



# Labour market policies (LMP) in the European Union in 2019

A statistical analysis

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## 1. Introduction

The EU labour market policy (LMP) database collects information about government actions to help people with a disadvantage in the labour market, primarily by facilitating and supporting transitions from unemployment or inactivity into employment. This can take the form of financial support – such as unemployment benefits – or practical support ranging from basic guidance services to the provision of training, work experience and other actions aimed at improving a persons' employability. It also includes incentives for employers to take on people from defined target groups. In the LMP database these actions are referred to as interventions.

The LMP data are collected annually from administrative sources in each country on the basis of a comprehensive methodology<sup>1</sup> that provides detailed guidelines for the collection of data: which interventions to cover; how to classify interventions by type of action; how to measure the expenditure associated with each intervention; and how to measure the number of participants.

The aim of collecting this data is to serve as tool for policy analysts and policy makers to gain a clear understanding of the labour market policies provided in the EU and facilitate well informed decision-making. LMP data is used both in routine monitoring and benchmarking frameworks employed by the European Commission to identify key trends and challenges across the EU Member States and in analysis supporting a range of European policy initiatives.

This note presents an analysis of the latest available LMP statistics. It includes sections providing an overview of the key data available for 2019, analysis of LMP based indicators, and an examination of insights data on different type of intervention can provide for key EU policy initiatives. Readers are recommended to refer to information on the characteristics of LMP statistics provided in Annex 1 to aid understanding of the data presented.

## 2. Key data

Data on expenditure and participants represent the core of the LMP statistics. This section provides an overview of key data for 2019. Much of the analysis utilises breakdowns of LMP interventions by type of action, of which there are 8 categories and three broad types. Definitions of these, as well as more detailed classifications by type of action, are provided in Annex but, in short:

- **LMP services** covers job-search assistance, guidance and counselling and similar support;
- **LMP measures** refers to “active” measures that aim to improve employability (e.g. through training or work experience) or encourage employers to recruit disadvantaged groups;
- **LMP supports** covers financial assistance in the form of unemployment related benefits and (to a much lesser extent) early retirement benefits granted for labour market reasons.

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<sup>1</sup> <https://ec.europa.eu/social/main.jsp?catId=738&langId=en&pubId=8126&furtherPubs=yes>

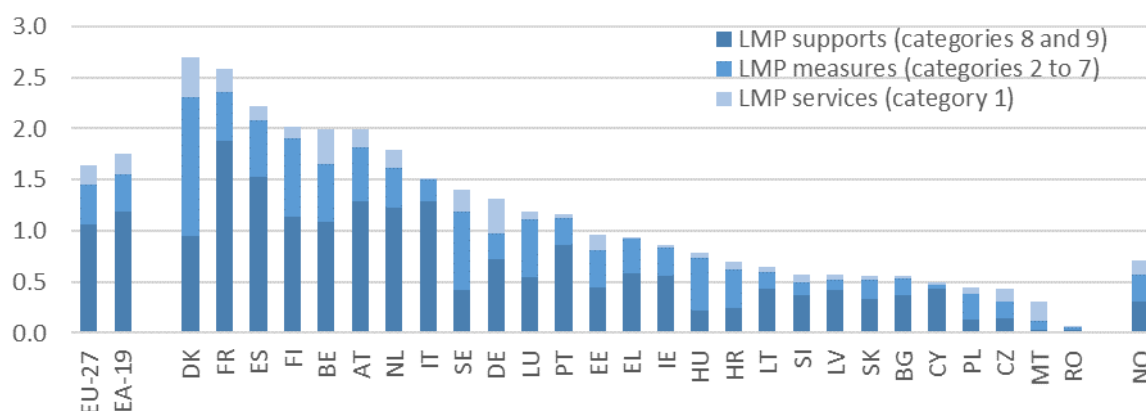
Note that EU aggregates refer to the 2020 configuration of 27 Member States. The UK left the EU on 31 January 2020, but even before that point had not provided LMP data since 2011.

## 2.1. Expenditure

In 2019, the EU Member States spent 230 billion Euro on LMP interventions, corresponding to 1.6% of their combined gross domestic product (GDP) (see Figure 1). The level of expenditure and the breakdown between the different types of LMP intervention varied considerably between countries, reflecting the diverse characteristics of national labour markets, as well as the different policies of respective governments.

Denmark spent the most (2.7% of GDP), followed by France, Spain and Finland (2.6%, 2.2% and 2.0% respectively) which were the only other Member States to spend at least 2% of GDP. In contrast, fifteen Member States spent less than 1% of GDP on LMP interventions (BG, CZ, EE, IE, EL, HR, CY, LV, LT, HU, MT, PL, RO, SI and SK).

**Figure 1: Public expenditure on labour market policy interventions (% of GDP), 2019**



Data for EU-27, EA-19, BG, DK, DE, HU, NL, PL and SE include estimates. Data for CY include provisional values.

Source: DG EMPL, LMP database.

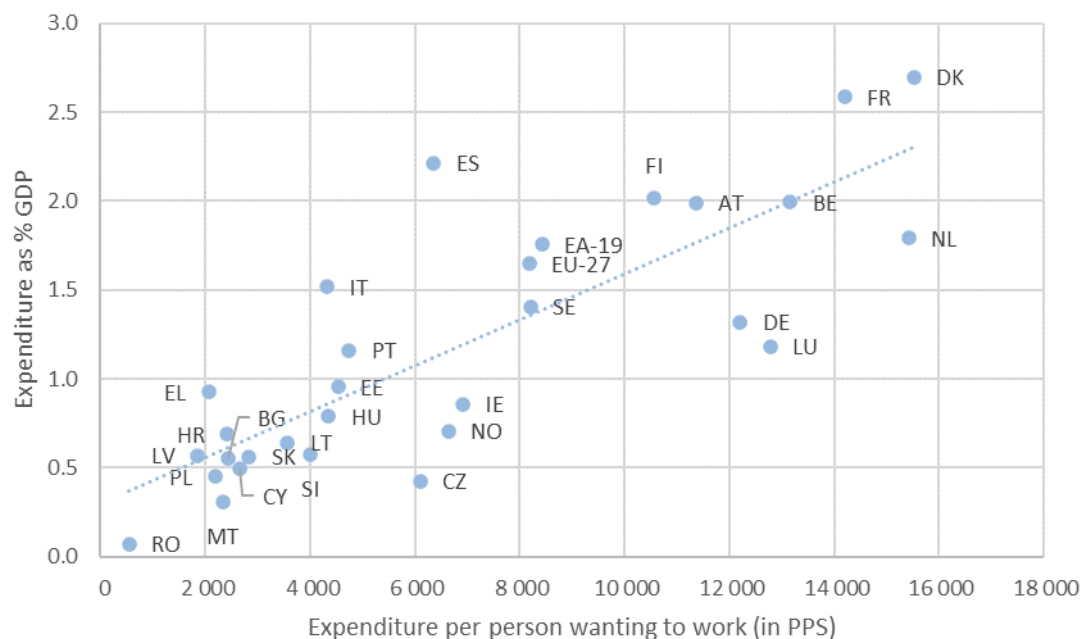
Expenditure is at least in part related to the number of persons requiring assistance and price levels within a country, so a more pertinent comparison may be to consider expenditure on a per capita basis – using the population wanting to work (PWW)<sup>2</sup> as a proxy for the potential target population<sup>3</sup> – and denominated in purchasing power standards (PPS) to eliminate price differentials (see Figure 2). On this basis, expenditure in 2019 was highest in Denmark (15 523 PPS/PWW), followed closely by the Netherlands (15 420), then by France (14 195) and Belgium (13 158). These were the only Member States to spend more than 13 000 PPS per PWW and there were 9 countries that spent less than 3 000 PPS per PWW (SK, CY, BG, HR, MT, PL, EL, LV and RO).

<sup>2</sup> Persons wanting to work refers to ILO unemployed plus the labour reserve. The unemployed according to the ILO definition are persons without work, currently available for work and actively seeking work. The labour reserve refers to inactive persons who want to work but are either not actively seeking work or are not immediately available for work, i.e. a subset of all inactive persons (persons neither employed nor unemployed).

<sup>3</sup> In practice, LMP interventions can also support some people in employment (e.g. retraining of workers threatened by redundancy or partial unemployment benefits paid to maintain income of employees temporarily not working due to economic or climatic factors) but the numbers are small in relation to the main targets of unemployed or inactive wanting to work.

In general, there is a clear positive correlation between spending in relation to GDP and per capita (Figure 2), but there are some exceptions. For example, countries such as Spain and Italy (both above the trend line) spend noticeably less per capita than might be expected from the share of GDP, while the Czech Republic and Luxembourg (amongst others well below the trend line) spend more per capita than predicted from the share of GDP.

**Figure 2: Public expenditure on labour market policy interventions (% of GDP and PPS per PWW), 2019**



Data for EU-27, EA-19, BG, DK, DE, HU, NL, PL and SE include estimates. Data for CY include provisional values.

Source: DG EMPL, LMP database.

## 2.2. Participants

Across the EU there were, on average, just under 9.3 million people participating in LMP measures and 14.1 million benefiting from LMP supports at any point in time during 2019 (see Figure 3), corresponding to 33.1% and 50.3% of PWW respectively.

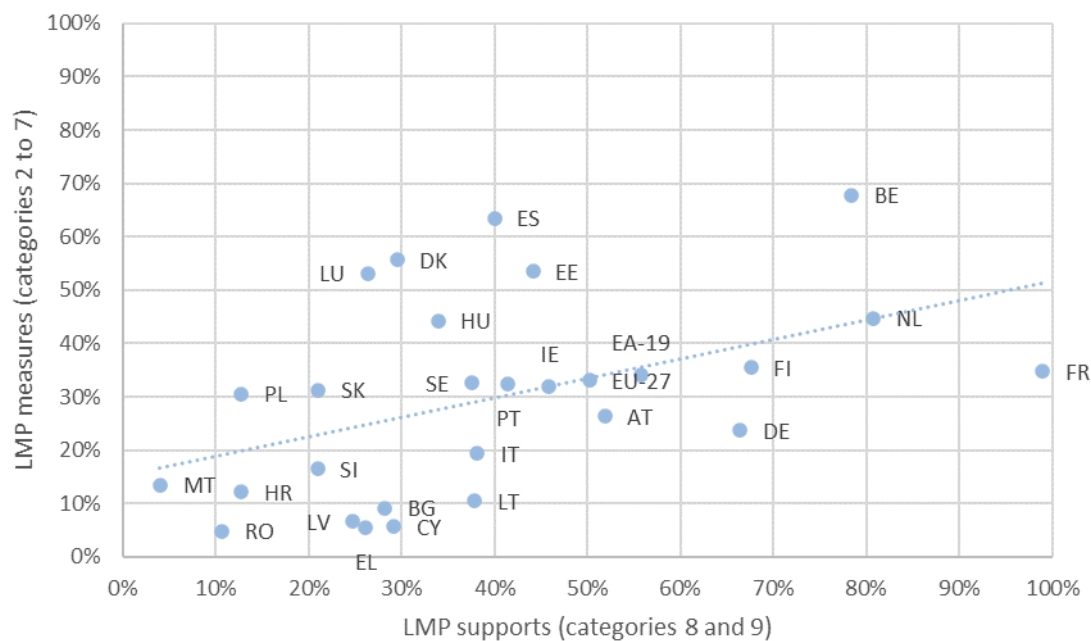
Higher numbers participating in supports likely reflects numerous factors. Those participating measures tend to stop receiving unemployment benefit in lieu of some other form activation allowance. This means that participants in supports are not expected to include persons involved in activation measures either because they have been assessed as not needing such assistance, are waiting to take part in a measure, or have finished participating in a measure and have moved on to seeking work. Access to supports such as unemployment benefits are granted more or less automatically upon registration with the PES, subject to satisfying relevant eligibility criteria. Such access, however, may be time limited such that many long-term unemployed are unable to claim benefits recorded in LMP, instead claiming social assistance. Access to measures, however, tends to be much more restricted and reserved for those assessed (either upon registration or at a later point in time) as requiring active assistance to regain employment. The balance between numbers participating in support and in measure therefore reflects the



characteristics of national LMP (i.e. access requirements and duration) and of associated processes for prescribing them, combined with the characteristics of the population of unemployed (i.e. size, and composition in terms of proximity to the labour market and duration of unemployment).

In general, there is a positive correlation between proportion of PWW participating in supports and in measures (Figure 3). This may be partly attributed to differences in the extent to which the underlying population of PWW corresponds to persons potentially able to access LMP interventions according to national criteria. At the same time, access to adequate LMP supports, notably unemployment benefits, provides a financial incentive for PWW to establish contact (and register) with PES which in turn provides a pathway for some to participate in measures. Claims for unemployment benefits are often conditional on cooperating with PES and following any instruction to take part in measures.

**Figure 3: Number of participants by type of action (per PWW), 2019 (annual average stock)**



Data for BG (LMP supports only), DK, EE (LMP supports only), EL, FR (LMP measures only), HR (LMP measures only), NL and SE include estimates. Data for ES are provisional (LMP measures only). Data for LT are underestimated (LMP measures only).

Source: DG EMPL, LMP database.

Participation in supports does not, however, always exceed that of measures. Indeed, it is lower in eight countries (DK, EE, ES, LU, HU, MT, PL and SK). This may stem from several factors. Firstly, participants in measures and supports should, in theory, be mutually exclusive. When participants in measures continue to receive unemployment benefits, the LMP methodology requires that the corresponding amounts paid out and number of benefit recipients are reported as part of the data on measures rather than that on supports<sup>4</sup>. This ensures comparability between countries with different approaches to income replacement. However, not all countries are able to fully apply this in practice so there is a risk of double counting between participants in measures and supports. Secondly, participants in measures and supports may comprise employed persons

<sup>4</sup> Further details of this convention are provided in the methodological guidelines (<https://ec.europa.eu/social/main.jsp?catId=738&langId=en&pubId=8126&furtherPubs=yes>).

excluded from PWW. For example, participants in measures can include employed-at risk taking part in training and persons employed via subsidies targeted to the unemployed, while participants in supports can include employed receiving partial or part-time unemployment benefits. However, the extent of this could differ between the two types of intervention. For example, in the case of Luxembourg, participants in measures (53.2% of PWW) are twice as numerous as participants in supports (26.3% of PWW), primarily because the number that are in employment, albeit supported by LMP interventions, is more than five times higher in the case of the former than in the case of the latter (>85% of participants in measures and just 35% of participants in supports). Thirdly, PWW may receive income replacements which are outside the scope of LMP. This includes, for example, disability pensions or social assistance. The extent of this depends on the design of the social protection. In some countries, all registered unemployed are expected to be covered by unemployment benefits, first unemployment insurance and then unemployment assistance. However, in others registered unemployed whose claim to unemployment benefits has expired may receive social assistance which is outside the scope of the LMP database. For example, in Croatia unemployment insurance (*Novčana naknada za vrijeme nezaposlenosti*) is paid for 90 to 450 days (dependant on employment record). Unemployed either ineligible for this or whose claim has expired may, subject to a means-test, receive a minimum income benefit (*Zajamčena minimalna naknada*) which is not covered in the LMP data.

## 2.3. Reference data on registered unemployed

People registered as unemployed with the public employment services (PES) in each country are the primary targets for most LMP interventions. The LMP database collects data on the numbers concerned as a point of reference for the key data on expenditure and participants.

The concept of registered unemployment varies between countries. In some the definition coincides more or less with the three-pronged ILO definition of unemployment, which requires people to be without work (not even one hour per week), available for work and actively seeking work. In others, however, the national definitions can both enlarge and restrict the scope. For example, many countries allow persons working in part-time jobs (up to a certain threshold of hours or income) to register as unemployed, while in others only people that are seeking full-time work can be registered unemployed so that those seeking part-time or temporary work are excluded. Further, some countries do not apply a specific concept of registered unemployment and in such cases the data refer to recipients of the unemployment related benefits that (in the main) govern access to active labour market measures. This is the case, for example, in Ireland.

Table 1 shows administrative data on the numbers of registered unemployed from the LMP database alongside the numbers of unemployed according to the Labour Force Survey (LFS). Differences between the two, which can be substantial in either direction, derive from two sources. Firstly, differences between the ILO definition of unemployment used in LFS and the criteria to be registered as unemployed in each country. And, secondly, the likelihood of people who are unemployed actually registering with the PES, which is linked to their eligibility to benefits and general perceptions of the services on offer. Indeed, the number of LFS unemployed is at least 25% higher than the number of registered unemployed in three countries (DK, MT and NO) while the inverse is true in eleven others (CZ, DE, IE, FR, LT, HU, NL, AT, PL, SI and SK).

**Table 1: Numbers of registered unemployed compared to LFS unemployed, 2019***Annual average stock*

	Administrative data on registered unemployed (LMP)	Survey data on unemployed (LFS)	Ratio Unemployed/Registered (%)	Survey data on PWW (LFS)	Ratio PWW/Registered (%)
<b>EU-27</b>	:	14 272 800	:	28 068 341	:
<b>EA-19</b>	:	12 316 600	:	23 560 119	:
<b>BE</b>	341 687	272 800	79.8	639 283	187.1
<b>BG</b>	185 266	140 100	75.6	262 657	141.8
<b>CZ</b>	212 409	108 400	51.0	215 588	101.5
<b>DK</b>	96 112	150 400	156.5	409 403	426.0
<b>DE</b>	2 266 720	1 362 200	60.1	3 368 232	148.6
<b>EE</b>	32 126	30 400	94.6	72 736	226.4
<b>IE</b>	191 552	119 900	62.6	367 415	191.8
<b>EL</b>	1 016 275	809 500	79.7	994 359	97.8
<b>ES</b>	3 148 752	3 235 500	102.8	4 645 519	147.5
<b>FR</b>	3 591 776	2 481 500	69.1	4 059 225	113.0
<b>HR</b>	128 650	118 800	92.3	234 880	182.6
<b>IT</b>	:	2 566 600	:	6 319 512	:
<b>CY</b>	:	31 600	:	45 604	:
<b>LV</b>	56 858	60 500	106.4	125 807	221.3
<b>LT</b>	144 898	91 700	63.3	130 824	90.3
<b>LU</b>	15 383	17 100	111.2	46 644	303.2
<b>HU</b>	250 947	158 700	63.2	404 250	161.1
<b>MT</b>	1 698	9 500	559.5	20 834	1226.9
<b>NL</b>	633 310	303 400	47.9	805 166	127.1
<b>AT</b>	301 328	204 100	67.7	612 786	203.4
<b>PL</b>	903 200	555 500	61.5	1 788 671	198.0
<b>PT</b>	314 627	334 200	106.2	622 488	197.8
<b>RO</b>	266 124	352 800	132.6	541 201	203.4
<b>SI</b>	74 178	45 700	61.6	82 258	110.9
<b>SK</b>	259 318	157 700	60.8	236 272	91.1
<b>FI</b>	240 381	182 400	75.9	365 085	151.9
<b>SE</b>	349 646	371 700	106.3	651 657	186.4
<b>NO</b>	63 443	102 900	162.2	261 754	412.6
<b>UK</b>	:	1 248 800	:	3 162 567	:

1) Survey data on unemployed (LFS) refer to those aged 15-64 while the LMP data on registered unemployed cover all those allowed to register as unemployed according to national regulations. 2) Not available.

Source: DG EMPL, LMP database; Eurostat; Eurostat, LFS (lfsa\_ugad).

### 3. LMP based indicators

LMP statistics are used as a data source in the Joint Assessment Framework (JAF), an indicator-based assessment system, developed jointly by the European Commission, Social Protection Committee (SPC) and the Employment Committee (EMCO), to monitor Member States progress implementing reforms within the European Semester process and working towards common targets<sup>5</sup>. The JAF feeds into the Employment Performance Monitor (EPM) and the Social Protection Performance Monitor (SPPM) which both seek to identify and monitor social trends and social challenges across the EU<sup>6</sup>.

Formed of 12 policy areas, the JAF includes a series of indicators to monitor progress towards EU targets. In each area, indicators are categorised as overall indicators, sub-indicators, and context indicators. In principle, the sub- and context indicators should reflect factors that explain and drive the outcome of the overall indicator. Eight LMP based indicators are currently used in policy area 3 on active labour market policies and policy area 4 on adequate and employment oriented social security systems to reflect on factors related to rate of long-term unemployment (% active population) and the at-risk-of-poverty rate of unemployed respectively<sup>7</sup>.

#### 3.1. Expenditure based indicators

Four JAF indicators are based on LMP expenditure data (see Table 2). These consider expenditure on active labour market policies (ALMP) and on passive supports as a percentage of GDP (PA3.S2 and PA4.1.S2) or per PWW denominated in PPS (PA3.S1 and PA4.1.S1) to account provide comparable data that accounts for differences in the size of each country's economy and prospective population requiring assistance to gain employment respectively.

**Table 2: Description of JAF indicators based on LMP expenditure data**

Indicator	Description
<b>PA3.S1</b> (sub-indicator)	<b>Expenditure on ALMP per person wanting to work:</b> Expenditure on LMP category 1.1.2 (Individual case management) and LMP categories 2-7 divided by the number of persons wanting to work (ILO unemployed plus labour reserve).
<b>PA3.S2</b> (sub-indicator)	<b>Expenditure on ALMP as a % GDP:</b> Expenditure on LMP category 1.1.2 (Individual case management) and LMP categories 2-7 as a percentage of GDP.
<b>PA4.1.S1</b> (sub-indicator)	<b>Expenditure on LMP supports per person wanting to work:</b> Expenditure on LMP category 8 (Out of work income maintenance and support) divided by the number of persons wanting to work (ILO unemployed plus labour reserve).
<b>PA4.1.S2</b> (sub-indicator)	<b>Expenditure on LMP supports as % of GDP:</b> Expenditure on LMP category 8 (Out of work income maintenance and support) as a percentage of GDP.

Source: DG EMPL, LMP database.

<sup>5</sup> Up until 2021 an LMP based indicator was also used in the social scoreboard, a framework used to monitor trends and performance of Member States in relation to the principles of the European Pillar of Social Rights.

<sup>6</sup> <https://ec.europa.eu/social/main.jsp?catId=1538&langId=en> and <https://ec.europa.eu/social/main.jsp?catId=115>

<sup>7</sup> The indicators-subgroup of the SPC (ISG-SPC) plans to review existing social monitoring frameworks including the JAF during 2021 and reflect on how these may be simplified, consolidated, and adapted to provide relevant and timely indicators. Further details are provided in the 2021 ISG Work Programme available at: <http://ec.europa.eu/social/BlobServlet?docId=23787&langId=en>

### 3.1.1. Expenditure on active labour market policies

Indicators focusing on ALMP expenditure (PA3.S1 and PA3.S2) combine expenditure on *individual case management services* (LMP category 1.1.2) with expenditure on *measures* (LMP categories 2-7) to monitor all active efforts by government to support the integration of jobseekers into employment.

*Individual case management services* include individualised assistance (e.g. intensive counselling and guidance, job-search assistance) and follow-up for unemployed persons which actively engages participants in the planning and implementation of a tailored path towards durable employment and may be considered “assisted activation”. For this reason, they are deemed ALMP alongside “regular activation” *measures*. This does not apply to other *LMP services*. Indeed, *information services* (LMP category 1.1.1) provide only ad-hoc information, referral to opportunities (work, training or other) or job brokerage services. Accordingly, these and *other activities of the PES* (LMP category 1.2) are excluded.

However, data for *LMP services* are not fully broken down by sub-category for all countries. This is because separately identifying expenditure on *individual case management services* is not straightforward<sup>8</sup>. This has meant that in practice, the indicators (PA3.S1 and PA3.S2) have been calculated using expenditure on *client services* (LMP category 1.1) and *measures* (LMP categories 2-7) to allow their calculation for all but three Member States (DK, IT and BG). While this includes expenditure on *information services*, data for countries where data are broken down suggest that this leads to an average overestimation of 3.7%.

Following this approach, expenditure on ALMP stood at 0.5% of GDP (PA3.S2) and 3 048 PPS per PWW (PA3.S1) in 2019 across the 24 Member States for which the data are available (see Table 2). At national level such expenditure was highest relative to GDP in Sweden, Finland, Belgium, France and Austria (0.9%, 0.9%, 0.8%, 0.7% and 0.6% respectively) and highest in PPS per PWW in Luxembourg, Sweden, Belgium, Finland and Germany (6 937, 5 756, 6 019, 4 588 and 5 532 respectively).

Across the Member States for which the data are available, just over a quarter of ALMP expenditure (25.3%) was spent on *services*. At national level, *services* accounted for more than 30% of ALMP expenditure in three Member States - Germany (41.9%), Cyprus (38.4%) and France (32.2%) but less than 10% in 8 other Member States (IE, EL, ES, LU, HU, PT, SK and FI). These differences reflect different approaches to assisting integration into the labour market and their emphasis on the use of *services* and *measures*. Countries with the highest ALMP expenditure (in both GDP and PPS per PWW terms) appear among both groups suggesting little relation between the importance of spending on *services* and overall spending on ALMP.

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<sup>8</sup> Appendix 6 of the LMP methodology is dedicated to this particular issue.

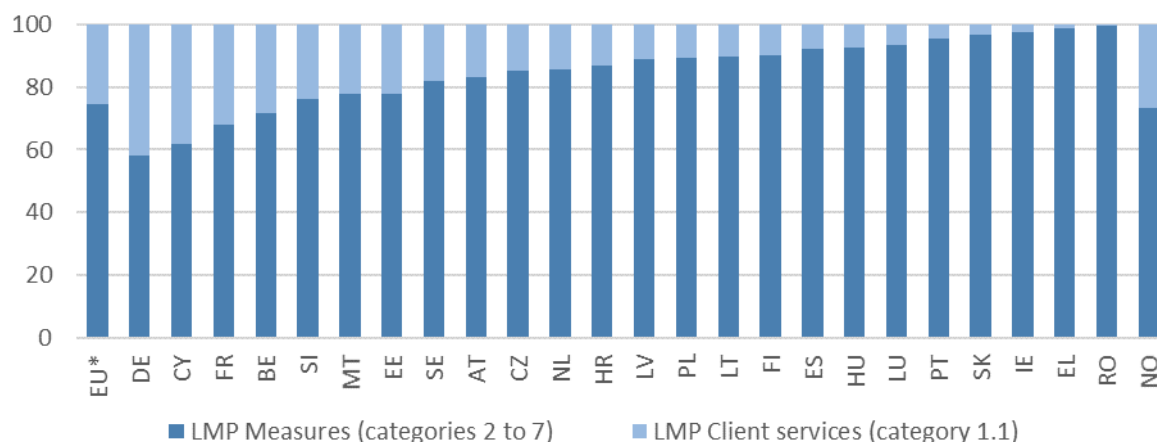
**Table 3: JAF indicators based on LMP expenditure data**

	Expenditure on ALMP (LMP categories 1.1 + 2-7)			Expenditure on passive supports (LMP category 8)		
	EUR millions	PPS per PWW (PA3.S1)	% of GDP (PA3.S2)	EUR millions	PPS per PWW (PA4.1.S1)	% of GDP (PA4.1.S2)
<b>EU-27</b>	:	:	:	145 098 e	5 169 e	1.0 e
<b>EA-19</b>	:	:	:	138 929 e	5 596 e	1.0 e
<b>EU*</b>	62 637 e	3 050 e	0.5 e	119 140 e	5 802 e	1.0 e
BE	3 823 e	5 299 e	0.8 e	4 275	5 926	0.9
BG	:	:	:	226 e	1 615 e	0.4 e
CZ	428	2 735	0.2	328	2 095	0.1
DK	:	:	:	2 719 e	5 003 e	0.9 e
DE	15 276 e	4 101 e	0.4 e	24 863 e	6 676 e	0.7 e
EE	133	2 253	0.5	124	2 098	0.4
IE	968	2 192	0.3	2 010	4 553	0.6
EL	640 e	780 e	0.3 e	1 035	1 261	0.6
ES	7 598 p	1 755 p	0.6 p	18 792	4 340	1.5
FR	17 134	3 881	0.7	45 453	10 295	1.9
HR	240 e	1 558 e	0.4 e	131	848	0.2
IT	:	:	:	23 014	3 659	1.3
CY	11	273	0.1	98 p	2 362 p	0.4 p
LV	33	360	0.1	129	1 384	0.4
LT	90 e	1 025 e	0.2 e	209	2 385	0.4
LU	386	6 556	0.6	265	4 504	0.4
HU	817 e	3 082 e	0.6 e	312 e	1 177 e	0.2 e
MT	14	796	0.1	4	247	0.0
NL	3 655 e	3 882 e	0.5 e	9 931 e	10 546 e	1.2 e
AT	2 508	3 601	0.6	4 403	6 321	1.1
PL	1 516	1 387	0.3	394	360	0.1
PT	594	1 137	0.3	1 188	2 272	0.6
RO	47 e	165 e	0.0 e	65	228	0.0
SI	83	1 211	0.2	178	2 583	0.4
SK	184	988	0.2	221	1 186	0.2
FI	2 046	4 461	0.9	2 738	5 969	1.1
SE	4 411 e	5 422 e	0.9 e	1 995 e	2 452 e	0.4 e
UK	:	:	:	:	:	:
NO	1 281	3 316	0.4	1 113	2 880	0.3

\* EU total excludes BG, DK and IT, for which data on ALMP expenditure not available. : not available; :n not significant; - not applicable; e estimated value; p provisional data; b break in series.

Source: DG EMPL, LMP database.

**Figure 4: Public expenditure on labour market policy interventions by type (% of ALMP expenditure), 2019**



\* EU total excludes BG, DK and IT, for which data on ALMP expenditure not available. Data on client services for BE, DE, EE, EL, HR, LT, HU, NL, PL, RO and SE include estimates. Data on measures for DE, NL and SE include estimates. Data for ES and FR are provisional.

Source: DG EMPL, LMP database.

### 3.1.2. Expenditure on passive supports

Indicators focusing on passive support expenditure (PA4.1.S1 and PA4.1.S2) focus specifically on expenditure on *out-of-work income maintenance and support* (LMP category 8). This excludes the only other type of *LMP support*, *early retirement* (LMP category 9), which covers interventions facilitating early retirement of older persons with little chance of finding a job or whose retirement facilitates the placement of another person. The reasons for this are twofold. First, such support does not contribute to passive efforts to mitigate the risk of poverty among the unemployed. Second, it is not fully in line with EU policy objectives encouraging older workers to remain active. This also explains why expenditure on early retirement is relatively small – constituting just 2.2% of expenditure on LMP supports in 2019. Indeed, fifteen Member States do not provide early retirement benefits. Only Poland, Portugal and Slovakia allocate more than 20% of expenditure on LMP supports to such interventions.

Following this approach, EU expenditure on passive supports stood at 1% of GDP (PA4.1.S2) and 5 169 PPS per PWW (PA4.1.S2) in 2019 (see Table 3). At national level such expenditure was highest relative to GDP in France, Spain, Italy, the Netherlands, and Finland (1.9%, 1.5%, 1.3%, 1.2% and 1.1% respectively) and highest in PPS relative to PWW in the Netherlands, France, Germany, Austria and Finland (10 546, 10 295, 6 676, 6 321 and 5 969 respectively).

Most of this expenditure relates to unemployment benefits (part-time/full-time/partial) compensating for loss of earnings (98.5%). Accordingly, such expenditure is expected to rise or fall as economic conditions worsen or improve, serving as a social stabiliser in times of downturn and rising unemployment. Differences in expenditure, particularly in PPS per PWW, thus reflect differences in the size and characteristics of the population considered unemployed, and in the coverage (eligibility criteria) and generosity (duration or amounts paid) of unemployment benefits. Further reflection on this is provided in section 4.3. It is important to recognise, however, that some unemployed may receive income replacement benefits outside the scope of LMP.



## 3.2. Participant based indicators

Four JAF indicators are based on LMP participant data (see Table 4). Three based on stock data quantify the extent of activation of PWW, registered unemployed and long-term registered unemployed (PA3.S3, PA3.C1 and PA3.C4) while one based on entrant data measures the timeliness of activation (PA3.C6).

All stock-based activation indicators focus only on activation provided by “regular activation” *measures* (LMP categories 2-7). While the entrant-based timely activation indicator also considers “assisted activation” *services*, this element of the indicator is not discussed here. The reason for this is that many countries are unable either to provide a breakdown of *LMP services* by sub-category (as noted in section 3.1.1) or to separately report specific interventions providing assisted activation, obstructing the comprehensive reporting of participant data for such interventions. Even where it is possible, differences in the delivery processes associated with such services (e.g. either on an ad-hoc basis or as part of a structured programme) imply differences in the relevance of different observations of participants and complicates interpretation of differences between countries.

**Table 4: Description of JAF indicators based on LMP participant data**

Indicator	Description
<b>PA3.S3</b> (sub-indicator)	<b>Activation:</b> Stock of participants in regular activation measures (LMP categories 2-7) divided by the number of persons wanting to work (ILO unemployed plus labour reserve).
<b>PA3.C1</b> (context indicator)	<b>Activation of registered unemployed:</b> Stock of participants in regular activation measures (LMP categories 2-7) that were previously registered unemployed divided by the stock of registered unemployed plus the stock of participants in regular activation measures that were previously registered unemployed and whose unemployment spell is broken by participation in a regular activation measure.
<b>PA3.C4</b> (context indicator)	<b>Activation of registered long-term unemployed:</b> Stock of participants in regular activation measures (LMP categories 2-7) that were previously long-term registered unemployed divided by the stock of long-term registered unemployed plus the stock of participants in regular activation measures that were previously long-term registered unemployed and whose unemployment spell is broken by participation in a regular activation measure (long-term unemployed = 12+ months).
<b>PA3.C6</b> (context indicator)	<b>Timely activation:</b> The proportion of entrants in regular activation measures (LMP categories 2-7) or assisted activation programmes (LMP sub-category 1.1.2) taken up by persons not yet long-term unemployed (Target value 100% = full compliance): $(A-B)/A$ % where A = Total entrants, B = Long-term unemployed entrants (12+ months).

### 3.2.1. Activation

Table 5 presents the data for the three stock-based activation indicators. The first of these, the activation indicator (PA3.S3), considers the activation of PWW by dividing the stock of participants in LMP measures (LMP categories 2-7) by PWW. It provides the broadest possible view of activation as PWW encompasses all those without work but wanting to work, irrespective of whether they have engaged with public services. In 2019, the indicator registered 33.1% at EU level while at national level it ranged from more than 60% in Belgium (67.8%) and Spain (63.5%), to less than 10% in Bulgaria (9.2%), Latvia (6.6%), Cyprus (5.7%), Greece (5.5%) and Romania (4.9%). Data for this indicator - i.e. number of participants in *LMP measures* per PWW – and associated methodological issues were discussed in section 2.2.



**Table 5: JAF indicators based on LMP participant data, 2019**

	Activation (PA3.S3)	Activation of registered unemployed (PA3.C4)	Activation of registered long-term unemployed (PA3.C6)	Timely activation (PA3.C6) - Regular activation (LMP category 2-7)
EU-27	33.1	:	:	:
EA-19	34	:	:	:
BE	67.8	:	:	:
BG	9.2	11.4	7.4	87.3
CZ	:	7.1	10.9 e	72.0
DK	55.7 e	18.6 e	:	96.9 e
DE	23.8	11.2	6.9	90.2
EE	53.6	25.4	37.1	91.3
IE	31.8	32.7 e	37.3	79.9 u
EL	5.5 e	4.3 u	:	65.3 u
ES	63.5 p	43.9 p	:	:
FR	34.7 u	:	:	:
HR	12.2 e	17.3 e	10.1 e	82.8 e
IT	19.4	:	:	:
CY	5.7	:	:	:
LV	6.6	11	23	70.7
LT	10.5 u	4.9 u	:	:
LU	53.2	53.2 u	:	:
HU	44.3	38.5	10.9	94.4
MT	13.5	27.2	35.9	98.1
NL	44.7 e	21.1 u	12.5 u	81.9 u
AT	26.4	29.5 u	16.6 u	94.5 u
PL	30.6	12	3.2	93.4
PT	32.4	35.8 u	:	81.7 u
RO	4.9	9.1	1.1 u	96.4 u
SI	16.5	14.4	12.1	66.3
SK	31.3	20.3	14	71.1
FI	35.4	20.5	12.8	94.2
SE	32.7 e	32.8 e	39.9 u	75.5 u
NO	15.5	8.5 e	5.3 e	98.6
UK	:	:	:	:

: not available; :n not significant; - not applicable; e estimated value; u Unreliable or uncertain data: participant data complete for interventions covering >=80% but <95% of expenditure; p provisional data; b break in series.

Source: DG EMPL, LMP database.

This indicator is joined by two more activation indicators focusing on the activation of registered unemployed (PA3.C1) and of registered long-term unemployed (PA3.C4). Their more specific focus limits them to the persons having formally established a relationship with the PES via registration. They therefore more accurately reflect the extent to which PES are using measures to activate those who sought their assistance. The drawback to these is that their calculation requires detailed data on registered unemployed and participants in LMP measures by duration of unemployment which is not available for all measures in all countries.

A key issue associated with these two indicators is that engaging in measures typically breaks the unemployment spell, meaning that participants are not counted as registered unemployed while they take part. To account for this, the indicators are calculated by dividing the stock of participants in LMP measures that were (long-term) registered unemployed by the stock of (long-term) registered unemployed plus the stock of participants in regular activation measures that were previously (long-term) registered unemployed and whose unemployment spell is broken by participation in a regular activation measure.

In 2019, the average rate of activation of registered unemployed (PA3.C1) across the 23 Member States for which the data is available stood at 21.8 persons per 100 registered unemployed. At national level rates exceeded 35 in Luxembourg (53.2), Spain (43.9), Hungary (38.5) and Portugal (35.8), but stood below 10 in four other countries (CZ, EL, LT and RO). Differences can be attributed to several factors. Firstly, “assisted activation” offered *LMP services* is unaccounted for in the rates so countries placing emphasis on the use such services as a means of activation may register lower rates. For example, ALMP expenditure in Germany is the fifth highest in the EU in PPS per PWW (see Table 2) and a higher proportion of it is dedicated to services than any other country (see Figure 4). As a result, it registers a relatively low rate of activation of registered unemployed (11.2, see Table 5). Secondly, considerable differences exist in the characteristics of measures on offer. The indicator is based on annual average stock which can be interpreted as the volume of participant-years – i.e. the number of participant-years completed during the reference year<sup>9</sup>. Accordingly, offering measures of longer duration to the same number of individuals provides a larger contribution to the value of the indicator. Indeed, the three of the four countries with rates exceeding 35 (LU, ES and PT) have a large proportion of participants who were previously registered unemployed participating in employment incentives (LMP categories 4) with relatively long high duration. For example, in Luxembourg, three quarters (75.3%) were involved in employment incentives, of which 70% were in a measure lasting at least 2 years. Similarly, in the case of Spain, half (48.1%) were taking part in employment incentives, of which nine in ten (88%) were involved in measures lasting at least 2 years. Thirdly, differences exist in procedures for allocating individuals to measures. Given that the best outcome for individuals who become unemployed is to find work rapidly without assistance, referring all unemployed to measures immediately after registration would be inefficient. For this reason, it is common for new registrants to be profiled to assess their proximity to the labour market and limit early intervention to those furthest away from reintegrating into work. Further, many measures are only open to those who have been unemployed for a minimum duration. Such procedures, however, are liable to vary depending on the approach adopted by the PES and the availability of resources to provide measures.

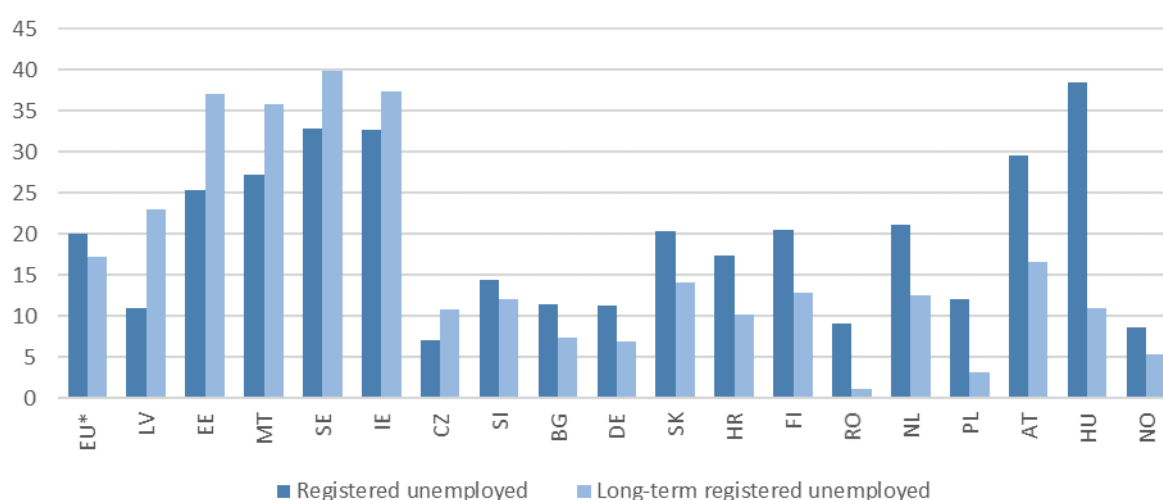
The extent to which measures tend to be used before and after becoming long-term unemployed can be indirectly observed by comparing the activation rates for registered unemployed with those of long-term registered unemployed (see Figure 5). Across the seventeen Member States for which the data is available for both indicators the average rate of activation of registered unemployed stood just above that for registered long-term

<sup>9</sup> For example, 1 person participating throughout the year represents an annual average stock of 1. The same results arises if 12 persons participate for just 1 month each.

unemployed (20.1 vs. 17.2), suggesting that the rate of participation in *LMP measures* tends to be higher among short-term registered unemployed than the long-term registered unemployed (12+ months). This aligns with access to at least some form of *LMP measure* typically being granted 3-6 months after registration but not so much with the aims of the Council Recommendation on the integration of the long-term unemployed<sup>10</sup> to ensure that long-term unemployed are engaged in a supportive activation process.

At national level, this pattern holds in more than two thirds of the Member States for which the data is available. There were just six countries (CZ, EE, IE, MT, LV and SE) where the activation rates of long-term registered unemployed exceeded those of the registered unemployed. This potentially arises from either the limited use of activation measures among short-term unemployed (i.e. waiting until people are long-term unemployed before offering access to measures) or pro-active prioritisation of long-term unemployed when referring persons to measures.

**Figure 5: Activation of registered unemployed and registered long-term unemployed (LMP participants per 100 persons in respective group), 2019**



\* EU data is an average of the rates across the seventeen countries for which activation rates for registered unemployed (RU) and long-term registered unemployed (LT\_RU) are available. Data for CZ (LT\_RU only), IE (RU only), HR, SE (RU only) and NO (RU only) include estimates. Data for NL, AT, RO (LT\_RU only), SE (LT\_RU only) are unreliable.

Source: DG EMPL, LMP database.

### 3.2.2. Timely activation

The timely activation indicator (PA3.C6) provides a more direct observation of the timeliness of referral of unemployed to *measures* by considering the proportion of entrants in *LMP measures* (LMP categories 2-7) taken up by persons not yet long-term unemployed (see Table 5). This shows that, on average, across the 20 Member States for which the data is available, 84.2% of entrants of *measures* were short-term unemployed (<12 months of unemployment).

This indicator has a target value 100% which implies that PES should strive to refer registered unemployed to measures before becoming long-term unemployed. However, in practice 100% is unlikely to arise without ruling out the use of *LMP measures* among

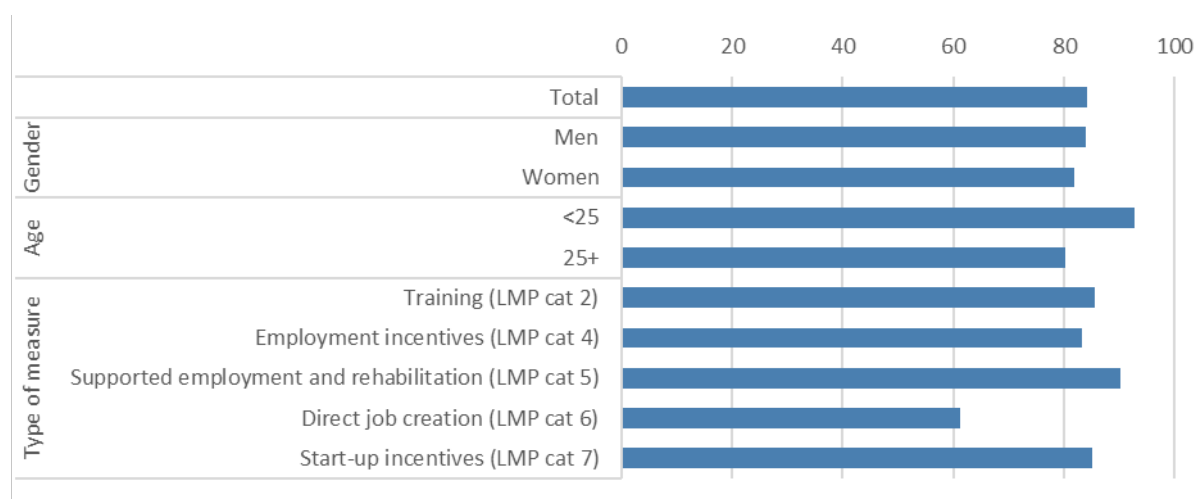
<sup>10</sup> <http://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX:32016H0220%2801%29&qid=1456753373365>

those who become long-term unemployed either without being offered a place on a measure or because they have taken part in one that does not break the unemployment spell and still failed to find employment.

At national level, entrants of *LMP measures* yet to become long-term unemployed exceeded 90% in nine countries (DK, DE, EE, HU, MT, AT, PL, RO and FI) but was less than 75% in 5 others (CZ, EL, LV, SI and SK). Differences reflect not only the overall capacity to provide measures and the extent to which PES aim to refer registrants to these prior to becoming long-term unemployed but also the relative importance of measures specifically targeted to either short-term or long-term unemployed. For example, Slovenia, is among the countries with the lowest timely activation rates. This can be attributed to the fact that two of the three the most important measures (in terms of expenditure and numbers of participant) involve public works and employment incentives targeted primarily to the long-term unemployed.

Timely activation rates vary between different types of measure. Rates range between 83% and 86% for *training* (LMP category 2), *employment incentives* (LMP category 4) and *start-up incentives* (LMP category 7) (see Figure 6). A comparatively high rate (90.3%) applies to *sheltered and supported employment and rehabilitation* (LMP category 5), implying that such assistance tends to be provided earlier, likely due to such measures addressing pre-existing reduced working capacity (expected to be disclosed upon registration with PES). In contrast, a relatively low rate (61.2%) applies to *direct job creation* (LMP category 6), implying that such assistance tends to be provided latest, likely due to such measures serving as a last resort for those where other options are not suitable or have been unsuccessful.

**Figure 6: Average timely activation by gender, age, and type of measures (%), EU, 2019**



EU averages for each breakdown are based on the data available for Member States where such a breakdown is applicable covering around two thirds of Member States.

Source: DG EMPL, LMP database

Timely activation rates also reveal that entrants to measures were, on average, more likely to be short-term unemployed among under 25s (93.4%) compared to those aged 25 and over (80.2%), a trend that holds in all but one of the 20 Member States for which the data is available. Hungary is the only exception but, in this case, there was just a slight difference between the two age groups (92.6% and 94.9% respectively). This can, at least in part, be explained by the fact that in 2013, all Member States committed to

implementing the Council Recommendation on establishing a Youth Guarantee<sup>11</sup> which aims to ensure that all young people receive a good-quality offer of a job, apprenticeship, traineeship, or continued education within 4 months of leaving formal education or becoming unemployed. LMP interventions form a major part of the actions used to deliver offers in accordance with the deadline.

## 4. LMP data in policy analysis

The European Pillar of social rights (EPSR)<sup>12</sup> is the key broad policy initiative of the Commission with regards to labour markets and social systems and therefore the most relevant in terms setting out the intended role of LMP in meeting European objectives. Proclaimed by the European Parliament, the Council and the Commission in 2017 at the Gothenburg Social Summit for fair jobs and growth, it defines 3 areas comprising 20 key guiding principles towards a strong social Europe that is fair, inclusive and full of opportunity<sup>13</sup>. The three areas are:

- Equal opportunities and access to the labour market
- Fair working conditions
- Social protection and inclusion

In March 2021, the European Commission launched the EPSR Action Plan setting out concrete initiatives to deliver on the Pillar via joint efforts by EU institutions, national, regional and local authorities, social partners and civil society<sup>14</sup>. This includes three headline targets for 2030:

- At least 78% population aged 20-64 in employment.
- At least 60% of adults participating in training.
- A reduction of at least 15 million in the number of people at risk of poverty or social exclusion.

LMP has clear role to play in achieving these targets by facilitating transitions into employment, providing training to those at a disadvantage in the labour market and providing income replacement in the form of unemployment benefits to those who find themselves without work. Accordingly, LMP data provide a useful tool with which to inform on efforts being made to meet the targets and achieve the aims of the EPSR.

LMP is particularly relevant to two principles of EPSR area 1 – principle 1 on education, training and life-long learning, and principle 4 on active support to employment – and three principles of EPSR area 3 – principle 12 on social protection, principle 13 on unemployment benefits and principle 17 on inclusion of people with disabilities. These areas and principles as well as associated targets and recent initiatives (e.g. European Skills Agenda, Active Support to Employment initiative, Strategy for the Rights of Persons with Disabilities 2021-2030...etc.) make reference to the use of the full range of LMP interventions, except *direct job creation* (LMP category 6) and *early retirement* (LMP

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<sup>11</sup> 2013/C 120/01: [https://eur-lex.europa.eu/legal-content/EN/ALL/?uri=CELEX:32013H0426\(01\)](https://eur-lex.europa.eu/legal-content/EN/ALL/?uri=CELEX:32013H0426(01))

<sup>12</sup> [https://ec.europa.eu/info/strategy/priorities-2019-2024/economy-works-people/jobs-growth-and-investment/european-pillar-social-rights\\_en](https://ec.europa.eu/info/strategy/priorities-2019-2024/economy-works-people/jobs-growth-and-investment/european-pillar-social-rights_en)

<sup>13</sup> These are set out here: [https://ec.europa.eu/info/strategy/priorities-2019-2024/economy-works-people/jobs-growth-and-investment/european-pillar-social-rights/european-pillar-social-rights-20-principles\\_en](https://ec.europa.eu/info/strategy/priorities-2019-2024/economy-works-people/jobs-growth-and-investment/european-pillar-social-rights/european-pillar-social-rights-20-principles_en)

<sup>14</sup> <https://op.europa.eu/webpub/empl/european-pillar-of-social-rights/en/>

category 9). This section provides an analysis of each of the relevant categories of LMP intervention to illustrate the data, its relevance to actions proposed in policy and the insights it can provide.

## 4.1. LMP services: support for jobseekers

EPSR principle 4 on active support to employment refers to the use of tailor-made assistance for jobseekers. The Active Support to Employment (EASE) initiative launched by the Commission in March 2021<sup>15</sup> further builds on this, identifying three strands for enabling a job-rich recovery from the COVID-19 crisis, one of which is “*enhanced support by employment services for job transitions*”. This recommends that “*member States should provide individualised support to jobseekers, comprising counselling, guidance and mentoring, assessment and validation of skills, job-search assistance, entrepreneurship support and referrals to social services when needed.*”

In the LMP database such actions are considered *LMP services* (LMP category 1) which, in 2019, accounted for just over a tenth (11.7%) of total LMP expenditure, amounting to 960 Euro per PWW (see Figure 6). Expenditure on *LMP services* is, however, not exclusively limited to support services for jobseekers. The LMP methodology recognises the PES as the main provider of publicly funded services to support the integration of jobseekers. Accordingly, it requires all PES expenditure to be reported. Most is expected to be split between *client services* (LMP sub-category 1.1), *LMP measures* (LMP categories 2-7) or *LMP supports* (LMP categories 8-9). However, any residual is covered under *other activities of the PES* (LMP sub-category 1.2). As PES may have varying administrative responsibilities and responsibilities related to activities outside the scope of LMP, the scope of activities covered by this sub-category can vary. This means expenditure on *LMP services* can overstate expenditure on the assistance described in the EPSR and EASE initiative and limits comparability between countries.

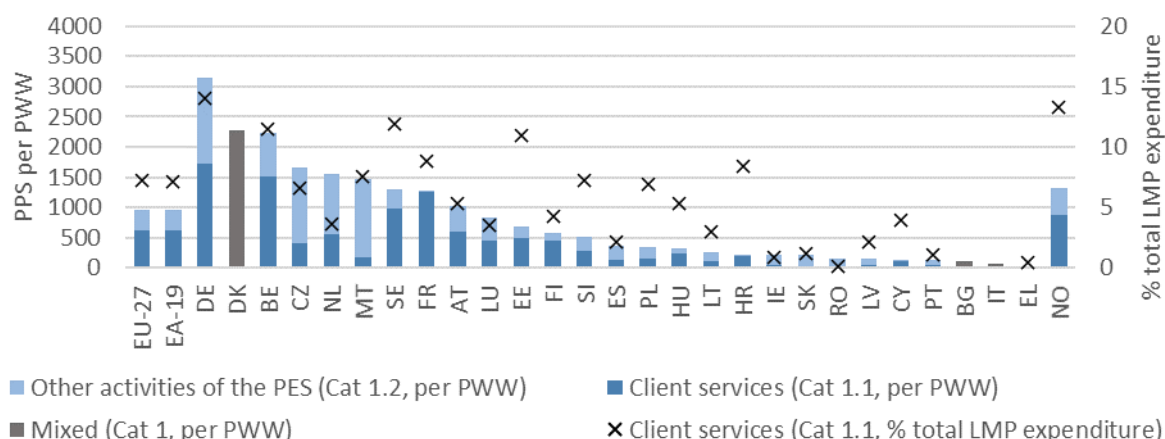
Excluding data on *other activities of the PES* (LMP sub-category 1.2), which accounts for 34.6% of expenditure on *LMP services*, focusing only on spending on *client services* (LMP sub-category 1.1) better reflects efforts to support services for jobseekers. In 2019, EU spending on *client services* accounted for 7.2% of total LMP expenditure, amounting to 592 Euro per PWW. At national level such expenditure was particularly high, exceeding 900 PPS per PWW, in Germany (1 718), Belgium (1 509), France (1 248) and Sweden (976). In all these cases, this expenditure represented a relatively high proportion of total LMP expenditure (>8.5%), indicating a clear emphasis on the use of *client services* in their LMP offerings. Other countries for which the data is available spent at most 600 PPS per PWW on *client services*, with six spending less than 100 PPS per PWW (IE, SK, RO, LV, PT and EL).

Removing spending on *other activities of the PES* (category 1.2) has a large impact in some countries. For example, the Czech Republic, the Netherlands, and Malta spent relatively large amounts on *LMP services* (1 770, 1 558 and 1 470 PPS per PWW), ranking 4<sup>th</sup>, 6<sup>th</sup> and 7<sup>th</sup> in terms of spending. However, relatively little of this (24.0%, 36.3% and 12.0%) is attributed to *client services*, most related either to the administration of LMP services and LMP measures (CZ and NL) or to non-LMP related PES activities (CZ and MT). For example, in Malta 80% of expenditure concerned non-LMP related PES activities such as research, labour market intelligence, EU affairs and particular back-office operations. In other countries such responsibilities may reside outside the PES (e.g. with a ministry) and are thus excluded from data on *other activities of the PES*.

<sup>15</sup> <https://ec.europa.eu/social/BlobServlet?docId=23699&langId=en>



**Figure 7: Expenditure on LMP services by sub-category (PPS per PWW and % of total LMP expenditure), 2019**



Data for EU-27, EA-19, BE, DK, DE, EE, IE, EL, HR, LT, HU, NL, PL, RO and SE include estimates. Data for ES and FR is provisional.

Source: DG EMPL, LMP database.

## 4.2. LMP measures: improving skills and incentivising transition into work

Use of regular activation measures form a key component of the LMP offered by national governments and feature heavily in the EPSR, associated indicators and related initiatives. Indeed, the EASE initiative underlines the need for a coherent set of active labour market policies consisting of both regular activation measures and assisted activation services to support labour market transitions.

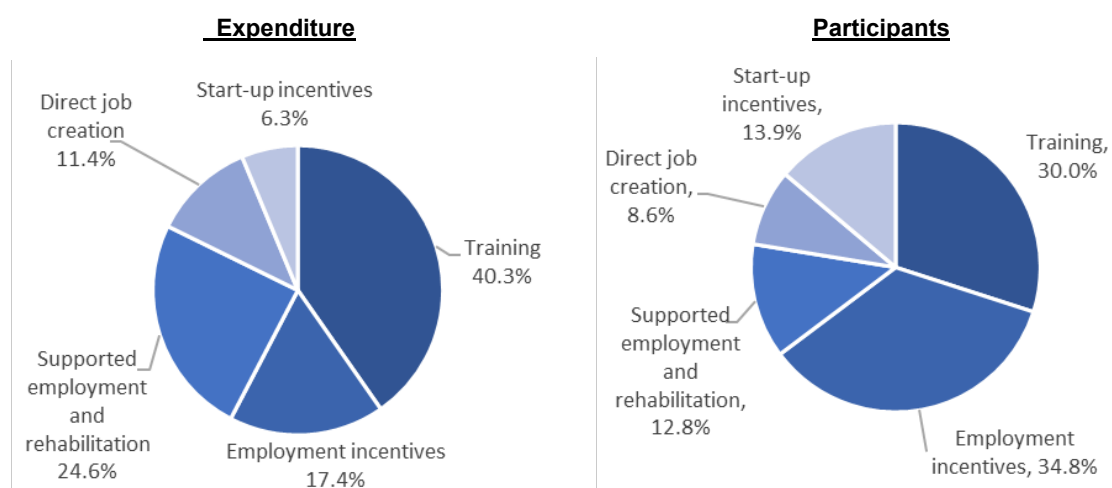
At EU level, under a quarter of total LMP expenditure in 2019 was spent on regular activation measures (23.8%) aimed at helping jobseekers into work (see Figure 1). At national level, Denmark, Hungary, Croatia, Poland and Sweden dedicated more than 50% to LMP measures (50.4%, 65.5%, 55.8%, 56.4% and 54.2% respectively) while an additional eight spent between 30% and 50% (IE, EL, SK, FI, EE, LU, CZ and NO). Just five countries (DE, FR, IT, CY and LV) allocated less than 20%.

Just under two fifths of EU expenditure on *LMP measures* in 2019 went on *training* (40.3%) while a quarter went on *supported employment and rehabilitation* (24.6%) and a little under a fifth went on *employment incentives* (17.4%). 11.4% was spent on *direct job creation* and 6.3% on *start-up incentives* (see Figure 8). In contrast, data on participants, show a different distribution with around a third of participants taking part both in *training* (30.0%) and in *employment incentives* (34.8%) while an eighth were involved both in *supported employment and rehabilitation* (12.8%) and in *start-up incentives* (12.8%). Just 8.6% took part in *direct job creation*. The difference in the distribution of expenditure and participants by category derives from varying unit costs (see Figure 9). Measured in expenditure per person-year (PPY) to account for differences in the duration of measures (i.e. annual average stock divided by expenditure), these show, for example, that the unit cost of *supported employment and rehabilitation* was almost double the average (11 297 vs 5 886 Euro/PPY) resulting in its contribution to expenditure being almost twice as high as that to participants (24.6% vs 12.8%).

Differences in unit costs derive from the characteristics of interventions associated with each category of measure. First, the extent to which they contribute (directly or indirectly) towards the income of participants during the relevant activities and, second, the extent to

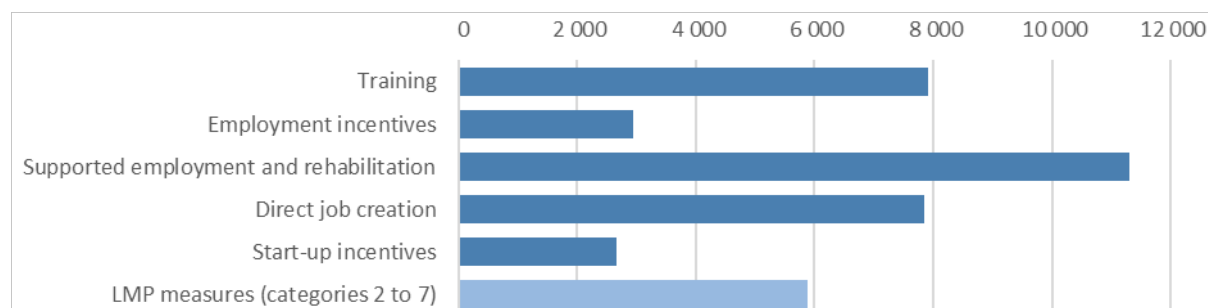
which they incur expenditure that does not contribute to participant income (e.g. costs of training provision, supervision,...etc.). All persons taking part in active measures need sufficient income to support themselves during participation, but this is not always covered (fully or partly) in the LMP expenditure on measures because any part that is not funded by government or is outside the scope of LMP is excluded. For example, social assistance and the unsubsidised parts of participant wages are not covered.

**Figure 8: Expenditure on and participants in LMP measures by type of action (%), EU-27, 2019**



Source: DG EMPL, LMP database.

**Figure 9: Expenditure per person year by type of action (Euro), EU-27, 2019**



Data are estimates.

Source: DG EMPL, LMP database.

#### 4.2.1. Training (LMP category 2)

EPSR principles 1 and 4 on education, training, and life-long learning and on active support to employment refer to the right to training to maintain and acquire skills, notably to facilitate transitions. The EASE initiative further builds on this by including a strand specifically related to “*upskilling and re-skilling opportunities and support measures*” highlighting the need for training which meets the needs of the labour market. The importance of training is underlined by the EPSR action plan headline target to have 60% of adults participating in training by 2030 but a target that is more pertinent to LMP is set in the European Skills Agenda for sustainable competitiveness, social fairness and

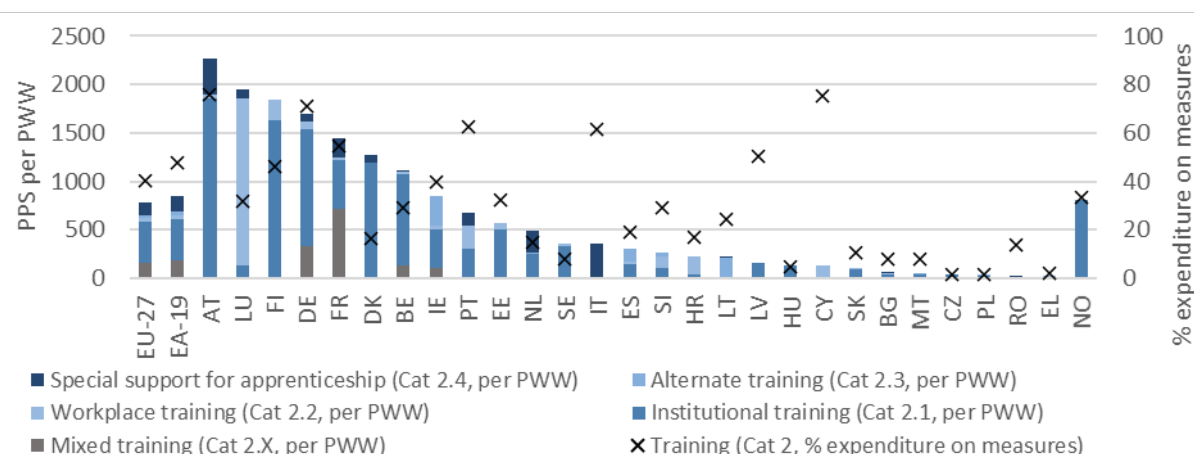


resilience launched by the Commission in July 2020<sup>16</sup> for the share of unemployed adults aged 25-64 with a recent learning experience to be 20% by 2025<sup>17</sup>.

In 2019, *training* (LMP category 2) accounted for four tenths (40.3%) of expenditure on *LMP measures*, amounting to 784 Euro per PWW (see Figure 10). Such expenditure relates to interventions to improve employability of LMP target groups through training (i.e. unemployed, inactive and employed-at-risk). It thus corresponds to a sub-set of actions enabling training for the wider populace, excluding assistance offered more generally through the regular education system (e.g. apprenticeships), and does not correspond solely to training costs. Certain training measures simply enable participation, excluding actual training costs. An example of this is a training allowance for employed-at-risk participating in employer funded training.

At national level, LMP expenditure on *training* in 2019 was particularly high in Austria, Luxembourg, Finland, Germany where it exceeded 1 500 PPS per PWW. Two of these – Austria and Germany – are among only three countries (the other being Cyprus) which spent more than 70% of their expenditure dedicated to LMP measures on training, well above that observed at EU level (40.3%), indicating a distinct emphasis on training as part of their offering of LMP measures. Just three other countries spend more than 1 000 PPS per PWW (FR, DK and BE) while nine spent less than 150 PPS per PWW (HU, CY, SK, BG, MT, CZ, PL, RO and EL).

**Figure 10: Expenditure on training by sub-category (PPS per PWW and % of expenditure on LMP measures), 2019**



Data for EU-27, EA-19, DK, DE, NL, FI and SE include estimates. Data for ES and FR is provisional.

Source: DG EMPL, LMP database.

The EASE initiative recommends that training should “*create work-based learning and apprenticeships opportunities*”. Expenditure on LMP training by sub-category indicates a tendency for LMP training to take place in institutions rather than in workplaces. In 2019, just over half (53.2%) of training expenditure was associated with *institutional training* (LMP category 2.1), where most time (75+%) is spent in a training institution, while just over a quarter (26.2%) was spent on other forms of training which involve more time spent in the workplace – i.e. *workplace training* (LMP category 2.2), *alternate training* (LMP category 2.3) and *special support for apprenticeship* (LMP category 2.4). The remaining fifth of expenditure (20.6%) was spent on training programmes involving training belonging to multiple sub-categories. At national level, *institutional training* was the most

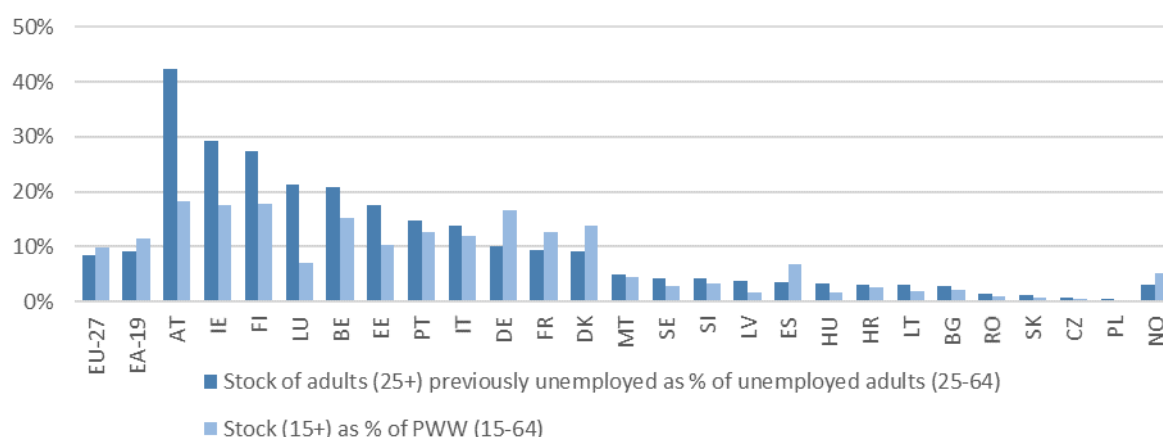
<sup>16</sup> <https://ec.europa.eu/social/main.jsp?catId=1223&langId=en>

<sup>17</sup> Data sources and methods used for this target are explained here: <https://ec.europa.eu/social/BlobServlet?docId=22833&langId=en>

important type of training provided in expenditure terms in all but seven Member States (FR, HR, IT, CY, LT, LU and SI). A particularly notable exception is Luxembourg which spent more than 1 500 PPS per PWW on training dedicating almost all of it (90%) to *workplace training*.

Across the EU, *training* participants constituted almost one in ten (9.9%) PWW in 2019 (see Figure 11). Unsurprisingly, the countries that spent the most on training in PPS per PWW tended to also have the highest number of training participants per PPW (e.g. BE, DK, DE, FR, AT and FI). However, there are some clear exceptions arising from differences in nature and therefore the unit costs of training between countries. For example, Luxembourg has the second highest expenditure in PPS per PWW but is eleventh in term of participants per PWW. This derives from the unit cost of training measures being particularly high in Luxembourg (35 047 Euro/PPY), more than double that observed elsewhere (at most 16 273 Euro/PPY in Sweden). In Luxembourg, the majority of training expenditures and participants (73.9% and 56.6% respectively) are associated with a very specialised, and therefore costly, training measure (*Initiatives sociales en faveur de l'emploi*) providing customised and supervised *workplace training* (LMP category 2.2), following individualised training plans, to jobseekers far from the labour market. This is outsourced to non-profit associations (e.g. *Forum pour l'Emploi*<sup>18</sup>, *Pro-Active*<sup>19</sup>...) and covers not only the costs of training but also wages paid to participants during their participation.

**Figure 11: Numbers of participants in training, 2019 (Annual average stock)**



Data not available for EL, CY and NL. Data on stock of adults as % of unemployed for BE, CZ, IE, SE and NO include estimates while that for DK, ES, FR and PT are unreliable. Data on stock as % of PWW for BE, DK and SE include estimates while that for ES and FR are provisional and unreliable respectively.

Source: DG EMPL, LMP database. Eurostat, EU-LFS.

Focusing on adult (25+) *LMP training* participants who were unemployed prior to taking part and considering this relative to the number of ILO unemployed adults (25-64) from the EU-LFS can provide some insight into the extent to which *LMP training* contributed to achieving the European Skills Agenda target on the share of unemployed adults aged 25-64 with a recent learning experience (see Figure 11). This indicates that in 2019 the share of unemployed adults participating in *LMP training* stood at 8.3% across the Member States. At national level, participation exceeded 20% in just five countries (BE, IE, LU, AT and FI), stood between 10% and 20% in four others (DE, EE, IT and PT) and was less than 10% in 13 Member States, suggesting some room for raising participation in training among unemployed in many countries.

<sup>18</sup> <http://www.fpe.lu/>

<sup>19</sup> <https://www.proactif.lu/>

Such figures are, however, likely to underestimate data for the indicator used in the European Skills Agenda<sup>20</sup>. Indeed, the latest data show that at EU level the share of unemployed adults aged 25-64 with a recent learning experience was 11% in 2019. While both use the same denominator – i.e. ILO unemployed from the EU-LFS – there are some key methodological differences in the numerators used. The indicator uses the number of ILO unemployed who participated in a learning activity during the previous 4 weeks, where participation in a learning activity includes being enrolled in formal education (as a student or apprentice) or having attended any form of informal education (e.g. a courses, seminar, conferences, private lessons...etc.). In contrast, figures based on LMP data use an annual average stock of participants in *LMP training* who were registered unemployed (according to national criteria) prior to taking part. Accordingly, differences exist in the observation method (i.e. last 4 weeks vs point in time), scope of training activities covered (i.e. scope of LMP training is narrower) and the definition of unemployed (as discussed in section 2.3).

#### 4.2.2. Employment incentives (LMP category 4)

EPSR principle 4 on active support to employment does not specifically refer to incentives to facilitate transitions into employment. However, the EASE initiative does include a strand which focuses on “*time-limited hiring and transition incentives*” alongside “*support to entrepreneurship*”. It notes that “*temporary hiring incentives [...] can be effective in promoting quality job creation amid subdued economic growth [...]*” and that “*they should be targeted and designed to facilitate job transitions and the creation of jobs that would not have happened absent those incentives.*” Accordingly, it recommends that “*Member States should make use of hiring and transition incentives to promote quality job creation and support the employability of workers*”.

Such incentives where specifically designed to facilitate the employment of those at a disadvantage on the labour market (unemployed, inactive and employed-at-risk) fall under *employment incentives* (LMP category 4). In 2019, expenditure on this accounted for 17.4% of expenditure on LMP measures, amounting to 338 Euro per PWW (see Figure 12). The vast majority (90%) of this expenditure relates to *recruitment incentives* (LMP category 4.1) which provide time limited incentives for the creation and take-up of new jobs, or which promote opportunities for improving employability through work-experience. However, it should be acknowledged that the expenditure also includes *employment maintenance incentives* (LMP category 4.2), which provide incentives to maintain the employment of persons at risk of involuntary job loss due to restructuring or other economic difficulties, and *job rotation and job sharing* (LMP category 4.3), which facilitate the insertion into employment by substituting hours worked by an existing employee. This means expenditure includes spending associated with interventions which may be outside the scope of those envisaged by the EASE initiative. Further to this, it excludes more general subsidies incentivising recruitment and job creation in specific fields or for specific demographics without criteria restricting eligibility to persons at a disadvantage on the labour market.

While the EASE initiative refers to “*the creation of jobs that would not have happened absent those incentives*” it is important to note that the “*time-limited hiring and transition incentives*” being recommended are not expected to fall under *direct job creation* (LMP category 6). There are many similarities between *employment incentives* and *direct job creation*. Participants are in work - typically receiving at least the minimum wage - for which the employers receive a partial subsidy, relating to the actual wage and/or the associated social contributions due. In some cases, however, particularly among *direct job creation* measures, participants simply continue to receive unemployment benefits or another measure-specific

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<sup>20</sup> See <https://ec.europa.eu/social/BlobServlet?docId=22833&langId=en>

income replacement instead of a wage or receive a benefit that acts as a wage top-up. Consequently, in both cases, around 80% of expenditure relates to transfers to employers and around 20% to transfers to individuals. The key distinction between them is that *direct job creation* involves temporary, non-market jobs and thus assists with the majority of labour costs (i.e. 50-100%) while *employment incentives* involve open market jobs with a smaller, partial contribution to the labour costs of participants. The “*time-limited hiring and transition incentives*” of the EASE initiative focus on sustainable regular market jobs that are “*viable and maintained after the incentives have expired*”, effectively ruling out the possibility of considering them *direct job creation* in LMP. Indeed, *direct job creation* often includes public works programmes which have been criticised as being an ineffective means of activation because they often focusing primarily on delivering income support, albeit in return for work that is typically of community benefit<sup>21</sup>.

At national level all Member States offer *employment incentives*. Expenditure on these was particularly high in Luxembourg and Sweden where it exceeded 2 000 PPS per PWW. These countries along with just four others (LT, MT, RO and SK) dedicate more than 50% of their expenditure on measures to *employment incentives*, indicating a clear emphasis on the use of such measures as part of their offering (see Figure 12). Only one other country – Belgium – spent more than 1 000 PPS per PWW, also dedicating more than double the portion of LMP expenditure on measures seen at EU level (39% vs. 17.4%). At the same time, however, fourteen countries spent less than 250 PPS per PWW (NL, ES, DE, EL, PT, EE, IT, BG, CZ, RO, IE, FR, LV and CY).

**Figure 12: Expenditure on employment incentives (PPS per PWW and % of expenditure on LMP measures), 2019**



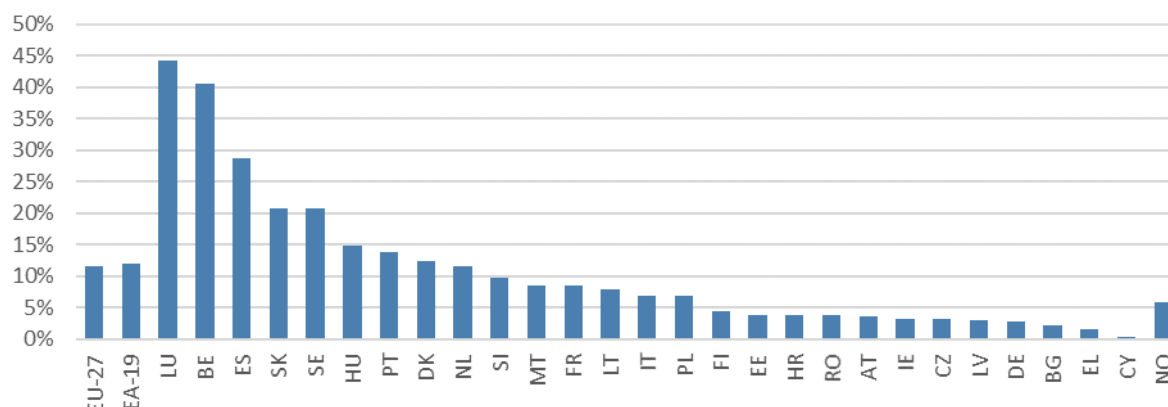
Data for EU-27, EA-19, DE, CY, NL, and SE include estimates.

Source: DG EMPL, LMP database.

Data on participants paint a slightly different picture (see Figure 13). For example, while Luxembourg, Sweden and Belgium, the three countries spending the most of employment incentives (>1 000 PPS per PWW), feature among the five countries where participants in such measures account for more than 20% of PWW, these are joined by Spain and Slovakia, where spending was lower (534 and 234 PPS per PWW respectively).

<sup>21</sup> See <https://ec.europa.eu/social/BlobServlet?docId=13384&langId=en>

**Figure 13: Number of participants in employment incentives (stock as % of PWW), 2019 (Annual average stock)**



Data for DK, EL, NL and SE include estimates. Data for LT are unreliable.

Source: DG EMPL, LMP database.

This stems differences in the unit costs of *employment incentives* being provided in different countries (see Figure 14). For example, expenditure in Sweden (2 690 PPS per PWW) is higher than in Belgium (1 478), Spain (234) and Slovakia (534) despite lower number of participants because of the relatively high unit costs of its employment incentives being considerably higher (16 192 Euro/PPY vs. between 4 200 and 750 Euro/PPY respectively).

Generally, *employment incentives* are characterised as providing a partial contribution to the labour costs of participants. However, the extent of this contribution is liable to vary depending on the generosity of the assistance provided resulting in varying unit costs. To further illustrate this, consider the examples of Italy and Finland which have very different unit costs. In Italy, *employment incentive* measures focus primarily on granting reductions to social contributions (90.7% of expenditure is dedicated to this purpose). For instance, the largest such measure, accounting for a third of expenditure on employment incentives in Italy (33.3%), grants a 50% reduction in social contributions for one year to employers when hiring youth who have never had permanent employment. There is no minimum wage in Italy (levels are set by collective bargaining) but employers' contributions in Italy are around 30% of the wage. Consequently, the costs of employment incentive measures in Italy were just 2 839 Euro/PPY in 2019. In Finland, *employment incentive* measures provide more general subsidies which do not intend to cover specific elements of labour costs. The key among these, accounting for 85% of expenditure on such measures in Sweden, provides monthly payments to cover 30-50% of wage costs (depending on the characteristics of the participant) and is typically capped at 1 400 Euro per month<sup>22</sup>. There is no minimum wage in Sweden (levels are set by collective bargaining) but minimum wages associated with most professions can be anticipated to be relatively high by European standards. Consequently, the costs of employment incentive measures in Finland were as high as 11 938 Euro/PPY in 2019.

<sup>22</sup> <https://www.te-palvelut.fi/employers/find-an-employee/pay-subsidy/duration-and-amount>



**Figure 14: Expenditure per person year on employment incentives by type of transfers (Euro PPY), 2019**



Data are estimates.

Source: DG EMPL, LMP database.

#### 4.2.3. Sheltered and supported employment and rehabilitation (LMP category 5)

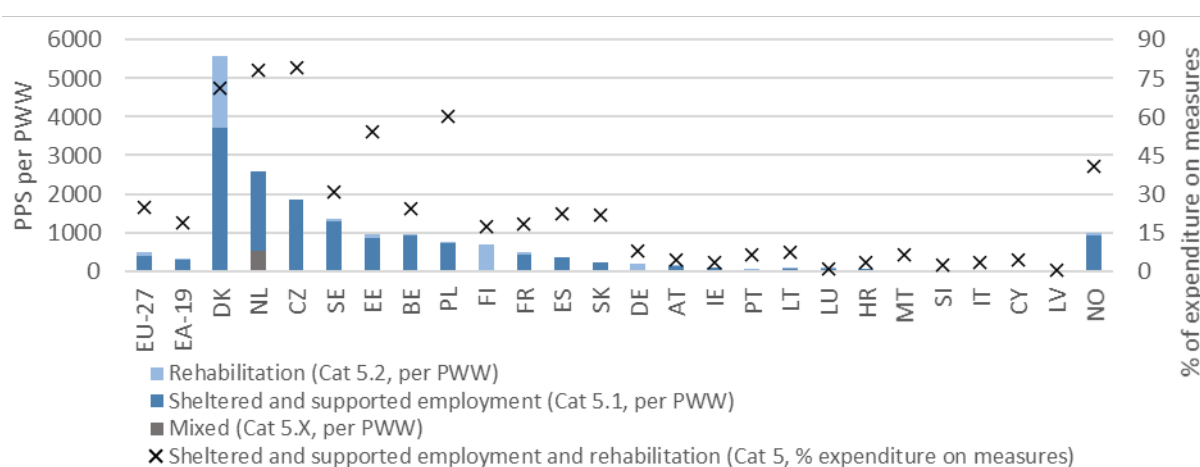
EPSR principle 17 on inclusion of people with disabilities refers to the disabled people's right to "*services that enable them to participate in the labour market and in society, and a work environment adapted to their needs*". According to the Strategy for the Rights of Persons with Disabilities 2021-2030 released by the Commission in March 2021<sup>23</sup> the Commission will introduce a new flagship initiative in 2022 in the form of a package to improve labour market outcomes of disabled. This is anticipated to "*provide guidance and support mutual learning on strengthening capacities of employment and integration services, [...], securing health and safety at work and vocational rehabilitation schemes in case of chronic diseases or accidents, exploring quality jobs in sheltered employment, and pathways to the open labour market.*"

Interventions specifically promoting the labour market integration of persons with reduced working capacity primarily fall under one category of *LMP measure* - *sheltered and supported employment and rehabilitation* (LMP category 5). In 2019, expenditure on this accounted for just under a quarter (24.6%) of expenditure on measures, amounting to 479 Euro per PWW (see Figure 15). This covers two sub-categories of measure. The first, *sheltered and supported employment* (LMP category 5.1), includes the promotion of employment not only in sheltered employment – i.e. in an enterprise established specifically for the employment of disabled people – but also in supported employment – i.e. in a regular working environment enabled through public support (e.g. financial support or adaptation of the work place). The second, *rehabilitation* (LMP category 5.2) specifically includes vocational rehabilitation measures, excluding social and medical rehabilitation (outside the scope of LMP). Such measures are primarily associated with persons who are disabled according to national definitions but may also be associated with persons temporarily incapacitated after an accident or illness, recovering drug-addicts and other groups who are not work-ready. Four fifths of expenditure on *supported employment and rehabilitation* relates to the first sub-category.

<sup>23</sup> <https://ec.europa.eu/social/BlobServlet?docId=23707&langId=en>

At national level there are some considerable differences in expenditure on such measures. Denmark spent 5 569 PPS per PWW, followed the Netherlands, the Czech Republic and Sweden which spent between 2 600 and 1 300 PPS per PWW, and Estonia, Belgium and Poland which spent between 1 000 and 700 PPS per PWW. All but two of these countries (BE and SE) dedicated more than 50% of their LMP expenditure to this type of measure, indicating that it serves particularly prominent role in their offering of LMP measures. In the case of Denmark, an exceptionally high amount was spent on *rehabilitation* (1 853 PPS per PWW). This can be attributed to rehabilitation courses provided to persons with complex employment, health or social problems and to persons exhausting rights to sickness benefits, involving intensive and highly tailored help based on a wide range of potentially costly forms of assistance (e.g. guidance/support from psychologists, therapists, social workers and mentors and participation in courses/activities to adjust for the work place).

**Figure 15: Expenditure on sheltered and supported employment and rehabilitation by sub-category (PPS per PWW and % of expenditure on LMP measures), 2019**



Data for LU, NL and SE include estimates.

Source: DG EMPL, LMP database.

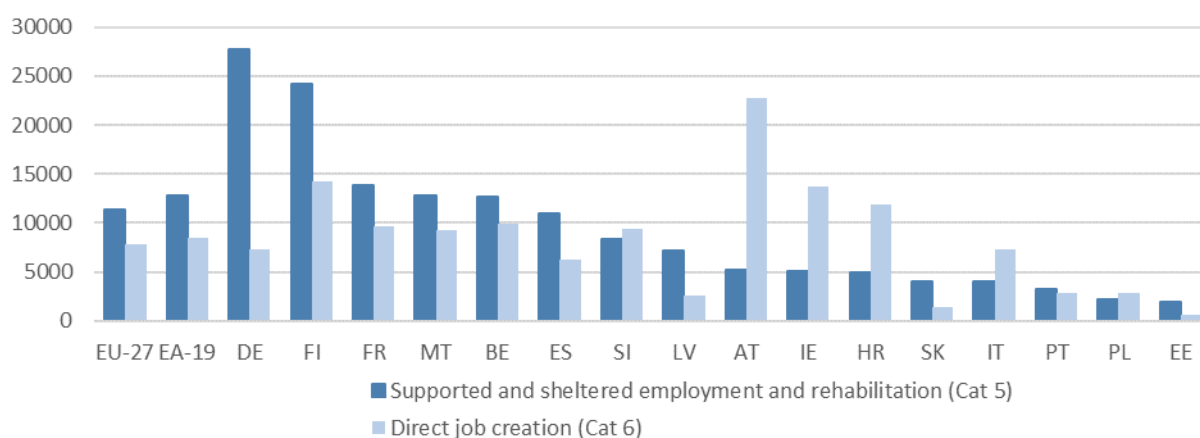
Seven Member States do not offer *sheltered and supported employment* (BG, EL, LV, HU, MT, RO and SI) and eleven do not offer *rehabilitation* (BG, CZ, IE, EL, ES, HR, IT, CY, HU, RO and SK). However, interventions promoting the employment of people with reduced capabilities do not fall exclusively under *sheltered and supported employment* (sub-category 5.1) as LMP classification is based on type of action and not target group. For example, *employment incentives* (LMP category 4) and *direct job-creation* (LMP category 6) may specifically target such individuals. Their key distinguishing feature is that they are time-limited by design, which is not the case for *sheltered and supported employment*, albeit lifetime sheltered work provisions are excluded (out of scope of LMP). For example, Malta and Bulgaria report no *sheltered and supported employment* measures. However, Bulgaria provides *employment incentives* to employers recruiting unemployed people with reduced capabilities lasting up to 12 and 24 months respectively while Malta provides *direct job creation* placing disabled unemployed in non-market jobs in local councils for up to 3 years.

*Sheltered and supported employment* measures are often similar to *direct job creation* measures in that participants are in work, income is supported either indirectly via wage subsidies (paid to employers) or directly through benefits paid to individuals, and the amounts paid tend to contribute a significant part of the total labour costs. A key difference is that they may also provide specialised assistance to support the specific needs of participants with limited work capacity. For example, in Sweden, the largest *sheltered and supported employment* measure (*Trygghetsanställning*) provides wage subsidies to the

employers of disabled jobseekers along with a special subsidy to cover the costs of arranging supportive activities for participants (e.g. specialised training, assistance, supervision, rehabilitation, etc.). As a result of these additional service costs, the unit costs of *supported employment and rehabilitation* are much higher than for *direct job creation* (11 297 vs. 7 848 Euro/PPY, see Figure 16). If the expenditure associated with the additional services (recorded in LMP as transfers to service providers) is removed, the remaining costs are more similar (8 414 vs. 7 697 Euro/PPY).

This similarity is, however, not unanimous. At national level, unit costs of *supported and sheltered employment and rehabilitation* were lower than those of *direct job creation* in six of the sixteen countries with data for both types of measure (IE, HR, IT, AT, PL and SI, see Figure 16). This can be attributed to certain *supported employment* measures being closer in nature to *employment incentives* in that they do not contribute a significant part of the total labour costs. For example, in 2019 Austria implemented three *supported and sheltered employment and rehabilitation*. Two had relatively high unit costs ranging between 22 000 to 25 000 Euro/PPY, on par with those for Austrian *direct job creation* measures (22 705 Euro/PPY). However, a third measure (*Support for the employment of disabled*) enabling and maintaining employment of disabled in regular working environments via compensation covering only a fraction of labour costs<sup>24</sup>, had a unit cost of just 2 995 Euro/PPY. As this accounted for half of expenditure and almost 90% of participants it had an important impact on the overall unit costs of *supported and sheltered employment and rehabilitation* in Austria (5 223 Euro/PPY).

**Figure 16: Expenditure per person year on supported and sheltered employment and direct job creation (Euro PPY), 2019**



Data are estimates.

Source: DG EMPL, LMP database.

#### 4.2.4. Start-up incentives (LMP category 7)

EPSR principle 4 on active support to employment refers to the right to “*timely and tailor-made assistance to improve [...] self-employment prospects*”. The EASE initiative further builds on this by including a strand which focuses on “*support to entrepreneurship*” alongside “*time-limited hiring and transition incentives*”. It recommends that “*Member States should support start-up grants, loans and equity to promote entrepreneurship*” and that such “*actions should combine financial and non-financial support*”.

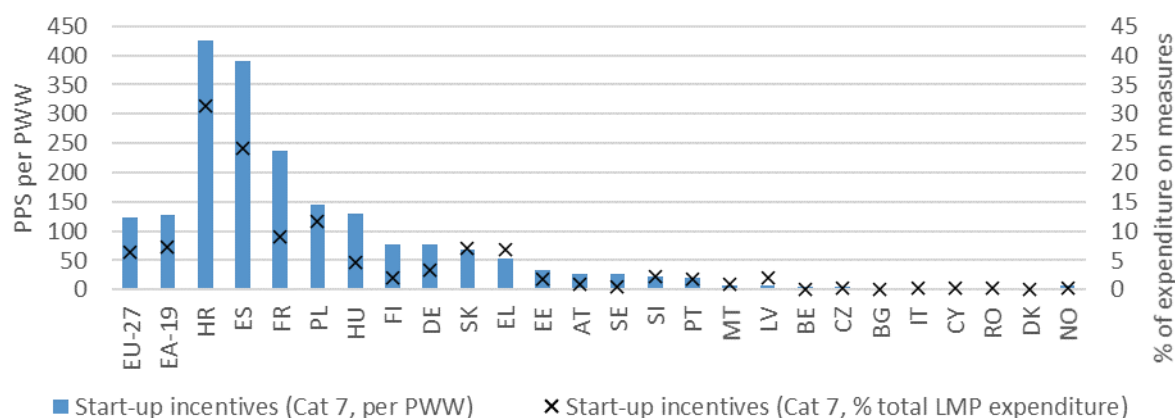
<sup>24</sup> Further details of this intervention can be found in section 7 of the following document: <https://www.sozialministerium.at/dam/jcr:743e88c7-45e1-4fcd-be74-31e87595cb05/Richtlinie%20Individualf%C3%B6rderungen.pdf>



Such measures, where specifically designed to encourage unemployed, inactive and employed-at-risk to start their own business or to become self-employed fall under *start-up incentives* (category 7). In 2019, expenditure on this accounted for just 6.3% of expenditure on LMP measures, amounting to 479 Euro per PWW (see Figure 17), by far the smallest amount of any category of measure. This arises despite having more participants than two other categories (*direct job creation* and *supported employment and rehabilitation*) due to having the lowest unit costs (2 674 Euro/PPY, see Figure 9). This, however, excludes general support for entrepreneurs that is not specifically targeted to persons at a disadvantage on the labour market (out of scope of LMP).

At national, level such expenditure was particularly high in Croatia and Spain where it exceeded 350 PPS per PWW followed by France, Poland and Hungary where it exceeded 100 PPS per PWW. The cases of Croatia and Spain are particularly notable, not solely because they spent 425 and 390 PPS per PWW respectively, but because they both dedicated a higher proportion of expenditure to this type of measure than any other country and any other type of measure (31.3% and 24.1% respectively). In both, the majority of expenditure relates to two forms of start-up incentive. Firstly, the capitalisation of unemployment benefits – i.e. a lump-sum payment of (all or part of) unemployment benefit for the remaining part of the entitlement period – to be used during the start-up phase of a new venture. Secondly, grants and reductions to assist with entrepreneurial expenses. For example, in the Spanish case grants are paid to cover part of costs associated with interest payments on loans, viability studies, auditing consultations and certain training courses and are paired with reductions to social contributions. In contrast, eight countries spent less than 10 PPS per PWW on employment incentives (MT, LV, BE, CZ, BG, IT, CY and RO), in which it accounted for no more than 0.33% of LMP expenditure, and five others did not offer any kind of *start-up incentive* (DK, IE, LT, LU and NL).

**Figure 17: Expenditure on start-up incentives (PPS per PWW and % of expenditure on LMP measures), 2019**



Data for FR, IT and SE include estimates.

Source: DG EMPL, LMP database.

The EASE initiative notes a need to “combine financial and non-financial support to entrepreneurs, re-starters and potential entrepreneurs”. Expenditure on start-up incentives by type show that 98.2% was transferred directly to entrepreneurs while just 1.8% was transferred to service providers, suggesting that financial support is a by far the most important component. This may stem from several factors. First, financial support can include resources enabling participants to cover (in full or in part) living costs during the initial phase of their new venture. Should such resources be provided for reasonable duration they can be expected to make up a significant proportion of expenditure. Second,

participants may be provided with financial support specifically to allow them to choose and fund non-financial support best suited to their needs rather than rely solely on support provided directly by public services. This seems to be the case in Spanish example mentioned above, whereby participants receive transfers to cover costs of training and other services. Lastly, it is possible that some non-financial support for (potential) entrepreneurs is covered under *client services* (LMP category 1.1) rather than under *start-up incentives*. This can be the case where support services are not specifically dedicated to start-up initiatives.

Nine of the twenty-one countries with expenditure on start-up incentives allocate some of that expenditure to transfers to service providers (BE, DE, EE, ES, FR, LV, PT, RO and SE). However, only four allocated more than 5% of expenditure to this (BE, LV, LT and RO). For example, more than 90% of Belgian expenditure on *start-up incentives* relates to transfers to service providers. This arises because the two most important (regional) start-up incentive measures, accounting for 90% of expenditure, provide only non-financial assistance in the form of personalised assistance, guidance, and instruction on preparing for the creation of a business, assessing its feasibility, setting it up and its management.

### 4.3. LMP supports: guaranteeing income while out of work

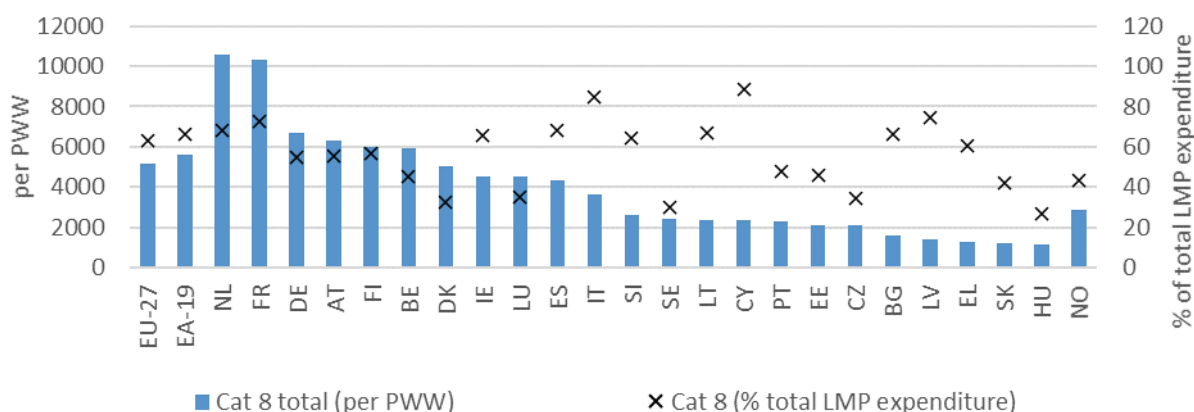
ESPR principles 12 and 13 on social protection and on unemployment benefits refer to the right to adequate social protection with the latter stating that “*the unemployed have the right to [...] adequate unemployment benefits of reasonable duration, in line with their contributions and national eligibility rules.*” A Council Recommendation on access to social protection for workers and the self-employed adopted in November 2019<sup>25</sup> further builds on this, recommending that Member States “*provide access to adequate social protection to all workers and self-employed persons in Member States*” and sets out how to ensure coverage, adequacy and transparency. The importance of coverage has been highlighted by the revised social scoreboard introduced alongside the EPSR action plan in March 2021 which includes a new indicator<sup>26</sup> focusing on coverage provided by unemployment benefits among short-term unemployed.

In the LMP database, unemployment benefits are broadly classified as *out-of-work income maintenance and support* (LMP category 8). In 2019, expenditure on this accounted for almost two thirds (63.1%) of total LMP expenditure, amounting to 5 169 Euro per PWW (see Figure 18), underlining the relative importance of spending on passive supports. This expenditure is not exclusively limited to unemployment benefits (full-time, part-time or partial) but also includes bankruptcy and redundancy related compensation (sub-categories 8.4 and 8.5). However, these represented just 1.5% of the expenditure in 2019. At national level, expenditure was particularly high in the Netherlands and France where it exceeded 10 000 PPS per PWW, followed by Germany, Austria, Finland, Belgium and Denmark where it exceeded 5 000 PPS per PPW.

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<sup>25</sup> [https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=uriserv:OJ.C\\_.2019.387.01.0001.01.ENG&toc=OJ:C:2019:387:TOC](https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=uriserv:OJ.C_.2019.387.01.0001.01.ENG&toc=OJ:C:2019:387:TOC)

<sup>26</sup> See annex 2 of EPSR action plan: <https://ec.europa.eu/social/BlobServlet?docId=23696&langId=en>

**Figure 18: Expenditure on out-of-work income maintenance and support (PPS per PWW and % of total LMP expenditure), 2019**

Data for EU-27, EA-19, BG, DK, DE, HU, NL and SE include estimates. Data for CY are provisional.

Source: DG EMPL, LMP database.

Expenditure on *out-of-work income maintenance and support* almost entirely (95.9%) relates to (full-time) *unemployment benefits* (sub-category 8.1), paid directly to individuals as an income replacement whilst out of work. In fact, at national level, all countries dedicated at least 80% of expenditure to these. Other types of *unemployment benefit* – i.e. *part-time* and *partial unemployment benefits* – were considerably more limited in availability (6 and 11 countries respectively) and contribution to expenditure (just 0.5% and 2%). Note, however that a distinction between *full-time* and *part-time unemployment benefits* is not always possible. Indeed, unemployment benefits in some countries simultaneously cater for full-time and part-time unemployed. In Ireland, for example, full-time unemployment benefits (Jobseeker Benefit and Jobseeker Allowance) are payable to people working no more than 3 days/week.

Unemployment benefit coverage is a key policy issue, recently highlighted by the introduction of a new social scoreboard indicator on the issue. In 2019, recipients of full unemployment benefits corresponded to 73.5% of registered unemployed across Member States for which the data is available (all but IT and CY). This coverage is provided by either unemployment insurance (LMP category 8.1.1) or unemployment assistance (LMP category 8.1.2). Typically, unemployed satisfying the criteria for membership in an unemployment insurance scheme (e.g. sufficient work record or level of social contributions) tend to claim the former while those that are ineligible or have exhausted their claim to such benefits tend to claim, where available, the latter (usually on the basis of a means-test). In 2019, recipients of *unemployment insurance* and *unemployment assistance* accounted for 40.2% and 31.9% of registered unemployed respectively while recipients of unemployment benefits where such a distinction is not available accounted for an additional 1.4%. This implies that a quarter of registered unemployed were not covered by unemployment benefits. However, in some countries these individuals may (subject to a means-test) have the option to claim social assistance or minimum income benefit which are outside the scope of LMP data. The form of assistance available depends on the structure of the national social protection system.

At national level, there is considerable variation in both the extent of coverage provided by full unemployment benefits among registered unemployed and whether this is provided by *unemployment insurance* or *unemployment assistance* (see Figure 18). There are three countries where coverage appears to exceed 100% - Denmark (116%), France (111%) and the Netherlands (103%). In the case of Denmark and Netherlands, this can be attributed to the numbers of registered unemployed referring to recipients of

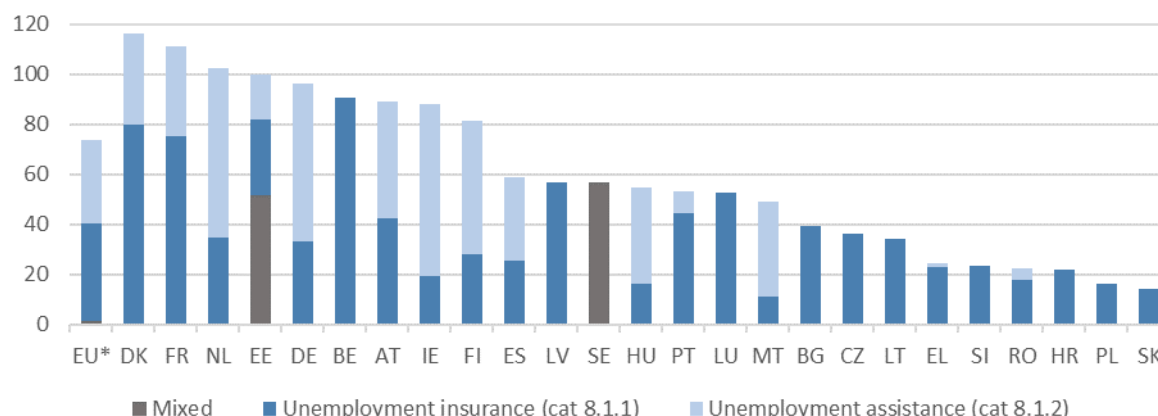
unemployment benefits but only the key unemployment benefits, excluding specific benefits. For example, in the case of Denmark, registered unemployed corresponds to recipients of unemployment insurance (*Ledige med arbejdsløshedsdagpenge*) and the main unemployment assistance benefit (*Kontanthjælp til ledige*) but excludes recipients of unemployment assistance for persons with reduced capacity to work awaiting participation in supported employment (*Ledighedsydelse*). In the case of France, this arises from recipients of unemployment benefits including persons working less than 110 hours per month who are not counted among registered unemployed. Additionally, the data also suggest that Estonia has coverage of 100%. However, here situation is more nuanced in practice. In this case, unemployment insurance (*Töötuskindlustushüvitis*) and unemployment assistance (*Töötutoetus*) cover 30.5% and 18.0% of registered unemployed while those unable to claim either benefit receive compensation to cover social taxes.

Coverage tends to be higher in countries providing both *unemployment insurance* and *unemployment assistance*. Indeed, among the nine countries with coverage lower than 40% of registered unemployed (BG, CZ, LT, EL, SI, RO, HR, PL and SK), all but two (EL and RO) provide only *unemployment insurance*. It is possible in these cases that some of those ineligible or have exhausted their claim to *unemployment insurance* have the option to claim social assistance.

Assessing unemployment benefit coverage relative to numbers of registered unemployed has an important drawback in that unemployed ineligible for unemployment benefits may, due to the lack of financial incentive, opt not to register as unemployed. In some countries this risk is limited by receipt of social assistance requiring registration as unemployed. This is the case, for example, in Croatia where, where those unable to claim unemployment insurance (*Novčana naknada za vrijeme nezaposlenosti*) may, provided they are registered with the PES and meet eligibility criteria, receive a means-tested minimum income benefit (*Zajamčena minimalna naknada*) which is not covered in the LMP data. However, such a situation may not apply in all countries.

The proportion of registered unemployed that claim *unemployment insurance* and *unemployment assistance* and the relative importance of each in delivering this coverage depends on the characteristics of the benefits available and on the characteristics of persons registered unemployed. In terms of the former, key factors include the restrictiveness of eligibility criteria and the generosity of benefits in terms of their duration. For example, Danish unemployment insurance requires at least 12 months of prior employment (within the last 3 years) and lasts up to 2 years while Lithuanian unemployment insurance requires 18 months of prior employment (within the last 3 years) and lasts up to 11 months. Accordingly, in terms of the characteristics of persons registered unemployed, key factors include employment/contribution record and duration of the unemployment spell.

**Figure 19: Participants in unemployment benefits (category 8.1) by sub-category, (as % of registered unemployed), 2019**



EU corresponds to EU-27 excluding IT and CY for which data on registered unemployed are not available. Data for BG, DK, EE, EL, NL and SE include estimates.

Source: DG EMPL, LMP database.

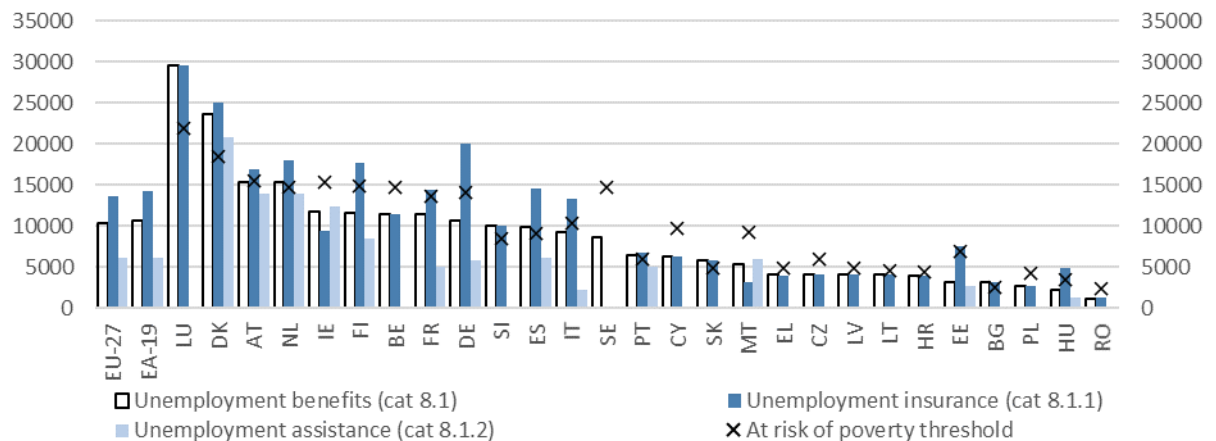
Ensuring adequacy while avoiding disincentives to work has also been highlighted as a key policy issue. Where both insured and uninsured forms of unemployment benefit exist, there is often a tapering of the income replacement provided. *Unemployment insurance* is usually provided only during the initial stages of unemployment for a limited period and tends to be more generous (with amounts sometimes linked to the previous wage) than benefits provided in later stages of an unemployment spell, which are typically paid at lower flat-rate. Indeed, across the EU in 2019, the cost of providing *unemployment insurance* for a year was more than twice that of *unemployment assistance* (13 667 vs. 6 075 Euro/ppy).

At national level, *unemployment insurance* is more generous than *unemployment assistance* in twelve of the fourteen countries where both are provided and data on the unit costs of these interventions is available (see Figure 19), the only exceptions being Ireland and Malta. In the case of the former, this result potentially derives from the fact that both unemployment insurance (*Jobseekers Benefit*) and unemployment assistance (*Jobseekers Allowance*) are both payable to people working no more than 3 days/week but only the latter is means-tested meaning that the recipients of the former may include a higher proportion of part-time workers receiving lower rates, resulting in a lower average unit cost. In the case of the latter, this appear to stem from unemployment insurance (*Benefiċċju għal Dizimpjieg*) being an individual benefit while unemployment assistance (*Assistenza għal Dizimpjieg*) is a household benefit paid to the head of household. While individual benefits cater for a single person, household benefits may seek to assist multiple persons (i.e. members of a household) and thus, all else being equal, offer higher payments to recipients.

Comparing the unit costs of unemployment benefits with national at-risk of poverty thresholds (60% of median equivalised income) demonstrates that the unit costs of *unemployment insurance* exceed poverty thresholds in fifteen of the twenty-six countries for which the data is available while the unit costs of unemployment assistance exceeded the poverty thresholds in just one of the twelve countries (DK). It is important to acknowledge, however, that those in the case that unit costs fall below the threshold, recipients are necessarily at-risk of poverty. The actual amounts paid to each recipient will vary depending on a variety of factors (e.g. dependants, contributions, previous income, other income, savings....etc.) and recipients may simultaneously receive income other sources such as social benefits (e.g. child allowances, housing benefits...etc.) or, in some

cases, part-time work. For example, where unemployment benefits can be paid to persons working limited hours, amounts granted in unemployment benefit may be reduced, reducing the average while income from employment is not considered. Indeed, in Ireland, where this is known to be the case, the unit costs for all types of unemployment benefits are below the poverty threshold.

**Figure 20: Expenditure per person year on unemployment benefits by sub-category (Euro PPY), 2019**



Data are estimates. Poverty threshold corresponds to 60% of median equivalised income for single person. Unemployment assistance is not applicable in BE, BG, CZ, HR, CY, LV, LT, LU, PL, SI, SK, SE. Data not available in NO. Data on unemployment assistance is not available in MT.

Source: DG EMPL, LMP database. Eurostat, EU-SILC (ilc\_li01).



## Annex

### A.1 List of abbreviations

EU	European Union
GDP	Gross domestic product
ILO	International Labour Organisation
JAF	Joint assessment framework
LFS	Labour Force Survey
LMP	Labour market policies
LTU	Long-term unemployment (12+ months)
PPS	Purchasing power standards
PWW	Persons wanting to work
STU	Short-term unemployment (<12 months)

### A.2 Presentation of the LMP statistics

LMP statistics cover labour market interventions which are public interventions in the labour market aimed at reaching its efficient functioning and correcting disequilibria. LMP interventions are distinguished from other general employment policy interventions in that they explicitly target groups with difficulties in the labour market.

This delimits the scope of the statistics to actions taken by general government which involve expenditure, either in the form of actual disbursements or of foregone revenue (reductions in taxes, social contributions or other charges normally payable) which act to favour the unemployed, those employed but at risk of involuntary job loss and people who are currently inactive in the labour market but would like to work.

LMP statistics collect data for labour market interventions. As a statistical unit, the concept of labour market intervention is purposefully flexible to allow countries to provide a representative picture of the system of labour market policies at national level.

In LMP each intervention is classified by type of action. They fall within three broad types of action:

- LMP services cover all services and activities of the Public Employment Services (PES) together with any other publicly funded services for jobseekers. Services include the provision of information and guidance about jobs, training and other opportunities that are available and advice on how to get a job (e.g. assistance with preparing CVs, interview techniques, etc.). Participation in these types of intervention does not usually result in a change of labour market status (e.g. unemployed remain unemployed).
- LMP measures cover interventions that aim to provide people with new skills or experience of work in order to improve their employability or that encourage employers to create new jobs and take on unemployed people and other target groups. Measures include various forms of intervention that "activate" the

unemployed and other groups by obliging them to participate in some form of activity in addition to basic job search, with the aim of improving their chances of finding regular employment afterwards. They are mostly short-term and temporary actions but on-going support for jobs that would otherwise not be sustained in the regular labour market is also covered.

- LMP supports cover financial assistance that aims to compensate individuals for loss of wage or salary and to support them during job-search (i.e. mostly unemployment benefits) or which facilitates early retirement for labour market reasons.

These three broad types of action are sub-divided into 8 categories of intervention which can in turn be sub-divided. The full classification scheme is shown in Box 1 and the definitions of each category can be found in the LMP methodology.

**Box 1 - Classification of interventions by type of action in LMP**

<b>1. Labour market services</b> <b>1.1. Client services</b> 1.1.1. Information services 1.1.2. Individual case management <b>1.2. Other activities of the PES</b> 1.2.1. Administration of LMP measures 1.2.2. Administration of LMP supports 1.2.3. Other services / activities	<b>5. Sheltered and supported employment and rehabilitation</b> <b>5.1. Sheltered and supported employment</b> <b>5.2. Rehabilitation</b>
<b>2. Training</b> 2.1. Institutional training 2.2. Workplace training 2.3. Alternate training 2.4. Special support for apprenticeship	<b>6. Direct job creation</b> <b>7. Start-up incentives</b>
<b>3. <del>Job rotation and job sharing</del> (Not used anymore – included in category 4)</b>	<b>8. Out-of-work income maintenance and support</b> <b>8.1. Unemployment benefits</b> 8.1.1. Unemployment insurance 8.1.2. Unemployment assistance <b>8.2. Partial unemployment benefits</b> <b>8.3. Part-time unemployment benefits</b> <b>8.4. Redundancy compensation</b> <b>8.5. Bankruptcy compensation</b>
<b>4. Employment incentives</b> <b>4.1. Recruitment incentives</b> 4.1.1. Permanent 4.1.2. Temporary <b>4.2. Employment maintenance incentives</b> <b>4.3. Job rotation and job sharing</b> 4.3.1. Job rotation 4.3.2. Job sharing	<b>9. Early retirement</b> <b>9.1. Conditional</b> 9.1.1. Full 9.1.2. Partial <b>9.2. Unconditional</b> 9.2.1. Full 9.2.2. Partial

For each LMP intervention, the LMP statistics include annual data on the following:

- Expenditure: Expenditure data is reported on an accruals basis. The data includes total expenditure as well as breakdowns which distinguishes firstly the direct recipient of the transfers (e.g. Individuals, Employers, Services provider) and then, where relevant, the type of expenditure (e.g. Periodic cash payments, Lump-sum payments, Reimbursements, Reduced social contributions, Reduced taxes).
- Participants: Participant data is reported for three main variables – Stock, Entrants and Exits. For each of these the data includes a total as well as breakdowns by sex, age and duration of unemployment. Further, data on entrants are broken down by



previous status (immediately before joining the intervention) and data on exits are broken down by destination (situation after exit from the intervention).

Stock is the most useful among the available observations for evaluating the level of participation in LMP interventions in a given year as it reflects the number of persons participating in an intervention at a given moment. In LMP stock data refers to the annual average stock which is usually calculated as an average of the stock at the end of each month. Note, however, that a stock observation is only relevant for LMP interventions which have a duration. It is not relevant for interventions which are one-off in nature, such as is typically the case for redundancy compensation.

- Qualitative information: In addition to the data on expenditure and participants, the LMP database collects comprehensive qualitative information to complement, and put into context, the quantitative data and which allows users of the database to understand the aims, targets and implementation methods of each intervention. This includes separate items for the intervention name, a detailed description, the classification by type of action, the type of expenditure, the operational and detailed target groups, the impact of participation on unemployment registration, the receipt of benefits, the planned duration, the area of application, the source of finance, the responsible institution and the time period of implementation of intervention. Much of this information is used to cross-validate the classification of the intervention and the quantitative data.

In order to be able to put the data reported for each LMP intervention into context, the LMP statistics also provide reference data on numbers of persons registered with the public employment services as jobseekers, unemployed or other registered jobseekers and numbers of persons with an individual action plan (IAP). This information effectively describes the target group for support through services and measures.

The LMP methodology requires, as a minimum, that expenditure data are complete for all interventions. Participant data are more difficult and some flexibility is allowed on the completion of data, though every effort is made to encourage countries to complete the participant data where possible.

However, despite best efforts some country remains unable to provide comprehensive data on participants. In order to avoid missing data in cases where participant data are almost complete, the dissemination process allows aggregates of participant data to be published so long as data are complete for at least 80% of the related expenditure and flags any cases of aggregates with less than 100% coverage as unreliable.

Further, the measurement of aggregate levels of participation in LMP interventions belonging to a specific category or group of categories is complicated by the issue of double counting. Double counting may occur legitimately when a person participates in more than one intervention at the same time. All known cases of double counting within a category of intervention are, where possible taken into account by appropriate adjustments. However, there is currently no method to handle cases of double-counting between interventions belonging to different broad classifications. For this reason, the following aggregations should not be made:

- Participants in category 8 should never be added to those in categories 2-7.
- Participants in category 1 should never be added with any other category.



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