates in the *Employment orientation* programme are lower than those achieved by the control group in every region except Aragon, where participants achieved an employment rate that was 9.2% higher. This result is an indicator that is essential in order to redesign of actions of this kind.

[6] Castilla La Mancha achieved an employment rate among participants which was 0.5% higher than for non-participants.

Table 8 Employment rates in the Spanish regions: participants vs. non-participants

		Participants	Non-participants	Odds ratio
Occupational Professional Training	CEUTA Y MELILLA	46,26	40,85	1,132
	EXTREMADURA	53,16	47,97	1,108
	BALEARS (ILLES)	50,65	46,43	1,091
	MADRID	60,31	57,57	1,048
	ARAGON	62,57	60,43	1,035
	PAIS VASCO	59,95	58,63	1,023
	GALICIA	56,63	55,49	1,021
	CASTILLA LEON	56,91	56,08	1,015
	ASTURIAS	56,53	55,80	1,013
	CATALUÑA	60,56	59,89	1,011
	NAVARRA	63,95	63,44	1,008
	ANDALUCIA	52,12	51,73	1,008
	CANTABRIA	55,41	55,08	1,006
	CASTILLA LA MANCHA	60,64	60,33	1,005
	LA RIOJA	64,32	64,47	0,998
	MURCIA	57,22	57,86	0,989
	COMUNIDAD VALENCIANA	58,54	62,08	0,943
	CANARIAS	48,89	55,01	0,889
Employment workshops	BALEARS (ILLES)	57,33	42,67	1,344
	CEUTA Y MELILLA	63,24	47,06	1,344
	PAIS VASCO	64,56	51,94	1,243
	MADRID	54,52	45,61	1,195
	CANTABRIA	62,35	56,47	1,104
	ARAGON	52,76	50,31	1,049
	ANDALUCIA	48,90	47,37	1,033
	GALICIA	55,20	55,56	0,994
	CATALUÑA	56,72	57,19	0,992
	EXTREMADURA	41,87	43,98	0,952
	CANARIAS	48,25	50,75	0,951
	ASTURIAS	53,15	56,46	0,941
	CASTILLA LEON	46,03	51,40	0,895
	COMUNIDAD VALENCIANA	52,17	59,05	0,884
	MURCIA	42,36	51,39	0,824
	CASTILLA LA MANCHA	41,87	54,47	0,769
	NAVARRA	54,17	91,67	0,591
	LA RIOJA	32,86	61,43	0,535
Employment orientation	ARAGON	57,46	52,63	1,092
	NAVARRA	77,78	77,78	1,000
	MURCIA	66,67	66,67	1,000
	CANARIAS	25,00	25,00	1,000
	ANDALUCIA	42,34	44,56	0,950
	CASTILLA LA MANCHA	54,52	60,38	0,903
	PAIS VASCO	54,35	61,55	0,883
	MADRID	50,00	57,14	0,875
	CANTABRIA	47,47	55,30	0,858
	CASTILLA LEON	47,71	56,20	0,849
	CATALUÑA	42,86	57,14	0,750
	COMUNIDAD VALENCIANA	37,66	50,65	0,744
	BALEARS (ILLES)	33,33	66,67	0,500
	LA RIOJA	33,33	100,00	0,333

		Participants	Non-participants	Odds ratio
	ASTURIAS	10,00	60,00	0,167
	GALICIA	0,00	100,00	0,000
	EXTREMADURA	0,00	0,00	-
Individual job-search assistance	CATALUÑA	68,70	58,02	1,184
	GALICIA	54,35	50,00	1,087
	BALEARS (ILLES)	51,13	47,61	1,074
	LA RIOJA	57,42	53,96	1,064
	PAIS VASCO	57,30	56,32	1,018
	CEUTA Y MELILLA	43,25	42,59	1,015
	MADRID	53,83	53,82	1,000
	MURCIA	52,00	52,48	0,991
	CASTILLA LEON	49,33	50,27	0,981
	CANARIAS	50,22	51,42	0,977
	NAVARRA	63,10	64,62	0,977
	ARAGON	55,55	57,33	0,969
	COMUNIDAD VALENCIANA	50,29	52,15	0,964
	CANTABRIA	54,08	56,10	0,964
	ANDALUCIA	42,86	46,00	0,932
	EXTREMADURA	41,47	44,72	0,927
	CASTILLA LA MANCHA	48,73	52,55	0,927
	ASTURIAS	45,76	50,06	0,914
Personal employment orientation plans	CATALUÑA	57,88	54,49	1,062
	ARAGON	64,91	61,65	1,053
	GALICIA	52,62	52,64	1,000
	ANDALUCIA	51,17	51,92	0,986
	CANARIAS	59,00	60,05	0,983
Employment workshops	BALEARS (ILLES)	57,33	42,67	1,344
	CEUTA Y MELILLA	63,24	47,06	1,344
	PAIS VASCO	64,56	51,94	1,243
	MADRID	54,52	45,61	1,195
	CANTABRIA	62,35	56,47	1,104
	ARAGON	52,76	50,31	1,049
	ANDALUCIA	48,90	47,37	1,033
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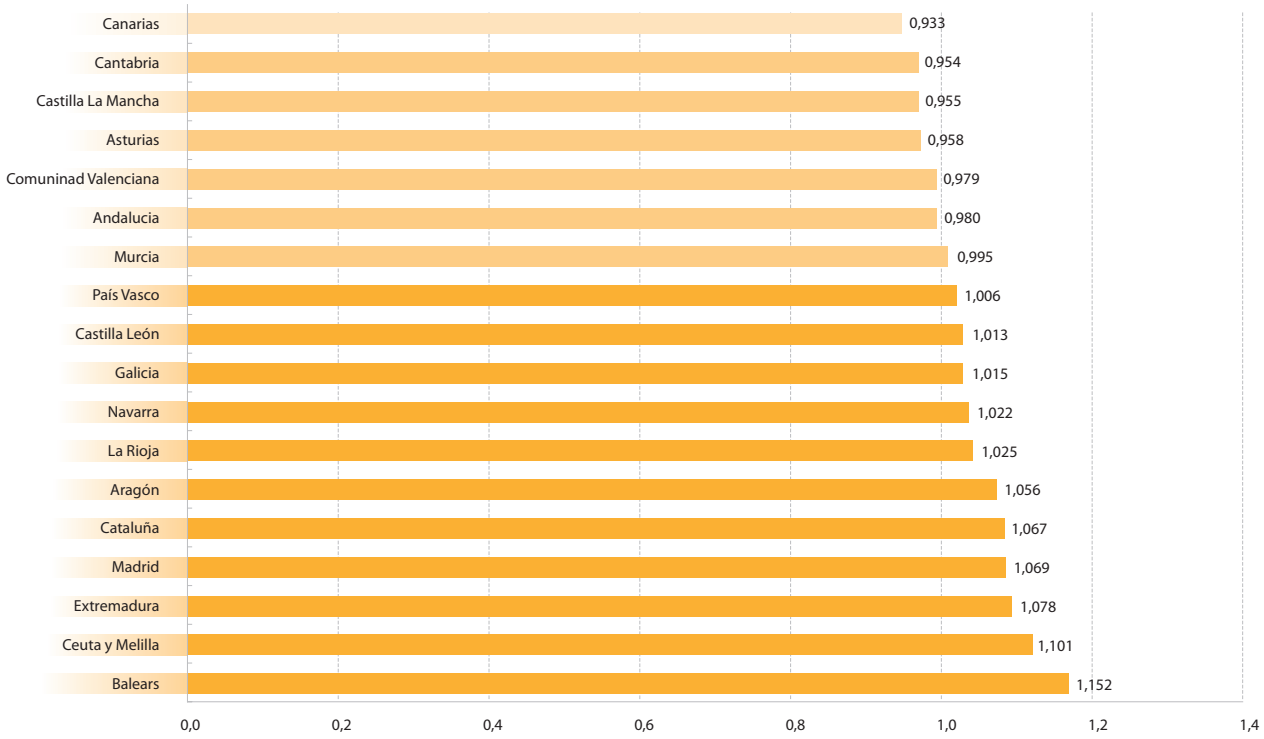
	LA RIOJA	32,86	61,43	0,535

Source: Administrative records from the Spanish Employment Services and Social Security.

Finally, as with the previous sections, we present the odds ratio for women and long-term unemployed by region (charts 4 and 5). While chart 4 shows that the results for women depend on the region, seven of the Spanish regions present lower employment rates for participants; chart 5 shows that all the regions except the Comunidad Valenciana achieved higher employment rates for participants in ALMP, with Aragón in first place. Again, these results reinforce the argument that ALMP are very effective for some groups, especially for the long-term unemployed.

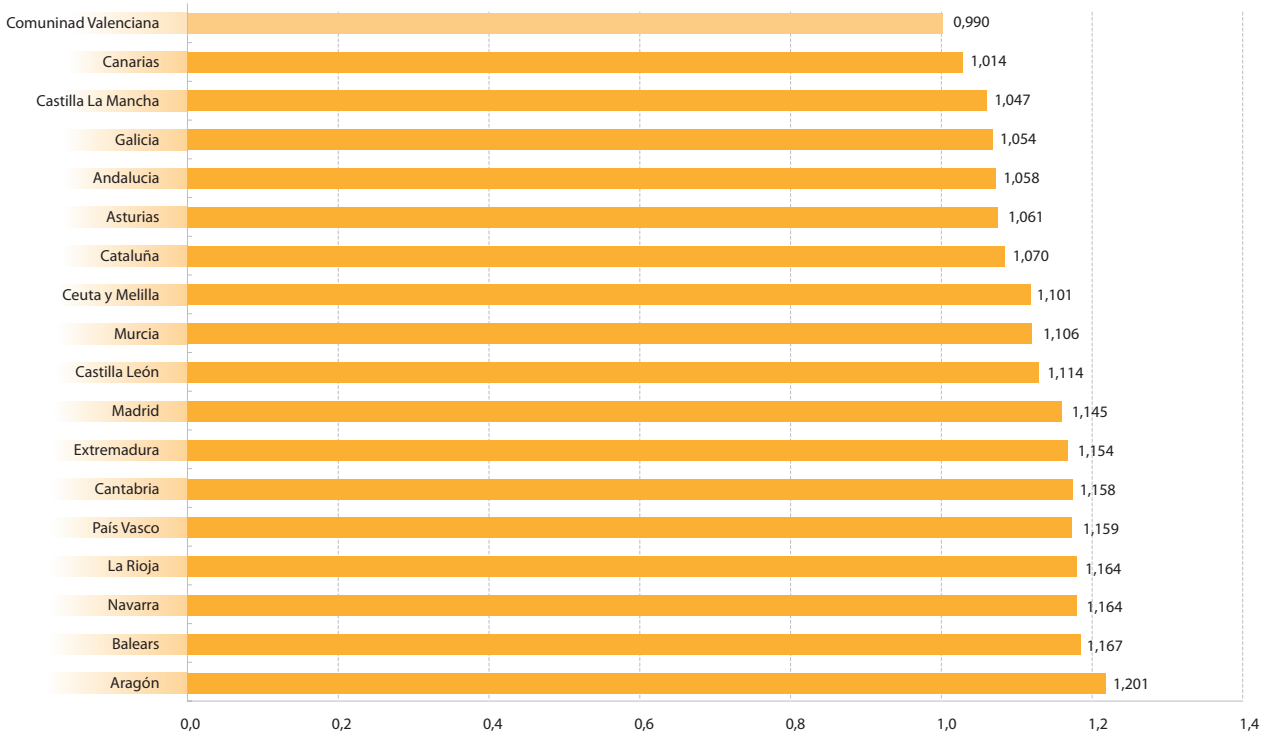
Graph 4 Odds ratio (Employment rate of participants vs. non-participants) in the Spanish regions. Women



* Statistically significant difference (95% confidence interval)

Source: Administrative records from the Spanish Employment Services and Social Security.

Graph 5 Odds ratio (*) (Employment rate of participants vs. non-participants) in the Spanish regions. Long-term unemployed



* Statistically significant difference (95% confidence interval)

Source: Administrative records from the Spanish Employment Services and Social Security..

The information contained in charts 4 and 5 shows once again that some Regional Governments are more effective than others in the design and management of LMP; at the same time this shows that it is important to make a proper selection of participants before the programmes begin. Each type of group needs some specific actions and the regional governments have to know what these are before determining which programme is the right one.

7. Conclusions and recommendations

The main conclusions can be summarised and systematised in a number of points. First, the LMP overall have represented an added value in terms of employment probability for those people who have participated in some of the programmes included in these policies. The evaluation suggests that there are big differences between programmes when it comes to this probability, and that these are connected not only with the content of each programme but also with the criteria used in the process of selecting candidates and with the general management of human and financial resources by the officials responsible for the planning and development functions. For participants in programmes that were similar but located in different Comunidades Autónomas (Spanish regions), big differences in the results have been confirmed. This phenomenon is associated with the type of causal factors mentioned above.

Apart from other statistical sources related to labour market trends, the use of surveys and sampling of beneficiaries to collect data directly is one of the methods most frequently used in Spain to measure the effects generated by the ESF cofinanced programmes. At the same time, the use of statistical records of bodies or official institutions for similar purposes is very low, even though it is one of the cheapest existing sources of data and one with considerable potential. Microdata offer not only the possibility of checking the labour itinerary followed by participants in LMP, but are also the only real way to operate with reliable control groups.

It means that a realistic and practical proposal to be taken into consideration in any exercise of LMP evaluation across the EU has to involve disseminating the utilisation of the statistical information available in employment offices or from social security records. This is a good practice that could be actively promoted by the European Commission services in all Member States.

According to the Spanish experience gathered in the course of the EEE evaluation, the introduction of control groups also seems to be very advantageous, especially as a means of analysing the LMP impact on the labour market and in relation to the ex-post integration in the labour market of the individuals benefiting from these policies. The preparation of such representative groups of non-participants is nevertheless arduous, since the problem is how to select one-by-one individuals with similar personal and professional characteristics to those who participated in the LMP. Taking into account these circumstances, the composition of these control groups calls for a pure random selection process by crossing various data records. The interpretation of results must be conducted carefully and according to flexible interpretation rules, both in case of higher results in the objective group than the control group and vice versa.

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Tracking labour market reforms in the EU:

an overview of the 2004-2005 reforms using the LABREF database and its synergies with the LMP database

Alfonso Arpaia, Peghe Braila and Fabiana Pierini

chapter 7

eurostat

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an overview of the 2004-2005 reforms using the LABREF database and its synergies with the LMP database

Alfonso Arpaia, Peghe Braila and Fabiana Pierini

European Commission[1]

Abstract

This paper briefly examines the rationale for creating a database on labour market reforms and looks at the value-added of LABREF (Labour Market Reforms) compared to existing datasets. After a description of the database and the information contained in it, the paper provides a summary overview of reforms enacted by EU Member States in 2004-2005. Exploiting the qualitative character of the information provided by LABREF, the paper builds simple indicators of reform intensity and attempts a characterisation of the reform strategy implemented by the Member States in 2004.

1. Introduction

In order to develop an effective framework for the surveillance of the labour markets and the analysis of the impact of the reforms on labour market performance, the European Commission's (EC) Directorate-General for Economic and Financial Affairs (ECFIN) has been working intensively with the Labour Market Working Group (LMWG), which is a working group attached to the Economic Policy Committee (EPC). The purpose of this joint effort is to support the EU economic policy coordination processes, and to improve the understanding of labour markets and labour market institutions in the Member States (MS). The motivation stems from the recognition that "*labour markets will not function well without proper institutions*"[2], that is, without an appropriate mix of established arrangements and policy strategies instituted and enforced by governments and relevant collective actors[3], labour markets may be subject to economically detrimental variability. While considerable efforts have been made in the direction of creating comparable datasets on labour market institutions, the information provided by the available qualitative indicators on time-varying labour market institutions is far from exhaustive. Existing databases mainly focus on the aggregate characteristics of the institutional variables and often lack timeliness or comprehensiveness. The need for improved institutional databases has been underlined by many

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[2] Blanchard (2002, p.1).

[3] For a definition of labour market « institutions » and « policies » see Betcherman (2000).

authors, who argue that the lack of well developed data has not allowed the multiple and complex linkages between labour institutions and labour market performance to be fully analysed[4].

In the light of these considerations, DG ECFIN has, together with the LMWG, established a database of those reform measures which are intended to modify relevant labour market institutions in the EU-25. The LABREF database[5] was launched in December 2005. It systematically records, on an annual basis, information on reforms that are likely to have an impact on labour market performance[6]. The LABREF database is conceived as an instrument to provide information on the design of reforms, their scope and their durability. As such, it focuses on selected characteristics of reform measures and provides information on their expected implementation phase. Moreover, the database makes it possible to track reforms by country, by policy area and by one or more key characteristics of the reform design, thus allowing cross-country analysis of the number and type of reforms enacted in a particular year, as well as covering a longer time horizon.

The paper is organised as follows. **Section 2** examines the rationale for creating a database on the labour market, sets out some key theoretical issues and presents a comparative description - with respect to the LABREF - of the existing databases. **Section 3** describes the coverage and structure of the database and the information it contains. **Section 4** provides a summary overview of reforms enacted by EU Member States in 2004, illustrating the potential use of the database. **Section 5** provides a preliminary characterisation of the labour market reforms enacted in the Member States in 2004. Section 6 uses a tentative principal components application in order to show how representative typology of the same reforms can be obtained from the LABREF database.

2. The added value of the LABREF database

2.1. The theoretical context: the crucial but complex role of labour market institutions in labour market performances

Since the second half of the 1990s, there has been growing interest among economic researchers in the relationship between labour market institutions and labour market performance[7]. This stems from the recognition that the assumptions behind the theoretical model of a competitive economy (complete markets, perfect information, atomistic and homogeneous agents and perfect competition) are often not valid when labour markets are concerned[8]. Acknowledgment of the multidimensionality of labour market institutions and the existence of complementarities among them leads to the following considerations:

- since labour market institutions do not work in isolation, a comprehensive approach is needed in the macroeconomic evaluation of reforms modifying such institutions, which takes account of both the interaction between labour market institutions and country-specific circumstances;

- reforms themselves need to be comprehensive in order to be effective and to generate better outcomes. Reforms which tackle more than one policy field are more likely to create an institutional setting conducive to high

4 See, Dreger, C., R. Ramos and J. Surinach (2005), IMF (2003) and Gomez-Salvador R, J. Messina and G. Vallanti (2004).

5 The database can be freely accessed at: http://europa.eu.int/comm/economy_finance/indicators/labref_en.htm

6 Obviously, the link between labour market reforms and performance is not direct, as, for instance, legislative acts are the first step and are usually followed by implementing decrees. Hence, the database covers only the first layer of the relationship between policies and performance.

7 See, among others: Nickell (1997), Blanchard and Wolfers (2000); Kahn (2000), Bertola, Blau and Kahn (2001), Blanchard and Portugal (2001), Besley and Burgess (2004), Neumark and Wascher (2004), Bertola (2004) and Blanchard (2004).

8 See Blanchard (2005).

employment growth and low unemployment, because coordinated changes in related policy areas can cause mutually reinforcing effects on labour market dynamics; on the other hand, the absence of complementary reforms in adjacent policy areas can produce disappointing effects (Eichhorst, W. and R. Kolne-Seidl (2005));[9]

- the design of the labour market institutions matters for the performance of the labour market and of the economy in general.[10] Reforms can be improved by appropriate strategies that exploit positive complementarities between institutions[11];

- while useful insights can be drawn by making cross-country comparisons over a short time horizon, looking at time-series allows the use of a wider set of indicators, which go beyond the simple tracking of reforms. This enables more comprehensive analyses and assessments of reform strategies to be made - by looking, for instance, at the coherence and comprehensiveness of reforms in different areas, at the complementarities across reforms, and at whether reforms in one year are offset by reforms later on. A longer time horizon can also be used in order to carry out analysis on the actual impact of reforms on labour market outcomes as well as on the reforms spill-overs across different national jurisdictions[12].

2.2. Improving existing tools and developing complementarities with other databases and information sources

Existing datasets can be divided into two broad categories. A first type collects information on enacted reforms, often with the aim of developing indices to measure the reform effort/intensity in different policy areas on the basis of predefined criteria (***Descriptive databases***). Based on the information collected, a second type of dataset develops indices measuring the overall "stringency" of certain institutions or of the reform intensity (***Indicator based databases***). This type of indicator is more related to the "stock" of existing interventions rather than to the "flows" of new measures.[13]

Descriptive databases

A simple collection of reform measures is provided by the database that was recently developed by the International Labour Organisation (**ILO**), which covers the fields of minimum wages, maternity protection and working time[14]. The database includes information on legal definitions and legislative sources of measures adopted in these three policy areas in more than 100 countries around the world. However, the database provides no information on the scope, content or key characteristics of such measures. Similarly, the **NATLEX** database[15], also developed by the ILO, provides a

[9] However, a gradual approach can overcome the resistance to comprehensive reforms which entail some uncertainty on the transition costs, either real or perceived, by those agents involved (Dewatripont and Roland (1995)).

[10] A review of literature can be found in European Commission (2004), Chapter 3, and in Arpaia and Mourre (2005).

[11] Positive interactions can be developed, for instance, by a) exploiting the role of incentives to work and participate in the labour market; b) targeting policy measures at those who are at risk of inactivity or of social exclusion; and c) improving the functioning of policy implementing institutions.

[12] As an example, this type of information could be useful when carrying out cross-sectional analysis on specific configurations of labour market institutions (e.g. examining whether the rise in employment rates of older workers is linked to tighter access to early retirement schemes).

[13] With the aim of studying the institutional determinants of the labour market performance, Nickell and Nunziata (2001) have built a data set with time-varying institutional indicators gathering information from different sources for the twenty OECD countries from 1960 to 1995. The variables included in the database are: an index of employment protection (with a range between 0 and 2, increasing with the strictness of employment protection); the benefit replacement rates (average first-year unemployment benefits as a percentage of average earnings before tax); a wage bargaining coordination index (between 1 and 3, with 3 being the most coordinated); and the tax wedge (the sum of the employment tax rate, the direct tax rate and the indirect tax rate).

[14] The database can be freely accessed on the web at the addresses www.ilo.org/travaildatabase/servlet/minimumwages ; www.ilo.org/travaildatabase/servlet/maternityprotection and www.ilo.org/travaildatabase/servlet/workingtime. Searches can be performed by country, region, subject and text.

[15] http://www.ilo.org/dyn/natlex/natlex_browse.home?p_lang=en

comprehensive record of abstracts of legislation and relevant information on national labour, social security and related human rights laws for over 170 countries and territories in the world. An aggregate indicator to evaluate the compliance with the stance of the OECD 1994 Job Strategy has been developed by the **OECD** within the framework of the evaluation of the OECD Job Strategy. The database contains information on reforms in seven main policy areas[16], grouped in two sub-periods (1995-1999 and 2000-2004)[17]. The information is summarised in country notes, but there is no detailed description of the characteristics of each reform measure. The "**Social Reforms Database**" developed by the Italian Rodolfo De Benedetti Foundation[18] provides information on the reform measures adopted in some European countries. It complements the OECD indicators in that it provides more insights on qualitative features of institutions and on the political opposition to reforms. The database collects information about reforms adopted in the EU15 in three broad policy areas - employment protection legislation; pension systems; unemployment/non-employment benefits - over the period 1986-2002, while a newly created section on migration policy covers reforms adopted between 1990 and 2005. The "Social Reforms Database" contains a short institutional description of each reform and provides a broad categorization of reforms into two groups, concerning the scope of the enacted reforms - structural vs. marginal - and their expected effects, going in the direction of either increasing or decreasing labour market flexibility. This categorization places the dataset half-way between a purely descriptive dataset and an indicator-based one.[19]

Indicator-based databases

This group of institutional datasets does not provide information on the reform measures affecting the design of labour market institutions, but concentrates instead on the characteristics of labour market institutions themselves, measured by means of quantitative indicators (scoring index for qualitative variables and "aggregate" measure for quantitative variables). Two types of indicators have been devised. The first type attempts to measure the reform effort through the *change* in institutions likely to be related to governmental measures (*indicators measuring reform intensity*). The second type focuses on *measuring the level of stringency of existing labour markets institutions*. These indicators measure an "outcome", which can be due to the past and current effect of governmental measures, but can also be due to other variables such as labour market practices on the part of both employers and employees (such as developments in part-time jobs and fixed-term contracts). The link with labour market reforms can be indirect and blurred by implementation delays and lagged effects.

- ***Indicators measuring reform intensity:*** these measure the reform effort through the *change* in institutional variable which should reflect government's measures. A set of quantitative indicators on the reform efforts has recently been computed by the **OECD** from the aforementioned descriptive database developed for the evaluation of the OECD Job Strategy. A considerable effort has been put into coding qualitative information so as to construct quantitative indicators of the progress of reform in each area and also in aggregate for all seven areas together. This provides an overview of cross-country differences in reform efforts between 1994 and 2004. As such, the OECD database contains a great deal of useful information on the characteristics of labour market institutions at specific points in time. However, this inventory does not provide information on the key design characteristics of reforms (e.g. targeting of reform, presence of measures to ensure enforceability, etc.) or on their implementation.

[16] These are labour taxes; employment protection legislation for both regular and temporary contracts; unemployment benefits; active labour market policies; early retirement, invalidity schemes and old-age pensions; industrial relations and wage settings; working time flexibility and part-time work.

[17] See OECD (2005) for the most recent version of this database.

[18] http://www.frdb.org

[19] Among the other databases providing general information on reform measures, it is worth mentioning the International Reform Monitor project of the Bertelsmann Foundation, reporting on social policy, labour market and industrial relations reforms adopted in fifteen OECD countries: http://www.reformmonitor.org

- ***Indicators measuring the level of stringency of existing labour markets institutions:*** these types of indicators were mainly developed by the OECD and capture important dimensions of labour market regulation, such as the protection of regular and temporary work[20]. While providing a reasonable proxy for the extent of government intervention in the labour market, these indicators raise a number of measurement issues: for instance, they fail to capture the degree of enforcement of specific regulations[21]. Botero et al. (2004) have developed measures of labour market regulations in 85 countries and correlate them with a number of other potential determinants of labour regulations and some labour market outcomes, to demonstrate the validity of the principal theories of the determinants of labour regulation.[22] These measures are presented as indices of employment laws (five variables)[23]; collective bargaining laws (three variables) and social security laws (four variables), where higher values indicate more labour regulation. The approach adopted in the Global Labour Survey (GLS) database[24], focussing on implementation rather than on regulation itself, contrasts with the work by Botero et al. (2004), which embraces a *de jure* approach to labour provisions. The **GLS** database, which is the result of an internet-based survey conducted in 2004 under the auspices of the Labor and Worklife Program (LWP) at the **Harvard Law School**, seeks to measure *de facto* labour practices around the world, covering aspects of labour institutions such as employment regulations, employee benefits (including pension schemes, sickness benefits and unemployment insurance), labour market (including wage-setting, enforcement of minimum wage policies, gender discrimination) and the prevalence of collective bargaining. The survey has resulted in the construction of indices of labour practices in ten broad areas for 33 countries.[25]

3. Coverage and structure of the LABREF Database

3.1. General design of the database

3.1.1. Coverage

LABREF is a descriptive database explicitly designed to complement the existing datasets and its aim is to close specific information gaps. Without providing an in-depth evaluation of the labour market institutions and reforms of each Member States, the database seeks to systemically collect information on measures affecting labour market institutions. LABREF records the main *ex ante* features of the measures enacted and this helps to identify the scope of the reform and its cost-effectiveness[26]. The scope of the reform is defined with respect to the formal breadth of the measure (i.e. whether it is part of a long-term policy package), its depth (i.e. the measure is valid for both incumbents and new entrants) and its political support (proxied by the level of involvement of social partners in the reform process). The cost-effectiveness is identified by the targeting of groups such as those at risk of unemployment or inactivity and/or by some indication of potential costs in the public budget. Inspired by this literature[27], the LABREF database covers nine

20 For a description of the OECD indicator of employment protection legislation and its limits see OECD (2004).

21 See Bertola, Boeri and Cazes (1999) and IMF (2003).

22 *Legal theories* "hold that the patterns of regulation are shaped by each country's legal tradition", as opposed to the *efficiency theory* according to which "institutions adjust to serve the needs of a society most efficiently" and the *political power theory* which holds that labour market institutions "are shaped by those in power to benefit themselves at the expense of those out of power". Source: Botero et al. (2004).

23 The sub-indices of employment laws used by Botero et al. are: alternative employment contracts, cost of increasing hours worked, cost of firing workers, dismissal procedures and an employment law index measuring protection of labour and employment as an average of previous variables.

24 Chor D., R. Freeman (2005); http://www.law.harvard.edu/programs/lwp/LWPclmp.html.

25 More limited efforts to report a scoring of labour market practices over the world are regularly conducted as part of two surveys on economic freedom and competitiveness, respectively conducted by the Fraser Institute and the World Economic Forum (World Bank "Doing Business" database). Under the section on labour regulation, the Fraser Institute's "Economic Freedom of the World" index (2005) provides an index consisting of five indicators calculated over the period 1980-2003: impact of minimum wage, flexibility in hiring and firing, level of collective bargaining, unemployment insurance; use of military conscripts.

26 *Ex ante* features are those expected from the enacted legislation or regulation, as opposed to those actually seen when the reform is implemented.

27 See, for instance, De Koning et al., (2001); van Ours (2003); Layard and Nickell (1999).

main broad policy fields, corresponding to the same number of labour market institutions and subdivided into 36 areas of policy intervention (see box below). The fields covered by the database broadly reflect the classification used by OECD (1999), with the addition of labour mobility and migration policies. They include: 1) labour taxation, 2) unemployment and welfare-related benefits, 3) active labour market programmes (ALMPs), 4) employment protection legislation (EPL) for both permanent and temporary contracts, 5) early retirement and disability schemes, 6) pension systems, 7) wage bargaining framework, 8) working time organisation, 9) migration policies and labour mobility. Naturally, these fields do not exhaust the entire set of policies that have an impact on labour market performance, but they do cover the main institutional determinants of labour market outcomes. The focus of the database - as explained above - is on providing information on a number of specific characteristics of enacted reforms, which are likely to shed some light on the design, scope, effectiveness of implementation and durability of those reforms (e.g. presence of a broad policy package, existence of policy complementarities or of potentially conflicting policy measures over time, etc.). A set of thirteen key characteristics has been identified to this effect. Box 1 provides an overview of the structure and the areas covered areas by the LABREF database.

Overview of the LABREF database

The database covers nine main areas (types) of reform corresponding to 36 areas of intervention, grouped as follows:

Labour taxation
- Employers' social security contributions
- Employees' social security contributions
- Income tax

Unemployment and welfare-related benefits
- Unemployment benefits
  - Net replacement rate
  - Duration of unemployment benefits
  - Coverage (number of people or sectors of the economy covered)
  - Entitlement (eligibility rules, job availability requirements)
- Other benefits
  - In-work benefits (employment-conditional benefit or tax credit)
  - Means-tested benefits (housing, social assistance)

Active labour market programmes
- Public Employment Services (job assistance, job counselling etc)
- Training
- Direct job creation and employment subsidies
- Other schemes

Job protection
- Permanent contracts
  - Procedural requirements
  - Notice and severance payments
  - Restrictions on dismissal
- Temporary contracts
  - Maximum number of renewals
  - Maximum duration

Pension Systems

- Early retirement
- Disability schemes
- Pensions
  - Level
  - Eligibility
  - Coverage
  - Tax treatment
  - Contributions
  - Other

Wage Bargaining

- Statutory minima
- Contractual flexible arrangements (e.g. performance-related pay)
- Government intervention in wage bargaining (e.g. social pacts or extension clauses)

Working time

- Participation-friendly schemes
- Working time organisation over the lifetime (e.g. working time accounts; part-time working arrangements for older workers; sabbatical leave etc).

Immigration and mobility

- Immigration
  - Border controls
  - Selective Immigration policies
  - Measure to facilitate labour market integration of immigrants
- Mobility (housing, social security portability; degree recognition etc)

The main features of reforms recorded in LABREF are:

1. *General description of the measure:* A reform measure should be described in sufficient detail. Reforms are not limited to legislative changes only, and may also entail changes in the implementation framework. In that case, it is specified that the measure implements a previous decision.

2. *Reference (Budget law, decree, law or other).* This corresponds to the text establishing the measure.

3. *Specific information source used to fill the database:* this can be, for instance, OECD, EIRO website, NAPs or other national sources.

4. *Year of adoption:* the date when a reform measure is legally enacted. The database does not provide for the recording of information on planned reforms.

Detailed features of the reform design

6. *Direct budgetary costs for general government:* As a first option this shows only information from national authorities.

7. *Socio-economic groups targeted,* i.e. young persons, older workers, low wage earners, low-skilled, women, long- term unemployed.

8. *Is the measure applied to new entrants only or also to current incumbents?* A key issue is also to know whether the measure is "marginal", concerning only the inflows (the newcomers or current incumbents only), or "substantial", affecting both the "stock" and the newcomers, i.e. all those affected by institutional/ policy measures. This has an impact on the effect of the measure and may reflect its political feasibility.

9. *Are enforcement and monitoring procedures in place?* Is there provision for an ex-post evaluation? If so, is the assessment carried out by the government or by some independent organisation? In many instances this information might be difficult to find.

10. *In order to be implemented does the reform require policy interventions in related areas?* The existence of conflicting measures in a related area or insufficient resources being allocated because of budget constraints might hamper or delay the satisfactory implementation of the measure. Therefore, these problems should be tackled to allow for the actual implementation of reforms which require a joint policy intervention.

11. *Is the measure embedded in a formal long-term policy programme, and is the reform part of a reform package.* These questions are important as a way of determining whether labour market reforms are comprehensive and designed to exploit the possible complementarities with other measures.

12. *Is there an involvement of the social partners?* If so, do they have an active role or a passive (consultative) role? Do they agree with the measure? A reform may be carried out through governmental action alone, governmental action with consultation of the social partners, tripartite agreement or agreement between the social partners. An active involvement of the social partners often makes the measure more acceptable and therefore less subject to the risk of being reversed.

13. *Main impact: on L^d, L^s, w or matching of unemployed with vacancies?* This question refers to the channel through which the reform operates. It relates to the direct effects and should ideally focus on the short-term impact.

3.1.2. How data are recorded in LABREF

The LABREF database has been developed by DG ECFIN and the LMWG. Sources used to compile the LABREF database include the already-mentioned **ILO** database, the information on Member States' developments published by the **EIRO** (*European Industrial Relations Observatory*) of the European Foundation for the Improvement of Living and Working Conditions in Dublin, the country reports of the **OECD** and **IMF**, the **National Action Plans for Employment**

devised annually as part of the Employment Strategy[28], national legislation and other information publicly available on the websites of the Ministries for Employment and Social Affairs. The measures reported in the database refer to information on enacted legislation, as well as other public acts of general scope (such as decisions of public authorities or general court decisions) likely to have an impact on labour market performance, including measures entailing changes in the framework for implementation of a previously adopted reform. In addition, reported reforms also encompass collective agreements, provided that they are likely to affect a large proportion of employees or to engender a change of regime in the medium term (for instance, the innovative company agreements in Germany). Collective agreements covered by the database include cross-industry agreements, tripartite agreements (involving government, trade unions and employers' federations) and sector-level collective agreements, whenever the agreement concluded in one sector is likely to set the patterns for negotiations in other sectors. The database does not record information on discussions of possible/ planned reforms or draft laws that have not yet been formalised. A single measure may cover several areas of policy intervention and therefore be recorded several times. What matters is not the format of the measure itself, but rather the different policy actions it involves. For example, if a measure establishes a reduction in the social security contributions for the low-skilled and introduces the modernisation of the public employment services, then these will be considered as two different reforms in the database and the measure will be recorded twice. For a number of countries, the catalogue has been completed for the year 2003 and verification by the members of the LMWG has already begun. Table 1 provides a complete overview of the backdating which has been achieved so far. ECFIN has drawn upon the LABREF database for analysis of the labour market reforms in Germany, Poland and Italy.

Table 1 Catalogue on labour market reforms - Country coverage as of mid-May 2006

	Austria	Belgium	Cyprus	Czech Republic	Denmark	Estonia	Finland	France	Germany	Greece	Hungary	Ireland	Italy	Latvia	Lithuania	Luxembourg	Malta	Netherlands	Poland	Portugal	Slovakia	Slovenia	Spain	Sweden	UK
2005	Y	Y*	Y*	Y	Y*	Y	Y	Y	Y	Y	Y	Y*	Y	Y	Y	Y*	Y	Y	Y*	Y	Y	Y	Y	Y	Y
2004	Y	Y*	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y*	Y*	Y	Y	Y	Y	Y
2003	Y*	Y*	Y*	Y				Y*	Y*				Y		Y*			Y*	Y*				Y*		Y*
2002								Y*	Y*				Y*						Y*				Y*		Y*
2001								Y*	Y*				Y*						Y*				Y*		
2000									Y*				Y*										Y*		

* indicates that the information has not been checked by the national authorities

4. A preliminary illustration of the potential use of the database

4.1. Cross-sectional comparisons of the characteristics of the reforms

The database has been compiled by DG ECFIN on the basis of a variety of publicly available sources, and has been cross-checked by the members of the LMWG. Using the information collected for 2004, this section provides an overview of the reforms enacted at Member State level.

Given the structure of the *LABREF* database it is possible to analyse the distribution of the measures enacted in 2004 by areas of intervention and by specific design characteristics. Each *i* measure has been considered as a single event and

[28] Starting from October 2005, the NAPs have become National Strategy Reports, encompassing in one single policy document the three strands of the renewed Lisbon Strategy (macro-economic, micro-economic and employment policies).

classified accordingly in one of the 35 different areas of policy intervention; the sum over *i* gives the total number of reforms enacted in one country.

Simply counting the measures enacted would be misleading as it would neglect important aspects of the reform process. However, the information on the characteristics of each measure may help to identify the specific reform strategy implemented by each Member State. In practice, the information on the characteristics of each policy intervention is used to tabulate the number of reforms with desirable characteristics of the reform design, i.e. we count the number of reforms with certain characteristics. The intention is to provide simple information about the scope of the reform (i.e. whether the measure is part of a long-term policy package and applies to both incumbents and new entrants) and about the formal aspects of its cost-effective design (i.e. whether the measure is targeted at specific groups and the reference documents of the measures enacted have some indications of the budgetary costs for the general government). Hence, for each characteristic *j* of the reform design we have counted the number of measures *i* with the characteristic *j*. Since a single measure can have more than one characteristic, the sum (over *j*) of the number of all measures with a specific characteristic *j* is larger than the total number of measures.

The formal dimension captured by the database represents only the first, though important, layer of the reform policy. Implementing decrees often follow formal documents establishing principles, which means that there are time-lags between the policy action and the final outcomes. Hence, comparisons across countries provide only a *de jure* description of the reform design and not a way to rank countries according to the effectiveness and efficiency of the reform.[29] Moreover, the description which is provided is based on one year only, and therefore does not capture the whole configuration of labour market reforms, which usually takes time to emerge clearly . With these caveats in mind, the next section provides a broad description of the measures enacted in 2004.[30]

4.1.1. An overview of reforms enacted in 2004

The following general remarks can be made as regards the characteristics of the reforms enacted in 2004:

- the majority of policy measures taken in the EU in 2004 were in the area of ALMPs, "Taxation", "Unemployment and welfare related benefits" wage bargaining - mainly contractual or statutory minimum wages - (Graph 1 and Graph 3). In both the EU10 and EU15 Member States, relatively few initiatives were taken in areas such as "Employment Protection Legislation", "Disability and Early Retirement Schemes" or "Labour Mobility". Policy measures adopted in the field of "Working Time Organisation" mainly concerned the introduction of flexible arrangements for reconciling work and family life or the possibility of deviating from collective agreements to introduce more flexible working time arrangements[31]. In the area of "Pensions" there were relatively few measures enacted in the EU10 Member States;

- for the EU as a whole, the measures enacted were broad in their scope - i.e. they were introduced for both the incumbents and the new entrants, and embedded in a formal long-term policy package - (Graph 1, right panel). For the EU15 and the EU10 respectively, about one third of all interventions in the labour market were recorded as having an anticipated direct impact on the budget. This does not mean that the remaining measures did not have

[29] When backdated to the mid-1990s, the information in the database will give a time perspective of the reform process, making it possible to study, for example, its macro-economic determinants.

[30] A more detailed description by field of intervention is provided in section 4.2.

[31] Measures in this field were adopted in Denmark, Germany, Spain, France, Hungary, Italy, the Netherlands, Austria, Sweden, Estonia, Hungary, Lithuania, Malta and Slovakia. Schemes that allow the organisation of the working life throughout a person's career have been introduced in the Netherlands, while the sabbatical leave scheme introduced as an experiment in Sweden in 2002 has been extended nationwide.

a budgetary effect, as official documents may not report the information required. Lastly, there is about a 60% probability that the measures enacted are targeted and there are no significant differences here between the EU15 and the EU10;

- LABREF makes it possible to identify the policy interventions using more than one characteristic (Graphs 3-12). Although targeted policy measures are only partly associated with broad policy packages (Graph 3), these measures are often found to be quite broad in their scope (i.e. they apply to both incumbents and new entrants), especially in the new Member States (Graph 4). It is also likely that targeted policy measures may come with some reference to likely budgetary costs (Graph 5), although measures which report such costs are relatively rare. Targeting is also more a characteristic of interventions with an expected impact on labour supply than of those affecting labour demand (Graph 6).

- Measures that are part of a broad-term policy package are usually broad in scope (Graph 8), oriented more towards labour supply (Graphs 12-13) but unlikely to contain in the relevant documents any type of reference to budgetary implications (Graph 9); this is because only one third of all reforms which refer to the budget are also part of the long-term policy programme. For the new Member States this proportion is more like two thirds. In contrast, the breadth of the reforms is strongly associated with involvement of social partners.

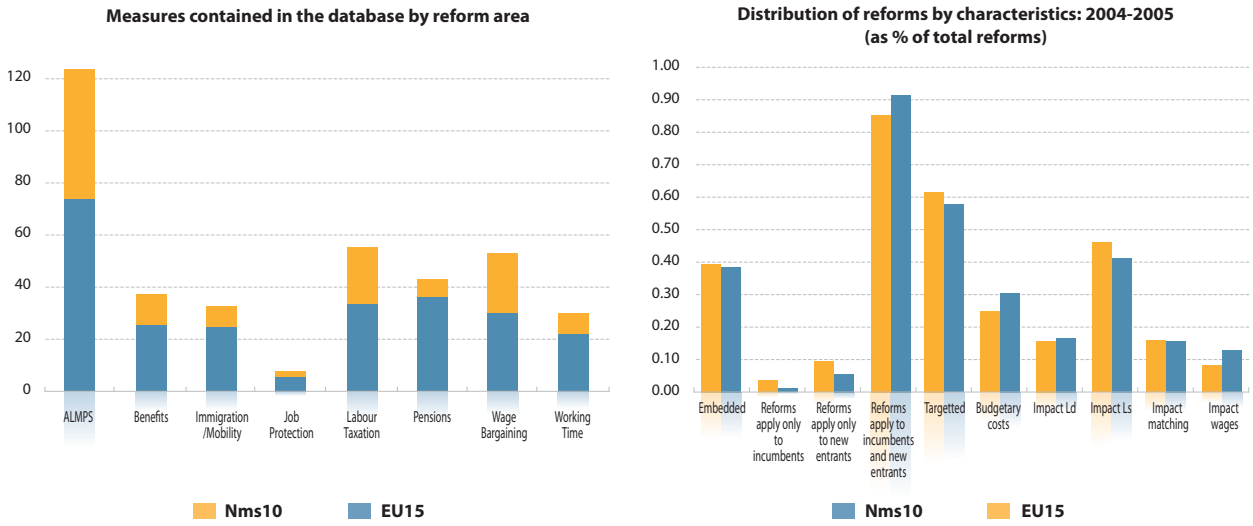
- As far as the anticipated effects are concerned, labour supply has been the main focus in a large number of countries (the Netherlands, Austria, Lithuania, Malta, Czech Republic, Hungary, Slovakia, the UK, Germany, Poland, Latvia, Italy, Spain, Sweden, Slovenia, Estonia). By contrast, only a few countries (in particular the Czech Republic, Greece and France) have adopted measures with an expected impact on labour demand; about half of the measures with an impact on matching were concentrated in Germany, Latvia, Hungary, Finland, Sweden and UK. Lastly, policy interventions in the area of wage bargaining were implemented mainly in France, Germany and Finland;

- The distribution across countries as regards the characteristics of the reforms enacted in 2004 is very heterogeneous (Graph 2). This diversity reflects country-specific reform strategies as well as differences in labour market conditions.

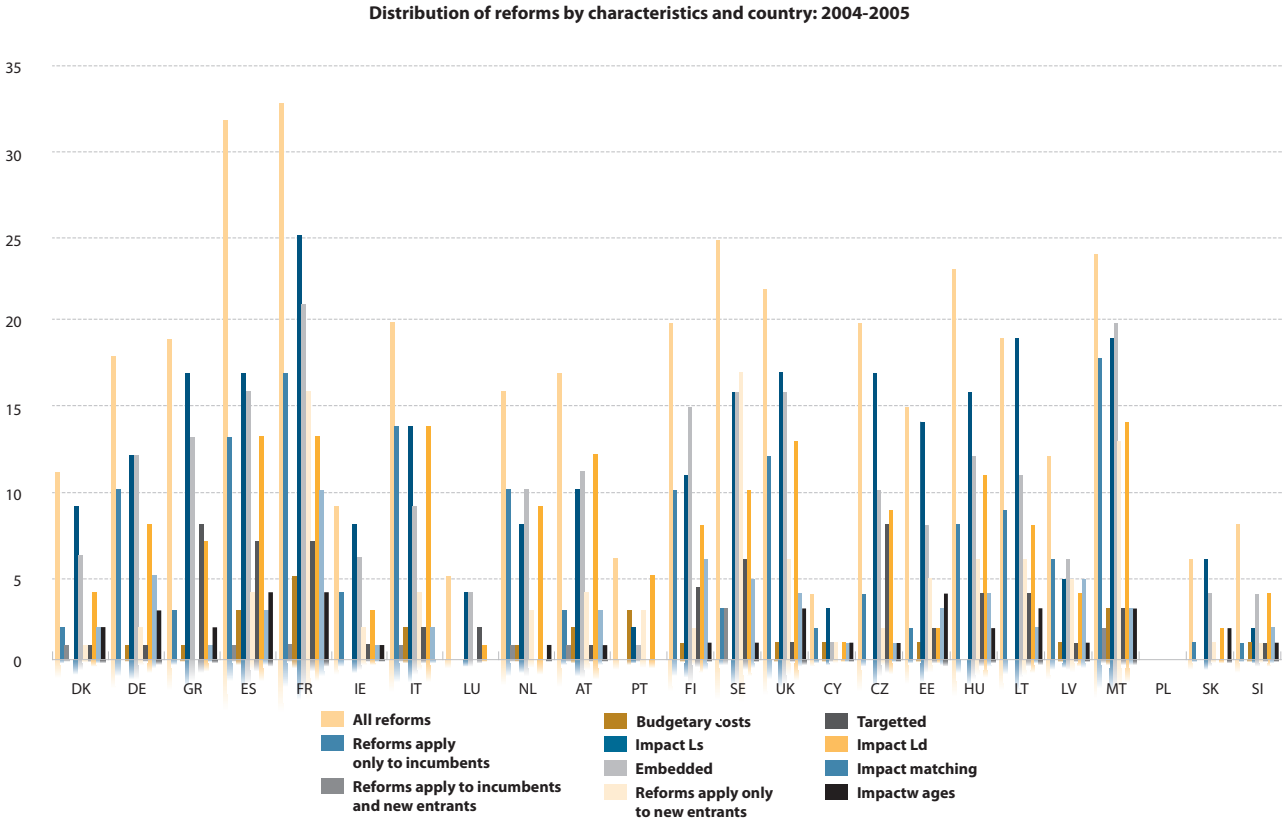
- More than 50% of all measures enacted in 2004-2005 were part of a long-term policy package in Germany, Italy, and Malta. Targeted measures are common in countries such as Luxembourg, Malta, Finland, UK, Slovakia, Germany, Greece and Ireland. Finally, measures with expected direct budgetary costs for the government are found in Sweden.

Alfonso ARPAIA, Peghe BRAILA and Fabiana PIERINI

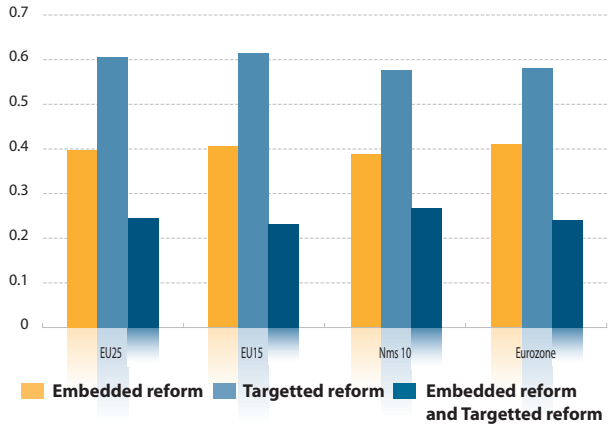
Graph 1 Distribution of reforms by reform area and by reform characteristics in the EU for 2004-2005



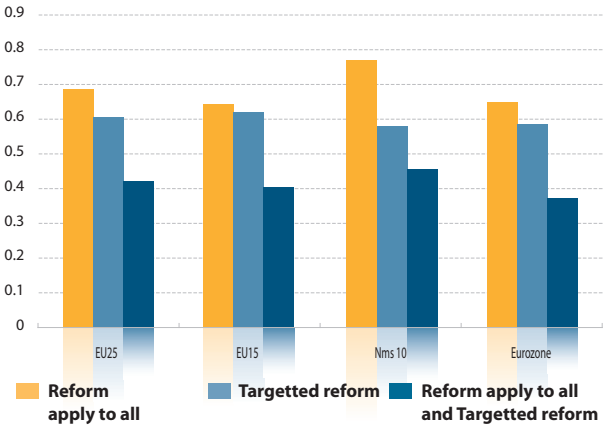
Graph 2 Characteristics of the reforms enacted in the Member States in 2004-2005



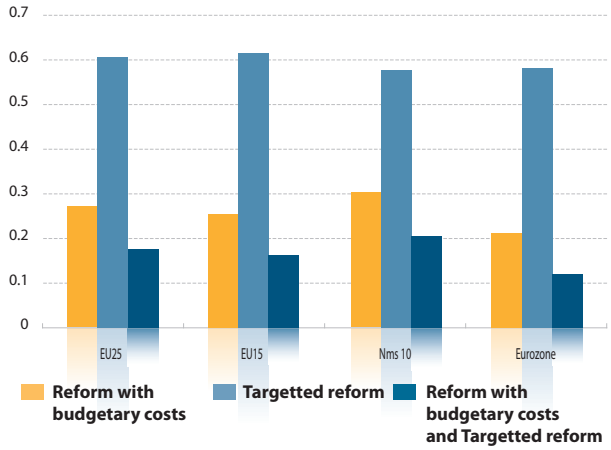
Graph 3



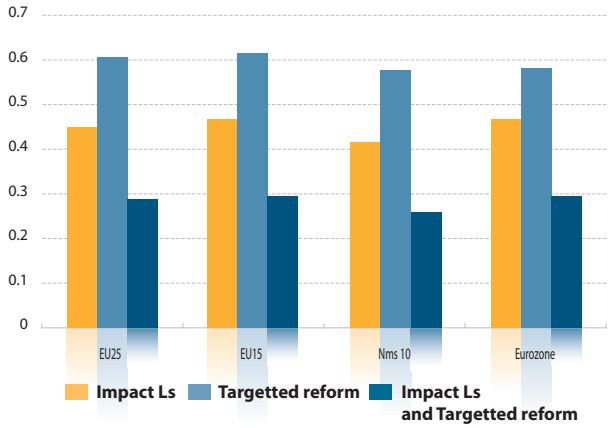
Graph 4



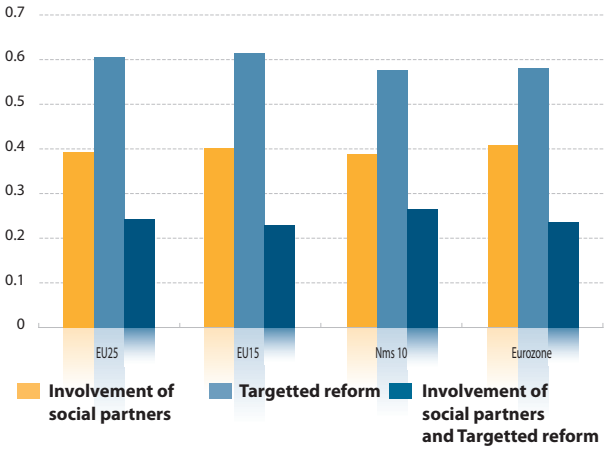
Graph 5



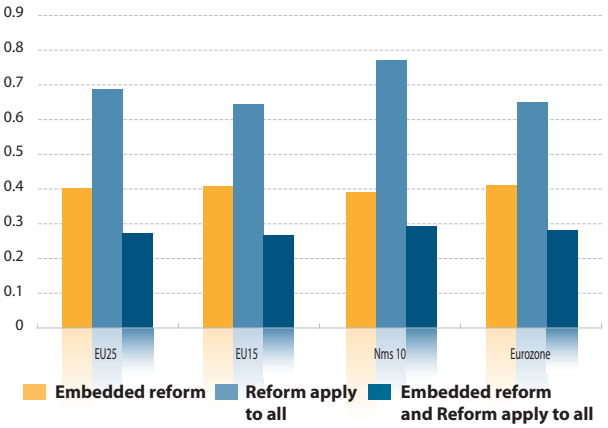
Graph 6



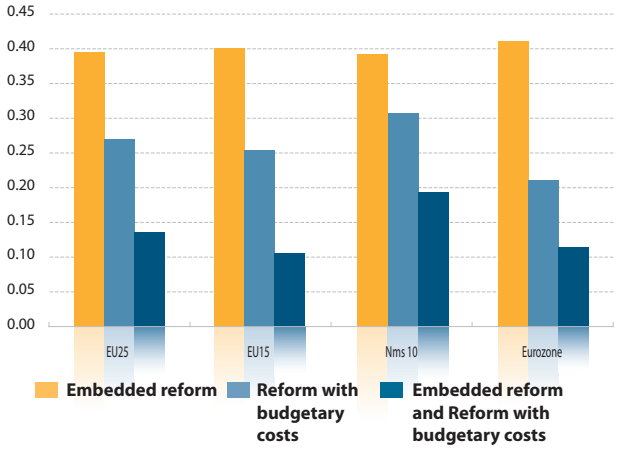
Graph 7



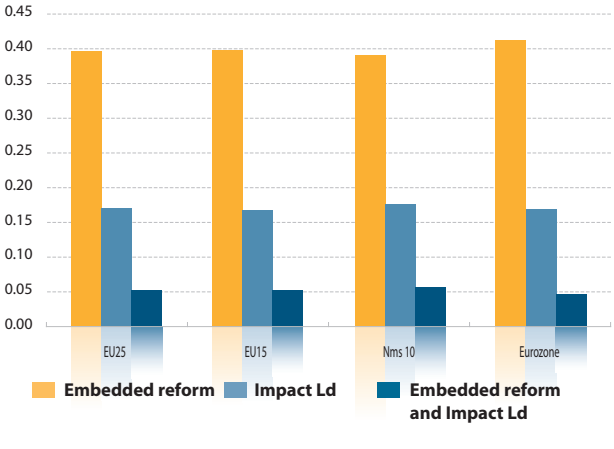
Graph 8



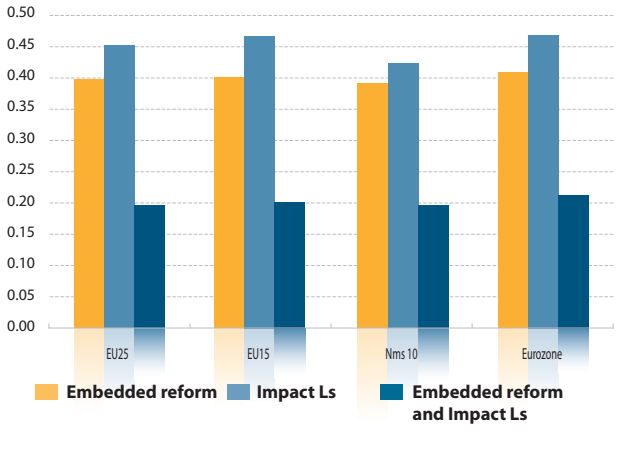
Graph 9



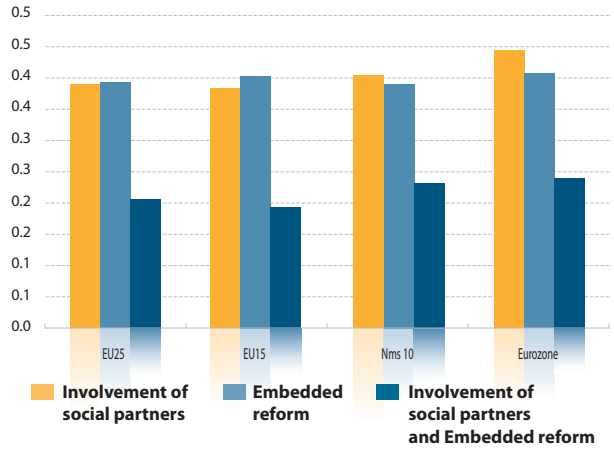
Graph 10



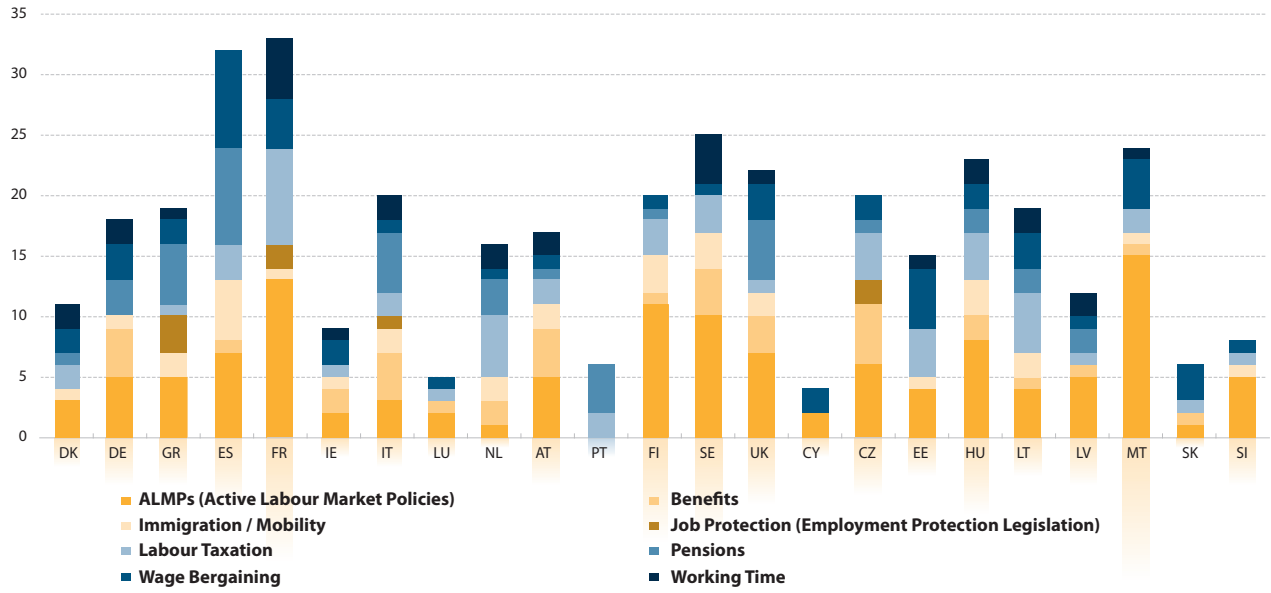
Graph 11



Graph 12



Graph 13 Distribution of total reforms by policy area and by Member State



4.2. Summary description of measures enacted in 2004-2005

The policy trends already observed in 2003 and 2004 were largely confirmed in 2005, with a majority of measures being taken in the field of active labour market policies – thus confirming the gradual shift from passive to active policies already noted in previous years. Policy packages usually included a combination of cuts in labour taxes targeted at those on low incomes and a redirection of active labour market policies towards more effective job search and early activation; these measures were accompanied by a continuing restructuring of the public employment services and greater attention to the development of vocational and training activities.

A large number of policy actions were also devoted in 2005 to the introduction of innovative working time arrangements, both to reconcile work and family life and to promote a more flexible work organisation at company level. Measures were also taken in a number of countries in the field of immigration policy, aimed at improving the integration of third country nationals (Denmark, Sweden), simplifying and accelerating the procedures for the entry and regularisation of immigrants (Greece) or developing a selective immigration policy so as to establish a flexible and responsive employment permit system focused on the skills and labour needs of the economy, rather than being based on quotas or a points system (Ireland, Czech Republic, Hungary).

While there were some wage moderation efforts in those countries where a strong centralised bargaining system operates, there were – on the other hand - few signs of reforms to bargaining structures on the policy landscape and practically no efforts were devoted to promoting a widening of wage differentials so as to make wage settlements more sensitive to different productivity levels at local and company level. Moreover, the reform of early-retirement, sickness, disability and old-age pension systems, for which substantial reform programmes had been already adopted in a number of Member States in previous years, also received less attention.

Equally, with a couple of notable exceptions, little or no action was taken in 2005 in the field of unemployment and welfare-related benefits. Lastly, labour market reforms in the field of employment protection legislation (EPL) continued to lag behind in many Member States, especially in those countries characterised by very strict EPL provisions and where all the measures adopted in recent years were targeting flexibility of work contracts for new entrants and marginal workers, while leaving the legislation on permanent employment unchanged – with potentially detrimental effects in terms of segmentation of the labour market.

4.2.1. Labour taxation

Most measures adopted in 2004 and 2005 in the field of labour taxation were aimed at reducing the tax burden on labour, so as to stimulate employment by lowering labour costs and to make work more attractive for low-income workers to avoid ‘unemployment traps’. A number of measures were adopted to tackle the problem of undeclared work in countries where this phenomenon is still widespread. These measures included a broadening of the powers of labour inspectors and a tightening of the penalty system, the development of more efficient social security information systems and stricter record-keeping on workers, stricter conditions governing entitlement to unemployment benefits and clearer obligations for both employers and employees.

4.2.2. Unemployment and welfare-related benefit systems

In the area of unemployment and welfare related-benefits, various measures were taken which sought to introduce more targeted interventions, stricter controls and tighter eligibility conditions. In the design of these measures, complementarities and interactions with activation policies were strengthened. At the same time, access to benefits was widened to take

account of the growing importance of atypical forms of employment. The sickness systems were reformed to build in a stronger insurance component. A number of countries introduced new provisions for the protection of workers at risk of dismissal in the event of company restructuring.

4.2.3. Active Labour Market Policies

There was a major restructuring of the public employment services and a boosting of activation measures in a large number of Member States in 2004 and 2005, often as part of wider reform packages. The EU10 countries conducted the most comprehensive reforms. The PES reform measures adopted in EU10 represented a dramatic overhaul of the operating model of traditional employment services. The modernisation of the education and vocational training systems was at the very core of active labour market reform programmes in a large number of countries, often complementing wider reform packages that involved the restructuring of the PES and the reform of passive labour market policies.

4.2.4. Job Protection

Very few measures were adopted in the field of EPL in 2004 and 2005. Where policy measures were introduced, these were once again at the margin of the employment protection legislation, targeting new entrants and marginal workers while leaving the legislation on permanent employment unchanged.

4.2.5. Pension systems

Most measures adopted in 2004 in the field of pensions and early retirement schemes were embedded in long-term reform packages. This was the case for Austria, Finland, Germany, Italy, Poland, Spain and the UK. The measures enacted generally involved establishing a stronger link between contributions and pension benefits, thus enabling workers to retire later, which should have a positive effect on the participation rate of older workers.

4.2.6. Wage bargaining

The setting of a statutory minimum wage continued to play a significant role in attracting more people into the labour market, especially in those EU10 countries where the observed average wage growth seemed to remain in line with productivity growth and minimum wage levels did not yet appear to be a binding constraint on the labour market. As part of the debate in EU10 countries, it was acknowledged, on the one hand, that a minimum wage can have positive effects on the labour market, insofar as it makes work more attractive for those groups less attached to the labour market, as long as it is accompanied by other making-work-pay policies (e.g. rebates of employers' social security contributions on permanent contracts, tax credits for maternity leave, means- tested tax credit etc). On the other hand, in most countries the appropriate level of the minimum wage is linked to social security legislation. Therefore, every increase in the minimum wage means adjustments in areas such as the parameters for calculating social security contributions or the income threshold whereby people are assessed as being in material need.

4.2.7. Working time organisation

Various measures were taken in the area of working time organisation, aimed both at improving access to sabbatical leave schemes or extending parents' rights, for instance in the form of longer career breaks or flexible working for family reasons, and at introducing more flexible working time arrangements to adapt employees' working hours to the company's

changing needs. This concerned in particular the regulation of overtime work and the introduction/extension of working time accounting schemes.

5. Characterising Labour Market Reforms: an explorative analysis

This section attempts to identify common features in the measures enacted in 2004 across countries. The correlation between numbers of measures with two differing characteristics provides a summary of the main features of the reform process. Table 2.1 displays the correlation based on the percentage (of total reforms), while table 2.2 displays the correlation based on their rankings.[32] A positive correlation between, say, "*Incumbents & new entrants*" and "*Targeted*" indicates that countries where a large number of measures apply to both incumbents and new entrants also have a large number of measures that are "*Targeted*" at specific groups. Similarly, a negative correlation between the number of measures with different characteristics means that countries enacting a large number of reforms with one feature also have a low number of reforms with another feature. From these correlations it is possible to identify the following patterns:

- countries where measures are often part of long-term policy packages also have a relatively high number of policy interventions that are targeted at specific groups and that apply to both incumbents and new entrants. Moreover, the correlation with the number of measures that are expected to have an impact on matching or on labour supply is higher than with the number of measures having an (expected) effect on the labour demand. Finally, the correlation between the proportion of reforms that are part of a long-term policy package and those expected to have an impact on wages is low (negative in the case of the rank correlation);

- the orientation of policy packages is towards measures that favour labour market participation. These correlations reflect the wide focus of reform programmes on measures that improve matching between unemployed persons and vacancies or labour market participation. In contrast, measures that are expected to have an impact on wages are in most cases geared to changing the contractual or statutory (minimum) wages and, as such, are one-off measures;

- there is a positive and significant correlation between the number of reforms that affect both incumbents and new entrants and the extent to which policies focus on targeting. Countries which have enacted reforms that apply to both incumbents and new entrants have not been unaware of the need to focus on target groups. On the other hand, less prominence has been given to measures with an expected impact on matching or on wage bargaining;

- a large number of countries have taken initiatives in the area of taxation, often with the aim of reducing the tax burden at the lower end of the income distribution. This explains the positive correlation between targeting and measures that are expected to have an impact on the labour supply and labour demand. Hence, where labour demand has been the focus of policy action, targeting also represents a significant percentage of total measures;

- in countries where a large number of policy measures make some reference to an impact on the public budget, a relatively large number of reforms will focus either on matching or on the labour supply.

One way to describe the reform process is to compare the number of policy actions introduced against the level of distortions due to government interventions (reflected for example in the tightness of the employment protection

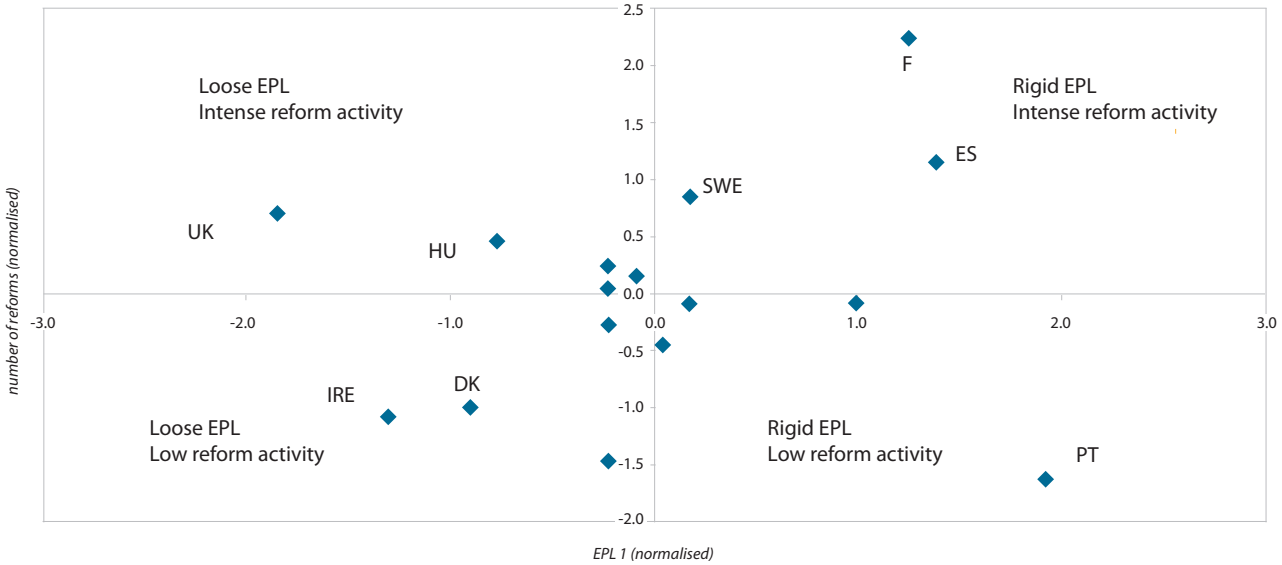
[32] In simplified terms, after having calculated the distribution of reforms with certain characteristics, the correlation between the proportion of different characteristics on the total reforms is calculated.

legislation). Graph 4 plots on the vertical axis the total number of measures enacted in 2004 and, on the horizontal axis, the EPL1 OECD indicator (graph 4.1) or the OECD index of difficulty of dismissal for persons on permanent contracts.[33] Member States can be divided into four groups. A first group of countries is characterised by both a higher-than-average number of measures enacted and an index of restriction of employment protection higher than the (un-weighted) average; Sweden, France and Spain belong to this group. When the measure of strictness of labour market regulation refers only to the difficulty of dismissals of permanent contracts, this group comprises Italy and Sweden.[34] Countries located in the south-east quadrant have labour market legislation that is stricter than the average and a below-average intensity of measures (Portugal belongs to this group). The South-West quadrant reports countries with a below-average intensity of reform measures and labour market legislation less strict than the average. Ireland and Denmark are in this group. Finally, countries that in 2004-2005 took a higher-than-average number of measures, despite an already loose labour market regulation, are shown in the North-West quadrant.

Table 2.1 Rank Correlation between percentage of reforms according to specific characteristics

	Measures applied to incumbents and new entrants	Targeted measure	Measure with an impact on budget	Expected impact on LD	Expected impact on LS	Expected impact on matching	Expected impact on wages
Embedded in a long-term policy package	0.7	0.8	0.6	0.4	0.8	0.4	-0.4
Measures applied to incumbents & new entrants		0.9	0.6	0.8	0.8	0.5	0.6
Targeted			0.7	0.6	0.8	0.7	0.6

Graph 4.1 Reforms intensity and EPL



[33] To facilitate comparison the data have been normalised by transforming the original variable so as to have the same mean and the same variance. The chart does not report the EU countries that are not members of the OECD owing to the lack of information on the EPL for these countries.

[34] For 2003, Italy had the lowest index of EPL among the EU15 Member States behind the UK, Ireland and DK,. The measures introduced in Italy have eased the regulations for the temporary workers without changing the stringency of the standard contracts.

Graph 4.2 Reforms intensitity and index of difficulty of Dismissals

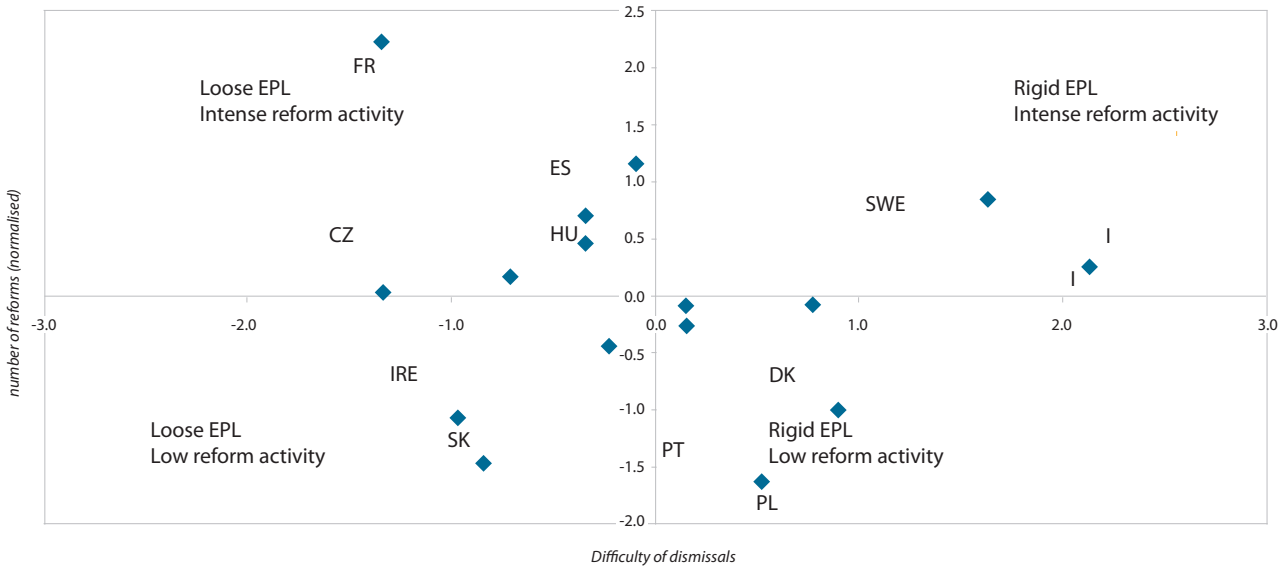


Table 2.2 Correlation between percentage of reforms according to specific characteristics

	Incumbents	New entrants	Incumbents & New entrants	Targeted	With an impact on budget	Expected impact on LD	Expected impact on LS	Expected impact on matching	Expected impact on wages
Embedded in a long-term policy package	0.7	0.8	0.8	0.8	0.6	0.3	0.8	0.6	0.4
Incumbents		1.0	1.0	0.9	0.7	0.8	0.8	0.6	0.6
New entrants			1.0	0.9	0.7	0.7	0.8	0.6	0.6
Incumbents & new entrants				0.9	0.7	0.8	0.8	0.6	0.6
Targeted					0.7	0.6	0.8	0.7	0.6
With an impact on budget						0.4	0.6	0.7	0.3

6. Synergies with the LMP database

LABREF is an inventory of policy interventions taken by relevant actors in areas where they are likely to have an impact on labour market performance. Compared to the LMPs database LABREF collects information on all policy interventions (targeted and non-targeted, general employment policies, fiscal policies, and policies that regulate the functioning of the labour market). The fact that the LMPs database focuses on specific target groups makes it a useful tool for identifying the consequences in terms of expenditure and participants in certain policy actions, especially as the measurement period of the LMPs covers every year when the intervention is active (including when this is active but not used). Cross-checking the information in LABREF with that in the LMPs database may help to interpret whether the policy shocks identified by econometric models are due to reforms introduced in Member States.

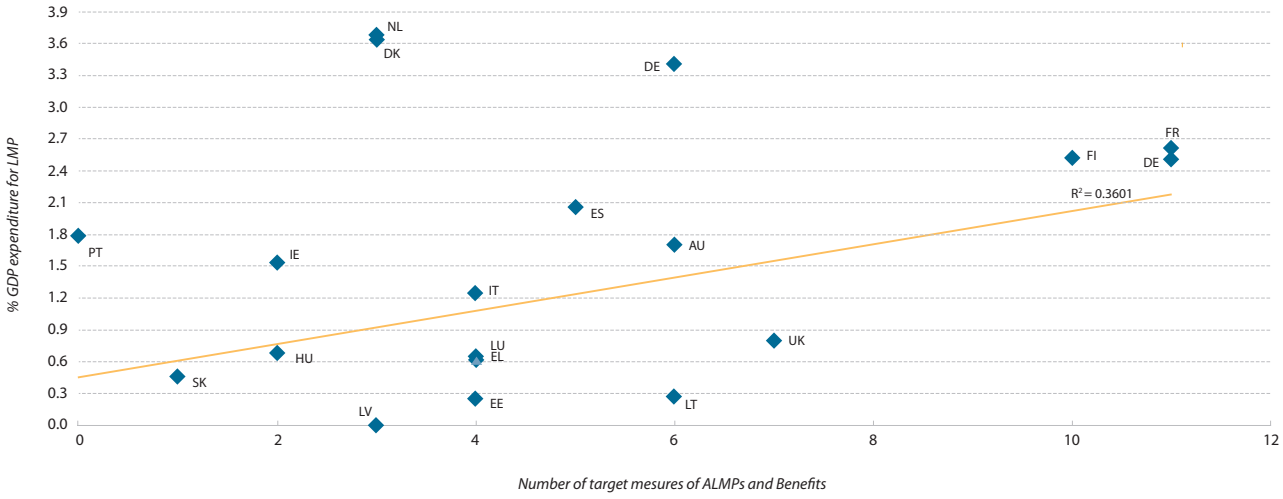
Graph 4.3 illustrates the relationship between total spending and the number of reforms undertaken in 2004 for a number of countries. With the exception of the Netherlands, Denmark and Germany, there appears to be a systematic relationship between the number of reforms and the corresponding expenditure. About 30% of the differences across countries in the number of reforms enacted in 2004 is explained by the expenditure on LMPs. Of course, simple correlations do not prove causality. Hence, it can be argued that more policy interventions cost more. Similarly, it cannot be excluded that the higher the per capita expenditure in LMPs, the stronger the pressure to increase their efficiency through a continuous fine tuning of the existing legislation. This explanation seems also more convincing as the LMP database records all expenditures made in one year independently of whether they were decided on in that same year or in previous years. The LABREF inventory, by contrast, only collects information on policy decisions enacted in the current year.

Graph 4.4 illustrates the relationship between participation in labour market policies and the number of reforms for 2004: more targeted measures are associated with greater participation in labour market policies and vice-versa. However, in this case only 16% of all heterogeneity in the number of participants is explained by differences in the number of enacted reforms. At this point we have to draw attention to two types of problems involved. One source of problems is that it is impossible to divide up some types of financing the LMP expenditures on an annual basis. A second type of problem can arise from the matching-up of the LABREF and the LMP classifications. The results obtained from the charts are no more than illustrative. Nevertheless, it is safe to say that they testify to the use of expenditure and participation as variables related to the frequency of policy intervention in the labour market. A cross-country study of the above relationships, conducted over a period of several years, may provide a better insight into the functioning of labour market measures.

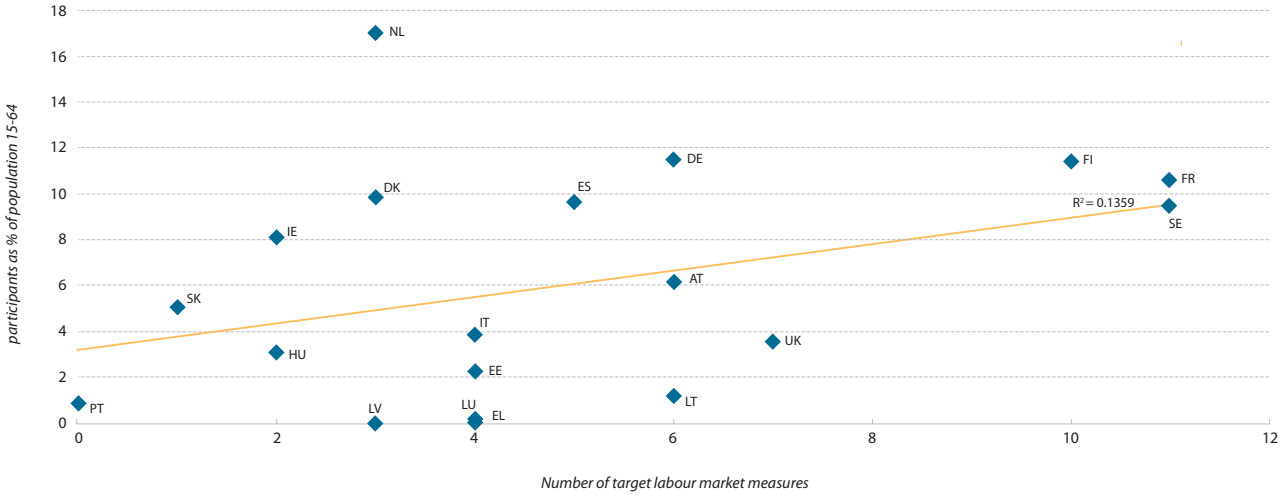
Differences between the LMPs database and the LABREF inventory

	LMPs database	LABREF inventory
Scope	Public interventions in the labour market aimed at achieving its efficient functioning and correcting disequilibria, and which can be distinguished from other general employment policy interventions in that they act selectively to favour particular groups in the labour market	All policy interventions likely to have an impact on labour market performance, including those initiated by social partners, and local authorities when their decisions set the pattern at the national level. Policy decisions which involve no disbursements or foregone revenues are included. General policy intervention may be included (i.e. no reference to target groups).
Types of interventions	All interventions that aim to benefit identifiable groups	All targeted and non-targeted policy interventions (general employment and fiscal policies)
Measures	Activities, other than those that are job-search related, aimed at changing labour market status	All policy interventions in the labour market. A single law may cover several areas of policy intervention. What matters is not the legislative format but the type of actions taken by new legislation or policy decision
Measurement period	Data on each intervention are collected with reference to each calendar year in which the intervention is active (i.e. the law allows its application), including years when the intervention is active but not used. When an intervention becomes inactive (i.e. the law no longer allows its application), then data should continue to be reported until there is no further expenditure and all participations have ended.	Information on each policy intervention is collected with reference to the calendar year in which the intervention is enacted independently of whether its consequences will be in that year or in the future (because of phasing-in).

Graph 4.3. Expenditure versus Number of LMP measures, 2004



Graph 4.4 LMP participation versus number of LMP measures, 2004



7. A principal components application

Bivariate correlations provide only a partial indication of the whole configuration of labour market reforms. Firstly, the information obtained relates only to the two variables considered and consequently does not cover possible multiple correlations. Secondly, the correlation between the two variables may be indirect as the two variables might be linked to each other through a third variable. In order to obtain a representative typology of the reform measures enacted in 2004, this section makes use of the method of *Principal Components Analysis* (PCA). PCA offers a way of reducing the dimensionality of a dataset without undue loss of information. The whole set of indicators is synthesized into a reduced number of components able to describe a significant proportion of the original variability. It also helps in identifying patterns in the data by highlighting similarities and differences. In our case, the method provides an illustration of the principal characteristics of the policy measures enacted. [35] [36] Those characteristics are captured by principal components or factors, which are linear combinations of the initial variables, uncorrelated *(orthogonal)* to each other.

Table 3 reports the result of the principal components analysis on the dataset composed by the nine variables that represent the number of reforms corresponding to each one of the nine characteristics; by the index of strictness of employment protection legislation for permanent contract; and by the percentage of expenditure on ALMPS from the EUROSTAT LMP database. The latter captures the monetary value of the policy measures. This index refers to 2003 and has been chosen to represent the status of regulation in a country when reforms where enacted (2004-2005). It is meant to capture the broad context within which policy initiatives are taken. The principal components are labelled PC1, PC2, …, PC9. The

[35] More formally, the PCA is a linear transformation that chooses a new coordinate system for the data set such that the greatest variance by any projection of the data set comes to lie on the first axis (then called the first principal component), the second greatest variance on the second axis, and so on. Because each consecutive component is defined to maximize the variability that is not captured by the preceding component, consecutive factors are independent of each other. The PCA is based on the following steps; 1) standardise the data to have zero mean and standard deviation equal to 1; 2) find the eigenvalues of the correlation matrix; 3) place them in order from the highest to the lowest, which gives the components by order of significance; 4) find the eigenvector corresponding to each eigenvalue subject to the condition that the norm equals 1. The principal components are obtained as linear combinations of the original data. PC=Γx' where Γ is the matrix with rows the eigenvectors and x the vector of the original series.

[36] Hence the PCA simplifies the problem of jointly analysing the information from different indicators while retaining those characteristics of the dataset that contribute most to its variance by eliminating the later principal components on the basis of a more or less heuristic decision. These characteristics may be the "most important", but this is not necessarily the case. As we extract consecutive factors, they account for less and less variability. The decision on when to stop extracting factors basically depends on when there is only very little "random" variability left. Two criteria have been suggested in the literature. A first method is based on plotting the eigenvalues in a simple line plot. The place where the smooth decrease of eigenvalues appears to level off to the right of the plot corresponds to the last eigenvalue to be considered. The second criterion retains only factors with eigenvalues greater than 1. In essence this is like saying that, unless a factor extracts at least as much as the equivalent of one original variable, we leave it out.

upper panel shows the eigenvalues from the orthogonalisation of the sample correlation matrix, i.e. how much of the total variance in our dataset is explained by each principal component. The lower panel shows the eigenvectors (also called the factor loadings) used as weights to calculate the principal components as linear combinations of the original series. We select the components on the basis of their ability to explain significant variation in the data. Based on the criteria suggested in the literature we decided to select the first three principal components, explaining 71% of the total variability.

The results reveal that the set of the variables most correlated with, respectively, the first two components differ from one another. The variables most closely correlated with the third component are the EPL, the proportion of the reforms enacted that are applied only to incumbents, only to new entrants and the proportion of reforms enacted that make some reference in the documents establishing the measure.

Although this cannot be interpreted as clear evidence, the principal components seem to suggest that there are at least three dimensions of policy interventions. More specifically, the first principal component (capturing 44% of the total variance) seems to represent the frequency of the reforms implemented. The second principal component appears to capture a dimension of the reform process which contrasts the breadth of the reform (i.e. the measures that are applied to incumbents and new entrants, part of a formal long-term policy package with a focus on the labour demand and labour supply) against its depth (i.e. less attention to the existing stock of incumbent workers) in countries with relatively regulated labour markets. Finally, the third component represents a dimension of policy intervention which contrasts the frequency of policy measures for new entrants in highly regulated countries against the frequency of policy measures enacted for the incumbents. PC3 can define the political constraint of the reform process, meaning that reforms that influence the wage bargaining or the labour demand have better chance of being enacted when applied to new entrants, especially when markets are relatively rigid and the expenditure on ALMPs not too high.

Table 3 Principal components analysis

Correlation of EMBEDDED ONINC INCNE ONNE TARGETTED BUDGETARY_COSTS IMPACT_LD IMPACT_LS IMPACT_MATCHING IMPACT_WAGES EPL1 ALMPSEXP

	Comp 1	Comp 2	Comp 3	Comp 4
Eigenvalue	5.33	1.66	1.49	1.25
Variance Prop.	0.44	0.14	0.12	0.10
Cumulative Prop.	0.44	0.58	0.71	0.81

Eigenvectors:				
Variable	Vector 1	Vector 2	Vector 3	Vector 4
EMBEDDED	**-0.33(-)**	0.12(+)	0.06(+)	**-0.42(-)**
ONINC	-0.1 8(-)	**-0.48(-)**	**-0.42(-)**	0.26(+)
INCNE	**-0.39(-)**	0.26(+)	-0.06(+)	0.16(+)
ONNE	**-0.23(-)**	-0.26(-)	**0.54(+)**	-0.11(-)
TARGETED	**-0.40(-)**	0.13(+)	-0.11(-)	-0.02(-)
BUDGETARY_COSTS	**-0.32(-)**	-0.26(-)	**-0.25(-)**	0.21(+)
IMPACT_LD	**-0.28(-)**	0.17(+)	0.14(+)	**0.52(+)**
IMPACT_LS	**-0.31(-)**	0.13(+)	-0.13(-)	0.00(-)
IMPACT_MATCHING	**-0.36(-)**	-0.04(-)	-0.08(-)	-0.19(-)
IMPACT_WAGES	**-0.27(-)**	0.18(+)	0.21(+)	-0.30(-)
EPL1	-0.11(-)	**-0.40(-)**	**0.58(+)**	0.29(+)
ALMPSEXP	-0.08(-)	**-0.54(-)**	-0.14(-)	**-0.44(-)**

In brackets the sign of the correlations between principal components (PCs) and corresponding variables. Numbers in bold indicate statistically significant correlations between that PC and corresponding variables.

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Implementation of the European LMP methodology and indicators for the analysis of labour market policy effectiveness in Slovenia

Dr. Tanja Česen

chapter 8

eurostat

Implementation of the European LMP methodology and indicators for the analysis of labour market policy effectiveness in Slovenia

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Without data you are just another person with an opinion.
A policy is a hypothesis which has to be tested against reality and corrected in the light of experience. (Karl Popper)

Modern economies have achieved a high level of development, greater welfare and a higher standard of living over a long period of sustained economic growth. However, the market mechanism - or the 'invisible hand' - is not leading to equilibrium on the labour market, despite favourable economic development. As a consequence of the downturn in the business cycle, unemployment is the main macroeconomic problem; nowadays we are seeing jobless economic growth based both on productivity and on the negative impact of globalisation on employment.

The phenomenon of persistent involuntary unemployment is the main socio-economic problem and it is just as present in modern economies as it used to be 70 years ago, when Keynes wrote his General Theory. Thanks to his intellectual contribution, many modern economists know how to manage the business cycles and influence both employment and unemployment.

Labour economics, as it has developed over the past few decades, is now well established and presents a view of economics from a human perspective. Unemployment is the result of imperfection of the market economy and the labour market – when companies are striving for competitiveness and profit, they fail to meet the social objectives.

Modern knowledge economies and technological development are based on the increasing quality of labour, in other words on better educated people; we are speaking of human and intellectual capital. "Knowledge has become *the* resource"…, "new knowledge economy relies heavily on knowledge workers" (Peter Drucker).

The government should promote demand in order to combat crisis levels of unemployment – this was Keynes' response to the Great Depression of the 1930s. Full employment and falling unemployment are main goals of the EU Member States, agreed in European employment policy guidelines and implemented in national policies.

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Implementation of the European Employment Strategy in Slovenia

In the European employment guidelines (2003) – "*more and better jobs for all"* - we find the main emphasis in the very first guideline: "*Active and preventative measures for the unemployed and inactive"*. The new Integrated Guidelines for "*Growth and Jobs*" (2005) brought macroeconomic, microeconomic and employment policy into line with each other. With the main goal – "*Implement employment policies aiming at achieving full employment"* – employment policy instruments are targeting a lifelong approach, job-search assistance, matching labour market needs, investment in human capital, etc.

The LMP labour market policy measures - formerly active and preventative policy measures - provide financial support to develop employability. Labour market policy helps people improve their skills and their job prospects, but it also helps combat unemployment, prevent people dropping out of the labour market, and promote training to make them better equipped with knowledge.

Implementation of the Employment guidelines in the EU Member States has been assessed with the commonly agreed indicators for monitoring and analysis which are approved annually by the Employment Committee.

In Slovenia, EES has been implemented particularly in the document "*Active employment policy programme*", which presents the LMP measures focused on reducing unemployment. The expenditure on active labour market policy measures in Slovenia amounts to € 57 million (0.2% of GDP) or one quarter of the EU-15 average (0.7%) in the year 2005.

A comparable system of labour market indicators– LMIS (Labour Market Indicators Slovenia) - has recently been developed which goes a long way towards implementing the European guidelines. These indicators have been designed for the monitoring and analysis of not only European guidelines, but also national employment policy. All relevant data for labour market are organised using this information system, which can also be used for international comparison. The LMIS labour market indicators system has been designed for monitoring employment policy documents in Slovenia, such as:

1. European employment guidelines in Slovenia – NAP
2. Human resources development in the SPD (Single programming document) and OP (Operational programme)
3. Labour market development strategy
4. APZ – Programme of active employment policy
5. Agreement between social partners

Labour market measurement

In the measurement of the labour market for the purpose of labour market analysis and labour market policy monitoring and evaluation we distinguish between:

1. Labour market and LMP data − descriptive statistics for labour market and labour market policy monitoring ⇒ number of employed, unemployed, LMP participants, expenditure, etc.
2. Labour market indicators that are used for labour market analysis ⇒ employment rate, unemployment rate, labour reserve ratio, etc.
3. Labour market policy indicators that measure the effectiveness and efficiency of labour market policy ⇒ activation, follow-up, etc.

The main purpose of labour market policy data is to monitor and measure the efficiency of labour market policy measures with the help of data on: a) unemployed by age group, gender, duration of unemployment; b) public expenditure on labour market policies by measures and in GDP terms; c) LMP participants by their current status, by their previous and subsequent status on the labour market, by gender and age group, and also by average duration of the measure. The main idea is to adopt a horizontal and dynamic approach to micro-economic analysis:

Unemployment ⇒ Participation in LMP ⇒ Employment

Labour market policy indicators are designed for labour market policy monitoring and evaluation. The main types are:

- Input indicators*:* expenditures, participants
- Output indicators: participants completing the programme
- Outcome indicators: participants in employment => success

Labour market policy indicators are focused on the efficiency of active, preventative measures; the main indicators are:

- **Transition** indicator: transition between non-employment and employment, between employment and unemployment (LFS)
- **New start indicator**: long-term young/adult unemployed (6/12 months) and not having been offered a new start (PES)
- **Activation indicator**: this measures the proportion of long-term unemployed (6/12 months) participating in LMP measures (training, public works ...)
- **Follow-up indicator**: this measures the inflow of LMP participants into employment (3 / 6 / 12 months after completion of the measure)

The exhaustive and systematic European/Eurostat methodology makes it feasible not only to monitor and measure the efficiency of LMP actions at the national level, but also to make an international comparison by type of actions within the EU. Labour market policy effectiveness and efficiency are measured first of all at national level, with detailed data on entrants and exits (flows), whereby annual averages (stock) LMP indicators are used for monitoring, analysis and evaluation of labour market policy measures. The main purpose is follow-up of the participants – i.e. the inflow of participants after finishing measure into employment, unemployment or another measure.

Moreover, using the data on expenditure, we can measure and compare the average expenditure per unemployed, LMP participant and people 'wanting to work'. Eventually we will be able to make comparisons between the measures at national level and, for a similar measure, to make comparisons at international and European level.

LMP database and indicators implementation in Slovenia

The creation of the labour market information system in Slovenia started during the preparation for European membership. For this purpose, the project on labour market indicators began in 2002. LMIS – labour market indicators system - was designed primarily for implementing European labour market standards and reporting on employment policy guidelines. Furthermore, it includes indicators for monitoring national employment policy documents.

LMIS – the labour market indicators system - is now an information system with an extensive data warehouse and numerous (around 200) labour market indicators. Labour market data and indicators with prepared reports are designed for analysis, reporting, evaluation and monitoring of the labour market and of European as well as national employment policy. The system has been created so as to make implementation of the European labour market policy possible.

Characteristics and advantages of the LMIS information system:

- Data warehouse with ten (10) databases on micro level – for checking, monitoring at an individual level and design of selected data collection, as well as analysis and evaluation of the effectiveness of labour market policy measures.
  LMIS data warehouse for LMP Database:
  - Database of unemployed people – stock type data (PES)
  - Database of unemployed people – flow type data (PES)
  - Recipients of unemployment benefit and assistance (PES)
  - Database of employed people – flow type data (PES)
  - Database of participants in LMP measures (PES)
  - Database on micro level – LFS/Labour force sample survey
  - Expenditure data on LMP expenditure (Ministry of Labour)

- Pre-programmed dynamic reports for the LM indicators from the list; indicators are calculated directly from the micro-data; reports for each indicator are structured by gender and age group.

- LMP database and indicators, participants and expenditure (new)
  For annual reporting on LMP database to Eurostat on pre-defined tables in the LMP methodology the database of LMP participants (PES) alone does not provide enough information. The labour market policy data and indicators are therefore calculated by linking the database of ALMP participants with several databases at the micro-level, using the link – ID individual identification code.

- In-depth analysis of labour market and advanced labour market analysis using advanced statistical methods;

- Complex and flexible system of labour market indicators, range of indicators relevant for the labour market, numerous data at micro and aggregated level, all data relevant for the labour market;

- Quality criteria for labour market indicators: policy relevance, reliable statistical data, comparability, timeliness, accuracy and freshness of data, easy to understand and interpret,

- The LMIS Development plan in 2007 will be focused on new indicators, new methodology, the LMP database and indicators (monthly, quarterly), data warehouse development, data quality improvement, advanced statistical methods, model building and labour market forecasting.

The labour market information system is designed using **SAS™ software.** The main advantage is that the data warehouse, statistics and analytics are brought together in a single intelligent and flexible system.

Problems with the project LMIS at the Ministry of Labour are:

- The small team of two SAS experts and only one economist (myself) is highly productive; faster progress will require more attention to labour economics and the introduction of team work;

- Lack of interest on the part of colleagues and politicians at the Ministry in labour market data, indicators and analysis, and especially in monitoring the efficiency of labour market policy measures.

Labour market picture in Slovenia – unemployment in 2005

The unemployment rate is relatively low, but given the labour reserve the number of people wanting to work has doubled. The indicators are not consistent, because the first is measured as a rate and the second as a ratio. Of those wanting to work, there are 39% in education in the 15–29 age group. The restructuring of labour-intensive industries due to the effects of globalisation in terms of the falling employment trend presents serious problems for female workers. Dynamic economic growth is reflected by only moderate growth in male employment. Although unemployment overall is decreasing, the number of unemployed women and first job seekers is increasing. Lower educational attainment among unemployed people is typical; unemployment rates are highest among the unskilled and lowest among the better-educated. Persistent long-term unemployment is leading to the unemployment trap and to the poverty trap. The number of vacancies per unemployed person is relatively low due to a shortage of new jobs. Regional disparities in unemployment rates also persist despite the increasing mobility of workers.

Although this picture of the labour market is relatively favourable, none of these trends are either favourable or leading in the desired direction. Moreover, currently most policy-makers are concentrating only on the inputs – i.e. participants taking up the LMP measures. However, the effectiveness and efficiency of the LMP measures should be examined in much more detail. The implementation of the LMP methodology in Slovenia will provide an opportunity for in-depth analysis, monitoring and evaluation, as well as an international comparison of labour market policy.

Selection of Labour Market Indicators, Slovenia, 2005 (LMIS)

Indicator	Total	Female	Male
Employment rate, %			
15–64	66	61	70
20–64	71	66	76
25–54	84	81	86
55–64	31	19	43
Unemployment rate, %			
15–64	6.7	7.2	6.3
20-24	15.8	17.7	14.4
25–29	9.3	10.5	8.3
Long-term unemployment rate, %	3.3	3.5	3.2
Inflow into long-term unemployment (6/12m), %	53	54	53
Activation of long-term unemployed (LMP 2-7), %			
15–64	16	17	16
20–29	21	20	21
Follow-up participants (LMP 2-7), %			
- 3 months	12	12	12
- 6 months	19	20	18
Unemployment ratio, %	4.2	4.1	4.2
Labour reserve ratio, %, by reasons	5.0	5.8	4.3
- education	2.1	2.2	1.9
- own illness/disability	0.9	0.8	1.0
- family	0.8	1.2	0.4
- believe will not find work	0.5	0.6	0.3
- retired	0.4	0.5	0.2
- other	0.3	0.5	0.5
15–24 + in education	9.0	9.7	8.4
Want to work ratio (unempl. + labour reserve), %	9.2	8.5	9.9

Collection and use of LMP data in a regional framework

Bernard Conter and Christine Mainguet

chapter 9

eurostat

Collection and use of LMP data in a regional framework

Bernard Conter and Christine Mainguet
Statisticians, IWEPS

Introduction

The Walloon Evaluation, Planning and Statistical Institute (IWEPS), a regional public body that is independent of the administration, has the general task of assisting decision-making by providing across-the-board technical expertise and strategic advice. In particular, it is our job to centralise and process statistical data on regional policies for these purposes. It is in this connection that we became interested in the European database on labour market policies.

In this presentation, after explaining the division of employment and training responsibilities in Belgium between the Regions and the Federal State, we will analyse from this point of view the data contained in the European database on labour market policies (LMP). We will then attempt to compare our situation with that in other federal countries.

The questions for analysis are as follows:

– How does the LMP database make it possible to take stock of regional (in particular Walloon) policies in terms of priorities, beneficiaries and financial resources?

– How does Belgium differ from other federal countries where employment and training policies also include a subnational aspect?

To conclude, we will look at a number of options for the use of LMP data in connection with an evaluation of Walloon employment and training policies.

1. Division of responsibilities for employment and training in Belgium

Reference data:

Belgium is characterised by substantial regional disparities in terms of employment and unemployment.

Table 1 Regional disparities in Belgium, 2004

	Walloon Region	Brussels Capital Region	Flemish Region	Belgium
Number of inhabitants at 1/1/2004	3.380.498	999.899	6.016.024	10.396.421
Employment rate	55,1	54,1	64,3	60,3
Employment rate for age group 55-64	29,4	35,9	29,5	30
Unemployment rate	12	15,8	5,4	7,8
Long-term unemployment rate	6	7,3	1,9	3,8
Unemployment among young people (% of people aged 15 – 24)	10,7	9,9	5,2	7,5

Source: National Statistical Institute, demographic data and labour force survey, employment and unemployment data.

The Walloon Region, home to a third of Belgium's population, has a major problem as regards unemployment among young people. Its employment rate is 5 percentage points below the national average, and unemployment rates are high (lying between the Brussels and Flemish regions).

In order to be able to take more account of regional characteristics, the responsibility for vocational training and employment has gradually been transferred from the Federal State to the Regions, which are now responsible for vocational training policies for jobseekers and workers and for assisting the unemployed (advice, information, guidance). The Regions subsidise jobs, especially in the non-market sectors, and manage numerous partnerships with the private sector or associations in these fields.

However, not all responsibilities have been transferred[1]. The Federal level retains responsibilities pertaining to labour law and social security: tax incentives, reduction of social security contributions, wage-setting mechanisms, collective agreements, monitoring of unemployed persons, and payment of unemployment and early retirement benefits, plus certain training support measures (e.g. paid education leave).

The responsibilities of the federal and federated entities do not overlap, and their legislation has equal status (no hierarchy of norms).

It should be noted that Flanders is advocating more regionalisation of employment policies, and the subject will be on the agenda for the negotiations next spring, after the federal elections, on the content of the new government's programme. Highlighting the characteristics and results of regional policies in these subject areas is therefore a topical issue.

This complex institutional situation makes it difficult to collect and aggregate data on the subjects contained in the European LMP database.

[1] Compulsory education, higher education and adult education (social promotion) remain the responsibility of the language communities (for the Walloon Region this is the French Community — also responsible for French-language teaching in the bilingual Brussesls Region — and the German-speaking Community).

2. Regional (in particular walloon) policies in the lmp database.

Out of the whole range of policies concerned with training and employment, the LMP database covers only explicitly targeted measures, i.e. those aimed at the unemployed, workers whose jobs are at risk, or non-active people who would like to enter the labour market.

Not all Walloon employment and training policies are therefore covered[2], which necessitates caution when it comes to using the following information.

Let us look at the first question:

– *How does the LMP database make it possible to take stock of regional (in particular Walloon) policies in terms of priorities, beneficiaries and financial resources?*

In attempting to reply to this question, we have taken two publications as a basis: the detailed description of LMP 2004 (Eurostat 2006) and the evaluation of Belgian employment policy 2003-2005 (Federal Public Employment Service 2005).

For almost all measures, the Eurostat 2006 publication states the level of government concerned. It is therefore possible to identify the measures which come under subnational responsibility. In Belgium there are references to the German-speaking Community (CG), the Brussels Region (RBC), the Flemish Region (RF), and the Walloon Region (RW) and also to the Federal State (Fed.).

However, it is not possible to isolate the Walloon Region's contributions, as these are sometimes aggregated with those from other Regions or from the Federal level, for reasons that are not immediately clear to us[3].

[2] The following are excluded: training for workers in general (training cheques), training at skills centres, validation of skills, information and guidance services open to all, initial alternance training for self-employed workers, employment premiums not dependent on the characteristics of persons recruited, lightening of the tax burdens on firms, R&D investment aids, creation of competitiveness poles, measures to combat the lack of jobs, preventive approaches supporting technical and vocational training, etc.

[3] Sometimes measures bearing the same name in different regions are included under one and the same heading (e.g. measure 36 "Work and rehabilitation for disabled persons" and measure 14 "Third working circuit", etc.), while in other cases the same heading is reproduced as many times as the number of regions organising the measure (e.g. measures 40-44 "Vocational training", measures 8 and 10 "Alternance training", and measures 71 and 72 "Transition-to–work scheme").

Table 2. List of measures contained in the database for Belgium in 2004. Total expenditure and stock of participants.

Measure No	LMP code	Name in English	Name in French	Expenditure (in million euro)	Participants (total stock)
Labour Market Services (jobseeking guidance)					
1	1	Public employment services (Fed, RF, RW, RBC, CG)	Services publics de l'emploi (Féd, RF, RW, RBC, CG)	576,14	
50	1.1.1	Partnership for childcare for jobseekers (RBC)	Partenariat pour l'accueil des enfants des demandeurs d'emploi (RBC)	1,11	
58	1.1.1	Crèche facilities (RW)	Maison des enfants (RW)	0,14.	
12	1.1.2	Vocational integration (RW)	Insertion socio-professionnelle (RW)	3,6	13.418
30	1.1.2	Regional employment missions (RW)	Missions régionales pour l'emploi (RW)	1,88	3.272
46	1.1.2	Insertion plan for young people (RW)	Plan jeunes + (RW)	-	6.362
54	1.1.2	Pathway to work (RF)	Trajectwerking (RF)	51,71	83.085
60	1.1.2	Restructuring support programme (retraining units) (RW)	Plan d'accompagnement des reconversions (Cellules de reconversion) (RW)	2,11	1.424
65	1.1.2	Re-employment fund (RF)	Herplaatsingsfonds / Fonds de replacement (RF)	4,38	1.514
68	1.1.2	Vocational integration (RBC)	Insertion socio-professionnelle (RBC)	5,58	-
77	1.1.2	Vocational guidance (RW)	Accompagnement (RW)	12,87	35.896
78	1.1.2	Vocational project contract (RBC)	Contrat de projet professionnel (CPP) (RBC)	3,17	7.730
				662,69	152.701
Vocational training					
3	2.1	Encouraging the unemployed to resume studying (Fed)	Encouragement de chômeurs à reprendre des études (Féd)	120,87	15.106
40	2.1	Vocational training (RF)	Formation professionnelle (RF)	158,41	26.066
41	2.1	Vocational training (RW)	Formation professionnelle (RW)	125,21	39.850
42	2.1	Vocational training (RBC)	Formation professionnelle (RBC)	29,59	2.595
43	2.1	Vocational training (Fed)	Formation professionnelle (Féd)	116,55	n.s.
44	2.1	Vocational training (CG)	Formation professionnelle (CG)	n.s.	n.s.
64	2.1	Language training cheques (RBC)	Chèque langues (RBC)	0,56	n.s.
75	2.1	Driving licence grants (RW)	Chèques permis de conduire (RW)	0,39	n.s.
7	2.2	Support for the creation, extension and restructuring of enterprises (RW)	Aides à la création, extension, reconversion d'entreprises (RW)	3,50	3.293
13	2.2	Training and integration contract (RW)	Plan Formation Insertion (RW)	0,24	9.402
29	2.2	Tutorial (RBC)	Tutorat (RBC)	0,04	8

67	2.2	Support for the creation, extension and restructuring of enterprises (RBC)	Aides à la création, extension, reconversion d'entreprises (RBC)	-	n.s.
76	2.3	Language immersion grants (RW)	Immersion linguistique (RW)	0,52	65
8	2.4	Alternance training (Fed)	Formation en alternance (Féd)	4*	20.000*
10	2.4	Alternance training (RW)	Formation en alternance (RW)	4,4	5.000*
				564,28*	121.385*
Employment incentives					
39	4	Part-time workers receiving income guarantee allowance (Fed)	Travailleurs à temps partiel avec allocation de garantie de revenus (Féd)	192,72	19.942
22	4.1	Plan +1, +2, +3 (Fed)	Plan +1, +2, +3 (Féd)	60,72	6.044*
26	4.1	Relocation allowances for the unemployed (RBC)	Interventions dans les frais de réinstallation des chômeurs (RBC)	-	2
28	4.1	Transition-to-work subsidy (RBC)	Prime de transition professionnelle (RBC)	0,32	78
61	4.1	Activa (Fed)	Activa (Féd)	162	29.463
56	4.1.1	Wage-subsidies for integration entreprises (RBC)	Subvention salariale à l entreprise d'insertion (RBC)	-	-
73	4.1.1	Insertion entreprises (RF)	Invoegbedrijven- en afdelingen (RF)	8,04	653
17	4.1.2	Recruitment of unemployed persons in the context of economic expansion (RW)	Recrutement de chômeurs engagés pour des projets d'expansion économique (RW)	10,15	474
70	4.1.2	Recruitment of unemployed persons in the context of economic expansion (RBC)	Recrutement de chômeurs engagés pour des projets d'expansion économique (RBC)	2,59	104
				436,53	56.760*
Integration of disabled people into employment					
36	5	Work and rehabilitation for disabled persons (RF, RW, RBC)	Travail et réadaptation des handicapés (RF, RW, RBC,CG[4])	312,06	25.598
				312,06	25.598
Direct job creation					
66	6	Social workshops (RF)	Ateliers sociaux (RF)	27,4	2.749
14	6.1	Third working circuit (RW, RBC)	Troisième circuit de travail (RW, RF[5])	25,66	1.048*
18	6.1	Subsidised contractors (Fed, RF, RW, RBC, CG)	Agents contractuels subventionnés (Fed, RF, RW, RBC,CG)	528,11	44.290
19	6.1	Promoting employment in the non-market sector - FBI (Fed, RW, RBC, CG)	Promotion de l'emploi dans le secteur non marchand - FBI (Fed[6])	113,88	7.514
63	6.1	Support for the promotion of employment (APE) - Market and non-market sectors (RW)	Aides à la Promotion de l'Emploi - A.P.E. - Secteurs marchand et non marchand (RW)	454,43	38.344*
21	6.2	Local employment agencies (Fed)	Agences locales d'emploi (Féd)	124,17	12.873
27	6.2	Transition-to-work scheme (RF)	Programme de transition professionnelle (RF)	25,35	3.092

52	6.2	First job agreement in projects of public interest (RBC)	Convention de premier emploi dans des projets globaux de société (RBC)	1,28	78
71	6.2	Transition-to-work scheme (RBC)	Programme de transition professionnelle (RBC)	4,86	719
72	6.2	Transition-to-work scheme (RW)	Programme de transition professionnelle (RW)	19,99	3.045
				1325,13	113.752*
Start-up incentives					
34	7	Loans for unemployed persons (Fed)	Prêt chômeur (Féd)	10,79	517*
45	7	Support for the creation and management of enterprises (RBC)	Développement de l'emploi par l'économique (RBC)	0,19	554*
				10,98	1.071*
Out-of-work income maintenance and support					
37	8.1.1	Full UB	Chômage complet	5.077,97	575.093
37	8.2	Partial UB	Chômage partiel	404,95	34.158
37	8.5	Bankruptcy compensation	Indemnité en cas de faillite	204,43	n.r.
				5.687,35	609.251
Early retirement					
38	9.1.1	Early retirement by collective agreement (Fed)	Prépension conventionnelle (Féd)	1.242,76	108.730
				1.242,76	108.730

Source: database 98-04, extraction on 28/6/2006 (for list of measures) + Eurostat 2006 for figures.
n.s.= not significant
n.r. = not relevant
˙estimate

Out of a total of 49 measures and services, 14 are specific to the Walloon Region, and two are specific to Regions but are grouped together under the same heading. Public employment services are a special case, as the heading refers to regional and federal bodies. It is therefore not possible, without consulting the databases, to identify the regional contribution to their funding. This is also the case with the two measures listed in 6.1, which also come under all levels of government. These three measures alone account for 37% of the budget (other than categories 8 and 9), which must encourage caution in the following analyses.

The Walloon measures mainly come under the categories "Services and vocational guidance" and "Vocational training". However, substantial budgets are also earmarked for "Direct job creation".

In the following table we have attempted to estimate the regional (and in particular the Walloon) shares in each of the main categories of measure, in terms of expenditure and number of beneficiaries. For the reasons already outlined, the figures are estimates, particularly as some information concerning certain schemes is not available.

4 In the event of discrepancies between the French and English versions, we regarded the English as the reference version.
5 Ditto.
6 Ditto.

Table 3 Breakdown of expenditure and stocks of participants between Regions and the Federal State in Belgium (+ Walloon Region share (RW)), according to the LMP database (2004)

	Expenditure (in million euro)	Participants (total stock)
Labour Market Services (jobseeking guidance)		
Total (excluding heading 1 (LMP))[7]	86,6	152.701
Total for regional measures	86,6	152.701
Total RW alone ('Insertion plan for young people +' is missing from expenditure)	20,6	60.372
% of regional measures in total (excluding heading 1(LMP))	100%	100%
% RW alone in total for regional measures	23,8%	40%
Vocational training		
Total	564,3	121.385
Total for regional measures	322,9	86.279
Total RW alone	134,3	57.610
% of regional measures in total	57,2%	71,1%
% RW alone in total for regional measures	41,6%	66,8%
Employment incentives		
Total	436,5	56.760
Total for regional measures	21,1	1.311
Total RW alone	10,2	474
% of regional measures in total	4,8%	2,3%
% RW alone in total for regional measures	48,1%	36,2%
Direct job creation		
Total (excluding subsidised contractors and employment promotion in non-market sector[8])	683,1	61.948
Total for regional measures	563,8	49.794
Total RW alone	474,4	41.389
% of regional measures in total excluding subsidised contractors and non-market employment promotion	69,4%	66,8%
% RW alone in total for regional measures	84,1%	83,1%

Source: Eurostat 2006 for figures. IWEPS for calculations. Based on available data.

[7] Heading 1 has been excluded because it combines both measures under the Federal level and measures under the regional level, but it is not possible, in the published LMP data, to isolate the contribution of each level of government. Similarly, it has not been possible to break down expenditure and beneficiaries for measures relating to work and rehabilitation for disabled persons.

[8] These headings have been excluded because they combine both measures under the Federal level and measures under the regional level, but it is not possible in the LMP data published, to isolate the contribution of each level of authority.

The regional share varies significantly, depending on the category. It is not possible to estimate it in the case of services, owing to the absence of a breakdown between Regions and Federal State for measure 1. On the other hand, the table shows that the Regions are the main players in the field of vocational training (50% of expenditure) and especially direct job creation (69% of expenditure[9]).

The financial input is particularly significant in the Walloon region, which accounts for only a third of the Belgian population but contributes 84% (€474.4 million) of total regional expenditure in the category "Direct job creation" and 42% (€134.3 million) for vocational training)[10].

In the "Services" and "Training" categories, the share of the Walloon Region is much greater in terms of the number of beneficiaries than in terms of expenditure. This effect is probably partly due to double counting and to the fact that, in "Services" expenditure, it was not possible to take account of the "Insertion plan for young people +". 40% (60 372 persons) of total beneficiaries of guidance services are entered in the LMP database as registered for schemes managed by the Walloon Region; 57 610 trainees are registered for Walloon Region schemes (67% of the total for regional training measures).

By contrast, the 48 389 beneficiaries of direct job creation measures organised by the public authorities in the Walloon Region represented 67% of the total, corresponding almost exactly to the Walloon contribution to the financing of regional measures in this field (69%).

3. Use of the LMP database for evaluation of the european employment strategy in Belgium

The second publication used to identify the regional contribution to employment policies is *L'évaluation de la politique de l'emploi 2003–2005 Belgique (Evaluation of employment policy 2003-2005 Belgium),* published in 2005 by the Federal Public Employment Service. The LMP database is used for certain aspects of this evaluation. In Belgium, the regional breakdown is used in the tables. The latest data published in this context date from 2004 (Public Employment Service 2005). An update is in progress in connection with the National Reform Plan 2006.

Four indicators used in evaluating the NAP are based on LMP data. Three of them relate to beneficiaries, one to expenditure.

- Preventive approach
- Long-term unemployed activation rate
- 6-month exit rate. However, data have not been published at regional level since 2002. Only Flanders appears in the publications.
- Expenditure on active employment policy measures.

[9] It should be remembered that the analysis is based on partial data, as it is not possible to separate the regional and Federal contributions in the database.

[10] 48% of employment incentive measures, but amounts and beneficiary numbers are much smaller.

Table 4 Preventive approach* to reduce the number of people entering long-term unemployment

	Flemish Region	Brussels Capital Region	Walloon Region	Belgium
Young people (monthly average from July 2003 to June 2004)	8,3%	16,1%	10,6%	10,1%
Monthly average of new entries from January to December 2003)	15,6%	17,5%	41,6%	28,6%

Source: SPF Emploi, 2005.

* The "Preventive approach" is defined, from the negative side, by the proportion of persons who have become unemployed in month X and are still unemployed in month X + 6 (young people) or X+12 (adults) without having benefited from a new start in the form of intensive vocational guidance, placement, training, guidance, work experience, a job or any other integration measure (LMP 1-7).

There are major differences between regions in respect of this indicator. The Walloon Region has by far the biggest proportion of "non-activated" unemployed adults. By contrast, the preventive approach for young people is the least developed in the Brussels Region. This indicator does not take account of the number of persons concerned[11].

Table 5 Long-term unemployed activation rate, 2004

	Flemish region	Brussels Capital region	Walloon Region	Belgium
Breakdown by competent level of government	33,8%	17%	7,3%	32,1%[12]
Breakdown by place of residence	47,8%	24,6%	20,7%	32,1%

Source: SPF Emploi, 2005.

Activation: training, guidance, work experience , employment or other integration measure (LMP 2 -7).

Flanders has the biggest share of long-term unemployed persons benefiting from active policy measures |(48%). The Brussels Capital region has only a quarter, and the Walloon Region one fifth. However, these data must be seen in conjunction with the long-term unemployment rate, which differs from region to region (see Table 1).

[11] Annual average long-term unemployed jobseekers in 2004: Walloon Region 169.537, Flemish Region 99.183, Brussels Capital Region 55.001. Source: SPFE, 2005

[12] Federal: 19.3%

Table 6 Expenditure on active employment measures, 2004 (broad sense)

Expenditure in million euro	Flemish region	Brussels Capital Region	Walloon Region	Federal	Belgium
To attract and retain more people in employment, increase labour supply and modernise social protection systems (guidelines 18-19-20)	730,59	151,22	603,28	1.208,41	2.693,5
To improve the adaptability of the workforce and business sector (guidelines 21-22)	32,10	5	10,15	4.322,25	4.369,5
To increase investment in human capital through better education and skills (guidelines 23-24)	211,15	30,36	153,29	237,42	632,2
Total	973,84	187,58	766,72	5.768,08	7.695,22
Breakdown by entity in %	12,7%	2,4%	10%	75%	100%
Breakdown by field within an entity					
To attract and retain more people in employment, increase labour supply and modernise social protection systems (guidelines 18-19-20)	75%	81%	79%	21%	35%
To improve the adaptability of the workforce and business sector (guidelines 21-22)	3%	3%	1%	75%	57%
To increase investment in human capital through better education and skills (guidelines 23-24)	22%	16%	20%	4%	8%
	100%	100%	100%	100%	100%

Source: SPF Emploi, 2005.

This expenditure includes that in the Eurostat LMP database as well as employment policy expenditure that is less directly targeted, such as reduction of social security contributions (this being more of a macroeconomic measure).

The preceding table shows different action patterns for the different levels of government. The federated entities invest massively (nearly 80%) in guidelines 18-20, whereas the Federal level mainly subsidises the priorities defined in guidelines 21 and 22, the sums involved being much higher in this case. Training expenditure, under guidelines 23 and 24, represents one fifth of the Region's expenditure, but only 4% of expenditure at Federal level.

4. Comparison with other European countries that have a federal structure

– *How does Belgium differ from other federal countries where employment and training policies also include a subnational aspect?*

In seeking to answer this question, we have tried to identify measures of a regional nature in the PMT4 1998-2004 database. Then, with the help of staff at EUROSTAT - whom we take this opportunity to thank - we present three overview tables classifying the measures according to the field concerned, the source of funding and the institutions responsible. These tables make it possible to focus on the involvement of subnational bodies in the employment policies covered by the PMT (LMP) database. In the context of this European comparison, we are not in a position to estimate the regional contribution to the funding and number of people involved, merely to identify patterns.

Which measures can be identified, on the basis of one of their characteristics, as involving a subnational authority?

In answering this question, we have based our work on the inventory of measures for 1998-2004 contained in the database available on the CIRCA site (extraction conducted on 28 June 2006).

We have sought to identify those measures which could be described as "regional" by taking as the main criterion whether it was partially or wholly funded by a regional entity (Länder, Communities, Regions etc.).

We did not include policies financed by central government with the aim of funding regional mobility (for example in Austria).

In addition to Belgium, this analysis highlighted countries where certain subnational bodies manage particular schemes more or less autonomously. This is true of many schemes, in virtually all the categories of measures, in **Germany** (Länder), **Spain** (Regiones) and in **Portugal** (Madeira and Azores).

In **France**, the role of the regions is predominantly to co-finance training programmes, particularly alternance (sandwich) courses, together with local reception, information and guidance activities.

A number of individual programmes are also partly co-financed by subnational entities. Examples include: **Finland**, the activities of centres for developing employment and the economy (measure 52); **Bulgaria**, the regional programme for teaching reading and writing, vocational training and employment in public-sector activities (measure 12) and measure 4, designed to make it easier for an unemployed person to enter the workforce; in **Austria** employment foundations (measure 18), socio-economic enterprises and projects for non-market employment (SOB and GBP [Translator's note: *"sozialökonomischen Betrieben"* and *"gemeinnützigen Beschäftigungsprojekten"* respectively], measure 14), or particular schemes for sandwich courses (JASG training courses, measure 32). In this country as well, the Federal government employment service is co-financed by the regions. In **Denmark**, certain measures target particular regions where specific skills are lacking (measure 31, supporting adult apprenticeships). In **Italy**, specific measures target Objective 1 regions (measure 56, for SMEs). Greece does not feature in the analyses.

In the other countries, this initial approach did not allow us to identify involvement by subnational entities in labour market policies.

For the sake of completeness, it should be noted that in some cases, particularly in the Netherlands, Portugal and Sweden, it is the local authorities who have an input to these policies. However, we did not conduct a search at this administrative level.

Publication of issue number 5/2006 of Statistics in Focus *Population and social conditions, labour market*, devoted to "Expenditure on training measures for the unemployed across the EU", attracted the interest of political authorities in Wallonia because it was the first time that an overview intended for the public at large provided a comparative analysis of the contribution made by regions.

In order to follow up on this analytical approach, which we considered promising, we contacted EUROSTAT to obtain further information based on the same model, this becoming our second data source.

EUROSTAT sent us three tables on 16 September: the first covering training measures[13], the second the "employment incentive" type of measure and the third relating to direct job creation measures. Each table classifies the entire range of measures concerned in terms of three criteria focusing particularly on the involvement of regions in the type of policy studied. The first criterion is the field of application of the measure, the second the source of funding and the third the institution responsible.

[13] The structure is the same as that of the table in the 2006 MELIS publication, although we used 2004 data rather than 2003 data. The level of regional contribution varies from one year to another but we have not analysed it here.

The breakdowns are expressed as a percentage of the measures, thus providing no information about the scale of the funding contributed by the regions or the number of people involved.

In addition to Belgium, subnational policies are pursued in seven countries: Spain, France, Germany, Greece, Portugal, Italy and Bulgaria. Austria, Finland and Denmark, countries in which we have identified a number of "regional" measures, are not included in this analysis.

Table 7 Area of application, source of finance and responsible institution for LMP training measures, 2004

	EU-25	EU-15	BE	DE	EL	ES	FR	IT	PT	BG
Area of application										
National	81,4	80,8	20,0	83,3	75,0	50,0	100,0	100,0	65,0	81,8
Regional	16,8	17,3	80,0	11,1	25,0	50,0	0,0	0,0	45,0	18,2
Other	3,1	3,2	0,0	5,6	0,0	0,0	0,0	0,0	0,0	0,0
Source of finance[1]										
Central government	58,4	57,1	20,0	11,1	100,0	25,0	66,7	84,6	0,0	100,0
(of which, ear-marked taxes)	7,5	7,7	20,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0
Regional government	19,9	20,5	80,0	11,1	0,0	50,0	20,0	0,0	60,0	0,0
Local government	1,9	1,9	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0
Social Security Institution	28,0	28,8	0,0	77,8	0,0	25,0	26,7	0,0	40,0	0,0
European Social Fund (ESF)	43,5	43,6	0,0	33,3	100,0	50,0	33,3	61,5	100,0	0,0
Other	8,1	8,3	0,0	11,1	62,5	0,0	0,0	15,4	0,0	18,2
Responsible institution[2]										
Central government	29,8	29,5	20,0	0,0	50,0	0,0	53,3	23,1	5,0	0,0
Regional government	22,4	23,1	60,0	11,1	0,0	25,0	20,0	61,5	60,0	0,0
Local government	7,5	7,7	13,3	0,0	0,0	25,0	0,0	0,0	0,0	0,0
Social Security Institution	5,0	5,1	0,0	0,0	0,0	0,0	20,0	23,1	0,0	0,0
Trade Union	1,9	1,9	0,0	0,0	0,0	0,0	6,7	15,4	0,0	0,0
Public employment service (PES)	53,4	52,6	0,0	88,9	25,0	50,0	13,3	0,0	80,0	100,0

1. A measure may be financed by more than one source so the sum of the different sources may exceed 100%.
2. A measure may be implemented by two or more organisations in co-operation so that the sum of responsible institutions may exceed 100%.

Source: EUROSTAT, extraction from the LMP database, 16 September 2006.

On average in Europe, regions are responsible or share responsibility for more than 20% of training measures. They provide the financing or co-financing in 20% of cases, whereas the fields of application remain very much a national matter (17% regional specificity).

Among the eight countries which have stated that regions are involved in employment policies, there are four types of situation:

– The most frequent case is that, as in Belgium, where regional public bodies finance and are responsible for policies applied at their level[14].

[14] We would however point out that in Wallonia the government employment service runs a large number of training measures for jobseekers and persons in precarious employment relationships, measures that do not appear in this study. Similarly, joint entities that bring together employers, trade unions and the European Social Fund are involved in funding a large number of measures that do not appear in the database (see the 2005 Federal Public Service figures for an estimate of the ESF contribution).

- The case of two countries, Greece and Bulgaria, where regional policies exist but are 100% funded by central government and where the institutions responsible for these policies are the government employment services (in Bulgaria), or the central government together with the government employment service (Greece).
- The specific situation of France, where regional bodies are responsible for, and fund 20% of the cost of, policies but where the field of application is a national responsibility.
- Finally, there is the case of Italy, where regional authorities share responsibility for more than 60% of measures but do not fund them directly. These policies are applied at national level.

The proportion of funding (or co-funding) provided by the regions varies greatly. It is highest in Belgium (80% of training measures are (co-)funded by the regions. In Portugal (60%) and in Spain (50%), regional authorities also provide a significant proportion of the funding, reflected in the case of Portugal by a greater degree of management autonomy (60% of the measures) than in Spain, where the autonomous communities are responsible for only a quarter of the measures. In Germany, the regional contribution is low (11.1% of measures) but uniform across funding, responsibility and field of application.

Table 8 Area of application, source of finance and responsible institution for LMP employment incentives measures, 2004

	EU-25	EU-15	BE	DE	EL	ES	IT	PT
Area of application								
National	83,7	81,0	33,3	88,9	77,8	57,1	72,0	69,2
Regional	11,3	13,2	66,7	11,1	11,1	42,9	0,0	38,5
Other	5,7	6,6	0,0	0,0	11,1	0,0	28,0	0,0
Source of finance[1]								
Central government	71,6	66,9	44,4	44,4	88,9	57,1	96,0	7,7
(of which, ear-marked taxes)	9,2	10,7	33,3	0,0	11,1	0,0	0,0	0,0
Regional government	9,9	11,6	66,7	11,1	0,0	42,9	0,0	30,8
Local government	2,1	2,5	0,0	0,0	0,0	0,0	0,0	7,7
Social Security Institution	17,7	20,7	11,1	66,7	11,1	0,0	4,0	46,2
European Social Fund (ESF)	25,5	27,3	0,0	33,3	55,6	42,9	16,0	69,2
Other	3,5	4,1	0,0	11,1	11,1	0,0	0,0	0,0
Responsible institution[2]								
Central government	29,1	30,6	22,2	0,0	0,0	14,3	28,0	0,0
Regional government	14,2	16,5	44,4	11,1	0,0	42,9	24,0	46,2
Local government	4,3	5,0	0,0	0,0	0,0	0,0	0,0	0,0
Social Security Institution	17,7	20,7	11,1	0,0	0,0	0,0	68,0	23,1
Trade Union	2,1	2,5	0,0	0,0	0,0	0,0	12,0	0,0
Public employment service (PES)	51,1	45,5	22,2	88,9	77,8	42,9	4,0	61,5

1. A measure may be financed by more than one source so the sum of the different sources may exceed 100%.
2. A measure may be implemented by two or more organisations in co-operation so that the sum of responsible institutions may exceed 100%.

Source: EUROSTAT, extraction from the LMP database, 16 September 2006.

Only six European countries state that they run employment incentive policies in conjunction with regional authorities. Most of them demonstrate a degree of coherence - the region is involved both as a funding and management authority, while policies are drawn up at regional level.

On average, across the EU 25 countries, 14% of this kind of measure are fully or partially controlled by regional authorities. The regional input is greatest in Belgium (67% of (co-)financing), followed by Spain (43%) and Portugal (31%). In Germany, irrespective of the criterion, the *Länder* provide an 11% contribution to employment incentive measures. While regional application zones have been laid down in Greece, the regions are nevertheless not responsible for the arrangements and do not contribute to their funding. In Italy, regions bear responsibility but do not comprise application zones and do not participate in funding.

Table 9 Area of application, source of finance and responsible institution for LMP direct job creation measures, 2004

	EU-25	EU-15	BE	DE	ES	PT
Area of application						
National	71,7	69,4	30,0	87,5	40,0	42,9
Regional	32,1	34,7	90,0	12,5	60,0	57,1
Other	0,0	0,0	0,0	0,0	0,0	0,0
Source of finance[1]						
Central government	66,0	65,3	90,0	37,5	60,0	0,0
(of which, ear-marked taxes)	20,8	22,4	90,0	0,0	0,0	0,0
Regional government	26,4	28,6	60,0	12,5	60,0	57,1
Local government	3,8	2,0	0,0	0,0	0,0	0,0
Social Security Institution	18,9	20,4	0,0	50,0	0,0	28,6
European Social Fund (ESF)	32,1	32,7	0,0	25,0	20,0	85,7
Other	3,8	4,1	0,0	12,5	0,0	0,0
Responsible institution[2]						
Central government	26,4	26,5	40,0	0,0	20,0	0,0
Regional government	34,0	36,7	90,0	12,5	60,0	57,1
Local government	15,1	14,3	0,0	0,0	0,0	0,0
Social Security Institution	3,8	4,1	0,0	0,0	0,0	14,3
Trade Union	0,0	0,0	0,0	0,0	0,0	0,0
Public employment service (PES)	47,2	44,9	0,0	87,5	40,0	57,1

1. A measure may be financed by more than one source so the sum of the different sources may exceed 100%.
2. A measure may be implemented by two or more organisations in co-operation so that the sum of responsible institutions may exceed 100%.

Source: EUROSTAT, extraction from the LMP database, 16 September 2006.

Only four countries involve the regions in policies associated with direct job creation by governments, although such involvement is important because, on average across the EU 25 countries, some 34% of measures of this type are (co) managed by regional authorities. The scale of regional funding is considerable (60%) and at the same level in three countries (Belgium, Spain and Portugal). In Germany, the Länder provide 12.5% of funding. In Belgium, there is very extensive regional involvement because regions are responsible for 90% of direct job creation by the state sector.

An estimation of the regional funding effort and of the number of persons benefiting from the measures in each region has not been conducted for other countries, but the methodology applied in this paper for Belgium (see table 3) could be used. It would be all the more rewarding to study this if raw, disaggregated data were available.

The method used to identify measures under the control of regions could be fine-tuned and improved. A number of countries for which the metadata contained indications of involvement by regional authorities are not included in the tables supplied by EUROSTAT.

5. Scope for using LMP when analysing employment and training policies in Wallonia

Since 1999, the government of the Walloon Region has been undertaking evaluations of the policies it conducts. Special schemes have been progressively implemented to evaluate the results and impact of the various action plans (*Contrat d'Avenir, Plans stratégiques, Plan d'actions prioritaires*[15]), although this work is still in its early stages. One of the initial thrusts of the analysis is to highlight trends, both in terms of financial aspects and in terms of the beneficiaries of the programmes[16].

In this context, comparison with other regions and countries can be seen to be a potentially rich source of useful information with regard not only to recent situations but also to medium-term trends. An international database such as LMP currently provides expenditure information (broken down by category of action, type of beneficiary and type of expenditure) and on the beneficiaries themselves (stocks, arrivals, departures by category of action and target group). The published information, however, generally refers to countries and not to regions, making it difficult at the present time to analyse regional specificities.

This database does not, however, include all employment and training measures adopted by public authorities, given that it is limited to targeted measures.

Considerable efforts to harmonise definitions are underway and will in the longer term make it possible to use LMP data to estimate new indicators. In particular, we are thinking of indicators covering persons no longer participating in a measure and indicators to be used for estimating access to the workforce; even if a short-term measure proves inadequate, it would be useful to be able to compare policies using the same tools.

6. Conclusions

The contents of this presentation should be regarded as an initial exploration of the use of LMP data for the evaluation of regional policies.

Based on LMP, what conclusions can one draw about policies in Wallonia?

15 http://gov.wallonie.be/code/fr/text.asp

16 An initial analysis of trends in terms of budgetary allocations for vocational training by the public sector may also be found in Weickmans, Deschamps (2005). A discussion paper currently in press examines expenditure on employment and training, this time over a longer period. For a presentation of trends in the numbers of persons benefiting from the employment and training policies in Wallonia, see Conter, 2004.

In Belgium, regional authorities manage many labour market measures, particularly those classified as "direct job creation", "vocational training" and "support for jobseeking". Wallonia is proportionally more involved than other regions in vocational training expenditure and even more so in terms of expenditure on direct job creation by the state sector. The greatest number of beneficiaries relate to training measures (57 600, as against 41 400 in the direct job creation category) but from a budgetary point of view the greatest emphasis lies on direct job creation (€474.4 million, as against €134.3 million spent on vocational training).

The thrust of these policies is an attempt to respond to the specific problems facing Wallonia, primarily low employment rates and high unemployment rates, particularly among young people.

The aggregated data used for this presentation do not, however, permit a breakdown of all the measures included in our analysis categories, resulting in considerable underestimation of expenditure and the number of people involved. By contrast it was not possible to exclude the risk of multiple counting of beneficiaries.

The indicators used to evaluate employment policy under the European Employment Strategy highlight the fact that regional investment relates to issues associated with the guidelines on "attracting and retaining more people in employment, increasing labour supply and modernising social protection systems". Differences observed in activity rates and in the preventive approach reflect the nature of regional socio-economic settings. These indicators are, however, difficult to interpret.

To what extent does Belgium differ from other federal countries?

Initial analyses identified seven countries, in addition to Belgium, where policies were administered by, or in association with, regional authorities. This is true particularly for many schemes, involving almost all categories of measure, in **Germany** (Länder), **Spain** (Regiones) and **Portugal** (Madeira and Azores). However, the approach adopted differs.

Within the EU 25 countries, regions have or share responsibility for over 22% of training measures, 14% of employment incentive measures and 34% of measures for direct job creation by the state sector.

These initial quantified indicators should be interpreted with caution, as they are based on a list of measures and not weighted either by the amount of funding allocated or by the number of beneficiaries.

Planned improvements in the collection and use of LMP data in Wallonia.

Following this initial trial, analyses offering greater discrimination, and based on disaggregated Belgian data, are planned. This work forms part of a wider methodological review in the Walloon Region that seeks to improve data collection methods and respond to the new methodological recommendations for the collection of LMP data.

Scope for international comparisons

The tables supplied by EUROSTAT made it possible to conduct an initial comparative analysis based on the number of measures.

Other approaches could be developed, this time taking account of expenditure levels and the number of beneficiaries, as we have shown with regard to Belgium (table 3). It is, however, difficult using the data currently available to identify

the subnational component in the case of measures where central government and "regions" act together. Nevertheless, our analysis using Belgian data has made it possible to show the extent to which LMP data can be used to describe the involvement of subnational entities in labour market policies. In future, the collection of disaggregated data at the subnational level could provide a more accurate picture of the trends identified in this initial exercise.

Comparative tables for Europe as a whole also comprise an interesting analytical option, supplementing the initial approach by highlighting the patterns of intervention by "regional" entities in terms of the field of application, the source of the funding and the institutional responsibility involved.

These initial analyses exploiting the subnational dimension should be validated and supplemented by the Member States.

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Conclusions

II

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Conclusions of the Seminar

The Chairpersons expressed their satisfaction with the first Labour Market Policy Seminar, which brought together several very interesting and complementary presentations. The seminar also demonstrated that the LMP database has generated a great deal of interest among policy-makers at the regional, national and the European levels, whilst at the same time also being used by academics and researchers.

1. – At the European level, the presentation made by Mr Joao Medeiros on the ***"Use of the LMP data for the monitoring of the European Employment Strategy"***, demonstrates that the LMP database is a useful tool for monitoring the European Employment Strategy. The presentation made by Mr Alfonso Arpaia on the ***"Synergies between the LABREF database and the LMP database***", illustrates how the LMP data are also useful for the Directorate-General for Economic and Financial Affairs and that interesting synergies can be found from the cross-combination of both databases. Lastly, the paper presented by Mr. Andrew Kanutin of the European Central Bank shows that the LMP data can also contribute to completing annual data, where required, in the "***ECB collection of data on persons employed in Government Employment Schemes"***.

2. – At the national level, the Chair highlighted the fact that the LMP database is providing a useful instrument for analyses of the impact of LMP interventions which, in the long run, will contribute to creating a necessary and crucial "culture of evaluation", as underlined by one of the speakers. The presentation by Mr Felipe Saez on ***"LMP in Spain: Some results and methodological studies"***, is a good example of the serious work being undertaken in this direction.

The presentation by Ms Tanja Cesen on ***"Implementation of the European LMP Methodology and Indicators for analysis of effectiveness in Slovenia"***, is a good example of the interest shown by the new Member States in their contribution to the LMP database. Her paper illustrates the progress made in a very short time by one of the new members which joined the LMP data collection system only last year.

3. – At the regional level, the presentation made by Ms Christine Mainguet about the ***"Collection and use of LMP data in a regional framework"*** focuses on the specific needs for information experienced by policy-makers at the regional level. By highlighting the importance of labour market policy implemented by the Regions, the paper raises awareness of the fact that the Regions should benefit from free access and use of the same monitoring instruments as at the national level, in order to monitor the impact of their actions. Furthermore, interesting suggestions were made on how to improve the transparency of the contribution of the Regions within the LMP database.

4. – At the level of international co-operation, the paper presented by Mr David Grubb on "***The OECD and Eurostat databases on LMP and directions for future work"*** demonstrated a number of advantages to be gained from this joint work, firstly by the reduction in the workload of the Member States, secondly by the improvement in data completion, since missing data can be obtained more easily, and thirdly by the added value of the involvement of both Institutions in the continuous improvement of the comparability, quality and completeness of LMP data. Mr. Grubb outlined some main features of the historical development of the original OECD database, and described similarities and contrasts

between it and the joint database as it has now been developed. Finally, he pointed out areas where better cross-country comparability might be achieved after a methodological discussion producing more detailed guidelines.

5. – At the methodological level, the paper presented by Ms Britta Lüdeke "***A cross-country analysis of PES functions"***, contributed greatly to improving our understanding of the functions of Public Employment Services. The paper demonstrates that once the full study has been concluded the comparability of data concerning PES expenditure will be much improved. The presentation by Ms Africa Melis "***The LMP database from 1997 to 2006***" and that by Mr. Andy Fuller on "***The revised LMP Methodology***" provided a good overview of the systematic and thorough work already completed and presented encouraging prospects of further improvements in the LMP data collection, thanks to the implementation of the revised methodology.

The Chairpersons mentioned the importance of translating the revised LMP Methodology into the national languages in order to ensure complete understanding. Versions in three languages (English, French and German) have been provided by the Commission and Member States are encouraged to have it translated into other languages. The Chairpersons congratulated Latvia, which is the first country to have completed the translation of the revised LMP Methodology,

The Chairpersons acknowledged the efforts made to ensure data quality and comparability and agreed that every effort in this direction is crucial. However, they stressed the need to acknowledge that there are limits to comparability and that, in some complex issues where national traditions and solutions are the most common, "perfect" comparability will not be achieved. If this happens occasionally with "Labour Market Services" (LMP Category 1), it will be necessary to accept limited comparability.

6. – The Chair reminded LMP delegates and those responsible for the LMP database, that the Employment Committee (EMCO) is very interested in cross-country comparability and full availability of data for the activation indicators (including labour reserve data from the LFS). Participants were also reminded that EMCO is very interested in the development of common guidelines, which should be recommended when Member States implement "follow-up" studies of LMP participants.

7. – The Chair closed the seminar by stating that the LMP Seminar had been very satisfactory and encouraging for all parties involved.

The Chair thanked the LMP delegates for their contributions, and for providing data and methodological suggestions over many years, the speakers for their work in preparing these interesting presentations, the participants for their support and active intervention in the discussions, for their comments and for their input, and the interpreters for their work during the long day.

List of participants

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