



# Mutual Learning Services Support Contract

**Synthesis Report 2012**

*"Designing effective measures to tackle unemployment and ensure sustainable labour market integration"*

*December 2012*



A report submitted by **ICF GHK**

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## Document Control

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## Summary of Activities

The Mutual Learning Programme is an initiative led by DG Employment, Social Affairs and Inclusion (DG EMPL) aimed at promoting the exchange of information and good practice between Member States, as well as the wider dissemination of the European Employment Strategy (EES).

The purpose of this Thematic Synthesis Report is to summarise the main activities of the Mutual Learning Programme (MLP) during 2012 thematically, and to provide an overall analysis of the results and policy messages that have emerged from these activities. The document also provides a helpful signpost to other, more detailed documents available on the MLP website: <http://mutual-learning-employment.net>

The main activities that have underpinned the MLP during 2012 are as follows:

### Peer Reviews

[\*Activation measures in times of crisis: the role of public works\*](#); Riga, Latvia, 26-27 April 2012

[\*Extending working lives: Tripartite cooperation and the role of the Centre for Senior Policy\*](#); Oslo, Norway, 24-25 May 2012

[\*The dual training system: integration of young people into the labour market\*](#); Berlin, Germany, 24-25 September 2012

[\*Tackling undeclared work: developing an effective system for inspection and prevention\*](#); Prague, Czech Republic, 4-5 October 2012

[\*Evaluation of labour market policies and programmes: the use of data driven analysis\*](#); Brussels, Belgium, 19-20 November 2012

### Thematic Review seminars

[\*Employment policies to promote active ageing\*](#); Brussels, Belgium, 11 June 2012

[\*Tackling long-term employment: effective strategies to address long-term unemployment\*](#); Brussels, Belgium, 8 November 2012

### Follow-up and dissemination activities

[\*Study visit on public works and 'works of social value' programmes\*](#); Athens, Greece, 18-19 October 2012

## **1 Introduction: policy priorities to deal with a bleak economic and labour market outlook for 2013**

The outlook for European economies and labour markets regrettably remains bleak. In 2012, the slight employment recovery indicated in 2011 came to a halt. As indicated in the European Commission's [draft Joint Employment Report](#) published on 28 November 2012, the small increases in GDP forecasted for 2013 are likely to be insufficient to create employment and reduce unemployment.

Between the second quarter of 2011 and the same period in 2012, the number of employed individuals aged 20-64 in the EU decreased by 0.2%. The overall unemployment rate in the EU stood at 10.6% in 2012. It is particularly alarming that over 11 million unemployed Europeans have been out of work for more than 12 months. In addition, one in five young people are now unemployed, raising increasing concerns about a 'lost generation'.

These trends have contributed to higher rates of poverty and social exclusion and increasing polarisation in society and in the labour market. New contracts are increasingly concluded on a temporary basis and transition rates between temporary and open ended employment remain low.

In April 2012, the European Commission issued an [Employment Package](#) which urged Member States to strengthen their national employment policies in order to:

- Create the right conditions for job creation and labour demand;
- To exploit the job potential for the future in the 'green' and 'white' economies and well as in the ICT sector;
- To address skills mismatches through improved education, apprenticeship and ongoing training as well as by further improving matching services;
- To enhance labour mobility;
- To create the right balance between flexibility and security and prevent the excessive use of non standard contracts.

The activities of the Mutual Learning Programme (MLP) during 2012 have closely mirrored many of the priorities set out in the Employment Package and have addressed the challenges set out in the draft Joint Employment Report. In addition, there is also a significant degree of overlap between the focus of Country Specific Recommendations addressed at a significant number of Member States, for example in relation to transitions for young people, pension reforms and the extension of working lives and the reduction of barriers to entering employment.

This document summarises the main findings from the events and activities organised under the MLP in 2012.



## 2 Key topics for the MLP in 2012

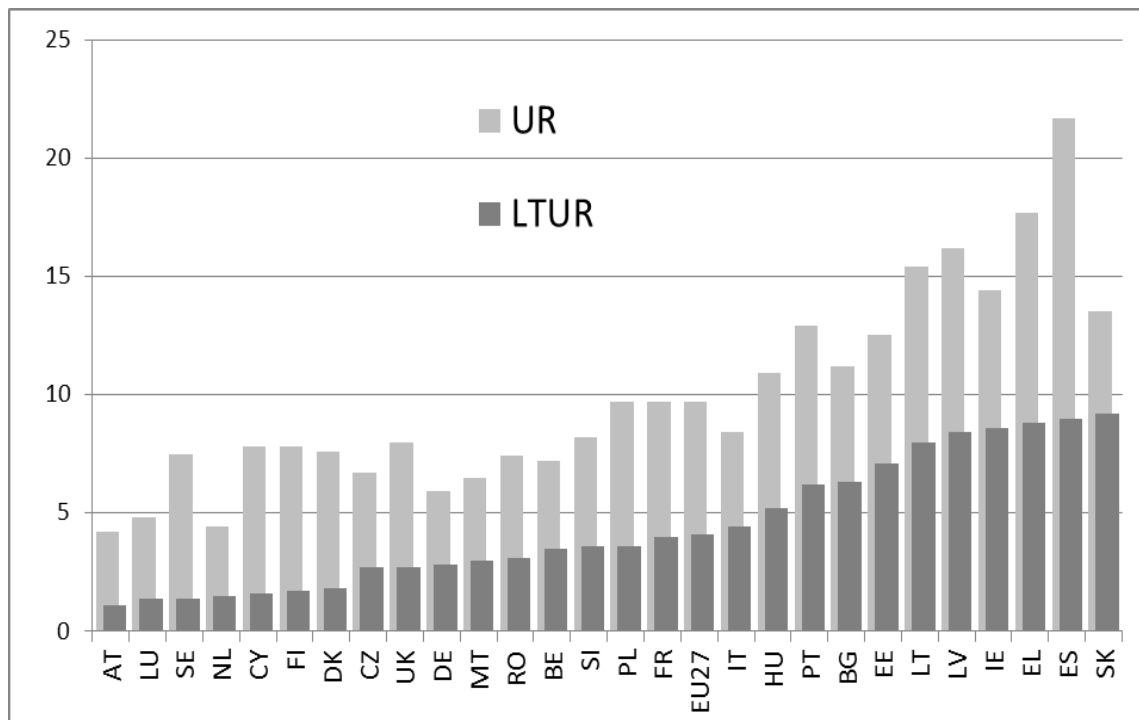
### 2.1 Tackling long-term unemployment: implementing effective active labour market policy measures and creating the rights incentives in the benefits system

#### 2.1.1 Introduction

Since the onset of the crisis, there has been a sharp increase in unemployment in the European Union. Since 2008, EU average unemployment rates increased from 7.1% to 10.6% in 2012. As a result, long-term unemployment (LTU) also increased, albeit with a time lag, from 3.0% in 2009 to 4.1% in 2011. It is estimated that this figure will increase when figures become available for 2012. In light of unfavourable economic prospects, in 2013, unemployment as well as long-term unemployment are set to continue to rise.

Although LTU has increased in almost all Member States, eight countries (France, Greece, Ireland, Italy, Portugal, Poland, Spain and the UK) account for 90% of the net increase in LTU between 2008 and 2011 (and Spain alone for 43%). Men, young people and low skilled workers are among the groups most affected by recent rises in LTU.

**Figure 2.1 Rate of unemployment and long-term unemployment in the Member States of the EU as a percentage of the active population, 2011**



Source: Eurostat; Presentation by Laurent Aujean, European Commission, Thematic Review Seminar of the MLP, Brussels, 8 November 2012

The nature of the previous contract held, occupation and sector have a significant impact on the likelihood of becoming LTU. For example, individuals on temporary contracts, those in low skilled occupations and individuals in the food and accommodation services, construction and administrative services are most likely to be over-represented.

In the context of a largely unfavourable economic climate in most Member States, the rate of return from unemployment to employment has decreased for all groups, but particularly for men, young people and low skilled individuals. There are significant differences between countries with the Netherlands and Sweden (for example) having high transitions rates compared to Greece, Bulgaria and Slovakia.

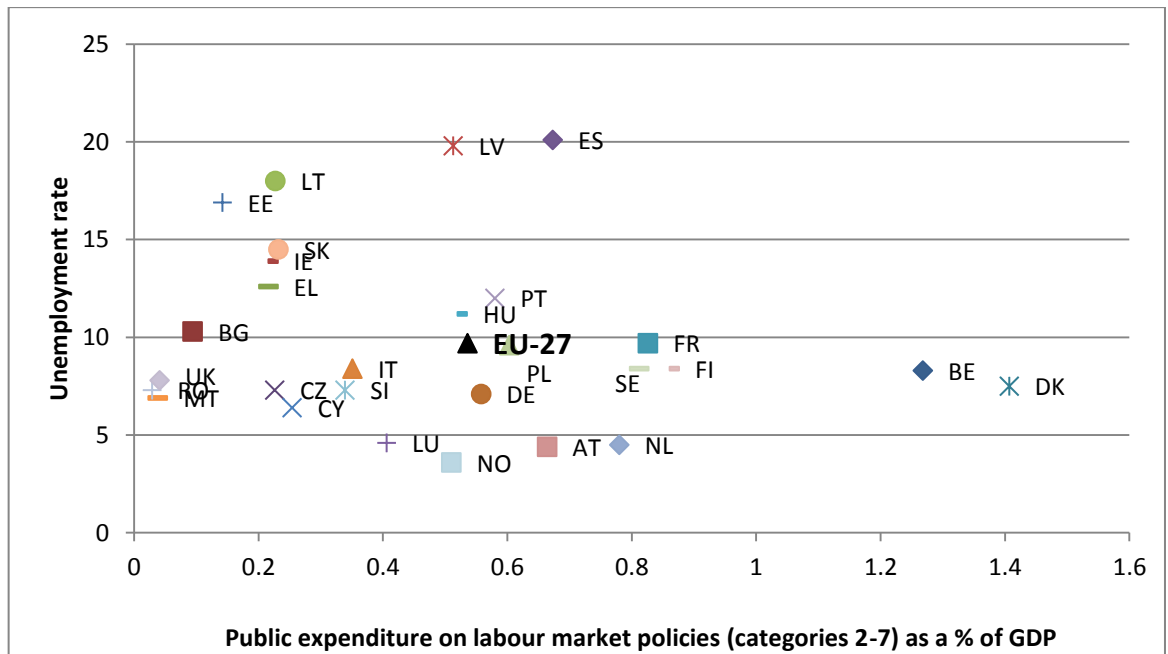
It is notable that data show a positive impact of participation in education and training on rate of return to employment, but such forms of support are less likely to be accessed by low skilled individuals. Similarly, those registered with the PES and receiving benefits show more positive transition rates. However, this could be linked to associated factors such as the duration of unemployment.

**2.1.2 Main lessons of MLP activities**

Successful approaches to tackling LTU unemployment where the subject matter of a [Thematic Review Seminar](#) in the autumn of 2012. Firstly, effective approaches in active labour market policy (ALMP) and benefit reform were explored.

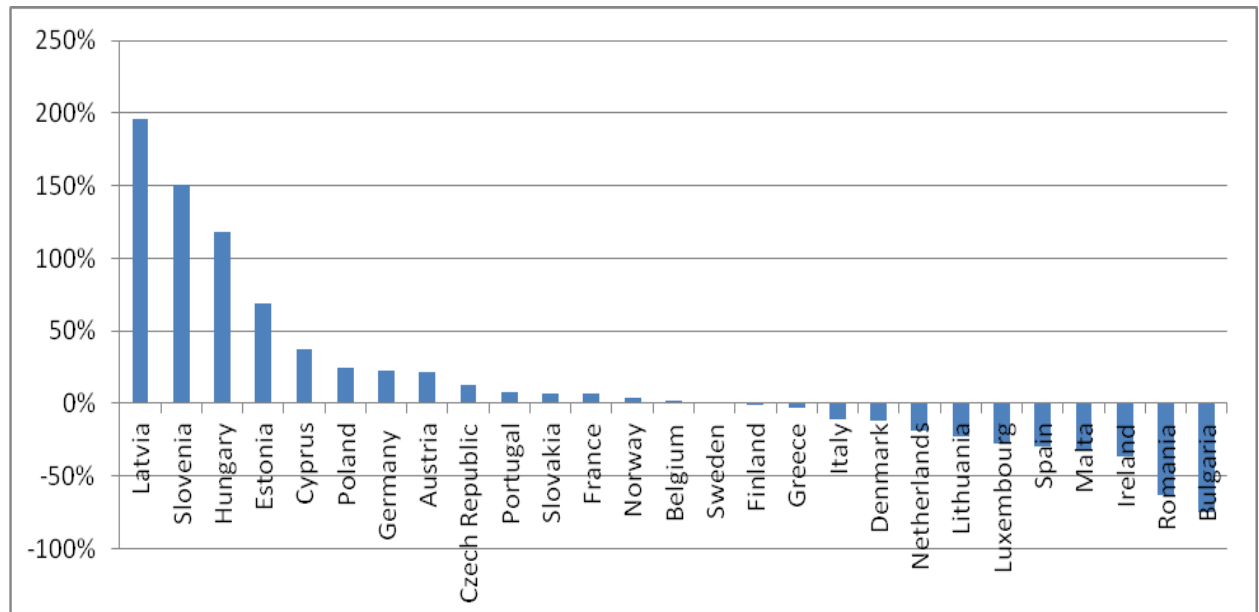
ALMP expenditure differs significantly from country to country (see Fig. 2.2 below), and no strong correlation can be found between level of expenditure and unemployment rates, with some countries with high unemployment rates having reduced expenditure on ALMPs during the crisis (in some cases as a result of strong fiscal consolidation, see Fig. 2.3 below).

**Figure 2.2 Unemployment rates and expenditure on ALMPs in different countries in 2010**



Source: Eurostat (LFS, LMP database, Note: 2009 data on ALMP expenditure for EU-27 and UK)

**Figure 2.3 Change in expenditures on ALMP (cat.2-7) per person wanting to work (in PPS) between 2008 and 2010 in %**



Source: Eurostat (LFS, LMP data base, ALMP expenditures refer to cat. 2 to 7) as presented by Nicola Düll at the Thematic Review Seminar of the MLP on 8 November 2012

There has been a general trend in ALMPs to focus on prevention on the one hand, and on the other to prioritise individuals considered most at risk of remaining unemployed. The latter requires a well designed and implemented profiling approach. This can be a challenge for cash-strapped Public Employment Services (PES) in a number of Member States (as reflected in Country Specific Recommendations emphasising the need to improve the effectiveness of the PES performance).

With regard to LTU, ALMPs mainly focus on the following initiatives:

- Measures designed to increase labour demand for disadvantaged groups (e.g. through wage subsidies)
- Measures to increase labour demand through lowering labour costs (or the combination of low wage jobs with social benefits)
- Direct job creation for hard to place individuals (e.g. public works)
- Generalised or targeted training measures
- Vocational rehabilitation measures for individuals suffering from health problems

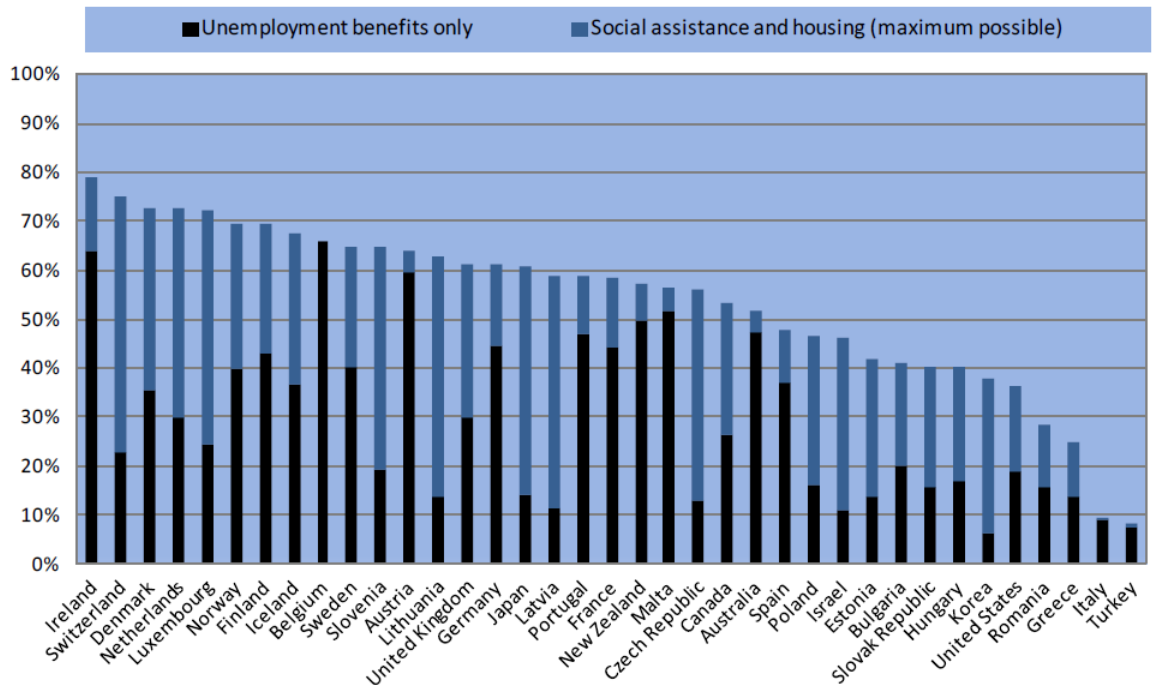
In addition, other measures have been taken such as reforms of employment protection legislation to encourage recruitment (e.g. easing restrictions on the use of fixed-term contracts). The discussion paper by Nicola Düll prepared for the Thematic Review Seminar identifies significant differences between countries by types of ALMP funded:

- Countries with more than 40% of the ALMP budget spent on training programmes: Austria, Portugal, Finland, Malta, Ireland, Germany, Italy, Latvia, France, Norway and Estonia.
- About 40% and more of ALMP budgets spent on employment incentives: Cyprus, Luxembourg, Romania, Sweden, Greece, Belgium, Estonia and Slovakia
- About 40% and more of their ALMP budget spent on job creation measures: Bulgaria, Hungary and Latvia

In terms of the effectiveness of ALMPs, evaluations often yield mixed messages. This is particularly true for training schemes which tend to yield results only in the medium term and can be effective in reducing the long-term social costs of youth unemployment. Overall, smaller scale ALMPs targeted at particular groups, regions or occupations tend to be more effective than large scale programmes. This is particularly true for large subsidy schemes which can have high deadweight effects. Offering a working environment and training as close to the realities and requirements of the labour market is most likely to bear fruit in fostering positive transitions.

The second focus of the Thematic Review Seminar was on benefit reform. Here it is important to note that countries differ significantly in term of the generosity (and period of entitlement) of unemployment and other social benefits. Fig. 2.4 below shows the relative importance of different benefit systems in different OECD countries and their replacement rates.

**Figure 2.4 Net replacement rates of unemployment benefits and other social benefit payments (2010 data)**



Source: OECD tax-benefit models, as quoted in Immervoll, H. (2012)

There is some evidence which indicates that increasing benefit generosity has an impact on slowing down job finding for the eligible population. However, such effects are modest and the link with overall unemployment is not clearly established. Financial incentives through the benefit systems have been shown to have the clearest effect on decisions on whether or not to work at all (rather than on the hours worked). These effects are particularly strong among women and low income groups. In his discussion paper prepared for the Thematic Review Seminar Herwig Immervoll argues that there is a risk to limiting entitlements, as this will sever the link to the PES. This is important as PES registration has been shown to have a positive impact on job finding and undermine family incomes.

Section 2.1.3 below provides further information on the nature of measures taken at Member State level to address the policy concerns outlined above and section 2.1.4 elaborates the main policy lessons.

### 2.1.3 Key policy approaches

#### *ALMPs to address long-term unemployment*

The Finnish model to tackle unemployment, presented at the Autumn Thematic Review Seminar is very much predicated on prevention, with reactive measures particularly focusing on health and vocational rehabilitation. The preventative approach is set within the framework of the so-called “Change security” model emphasizing early intervention in times of lay-offs. Employers are required to notify not only employees but also local economic development offices in advance of redundancies to allow planning to get under way for the retention, outplacement or reconversion of affected staff. Together with local partners, employers are required to prepare an employment action plan, with employment services offered by local PES often on company premises. Specialised Change Security Experts in the PES are trained to work with local partners and affected workers to provide individualized and targeted support to ensure rapid re-integration into the labour market. Specific sectoral and regional funds are available from central government to support the reconversion of affected sectors and localities.

Research of employment outcomes from ALMPs shows that the provision of start-up grants leads to the highest employment rates three months after completion of the measure (68.9%) followed by apprenticeship training (42.8%) and other labour market training (33.1%).

#### *Reforms of the benefit system to make work pay*

The Thematic Review Seminar provided examples from two countries which have introduced, or are currently in the process of introducing, significant benefit reforms with the goal of securing incomes while encouraging activation. The UK is in the process of implementing a benefits reform which aims to create a more transparent system in which work incentives are more apparent. The so-called *Universal Credit* will create a new single system of means-tested support for working-age people who are in or out of work. Support for housing costs, children and childcare costs will be integrated in the new benefit. It will also provide additions for disabled people and carers. It is argued that under the current system of a myriad of different in and out of work benefits and allowances, it can be difficult for individuals to calculate how much better off one would be in work. By removing the distinction between in-work and out-of-work support, Universal Credit removes the need to claim different benefits. It is hoped that this will reduce the risks associated with moves into employment that exist in the current system.

The system aims to ensure that work always pays as Universal Credit is withdrawn at a single taper rate of 65% as income from employment increases. Certain earnings disregards will also be in place to support family incomes and to allow individuals who wish to work limited hours (for example because of family commitments). Special allowances will be made for the payment of childcare costs and significant associated investment is being made in childcare provision.

The new system will be phased in over five years. A pilot scheme is being launched in April 2013 for new claims and natural migrations from a small subset of the unemployed caseload in the North West of England. From October 2013 Universal Credit is expected to be introduced more widely, with transition complete by 2017. The UK government expects that the introduction Universal Credit will lift 900,000 individuals out of poverty, including more than 350,000 children and around 550,000 working-age adults.

A major reform of unemployment benefits and ALMPs dating back some 10 years took place under the banner of the so-called *Hartz Reforms* in Germany. The goals of these reforms were essentially fourfold: to increase the willingness among unemployed individuals to take up a new job (e.g. to travel further for work, to accept a lower skilled job); to make work pay

without distorting the wage structure; to create more flexible forms of contractual arrangements to stimulate job creation; and to enhance activation measures to speed up transition rates out of unemployment.

A recent evaluation of the impact of the Hartz reforms has shown that the reforms have succeeded in encouraging unemployed individuals to accept lower skilled employment and less favourable working times. There has been a small increase in willingness to increase intra-regional mobility, but this remains limited. At the same time, there has been no impact on the reservation wage. Some negative impacts were noted in relation to sanctions imposed, particularly for young unemployed individuals.

The reform of the so-called “unemployment benefit 2” (previously social assistance), together with a range of ALMPs, has supported the creation of so-called “mini” and “midi” jobs. This has meant that the number of persons who top up income with benefits on a full-year basis increased from 330 000 to 600 000. Of particular concern for policy makers is that fact that there is little evidence of a stepping stone effect among holders of mini and midi jobs. The reform also contributed to some extent to the trend (already in train beforehand) towards flexible contractual arrangements, with an increase in fixed-term and temporary agency work, as well as limited part-time work. However, there is some controversy around the so called ‘mini jobs’ and their use as a substitute for regular jobs. Some studies indicate that the main beneficiaries of the Hartz reforms have been women on part-time and marginal contracts. It is clear that such contracts are sometimes sought to allow workers to reconcile work and private and family life. However, it is worth noting that the German government has, as the same time, significantly invested in the expansion of childcare facilities.

The evaluation of the reforms also found that matching has improved, the stock of LTU has declined and employment overall has increased. However, it remains a concern that the stock of LTU has not reduced as a result of outflows but due to reduced inflows. Addressing persistent long-term joblessness and limited transitions into stable, full-time employment therefore remain a policy priority in Germany.

#### **2.1.4 Emerging policy recommendations**

Effective ALMPs and benefit systems which make work pay while at the same time securing decent minimum income are clearly at the heart of the policy debate not only at EU level but also in the Member States. With regard to the effectiveness of ALMPs, one of the key messages remains that current evaluation efforts are insufficient to provide a clear picture on effective measures for different target groups. The subject of evaluation will be discussed further below, where the findings of a Peer Review on data driven labour market policy analysis are discussed.

From the limited (and sometimes contradictory) information currently available the following conclusions emerge:

- The prospects for the large scale expansion of labour demand through wage subsidies are poor as large scale schemes show limited success combined with strong deadweight effect.
- Smaller scale subsidy and indeed public works programmes can be effective if they are well targeted and combine work experience close to the reality of the labour market; individuals support and training with strong monitoring and follow-up;
- Work experience and training measures can also contribute to improving skills match and maintaining employability, even if there a no immediate employment outcomes;
- Prevention and early intervention are important and should be combined with an individualised approach. Both require strong support by PES (or private sector actors) with reasonable case loads, which some PES currently find difficult to achieve as budgets contract and demand increases.

- Benefit systems not only provide vital income support, but can also act as an important link between the individual and labour market intermediation by the PES;
- When considering unemployment benefit reforms, the wider benefit framework needs to be taken into account as both together are responsible for providing the necessary safety net;
- Benefit reforms which place greater requirements on job seekers during a recession can be counterproductive and a linking of benefit systems with economic trends has been recommended to extend entitlements during times of crisis;
- Benefit systems need to be transparent to allow clarity in demonstrating to job seekers that they will be better off in work. In-work benefit and specific attention to low wage sectors can play an important role here.
- The impact of LTU is particularly damaging for young people, who often are not entitled to any benefits. Activation measures should therefore particularly focus on creating successful transitions between education/training and the labour market. Measures in this area will be discussed in more detail in the upcoming section.

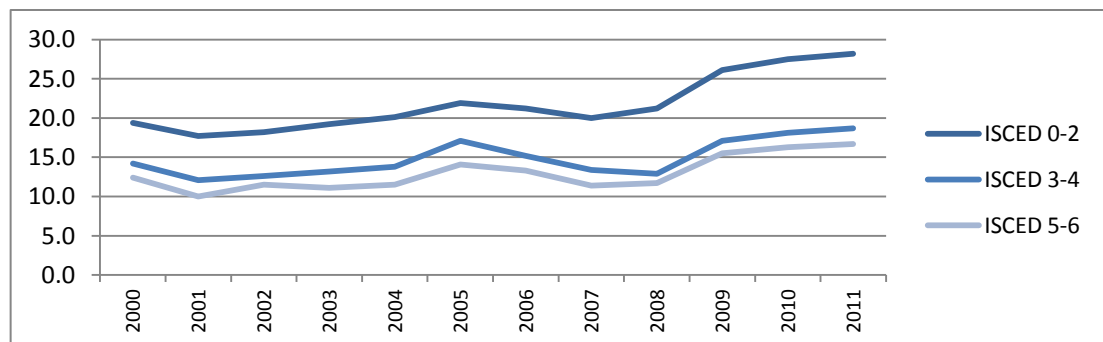
## 2.2 Securing positive transitions for young people: the role of apprenticeship type systems

### 2.2.1 Introduction

Across all Member States, fostering youth employment has become an urgent policy goal. In some countries youth unemployment rates around twice as high as the rate for the total working population throughout the last decade. Europe is facing a period where despite the growing proportion of young people enrolled in education, a large number of young Europeans are leaving the education and training system without the necessary skills needed to secure employment.

Transitions to employment can be a lengthy, time consuming process for many young people due to their relative lack of employment history and experience, as employers often prefer to recruit experienced workers. In addition, mismatch between the educational profiles of graduates and the qualifications required by employers are commonly reported. The lowest qualified young people are at particular risk of being 'left behind' in the transition from education to work as the demand for young unskilled labour is generally decreasing in all EU countries, and long periods of unemployment early in a young person's have clear long-term scarring effects.

**Figure 2.5 Youth unemployment rates (15-24 age group ) by level of educational attainment in the EU27**



Source: Eurostat, Labour Force Survey

Against this background, the EU has encouraged Member States to promote more apprenticeships, traineeships and other forms of work based learning to improve training and employment opportunities for young people. The European Council agreed at its informal meeting of 30 January 2012 that Member States should “*substantially increase the number of apprenticeships and traineeships to ensure real opportunities for young people in*

cooperation with social partners and where possible integrated in education programmes”. In addition, the Europe 2020<sup>1</sup> strategy and its flagship initiatives have also emphasised the need to focus on young people and stress the importance of policies to reduce youth unemployment. The flagship initiative ‘Youth on the Move’<sup>2</sup>, which aims to enhance the performance of education systems and to facilitate the entry of young people into the labour market, has set a number of priorities to improving youth job prospects. The most recent Commission Communication “Youth Opportunities Initiative”<sup>3</sup> (December 2011) reiterated the need for Member States and EU to combine their efforts to improve the situation of young people, mobilise EU financial support and instruments in this regard, develop innovative approaches supporting the transition from school to work and supporting mobility of young people in the labour market.

### 2.2.2 Main lessons of MLP activities

A Peer Review hosted by the German Federal Ministry of Labour and Social Affairs on the topic of “[The dual training system: integration of young people into the labour market](#)” was held in Berlin on 24-25 September 2012 as part of the Mutual Learning Programme.

Policymakers’ interest in the apprenticeships (and in particular on the German dual system) has soared in recent years, in light of Germany’s strong performance in terms of youth employment, which is undoubtedly partly due to the favourable economic situation and demographic development of the country, but also to its vocational education and training system dominated by the system of “dual training” (apprenticeship-type training involving a combination of in-company and school-based training). There is a consensus that high quality vocational education and training, particularly insofar as it includes a strong aspect of work-based learning, assists in smoothing the transition of young people from education to the labour market.

In Germany, the dual training system has proved to be an advantageous tool for both young people and enterprises. Many employers see offering apprenticeships as a way of preventing future shortages of skilled staff, which are likely to emerge as a result of demographic change. National evidence shows that the benefits of employing an apprentice in terms of their productivity begin to outweigh the costs of training from the second year of placement. In addition, former apprentices are valued because they are already familiar with the culture and processes of the organisation, which at the same time increases their motivation. On the whole, around 60% of former apprentices are offered a job after completion of their training.

The potential of apprenticeships is, however, still not fully exploited in most of Peer Countries. It was noted that one of the key success factors of the German dual system is its high reputation and long tradition and apprenticeship is a popular choice among young people (and indeed their parents). Across the Peer Countries, VET and apprenticeships in particular are often not considered as a high value pathway into the labour market and there is a weaker tradition of using apprenticeships to foster school-to-work transitions, except in Austria where a similar long-standing tradition can be found. Discussions during the Peer Review have highlighted that particularly in countries where there is a poor image of the vocational route in society and apprenticeships are considered a residual pathway, vocational guidance counsellors, schools and PES can play a role in raising awareness of the value of apprenticeships both among students and parents, but this must go hand in hand with measures to improve the quality and standing of this pathway. Developing more work-based VET to enhance the quality of VET and ease school-to-work transitions has already become recognised as a priority in various Peer Countries with different VET systems such as Finland, Latvia or Spain. In Spain for instance, recent and forthcoming reforms aim to incorporate elements of the ‘dual system’ model in VET. An important area for improvement in many Peer Countries relates to the involvement of social partners are

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<sup>1</sup> COM(2010) 2020, Brussels, 2010

<sup>2</sup> COM(2010) 477 final.

<sup>3</sup> COM(2011) 933 final



strongly engaged in the governance and delivery of VET, identified as one of the key success factors in Germany.

### 2.2.3 Key policy approaches

A key priority, including in those countries with a developed apprenticeship system, is to build a more inclusive training system offering apprenticeship and traineeship opportunities to all young people.

Measures to address the shortage of apprenticeships or training placements have been taken in many countries - including Germany - especially in the current negative economic context. Across Europe, the types of measures used to encourage employers to offer training placements include:

- Voluntary instruments: In Germany, the 'National Pact for vocational training and promoting next generations' specialists' signed for the first time in 2004 by the employers' organisations, the federal Government and the Länder and its re-incarnations since then have generally been considered to be successful as it has attracted additional employers to offer training places in the dual system.
- Subsidies to cover (part of) the cost of apprentices' remuneration or any associated social security or insurance costs: for example in Finland the apprenticeship subsidy for employers has been raised to € 800 per month as part of the Youth Guarantee. Increasing emphasis is being placed on the proper targeting of such subsidies to adverse long-term effects or perverse incentives.
- Measures focusing on the smaller and micro companies: the Austrian Public Employment Service, for instance, is offering support for SMEs to establish "training clusters" to allow them to use their joint bargaining power to source suitable training for their trainees. In the Netherlands, the possibility has been created for "rotating traineeships", which means that one employer is no longer required bear the cost of training and offering experience on their own.

Other complementary approaches focus on provision of support to disadvantaged young people who can be excluded from for apprenticeship-type training because of the high selectivity of enter into such placements. This is an important challenge in Germany as a significant part of the labour market matching takes place as this early stage, but this is also an important priority in other European countries. Measures under this category include:

- Pre-vocational programmes to prepare young people to enter apprenticeships: for example in Germany the "*EinstiegsQualifizierung*" scheme provides six to twelve months in-company pre-apprenticeship training to qualify young people for entry into apprenticeship into the dual system.
- Special programmes for disadvantaged young people with special educational needs: in Austria, the so-called integrative iVET (*Integrative Berufsausbildung*) supports disadvantaged young people whereas Produktionsschulen focus on dropouts from education or apprenticeship or and seek to support the reintegration into education or training or integration into the labour market.
- Vocational guidance: for example in Finland, the new Youth Guarantee foresees the delivery of more intensive vocational guidance to young people and includes different elements such as job coaching. The new Career Start programme (*ammattistartti*), piloted since 2006, is organised by vocational schools and intensified hands-on guidance, work try-outs and learning by doing. The programme lasts between 15 and 40 study weeks, with 5-15 study weeks devoted to career planning skills and work experience.
- Coaching/mentoring: in Germany the mentorship scheme (*Berufseinstiegsbegleitung*) provides direct counselling and guidance support to poorly performing students from the penultimate year of schooling at lower secondary level until two years after general schooling or up to six months after entering apprenticeship training. A similar measure currently tested in Austria is Youth Coaching (*Jugendcoaching*) which started in January 2012 as a pilot project in two Austrian provinces to help disadvantaged young people to decide on a suitable training and/or career path and supports personal stabilisation.

- Flexible curricula: modularised forms with certification of partial VET can offer a solution for young people whose training process might be interrupted or who may require additional time to complete a curriculum.

#### 2.2.4 Emerging policy recommendations

Member States should increase the availability of training opportunities which successfully combine theoretical vocational education with practical work experience, as the lack of experience and poor core skills are among the main factors why employers are reluctant to offer opportunities to young labour market entrants. The strong involvement of employers in the governance and delivery of apprenticeship training, to ensure the relevance of training curricula for ever changing workplace environments, is a key prerequisite. Therefore, various steps need to be taken to incentivise businesses to offer apprenticeships as well as to get involved in the development of VET curricula.

Early, individualised support can assist disadvantaged young people to access training opportunities. As young people with multiple challenges (e.g. relating to their school performance, social or migrant background, health status etc.) are most likely to struggle in obtaining satisfactory school performance and develop contact with potential employers, a holistic approach to addressing these challenges through guidance and mentoring is often required. For such measures to be successful, counsellors or mentors have to have access to significant networks among employers, schools, training bodies, the community, as well as parents in order to be able to offer constructive advice and solutions. An ever-present challenge in the delivery of such measures is to avoid indirect incentives for creaming of young people who might be easier to integrate and to ensure a safety net for those who struggle to benefit even from more intensive forms of support to ensure that no young person is left behind.

The EU has a strong role to play to support policy developments in this area. As part of the Youth Opportunities initiative, €1.3 million of the European Social Fund budget will be spent on providing technical assistance to the development of apprenticeship schemes. Key lessons and success factors should be shared at the EU level as this is an area where strong needs for mutual learning can be identified.

### 2.3 Creating employment opportunities in a weak labour market: the role of Public Works

#### 2.3.1 Introduction

As indicated above, many Member States are faced deteriorating labour market prospects in 2012, with further increases in unemployment forecast for 2013. The grim economic outlook was also reflected in the sixth Flash Eurobarometer on *'Monitoring the social impact of the crisis: public perceptions in the European Union'*<sup>4</sup>. The report found that 80% of respondents think that poverty has increased in their own country over the past 12 months and 36% expects their household's financial situation to deteriorate, compared with 26% in October 2010.

The European Commission's Communication 'Towards a Job Rich Recovery' urges Member States to strengthen their national employment policies. In more practical terms, the package proposes, for instance, to create the right conditions for job creation and labour demand (e.g. hiring subsidies, support self-employment), exploit the upcoming economies (e.g. green economy, health services and ICT), establishing decent and sustainable wages, thereby avoiding low-wage traps, ensuring appropriate contractual agreements, improving labour mobility and better matching of labour market demands vis-à-vis job seekers. In addition to these measures, it must be acknowledged that there can be a certain segment of the labour market (particularly low-skilled, long-term unemployed individuals) who can struggle to gain access to the open labour market and for whom job placements in the competitive market

<sup>4</sup> [http://ec.europa.eu/public\\_opinion/flash/fl\\_338\\_en.pdf](http://ec.europa.eu/public_opinion/flash/fl_338_en.pdf) (Fieldwork: December 2011, Publication date: April 2012)

combined with training is not immediately appropriate to improve their chances of a sustainable transition outcome. In addition, depending on the specific benefit framework of the Member States, there is also a challenge of ensure a decent level of basic income for individuals whose entitlements to unemployment benefits (and potentially other social benefits) have been exhausted.

In such situations, some Member States have taken the role of creating employment through Public Works, often in relation to the maintenance of public spaces and other tasks considered beneficial for the community but not currently carried out by public actors through the regular labour market.

### 2.3.2 Main lessons of MLP activities

The key features and employment outcomes of Public Works initiatives were discussed in a Peer Review hosted by the Ministry of Welfare of the Republic of Latvia, in collaboration with the State Employment Service. This was subsequently followed up by a study visit by the Latvian Ministry to their counterparts in Greece to assess lessons from their Public Works Programme.

Discussion at the Peer Review emphasised that it is important to be clear about the specific goals of the public works programme. An emphasis on social assistance functions requires particular attention to be paid to compensation systems, whereas a predominately integrative function requires schemes to pay more attention to the development of individualised pathways which combine public works with training and other assistance.

Approaches to Public Works programmes can differ in relation to a range of factors including:

- Eligibility criteria;
- Method of allocation;
- Length and frequency of participation;
- Availability of training;
- Level of compensation;
- Level of regulation/control;
- Partnership;
- Funding; and
- Processes of monitoring and evaluation

The Latvian Programme targeted registered unemployed who do not receive unemployment insurance benefits and entry into the programme was based on the principle of 'first come, first served' (i.e. based on waiting lists). A Public Works scheme in Greece, on the other hand, emphasised the importance of targeting those in most need. Here allocation is on the basis of a classification list of the registered unemployed who apply to the programme. The long-term unemployed and young persons under the age of 29, followed by unemployed in the age group 55-60 are prioritised. Portugal introduced so-called 'occupational measures' in 1985 which target the long-term unemployed and those who are less likely to (re-)enter the labour market on their own.

In term of frequency of participation, in Latvia and Hungary participants are allowed to re-enter the Public Works Programme but in Greece participants can only participate once.

With regard to the availability of training whilst on public works, it was recognised that this was important in order to improve the employability of the participants, however, in many schemes only on the job learning, rather than any more formal training is foreseen as part of the measure. Hungary recently started with training programmes whereby participants of the Public Works Programme enter into a training of one or two days a week, while working under the programme for the remaining days of the week. Although Greece supports the training element for their PWP, unemployed have the opportunity to participate in training

programmes (e.g. training vouchers) outside the programme as the training cannot be undertaken simultaneously as the PWP does not offer a part-time provision. In Ireland, there is recognition that attempts to effectively meet dual objectives of service provision and activation within a public job creation programme may not be realistic; and that separation of these objectives may ultimately ensure more effective provision both for the communities/municipalities served and the programme participants. Experience in Ireland has shown that skills training and further education programmes are more effective than public employment programmes in terms of labour market progression and are generally less expensive.

The issue of the level of compensation for participants of public works programmes was controversially discussed at the Peer Review. There was a feeling that even if this is lower than the minimum wage, it is expected that should be substantially higher than alternative social assistance benefit such as the Guaranteed Minimum Income (GMI).

All countries emphasised the importance of working in partnership with key stakeholders and, especially, fostering a partnership approach with local actors, for instance the PES, local authorities and the third sector. The success of public works programmes relies on close cooperation between stakeholders in the locality.

One apparent success factor of the Latvia example has been the careful monitoring and evaluation activities undertaken throughout the programme. Monitoring and evaluation of programmes track what is being done and whether the programme is making a difference. As public budgets become stretched, careful monitoring and evaluation is needed to underpin investment in different programmes. This is even more relevant in times of crisis where findings from evaluations could help shifting money elsewhere if programmes are not showing the desirable impact. A challenge for this type of initiatives is to develop robust monitoring systems to follow the individual's progression after their participation in the programme.

### 2.3.3 Key policy approaches

The host country presented its Workplace with Stipend Emergency Public Works Programme (WWS) was a short-term crisis measure, designed by the host organisations, in close collaboration with municipalities, and with the World Bank. The aim of the measure was two-fold: firstly, to retain long-term unemployed in the labour market, in order to help them maintain their professional skills and lower the risk of inactivity and social exclusion for them during a period of little or no job creation; and secondly, to strengthen the social safety net in order to reduce the impact and the severe social consequences of the economic crisis.

The public works tasks offered by the measure consisted of lower-qualified community jobs (in municipalities). The jobs had no commercial aims and included tasks such as cleaning, improvement and maintenance of public infrastructure, small infrastructure building works, clean-up of polluted areas, work in parks and forests and municipal social services (e.g. assisting the elderly).

Public Works Programmes were also identified in Greece, Portugal, Hungary, Ireland and Romania. Greece and Latvia subsequently expressed an interest in a more detailed exchange of information through a study visit.

The Ministry of Employment of Latvia had an interest in learning more about the procedures used in Greece for selecting candidates to participate in public works programmes. Greece has developed a point system to select candidates from the registered unemployed candidates interested in participating. The point system prioritises the long-term unemployed and young persons under the age of 29, followed by the unemployed in the age group 55-60. The selection procedure used in Latvia is based on the 'first-come-first-served' principle, which has its limitations.

From the Greek side, the Greek Ministry of Employment and the Greek Manpower Organisation (OAED) who is running the public works programmes in Greece were interested in the evaluation methods used in Latvia and the evaluation results of the programmes.

The study visit allowed for a more detailed exchange of information on these issues which was considered highly fruitful by both sides.

### 2.3.4 Emerging policy recommendations

It was emphasised that Public Works programmes should be implemented without ‘contradicting’ the existing welfare state. With this in mind, these programmes should be temporary and should not outlive their necessity in order to avoid benefit traps. However, there can be a role for ‘public works’ post-crisis, in a better performing economy, as long as they are properly targeted; aimed at those who need supported employment (thereby achieving social inclusion aims) and complement other support measures.

Fostering a partnership approach at a local level (with the PES, local authorities and the third sector) is a critical factor for the successful delivery of these initiatives. For the local authorities, the networking and knowledge-sharing builds capacity to facilitate delivery of more effective and efficient measures at the local level. For the third sector also, this type of programme can build capacity within the sector and support job creation.

It is essential to maximise the potential value of some public works. Certain types of activity (e.g. the social care and environment sectors) are of value as they may not only facilitate positive transitions but also help to close skills gaps.

When working with hard-to-reach groups and long term unemployed people, putting in place individualised action plans has proven successful for activation: training, counselling and ‘peer support’ activities can also have a role in some public works.

As demonstrated in the Latvian example, robust evaluation is essential to provide the evidence to underpin the investment in this type of measure. Evaluation can help identify any potential substitution effects and assess the impact on the employability of the participants, develop recommendations for the design of future programmes and provide feedback to both local actors and policy makers.

## 2.4 Combatting undeclared work: a growing challenge in the context of high unemployment

### 2.4.1 Introduction

Undeclared work is a common concern in the EU and has serious economic, budgetary and social implications in the Member States. In particular, it can have a negative impact on work quality, skills development and lifelong learning, the health and safety of workers (including access to health care) and social protection systems (e.g. pension savings). However, it should be noted that there is no common EU definition of undeclared work.

On average, the size of the shadow economy stood at 19.2% of GDP in 2011<sup>5</sup>. A 2007 Eurobarometer survey on ‘Undeclared work in the European Union’<sup>6</sup> found that roughly 11% of the EU population admitted to have bought goods or services that involved undeclared work and 5% of the citizens reported to have undertaken undeclared work themselves within the previous 12 months. These figures should however be taken as the lower limit of all undeclared work activities in the EU. A study by Schneider (2011) reported that on average almost a quarter of the EU population is thought to be involved, although this number varies substantially between countries.

The extent, pervasiveness and significance of undeclared work led the EU to include this issue as a priority in a number of recent policy documents. The Employment Guidelines stipulates that Member States should set up measures to reduce undeclared work. In addition, the Annual Growth Survey, which sets out the priorities for 2012 in the field of employment, urges Member States to reinforce transitions from informal or undeclared work to regular employment. These employment priorities have been complemented by the Commission Communication entitled ‘Towards a job-rich recovery’, published in April 2012

<sup>5</sup> Schneider, F. (2011), ‘Size and development of the Shadow Economy from 2003 to 2012: some new facts’.

<sup>6</sup> [http://ec.europa.eu/public\\_opinion/archives/ebs/ebs\\_284\\_en.pdf](http://ec.europa.eu/public_opinion/archives/ebs/ebs_284_en.pdf)

as part of the Employment Package. Tackling undeclared work is one of the priorities in this Communication, emphasising the negative implications of the shadow economy on working standards, skills development and learning, pension rights and access to health care. The implementation of Directive 2009/52/EC on sanctions and illegal workers, as well as supporting undeclared workers to integrate into the regular labour market are proposed pathways to reducing undeclared work. The Communication also foresees the possible creation of an EU-level platform between labour inspectorates and other enforcement bodies.

Whilst the nature and extent of undeclared work varies from one country to the other, depending on the economic, social and political context, some common causes can be identified. Generally, undeclared work is driven by low economic growth, high unemployment coupled with low labour demand, as well as a prevalence of low basic skills. Individuals tend to enter into the grey economy when tax, social security and legal systems make declared work less favourable. High non-labour costs for employers (covering administration, health provision, parental leave, training etc.), differential tax rates (between, for example, the status of employed and self-employed), low wages (and hence low retained earnings), high marginal tax rates (from benefits to work) and restrictive labour laws (for example, in relation to the high cost and inflexibility in issuing redundancies) have all been cited as exacerbating factors.

There are various types of undeclared work, but the most common are the so called-shadow self employment, 'envelope wages', and undeclared overtime. The sectors that commonly make use of these types are those with high labour demand, particularly for low-skilled workers, and marginal value-added activities. Construction, care services, agriculture, transport, wholesale/retail trade, personal services and seasonal work regularly fall into this category. At the company level, micro, small and family-run businesses seem particularly susceptible due to their tight financial margins. And at the individual level, young people, students, women and pensioners are at a greater risk of working illegally due to their more vulnerable position in the labour market, non-marketable skills and their need for a second income to make ends meet.

#### **2.4.2 Main lessons of MLP activities**

The Czech Republic hosted a Peer Review on this issue in October 2012 where it presented its measures to tackle undeclared work. These have been underpinned by recent changes to Czech labour legislation and taken forward by a European Social Fund project "Effective System of Employment Development, Implementation of Comprehensive Inspections and Tackling Undeclared Work in the Czech Republic". Since its launch in July 2011, the project has aimed to reduce illegal employment by setting up a new, unified system of inspection activities. This system has involved direct cooperation between the State Labour Inspection Office, Czech Social Security Administration, Czech Labour Office and other authorities in the recruitment and training of over 330 inspectors, as well as plans to procure fully equipped 'mobile offices' for inspections. The project has also used "CzechPoint", a network of contact points (located mainly in post offices as part of e-government) where target groups of jobseekers are regularly required to check-in at short notice in order to disrupt patterns of illegal work.

Across the EU countries, the range of measures to tackle undeclared work can be understood in terms of a process, from prevention and deterrence, through to detection, negotiation and finally action. Some countries, such as Estonia, are characterised by a more preventive approach, involving large-scale awareness-raising campaigns, the strong development of e-services (to access information and advice and reduce the 'burden' of honest tax administration), anonymous whistle-blowing and 'second chance letters' to correct employer/individual behaviour before it becomes too late. Other, more detective measures can be found in the Czech Republic and Germany where there is a strong (although not exclusive) focus on controls and inspections.

Undeclared work is a complex issue and therefore requires strong cooperation between the different state authorities, as well as other labour market actors. In many countries, organisations covering labour inspection, revenue, social welfare, security, customs and

social dialogue, to name but a few, work together to exchange information and coordinate preventive and control measures. Success factors in the cooperation include the existence of formal agreements (with clearly defined roles and responsibilities), joint inspections, access to or ideally integration of databases, and legal arrangements covering such matters as data protection. With regards to the unemployed, a balanced combination of activation, monitoring and sanctions can be effective in dissuading or preventing individuals from engaging in undeclared work.

### 2.4.3 Key policy approaches

Undeclared work is present in all countries and the way it is tackled depends on the national situation. The different measures put in place range from prevention to restriction, through to detection, negotiation and finally action.

Preventive approaches can include a mix of measures, from public awareness-raising (e.g. Estonia, Ireland and Lithuania) through to more structural changes in the country's economy. Other effective measures have been the anonymous whistle-blowing described by Ireland and Latvia or the 'Letter Project' implemented in Estonia as a way to improve tax behaviour among firms. The aim of this project was to reduce the cost of labour and the amount of time spent on controls, as well as to provide an opportunity for firms to voluntarily start paying their taxes.

As undeclared work tends to be concentrated in certain sectors, measures to tackle prevention and detection in these sectors play an important role. For example, Greece has recently introduced a special voucher which can be used as a means of compensation for those occupations, such as domestic workers (cleaners, gardeners, private teachers, child and elderly care providers, etc.), where undeclared work is more extensive. The voucher has brought important changes as regards the method of payment and insurance for domestic workers.

A combination of preventive and detective measures has also been pointed out during the Peer Review. For instance, in Estonia, inspection methods, such as document controls have been combined with monitoring and counselling of firms which were considered to be at risk of tax evasion with the primary aim to improve future tax behaviour. A similar example was described by Ireland, where a Special Investigations Unit (SIU) has been established to investigate potential cases of fraud and to conduct face-to-face interviews with suspected claimants.

In terms of more restrictive measures, examples can be found in Germany and the Czech Republic where large-scale controls have been implemented and fines increased. In the case of Germany, penalties against undeclared work were raised to up to 300,000 EURO for illegal employment and non-payment of social contributions. Another important aspect of restrictive approach is the improvement of the inspectorate service. All countries emphasised the importance of improving inspectors' remuneration and training, with prospects of career development and job security. In line with this, bonus and payment-by-results systems are operated in some countries, such as Latvia. In some cases, there may be value in organising inspectors into specialist teams, which helps to give a professional cadre to the service, as well as deal with more dangerous or large-scale cases.

In order to achieve a greater cooperation between the different authorities involved in tackling undeclared work, it was pointed out that co-operation agreements defining roles, procedures and ways of communication are needed.

### 2.4.4 Emerging policy recommendations

The first factor which must be achieved is the clear political will and backing to tackle undeclared work. It is clear that some measures can be costly and require investment in manpower, but without such support, the capacity and credibility of any measure can be severely undermined. Moreover, there is a need for a clear and robust legal framework – one that clearly defines undeclared work, gives authority to inspectorates and helps to enforce penalties.

Inspectorates can only be effective if they are adequately staffed and equipped appropriately to carry out their duties. They must also have the authority to access premises and carry out their work in a way which leads to effective detection and sanctioning.

In terms of prevention, the benefit system and other measures which make declared work pay have a significant role to play. In this regard progressive tax system, in-work benefits and reductions in the marginal rate of tax can prove to be helpful. An important role can also be played by the reduction of non-wage labour costs and other measures to encourage employers to recruit in the open labour market.



## 2.6 Keeping a focus on the impact of demographic change during the crisis: successful active ageing strategies require actions throughout the lifecycle

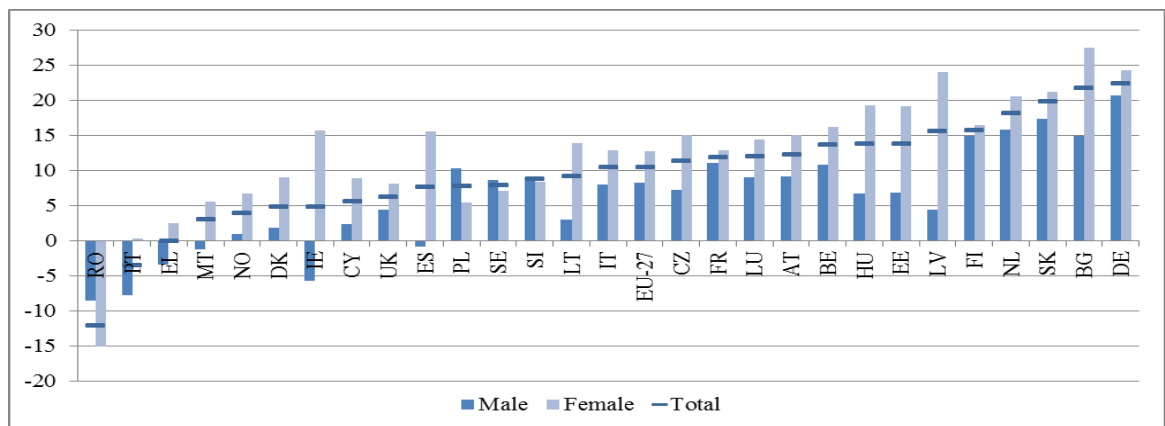
### 2.6.1 Introduction

The EU has recognised the importance of demographic changes as one of the most significant challenges facing European societies in the decades to come. In recognition of the importance of demographic change and its impacts, the EU has designated 2012 as the [European Year for Active Ageing and Solidarity between Generations](#). In this context it identified three main challenges: early retirement, isolation of older people and ill health in older age<sup>7</sup>. The concept of active ageing recognises, among other things, that if people are to work longer, they will need to be in good physical health and mental health and may need to have access to flexible working arrangements.

Across the EU, the employment rate of the 50-64 age group has already significantly increased from 37.5% in 2000 to 47.4% in 2011 and is expected to increase further, partly due to cohort effects and increases in participation among older women.

However, whether this incremental change is sufficient to overcome the impact of demographic trends and reach the employment target set by Europe 2020 strategy (75% of the population aged 20-64 in employment) is questionable. It is therefore likely that further policy intervention at the national level will be required to support the participation of older workers in the labour market and encourage the extension of working lives. There is a huge potential for peer learning in the area of active ageing strategies and policies, as European countries are doing remarkably better than others in terms of labour market participation of older workers.

**Figure 2.6 Change in employment rates for the 55-64 age group between 2000 and 2011**



Source: Eurostat

### 2.6.2 Main lessons of MLP activities

The MLP has contributed to the European Year of Active Ageing and to the exchange of good practice in the area by organizing a Peer Review in Norway in May 2012 on the topic of [Extending working lives: Tripartite cooperation and the role of the Centre for Senior Policy](#), followed by a Thematic Review Seminar in Brussels in June 2012 on [Employment policies to promote active ageing](#).

Although there are significant differences among European countries in terms of the ageing of their workforce, employment rates among older workers and average exit age from the labour market, there is a wide recognition that older workers face specific challenges on the labour market and that extra efforts are required to encourage of effective extension of

<sup>7</sup> Commission Staff Working Document on the European Year for Active Ageing (2012) SEC(2010) 1002 final

working lives. Overall, the recognition of the importance of these issues is growing in all Member States and the political and societal commitment to active ageing is building up.

The complexity of the issue at stake needs to be acknowledged. Indeed, an individual's ability and readiness to continue working is conditioned by a multiplicity of factors, including general policy context and characteristics of pension, health, lifelong learning systems) wider societal factors such as values, workplace characteristics and individual factors and personal characteristics, value, health status, etc. In addition, the economic context and the availability of job opportunities for older workers of course play a crucial role. Older workers tend to be more affected by restructuring because they are often overrepresented in economic sectors facing decline. It is important to note however, that overall employment rates for older workers did not drop as a result of the crisis, as early retirement was not used as an adjustment variable.

Discussions during the Peer Review in Oslo and the Thematic Review Seminar have highlighted that virtually all countries have started to take steps to eliminate disincentives to extending working lives, although most of the attention so far has been placed on reforming pensions in order to keep older employees in work, for instance by phasing out early retirement schemes, increasing the statutory retirement age or raising contribution years. These so-called “stick measures” have already had a clear impact on the labour market participation of older workers. However, the effective extension of working lives will remain challenging without accompanying measures to improve working conditions and employability around the lifecycle. Indeed, many barriers to work at an older age remain on the ground; for example, the lack of motivation of older workers needs to be taken into account and calls for the implementation of genuine age-friendly policies.

### 2.6.3 Key policy approaches

Some countries have already started to put in place comprehensive approaches looking at working life improvements over the entire career. This type of interventions at the national level include:

- Measures to promote access to lifelong learning and occupational mobility to maintain employability
- Measure to promote “work ability” over the lifecycle and supply age-adequate workplaces. This includes the implementation of actions plan at the company level, as well as individual plans, especially for these groups of (older) workers considered most at risk.
- Measures related with work organisation and working time reduction, to promote health and favouring reconciliation between work and family life, including specific measures centred on the preretirement period such as part-time retirement.
- Measure to promote change in attitudes and management styles and tackle the persistence of negative stereotypes on older workers, a key challenge in many Member States. The role of promoting a “resources perspective” (i.e. seeing the senior employees as a critical resource for employers and for society as a whole) has had some positive impacts in Norway, as noted during the Peer Review. In Norway, social partners are playing a central role in such strategies. The tripartite [Centre for Senior Policy](#) acts as a national centre of expertise actively advocating what is needed to motivate Norwegian workers to stay longer in work and stimulating age diversity.

Discussions during the Thematic Review Seminar have also focused on the role and scope for interventions of social partners at the EU level to encourage longer careers. For example, in the health care sector, one of the sectors most affected by ageing, the European-level federations of social partners HOSPEEM and EPSU are currently elaborating common guidelines and good practice to address the challenges of an ageing workforce through the activities of a bipartite working group.

### 2.6.4 Emerging policy recommendations

To support the effective extension of working careers, key priorities at the national level should include:

- Reforming pensions systems not only with a view to discouraging early retirement but also rewarding delayed exit from the labour force (e.g. introducing 'flexible' retirement ages with the possibility of combining income with pension).
- Stepping up the development of initiatives aiming to foster societal change and tackle negative stereotypes about older workers and encourage the adoption of age-friendly policies at the workplace and age diversity management,
- Developing lifecycle strategies that focus on quality of working conditions and on the maintenance of work ability. Such strategies must be comprehensive and cover aspects such as career planning, healthier working environments, measures to develop work ability, lifelong learning and flexible working time arrangements, not only for older workers, but for all workers across the life cycle, as many of the issues facing workers aged 50 or above have their root causes in earlier working life.

A key success factor identified is partnerships at all levels between involved stakeholders. Indeed, social partners play an active role in supporting active ageing policies in many European countries as they play a primary role in shaping and improving working conditions. In countries where there is a long standing tradition of cooperation between the government and social partners, such cooperation provides an effective framework for the development of active ageing policies.

Concerning the role played by the EU, it seems that there is a large scope for mutual learning in the area. Guidance should be produced at the EU level, building on the results and findings of the European Year 2012, to encourage Member States to encourage policymakers and stakeholders to focus on active ageing strategies.

## 2.7 Evidence policy making in a time of austerity: the contribution of data driven analysis

### 2.7.1 Introduction

In the context of greater budgetary stringency, the emphasis on evidence-based policy making and evaluation of labour market policies and programmes is growing across Europe. Indeed, the need for sound active labour market policies has become even more pertinent within the current labour market context. Although Member States actually invest significant resources in active labour market policies, there is still a lot of uncertainty as to the relative (cost) effectiveness of some of these policies and sound labour market policy evaluation is still not systematically developed. As already highlighted during a Peer Review held in 2011 ([Evaluation of Labour Market Policies and Programmes: methodology and practice](#)), the level of development of an evaluation culture is still uneven across the EU and various factors contribute to fostering an evaluation culture such as the political commitment to evidence based policy making, legal requirements for evaluation, large scale policy changes and requirements of European funding and training and education of evaluators to embed evaluation throughout the policy cycle. In addition, one of the key success factors and prerequisites for sound evaluation is the availability of data.

### 2.7.2 Main lessons of MLP activities

The Department of Work and Social Economy of the region of Flanders hosted a Peer Review on [Evaluation of labour market policies and programmes: the use of data driven analysis](#) in Brussels, Belgium in November 2012.

It was highlighted during the Peer Review that there is an increasing understanding of the potential use of administrative data in evaluation of labour market policy across Europe. Administrative data (collected by social security institutions, public employment services, etc.) can be used as a relevant source of information, not only to organize and monitor the implementation of labour market policies, but also to evaluate their outcomes and impacts. Exploiting administrative data for evaluation purposes offers some clear advantages: using and processing administrative data is much cheaper than launching surveys (and large

samples can be used), it avoids the problem of selective non-response and allows to collect reasonably accurate longitudinal data.

Over the last years, the development of IT infrastructure enabling better storage of data and increased the options for complex data interrogation, as well as the merger between labour market institutions in some countries, have facilitated the use of administrative data and/or unified datasets. In addition, in various countries, the use of European Social Fund to co-finance active labour market policies is also encouraging the development of such approaches. Indeed, ESF managing authorities are legally required to process personal data concerning beneficiaries of measures, to provide the necessary resources and to ensure that procedures are in place in order to produce and collect the data necessary for evaluation purposes.

An important aspect stressed during the Peer Review is that there are limitations associated with administrative data. First of all, researchers and evaluators working with such data have to take into account that administrative databases are not organised for research and evaluation purposes and that available data may not fully be adequate. For example, administrative data provides standardized information about some key personal characteristics (age, sex, educational attainment, participation in a given measure etc.) and labour market results, but does not include qualitative information on personal characteristics (e.g. skills, health status) and soft outcomes and results. In other words, administrative data can help to understand if a certain policy works, but will not provide enough information to understand why. Therefore, it is commonly agreed that the most effective way of evaluating a given labour market policy is to use a combination of research methods, relying on both administrative data and surveys, taking into account the specific research requirements of the evaluation. The use of a solely quantitative analysis using administrative data in isolation can provide an incomplete picture; failing to investigate key issues such as deadweight effects.

Other constraints linked with administrative data are the time lag need to obtain the information (from one month up to one or two years) and restrictions in terms of access as well as transparency and quality of data. Administrative data only captures the “formal economy”, those that the public employment services and/or other government agencies have contact with. In addition, the costs for researchers of using administrative data can vary significantly, acting as a restriction to the ways in which it can be utilised in evaluation. Analysis of administrative data is also impacted by the expertise of those that input, store and provide data. It was also noticeable that the quality of data was impacted by the size of Member States and/or the size of the programme for which data was being stored.

The right of citizens not to have their personal data stored and used for labour market research was noted as an important consideration, with this varying both across Member States and within Member States depending on regional autonomy.

### **2.7.3 Key policy approaches**

Most of European countries have already used administrative data for evaluation purposes; for instance Denmark, Sweden, Germany, Norway and Belgium have significant experience in the field. There are however significant differences between Member States regarding the available data and the extent to which PES data is linked to other government data. In most cases access to administrative data is through a central administration, requiring a signed confidentiality agreement; but in some countries, access to administrative data is currently restricted to specific commissioned research projects. The extent to which administrative data can be access remotely is varied across Member States.

A number of Member States, including Belgium have well established systems for data warehousing which link a number of relevant datasets. The role of having a single national ID number was recognised as being of particular importance in this regard. However, for constitutional or political reasons not all Member States can however make use of such a unique identifier number.

Political support for such approaches is important as illustrated by the case of Belgium, Germany and Norway, who have different approaches for the collection of administrative data:

- In Belgium, the Crossroads Bank for Social Security Project was started in the 1990's (until then, different institutions of social security all maintained their own databases). From the start of the project, input with regard to the needs of researchers was given by a scientific commission. A further step towards making these data available and accessible for research purposes was the creation of the so-called Datawarehouse Labour Market and Social Protection. Within this datawarehouse, data from several social security institutions are brought together (the basic observation unit is an individual person, who is observed on a quarterly basis). Some basic labour market statistics are produced regularly and made public. In addition, researchers can submit specific, tailored data requests following a specific procedure.
- In Germany, the Research Data Centre (FDZ) of the German Public Employment Service (BA) at the Institute for Employment Research (IAB) in Nürnberg was established in 2004 as part of the effort to improve the data infrastructure for empirical research. It facilitates access to micro data to internal and external researchers, while insuring compliance with strict German data protection laws. Its activities include the updating and quality monitoring of data as well as providing documentation of the data sets and advising users on data access, use and characteristics. Importantly, the FDZ also conducts and empirical research using its own datasets, which makes it intimately familiar with the quality, potential and limits of the data it provides to others.
- In Norway, a single national ID number has been used already since the late 1960s and administrative data is currently routinely used in labour market policy evaluation; the providers of administrative data (Statistics Norway) have a good understanding of evaluation and provide advice and guidance in order to ensure that evaluation activity is statistically robust.

#### 2.7.4 Emerging policy recommendations

The potential of administrative data should be further exploited for evaluation purposes, taking into account that the most effective way of evaluating labour market policy is to use a combination of research methods, relying on both administrative data and surveys. Ideally, the type of administrative data to be collected for monitoring and evaluation purposes should be discussed prior to the launch of new policy measure is launched. Efforts to continuously develop an 'evaluation culture' are important in order to stimulate and/or maintain commitment across Member State governments to collect relevant and accurate administrative data for evaluation purposes.

A few recommendations concerning the role that the EU can play in fostering the use of administrative data for labour market evaluation are highlighted below:

- Mutual learning concerning the use of administrative datasets to evaluate of ESF-funded measures can be fostered as part of existing transnational networks.
- To foster transnational/European level analysis based on administrative data, a small number of indicators and the definitions for these indicators could be agreed to allow accurate comparisons (based on activities carried out in the EMCO indicators group and the PES benchmarking group). In recognition of the different starting points of Member States, it was suggested that pilot activity in this respect should initially involve a small number of Member States that were at similar stages of data warehouse development.
- The European Commission should also take into account the fact that a new EU initiative on data protection could also have an impact on the ability of labour market researchers to access and use data at the national level.

### 3 Conclusion and relevance of the MLP for EU2020

The topics of the events organised under the MLP in 2012 show an ever greater focus on the priorities set down in the Employment Guidelines and Country Specific Recommendations as part of the European Semester. This is particularly true for the activities focussing on addressing unemployment among target groups and long-term unemployment, as well as the ongoing focus on extending working lives. However, opportunities have also remained for the identification of issues of national (and wider) concern from the 'bottom up', for example in the case of the topics of undeclared work and public works. The well-received follow up activities on Public Works demonstrated the significant added value of such activities to encourage the exchange of experience and potential transfer of suitable approaches between Member States. Various Peer Reviews also highlighted the specific role played by the ESF not only in funding ALMP measures but also in setting a clearer framework for the evaluation of measures.

Another important development of 2012 has been the ongoing focus on the critical issue of labour market policy evaluation, with Member States emphasising the desire to keep this as a continuous theme within the Mutual Learning Programme.

During 2012, representatives of the Mutual Learning Support Unit provided regular updates to the EMCO Ad hoc group to ensure an ongoing dialogue.

The year 2013 will see the beginning of a new phase of the MLP. As well as continuing to organise peer review and a thematic event, there will also be new activities which will take place:

- One of the thematic seminars will be replaced by a dissemination conference in the autumn of each year to showcase the results of the MLP and bring them to a wider audience;
- There will be greater opportunity to ad hoc follow up activities to enable two or more Member States to organise more detailed exchanges of experience of specific issues;
- Interesting examples of practices identified as part of the MLP will be stored in a database of good practices.

Further efforts will also be made to align the activities of the MLP with those of the European Semester and with that in mind there will be an ongoing regular exchange with the EMCO Ad hoc group to identify themes and host countries for the Peer Reviews. In doing so, the MLP will be able to build on the experiences and indeed the themes which emerged during 2012 as well as being able to foster greater follow-up on the detailed exchange and potential transfer of experiences.