

This paper has been prepared for the European Commission by the European Job Mobility Partnership, which is a network of academics and labour market practitioners established to support the Commission's work in mobility issues by providing capacity for research and promoting awareness. The work is funded by the European Community Programme for Employment and Social Solidarity - PROGRESS (2007-2013).

For more information see: <http://ec.europa.eu/social/main.jsp?catId=327&langId=en>

The information contained in this publication does not necessarily reflect the position or opinion of the European Commission.

Authors and contributors:

Andy Fuller, Alphametrics Ltd., UK; Terry Ward, Applica Sprl, Belgium; Duncan Coughtrie, Alphametrics Ltd., UK; Timo Baas, Institut für Arbeitsmarkt- und Berufsforschung, Germany; Iskra Beleva, Institute of Economics, Bulgarian Academy of Science; Agnes Hars, Kopint-Tarki, Hungary; Heloise Petit, Centre d'études de l'emploi, France; Fernando Muñoz-Bullón, Universidad Carlos III de Madrid, Spain

TABLE OF CONTENTS

1	Introduction.....	3
2	Conceptual and Policy background.....	4
2.1	Inclusion through mobility – a bridge between active inclusion and employment policies.....	4
2.2	Active inclusion policy at EU level and in Member States.....	5
2.3	Active inclusion in the downturn	8
2.4	PES and active inclusion.....	9
2.5	The role of private employment agencies	10
3	The labour market situation of socially excluded groups	12
3.1	Introduction.....	12
3.2	People born outside the EU and the low educated	13
3.3	The long-term unemployed	19
3.4	People limited in their activities	20
3.5	Employment rates of vulnerable groups.....	26
4	The impact of the recession on PES services for vulnerable groups – the case of Germany.....	30
4.1	Introduction.....	30
4.2	The impact of the recession on service provision	31
4.3	Conclusions	39
5	Inclusion case studies no.1: Labour market integration of Roma in Bulgaria	41
5.1	Quantitative and qualitative dimensions of the Roma labour force	41
5.2	Factors determining the employment exclusion of the Roma population	42
5.3	Policies for Labour Integration – Programs and Achievements	44
5.4	Further references	48
6	Inclusion case-studies no. 2: Inclusion of Roma in Hungary	49
6.1	The situation of Roma in Hungary.....	49
6.2	Inclusion programmes	52
7	Inclusion case-studies no.3: IOD (France) - a good practice for inclusion of the long-term unemployed?	56
7.1	The situation of the long-term unemployed in France.....	56
7.2	The IOD method	59
8	Key messages and policy pointers.....	63

1 INTRODUCTION

Inclusion in the labour market is seen as a key to reducing poverty and inequalities in society and has been a key element of EU policy over recent years. Indeed, the Commission's new strategy for the EU 2020¹ promotes smart, sustainable and inclusive growth and aims to develop a high employment economy that can deliver social and territorial cohesion. It also includes a special initiative – the "European platform against poverty", which is particularly targeted at increasing the active labour market participation of people experiencing poverty and social exclusion. This at a time when the recent (ongoing) economic crisis has resulted in huge job losses across Europe and, as a consequence, a dramatic increase in the numbers of people who are work-ready and looking to return to employment.

Working with more vulnerable groups is generally more difficult and time-consuming and, therefore, more costly than working with people who are already well integrated socially. At a time when the budgets of governments, and both public and private agencies alike, are stretched to the limit, there is clearly a risk that efforts to promote inclusion of the socially excluded are reduced or put to one side whilst resources are focussed on helping those that have recently lost their job or are looking to enter a very difficult labour market for the first time.

There are of course arguments to justify this line of thinking – budgets are not unlimited and when labour supply is high and demand is low, integrating vulnerable groups will be even more difficult and costly than usual. Moreover, if adequate support is not given to those that have recently become unemployed then there is a serious risk of large numbers of people becoming long-term unemployed and swelling the ranks of those now considered as socially excluded. On the other hand, an economic downturn may disproportionately affect the most vulnerable so that short-term financial difficulties should not be allowed to disrupt the progress that is being made in many countries and efforts to make Europe a more equitable society with opportunities for all citizens must surely continue. It is important, therefore, that attention remains focused on actively reducing exclusion as well as attempting to limit its increase. Moreover, it is not just an equality issue - in the longer term, all projections indicate that Europe will experience significant labour shortages and it is crucial, therefore, that we continue to maximise the potential supply of labour by including all those who might be able to contribute.

¹ *Europe 2020 – A European strategy for smart, sustainable and inclusive growth*. European Commission, COM(2010) 2020, 3 March 2010. http://ec.europa.eu/growthandjobs/pdf/complet_en.pdf

2 CONCEPTUAL AND POLICY BACKGROUND

This first section gives a brief overview of contemporary thinking and policy related to *inclusion through mobility* and the concept of *active inclusion* and raises some important points that underpin the importance of promoting such an approach.

It should first be clear that the term *mobility* is used here to cover any change in the labour market situation of individuals and embraces all forms of labour market transition without necessarily implying any change in place of residence/work or of occupation. *Inclusion through mobility* therefore relates to promoting inclusion in the labour market through positive transitions from inactivity or unemployment to employment or to education/training that can prepare people for work, and ensuring adequate public support to facilitate and sustain these transitions. It is essentially a comprehensive approach to achieving sustainable activation as a means of fighting social exclusion.

The persistence of large numbers of people at the margins of society who are either in, or at risk of, poverty and are currently excluded from the labour market² represents a significant challenge to achieving the objective of social cohesion enshrined in the European Union treaty. The fight against poverty and social exclusion requires wide ranging and effective action to integrate those people who are the furthest from the labour market. This support has to cover the whole process from establishing contact with these vulnerable groups, many of whom do not come forwards voluntarily, working with them to bring them closer to the labour market and society in general, and then providing the support, training and any other services they might need to find and sustain meaningful and rewarding employment. In order to adequately cater for the different needs of each group, it is necessary to: identify the appropriate target population, reach out to them, diagnose needs on an individual basis, personalise the service offer, accompany and support each person, and ensure a comprehensive follow-up.

A key feature of *inclusion through mobility* is the need to ensure complementary employment and social policy and strong cooperation between labour market institutions (particularly public employment services) and social services in providing an institutional framework that offers the most vulnerable individuals in society the opportunities and support needed to progress towards employment.

2.1 INCLUSION THROUGH MOBILITY – A BRIDGE BETWEEN ACTIVE INCLUSION AND EMPLOYMENT POLICIES

Activation has been an important keyword in the European Union discourse about welfare and work for the last decade. Initiatives of the European Commission in this area have primarily focused on the implementation of an *Active Inclusion Strategy* to ensure an integrated approach to the fight against social exclusion and poverty. Most recently this concept has been extended to that of *inclusion through mobility* as part of the European Commission's current push towards *balanced labour mobility*.

Balanced labour mobility is a cross-cutting policy priority that can help to prevent labour market imbalances and limit structural unemployment in the context of the present economic crisis, fast technological change and the necessary "greening" of the economy. It is founded on the principles of flexicurity³ and the realisation that increasing the flexibility of labour markets and workers in order to meet the challenges ahead will result in an increased frequency of transitions during a working career.

² <http://ec.europa.eu/social/main.jsp?catId=751&langId=en>

³ *Towards Common Principles of Flexicurity: More and better jobs through flexibility and security*. European Commission COM(2007) 359 final, 27th June 2007. <http://ec.europa.eu/social/BlobServlet?docId=2756&langId=en>

Transitions from job to job or from one labour market status to another all entail risk in terms of possible unemployment and loss of income and, in the longer term, possible degradation of skills and social exclusion. In order to ensure that transitions are made voluntarily these risks will have to be mitigated through the provision of universal access to support for transitions, lifetime opportunities to update and adapt skills, and adequate income security. The essence of the balanced labour mobility concept is that it relates to policies that cut across traditional employment, education and social policies and aims to promote mobility of labour by ensuring the necessary public support for positive transitions.

The idea of inclusion through mobility is just one element of the overall balanced labour mobility concept which focuses on a subset of the working-age population – those people that are currently outside the labour market and, in some cases, society as a whole. As such, inclusion through mobility can be seen as a bridge between two fundamental areas of European policy – those related to active inclusion and employment.

2.2 ACTIVE INCLUSION POLICY AT EU LEVEL AND IN MEMBER STATES

2.2.1 Development of active inclusion policy at EU level

EU policy on active inclusion and its implementation in Member States is driven by two main processes that provide a co-operative framework for the European Commission to work with Member States to build on existing national policy and local practice and guide the direction for further reforms. Within the parameters provided by the European Employment Strategy and the social Open Method of Co-ordination (OMC), which has recently been reinforced⁴, the Commission and national governments formally agree upon common objectives and provide regular reports detailing national employment and social inclusion policies designed to attain these objectives⁵. The two processes are now inextricably linked and share common objectives that are expressed in the active inclusion strategy but it has not always been so.

A shift from passive to active employment policies has been one of the major features of the European Employment Strategy since its launch in 1997 but in the early stages this shift was only partially linked to policies for the eradication of social exclusion. Effectively there were strategies for the mobilisation of people capable of working but a more passive approach towards assistance for people who, because of their age (children, elderly), disabilities, family situation (single parents) or legal status (illegal migrants, asylum-seekers), were more on the margins of the labour market. In other words, priority was given to the prevention of unemployment, and the fight against other forms of deprivation and marginalisation was directed to ensuring support ahead of promoting participation and activity.

More recently, progressive development of the idea of inclusion through activation culminated in the implementation of the *Active Inclusion Strategy*, which brings an integrated approach to the fight against social exclusion and poverty. Adopted by the Employment and Social Affairs Council in December 2008⁶, the strategy renewed the social agenda in terms of both approach and policy. It places greater focus on the cross-cutting nature of the policies necessary to fight social exclusion and poverty in the sense that they require all relevant policies to be assembled in an all-inclusive manner, going beyond employment, social affairs and equal opportunities and extending to health, education,

⁴ <http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=CELEX:52008DC0418:EN:NOT>

⁵ <http://www.esn-eu.org/active-inclusion-policy-context/index.htm>

⁶ European Commission (2008), Commission Recommendation on the active inclusion of people excluded from the labour market, 2008/867/EC <http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=COM:2008:0639:FIN:EN:PDF>

information society, internal market, macroeconomic policies, environment and external policies⁵. Its aim is to provide a policy framework that can deal with the diverse forms of social exclusion by promoting employability and job quality combined with proper income support and superior access to services for those at the margins of society⁷.

Coming right up to date, the year 2010 is of particular relevance because the European Commission's 2005-2010 Social Agenda put it forward as the European Year for combating poverty and social exclusion⁸. Activities will include awareness campaigns, innovative initiatives, creative solidarity schemes, meetings, discussions and conferences, and the organisation of competitions highlighting achievements and successful experiments relevant to the theme.

Inclusion is also a major part of the new 2020 strategy⁹, playing a central role in one of three main priorities – the promotion of *inclusive growth*, which is defined to mean “*empowering people through high levels of employment, investing in skills, fighting poverty and modernising labour markets, training and social protection systems so as to help people anticipate and manage change, and build a cohesive society*”. There are a number of important aspects to this priority:

- Modernising and strengthening employment, education and training policies and social protection systems
- Raising corporate social responsibility among the business community
- Access to childcare facilities and care for other dependents
- Implementing flexicurity principles and enabling people to acquire new skills to adapt to new conditions and potential career shifts
- Combat poverty and social exclusion and reduce health inequalities

2.2.2 The current basis for active inclusion policy

EU policy on *active inclusion* promotes the integration of the most disadvantaged people through a comprehensive strategy with three main strands: the provision of an adequate level of income support, inclusive labour markets and access to quality services. These combine towards the common aim of ensuring that social protection policies are effective in mobilising people with working capacity whilst also providing a respectable living standard to those who will inevitably remain outside the standard labour market.

The active inclusion strategy is complementary to the “flexicurity” strategy. It targets individuals who are marginalised in existing labour markets to form the building blocks of an “active welfare state” which will play a vital role within the Lisbon strategy and the European Union's sustainable development strategy¹⁰.

The most recent communication of the Commission on active inclusion⁶ has become the main point of reference for active inclusion. It recommends that, to ensure that inclusion policies are successful; Member States should combine the three strands of the strategy in an appropriate and integrated manner:

⁷ “Active Inclusion Strategy: New Synergies in Fighting Poverty” Fazzini, URGE (2009).
<http://www.urge.it/files/social/europeissues3.pdf>

⁸ <http://ec.europa.eu/social/main.jsp?langId=en&catId=637>

⁹ *Europe 2020 – A European strategy for smart, sustainable and inclusive growth*. European Commission, COM(2010) 2020, 3 March 2010. http://ec.europa.eu/growthandjobs/pdf/complet_en.pdf.

¹⁰ <http://ec.europa.eu/social/main.jsp?langId=en&catId=750>

- **Sufficient income support:** recognise the right to adequate resources and social assistance and implement these as part of consistent and comprehensive effort to fight social exclusion and poverty
- **Inclusive labour markets:** provide assistance for those able to work to enter or re-enter and stay in employment in a way that best relates to their capacity to work
- **Access to quality services:** provide social support to those that require it, in order to promote social and economic inclusion

These policies should be co-ordinated among authorities at all levels (local, regional, national and European Union level) and include all relevant actors in the development, implementation and evaluation process of the active inclusion strategy. Furthermore, policies must take into account fundamental rights, the promotion of equal opportunities for all, the specific needs of disadvantaged and vulnerable groups and the local and regional contexts.

Contribution of active inclusion

Although the active inclusion strategy focuses on those currently excluded from, or some distance from the labour market it can also produce benefits for the wider community. It does so by raising employment, cutting social expenditure, including previously excluded people and reducing poverty and its transmission between generations. It is however an expensive strategy and successful results cannot always be translated into productivity gain.

In the context of traditional employment services, the performance of measures and their contribution is relatively easily assessed. However, it is not so straightforward in the context of activation services that work with the people furthest from the labour market. As the target groups often exhibit multiple disadvantages, their labour market success cannot be easily established and improved social inclusion is difficult to take into account¹¹.

2.2.3 Active inclusion strategy in EU Member States

The contribution of the European Union to activities in the field of active inclusion at national level has been significant. On a practical level, the European Social Fund (ESF) has provided financing to support the training and labour market integration of disadvantaged groups. On a political level, the *Open Method of Coordination* facilitates the development of common objectives and a means through which the Commission can add value to efforts by Member States by providing guidance as well as a common analytical framework against which individual achievements and policy instruments can be evaluated.

Based on this co-operative framework, Member States are progressively adopting policies that contribute towards the flexicurity approach to active inclusion and employment. In particular, steps are being made in many countries to move from passive social protection towards active inclusion – in other words to develop a policy background that discourages benefit dependency and encourages people to work. Reducing access to benefits through tightened eligibility criteria or reduced entitlement periods may reduce the stock of benefit claimants but such steps need to be accompanied by comprehensive activation measures, pathways to work and appropriate work incentives (though the tax system or otherwise) to help people attain reasonable levels of income through employment.

Such developments are tracked through the collaborative efforts of the Commission and Member States as part of the ongoing monitoring of the Employment Strategy and reported in the annual Joint

¹¹ "Pathways to activity", ESN(2009), <http://www.esn-eu.org/get-document/index.htm?id=234>

Employment Report. The report for 2009/2010¹² shows that many Member States have recently stepped up policies that can be considered components of a strategy to promote inclusion through mobility. As illustrated in Table 1, a number of countries have introduced measures to enhance work incentives and make work pay, by reducing taxes or raising in-work benefits. Many have also adopted positive measures to support those furthest from the labour market. However, there is little evidence of moves to restrict access to social protection benefits. Rather, the circumstances of the economic downturn have more often resulted in a relaxation of eligibility criteria or increased levels of benefit or entitlement periods (see Table 2 below).

Table 1: Recent policy reforms related to active inclusion in Member States

Recently introduced measures or reforms to enhance work incentives and make work pay:	
Increased tax-free income thresholds or an upward adjustment of tax brackets	AT, BE, DE, DK, FI, LV, MT, SE, SK
Reinforced income supplements and targeted in-work tax incentives	BE, ES, FR, LT, LV, NL, SE, SK
Reduced income tax rates, often targeted at low income earners	AT, DK, FI, FR, HU, LT, LU, LV, PL, SE, UK
Tax reductions to stimulate mothers' return to work	MT
Tax reductions to support families	AT
Recently introduced measures or reforms to support for those furthest from the labour market:	
Targeted employment subsidies	FI, FR, HU, IT, LT, PL, SE
Incentives for the employment of people with disabilities	ES, IE, RO
Enhanced and more accessible training programs	most Member States
Promotion of jobs in the social economy or non-profit sector	AT, ES, PL, PT, SI
Workfare schemes	LV
Direct public sector job creation	ES, CY, HU, SK
Mainstreamed actions into their policies in favour of disadvantaged groups	most Member States
Measures to support older workers' labour market participation and to stimulate demand for older workers	NL, PL, PT
Diversity charters	BE, DE, ES, FR
Increased access and/or quality of childcare services for small children or pre-schoolers, and through support for care of other dependants	ES, PT
Reforms in maternity leave schemes and benefits aim to reinforcing female participation and their return to the labour market	AT, DE, HU

Source: Draft Joint Employment Report 2009/2010 <http://ec.europa.eu/social/BlobServlet?docId=4313&langId=en>

2.3 ACTIVE INCLUSION IN THE DOWNTURN

The current economic recession has brought additional meaning as well as additional challenges to active inclusion. The effectiveness of services and supports to promote the inclusion of socially excluded individuals will, in general, be tested by the increased competition for jobs from those without serious disadvantages and the increased caseloads of public employment services.

There is a heightened risk of increased social exclusion if efforts to include those furthest away from the labour market are not maintained. Modern social security schemes and active labour market policies are an important tool to prevent people moving on to long-term sickness and disability benefits, or early retirement schemes. However, elevated levels of unemployment inevitability affect the effectiveness active inclusion strategies. In such times it is likely that such measures will become more expensive and more support will be required to achieve the same results. This places initiatives to promote active inclusion in a difficult position as caseloads of public employment services are

¹² Draft Joint Employment Report 2009/2010, EU Commission (2009)
<http://ec.europa.eu/social/BlobServlet?docId=4313&langId=en>

ballooning and there will inevitably be cuts in public expenditure across the board in order to stem the recent rise in public deficits around the EU. Efficient and effective intervention will therefore be vital to promoting inclusion through mobility.

Social protection systems have been placed under significant pressure as a result of the huge increase in the number of people unemployed as a result of the recession. Automatic stabilisers have played a vital role in softening the immediate social impact of the downturn yet the sustainability of the additional costs is not clear. In attempting to mitigate the severe impact of the recession on individuals and households, several Member States have adjusted these stabilisers by relaxing conditions governing eligibility to benefits or increasing the amount or duration for which they are payable (Table 2). Hopefully this additional burden on social protection systems will be relatively short-term but in the longer-term the projected ageing of the population and shrinking workforce will present an even greater challenge to the viability of the European social model and underlines the need for strong activation policies to ensure that more people can contribute once the economic climate improves.

Table 2: Recent reforms to social protection systems

Adjustment to the duration of benefits	CZ, ES, LT, RO
Adjustment to the level of social benefits	BE, BG, CZ, EL
Increased coverage of benefits	IT, PT
Established new or larger income support schemes for those not qualifying for unemployment benefits	FR, LV
Stepped up support to vulnerable groups	BE, CY, FR, PL
Stepped up support to low income pensioners	CY, RO

Source: Draft Joint Employment Report 2009/2010 <http://ec.europa.eu/social/BlobServlet?docId=4313&langId=en>

2.4 PES AND ACTIVE INCLUSION

The role of labour market institutions, particularly public employment services (PES) and social services, is of central importance in providing the institutional framework that gives the most vulnerable individuals in society access to opportunities to participate in the labour market and progress towards meaningful employment. This goal may be achieved by improving the social and professional capabilities of disadvantaged persons, increasing their skill levels and providing opportunities for them to find suitable jobs, whilst at all times tending to their specific needs¹³.

Forging this bridge between employment related services and social services demands a coordination of objectives and resources and the ability to adapt to the different contexts and forms of exclusion¹⁴. Public employment services need to work with social services as well as the wider network of institutions that are involved in providing assistance to those who are socially excluded and distanced from the labour market. This includes, on the social end of the spectrum, the NGOs and non-profit organisations that are actively involved in supporting vulnerable groups through to, on the employment end of the spectrum, private employment agencies that have a key role in placing them and the social partners that have a key role in ensuring job opportunities for vulnerable groups and fair treatment in the workplace.

As the main public provider of employment services in each country, the PES are ideally positioned to be a central player in the implementation of active inclusion strategies. In particular, the PES:

¹³ *Biennial Report on social services of general interest*, European Commission, 2008.
<http://ec.europa.eu/social/BlobServlet?docId=2050&langId=en>

¹⁴ <http://www.esn-eu.org/active-inclusion-policy-context/index.htm>

- have the resources to implement strategies, policies and measures defined by government
- are in close contact with job seekers throughout the territory of their home countries
- offer access to a wide range of training opportunities
- have a comprehensive view of the needs of the labour market at national and local level
- are able to network at local level, to involve all stakeholders at this level and to create partnerships to improve the efficiency of action, allowing a more rapid and effective approach

Historically, public employment services have primarily been involved in the provision of assistance for the unemployed – people who are actively seeking work. However, in order to fulfil the criteria of an integrated active inclusion strategy and ensure services for all those who are capable of work, the public employment services will have to work more closely with the providers of social protection benefits and social services such that their services are integrated. Working with these institutions will provide the means for the PES to extend its reach to the people who aren't looking for work, who consider themselves incapable of working or who aren't looking for work because they think that none is available or are otherwise discouraged from doing so. Whilst the PES in some countries already have contact with social benefit recipients and may also be taking steps to engage them in the labour market, there are countries where this would mean a radical change in the scope of the PES responsibilities.

In terms of the active inclusion strategy, the PES will clearly have a key role in relation to the “Inclusive labour markets” strand, which relates to the provision of assistance for those able to work to enter or re-enter and stay in employment in a way that best relates to their capacity to work. The other two strands (“Sufficient income support” and “Access to quality services”) concern services and support which, traditionally, have not been carried out by public employment services but which, as highlighted by the Commission recommendation on active inclusion⁶, need to be integrated alongside the assistance of the PES in a comprehensive manner through cooperation with institutions responsible for the provision of social protection benefits and social services. Indeed, there is an increasing tendency to unify the provision of benefits and employment/social services through “one-stop shops” and there have been recent organisational mergers and/or intensified cooperation between the PES and integration and insurance services in Denmark, Estonia, Greece, France, Hungary, the Netherlands, Slovenia and Finland¹².

2.5 THE ROLE OF PRIVATE EMPLOYMENT AGENCIES

Although public employment services tend to be seen as the main actors in the provision of placement services, particularly at the lower end of the job market, the private sector also has an extremely important role to play. A key report on private employment agencies (PrEAs) noted that in 2006 the sector employed around 3.3 million full-time equivalent workers across Europe, more than double the number 10 years previously¹⁵, though the actual number of workers is probably nearer to double this figure since in most countries agency workers tend to work less than full-time, permanent employees. This means that, on average, the temporary agency workers accounted for 1.8% of total European employment.

Temporary agency work has an important role to play in facilitating transitions from unemployment to employment and can be particularly valuable for vulnerable groups and, therefore, as an instrument to promote active inclusion. Temporary work placements can provide entry points into employment by

¹⁵ *More work opportunities for more people. Unlocking the private employment agency industry's contribution to a better functioning labour market.* Eurociett, 2007

http://www.euro-ciett.org/fileadmin/templates/ciett/docs/20071126_strategic_report.pdf

offering a first opportunity for people with little or no previous experience of work or a bridge back to work for those that have been out of work for long periods. Temporary agency work gives workers opportunities to gain experience by helping them to sharpen and gain skills, rebuild their confidence to participate in active employment, and strengthen their ability to adapt and work as part of a team. It also provides the means to improve matches between individuals and jobs by allowing, on the one hand, individuals to try different types of work, and on the other hand, giving them the possibility to demonstrate their capabilities to prospective employers.

Moreover, temporary placements can often lead to permanent contracts or act as a stepping stone to regular jobs with other employers – data from across Europe indicate that of those people who have been agency workers 59% are in employment after a spell of agency work compared to 29% beforehand¹⁶. Temporary work placements may therefore provide a means to reduce the segmentation between those in employment and the (long-term) unemployed and excluded workers. Agency work can offer a pathway into work for disadvantaged groups, though the extent to which this is happening varies between countries. For example, agency work is an important instrument in getting long-term unemployed back in to work in France, Spain and Germany¹⁷.

Many agency workers will benefit from on-the-job training provided by employers but the temporary agency sector is also actively involved in supporting vocational training initiatives to improve the skills of clients. In seven EU countries (Belgium, Spain, France, Italy, Luxembourg, the Netherlands and Austria) the social partners have established bi-partite training funds that support vocational training for agency workers. These funds not only finance training programmes but may also support the temporary work agencies in the development of training policies or selection of training providers and in accessing additional funding (e.g. European Social Fund). Training programs are not only aimed at acquiring, updating and improving specific competencies but also at improving transferable ones. As a result it promotes the integration of groups suffering from low employability. In addition, the content of training programs is constantly adapted to labour market trends in order that it remains effective in raising the level of workers' employability.

In addition, temporary agency work can help to increase the number of people in work by providing opportunities for workers to match lifestyle choices or overcome personal constraints that might otherwise restrict their chances of finding suitable employment. By allowing workers to choose their working conditions regarding duration of assignment, time of year, intensity (working hours) and location, agency work offers groups such as older workers and women returning to the labour market a degree of flexibility that is often not available through regular contracted employment.

It is clear that private employment agencies have an important role to play in the job market in general and that their role in promoting the labour market inclusion of disadvantaged groups warrants more attention. More co-operation between private and public providers of employment services is needed to ensure universal access to the services on offer and effective use of resources – working together rather than in competition.

¹⁶ *The agency work industry around the world. Economic report 2010. CIETT*

http://www.euro-ciett.org/fileadmin/templates/ciett/docs/CiETT_Economic_Report_2010.pdf

¹⁷ *Active inclusion policies & measures for the integration of target groups in employment should take advantage of agency work services. Eurociett, 2008.*

http://www.euro-ciett.org/fileadmin/templates/eurociett/docs/position_papers/2008_Others/Eurociett_Contribution_Active_Inclusion_2008.pdf

3 THE LABOUR MARKET SITUATION OF SOCIALLY EXCLUDED GROUPS

3.1 INTRODUCTION

The aim of this section is to give an indication of the relative importance of vulnerable groups, or those most disadvantaged on the labour market, across the European Union. Four groups have been identified as being particularly vulnerable in the sense of finding it especially difficult to find employment. These groups represent the main challenge for public employment services seeking to ensure that those out of work, and willing and able to work, have the best opportunity to find a job. They are:

- the low educated, or those with no education or formal vocational qualifications beyond basic (or compulsory) schooling, who often do not possess the skills demanded by employers;
- those born outside the EU, who include some ethnic minorities as well as recent migrants, though note that this by no means covers all ethnic minorities since many of these are likely to have been born in the country where they live (see section 3.1.2 regarding data problems in distinguishing ethnic minorities);
- the long-term unemployed, who have by definition been difficult to place in a suitable job;
- people with disabilities who are nevertheless capable of working but who may need special facilities, arrangements or assistance for them to be able to do so.

These groups are, of course, not mutually exclusive and there is much potential overlap between them. People with disabilities, for example, may be low educated and have been out of work for a long time and some of them might have been born outside the EU. As such, they will tend to suffer multiple disadvantages on the labour market.

3.1.1 Basis of the analysis

The approach adopted here is to take account of the overlaps between the characteristics identified as giving rise to disadvantage, especially between low education, on the one hand, and being born outside the EU or having a disability, on the other. The data on which the analysis is based come from two sources – the European Labour Force Survey (LFS) for the first three characteristics listed above and the EU-SILC (Statistics on Income and Living Conditions) for the fourth. Both have the merit of providing relevant information for all EU Member States on a comparable basis. Both are household surveys based on a sample of respondents judged to be reasonably representative of the population as a whole. However, it should be emphasised that the representativeness tends to break down when it comes to those born outside the EU, since the sampling method used (registers of residents) together with a perhaps natural reluctance of those concerned to respond to the survey (if only because of language difficulties) is likely to mean that they are under-represented, especially if they have recently arrived in the country. Comparisons of official data on the numbers involved where these exist and the estimates obtained from the LFS tend to confirm this.

Equally, the EU-SILC does not contain data on people with disabilities as such but those limited in their activities, sub-divided between those greatly limited and those merely limited, which is not necessarily the same as those with a disability but it is the closest to this which it is possible to get.

Indeed, it is the only source of reasonably comparable and up-to-date data on disability available for EU Member States¹⁸.

Nevertheless, the data from the two surveys do provide an indication of the extent of vulnerability of the groups concerned and even though they might understate the true size of the populations concerned, they give a broad idea of the numbers involved – or at least the minimum numbers.

The analysis begins by examining together the relative numbers of those born outside the EU and of those with low education, focusing on their employment status (whether they are in work, unemployed or economically inactive) and the proportion of the unemployed and inactive which they make up. It goes on to briefly consider the relative number of long-term unemployed – those out of work and seeking employment for a year or more – before examining the relative number limited in their activities and the share of the unemployed and inactive which they account for. The data used are for 2008 in the case of both surveys.

3.1.2 Ethnic minorities and data problems

There is substantial piecemeal evidence that ethnic minorities represent one of the major groups suffering from deprivation and social exclusion throughout the EU. They are, however, difficult - if not impossible - to identify from the data available since many, if not most of them, are likely to have been born in the country in which they live and have citizenship of the country concerned. Indeed, although their family might at one stage have come into the country from abroad, this could have happened many decades if not centuries before. This is the case, in particular, of Roma, who are a deprived group in all parts of Europe and in many countries face significant discrimination. They are especially numerous in the Central and Eastern European countries that have entered the EU since 2004.

Data on the circumstances of Roma or, indeed, other ethnic minority groups are notoriously difficult to find in most European countries, the UK being one of the few exceptions (see box at end of chapter 3). This is because including questions on ethnic origin in surveys is outlawed in many countries, primarily because of the use to which such data have historically been put. Moreover, even if questions were to be included, there is often a difficulty about whether the responses given will be honest ones, especially in places where discrimination is a problem – or, at least, where fear of discrimination is common. This absence of data creates severe difficulties in both determining the need for policies to tackle deprivation among ethnic minorities and to judge the effectiveness of policies implemented.

The only comparable data at European level which bear on the position of ethnic minorities are, therefore, those distinguishing country of birth and citizenship, or nationality, even though they might cover only a minority, and in some cases a small minority, of the people in question.

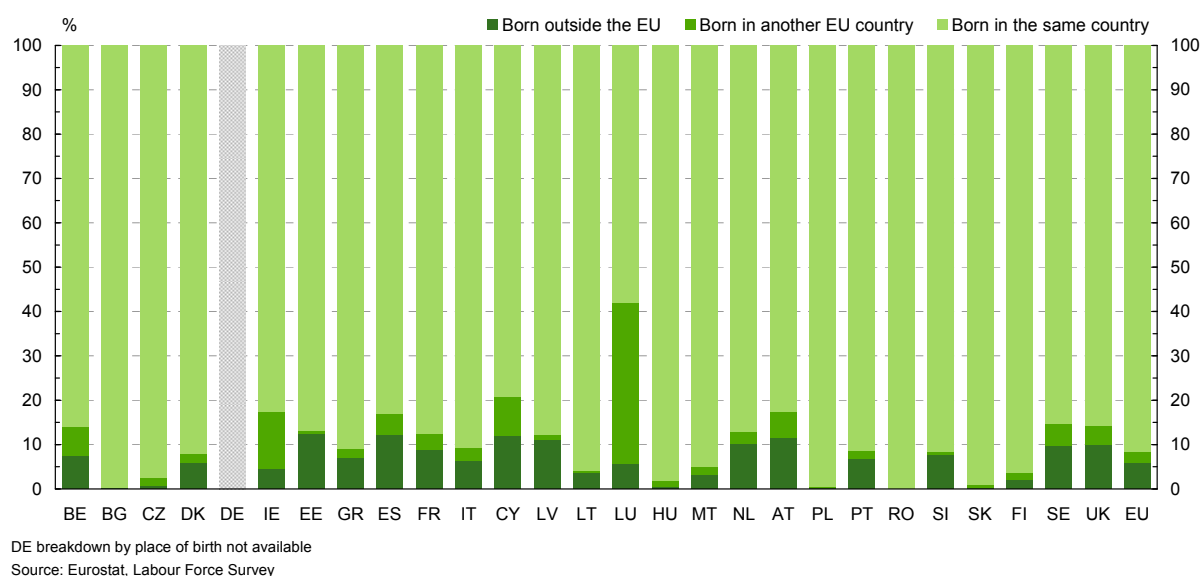
3.2 PEOPLE BORN OUTSIDE THE EU AND THE LOW EDUCATED

According to the LFS, around 6% of people of working age (defined as 15-64) resident in the EU in 2008 were born in a country outside the EU, while another 2.5% or so were born in another Member State of the EU (Figure 1). These proportions vary markedly across countries, reflecting historical links with other parts of the world as well as the degree of restriction on inward migration and the attractiveness of the country concerned as a place to live and work.

¹⁸ Disability is not a precise concept and is defined for administrative purposes in different ways in different countries. Moreover, definitions can vary between authorities within the same country and change over time depending on the use to which the definition is put (for granting eligibility for disability benefits or entitlement to special arrangements, for example).

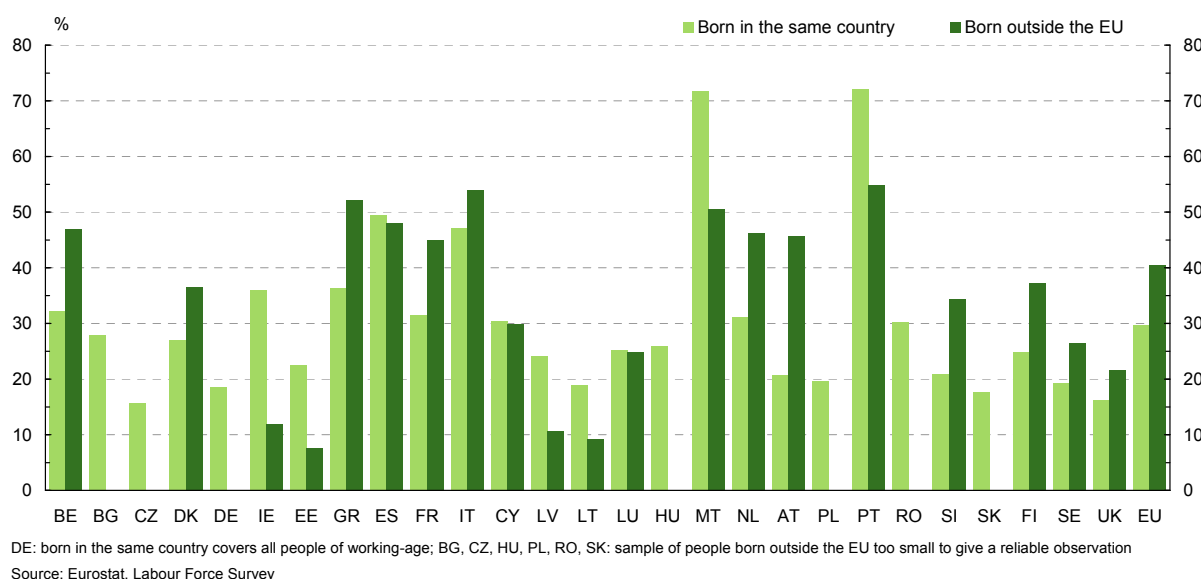
Focusing on those born outside the EU, since these, much more than those born in another part of the EU¹⁹, tend to be disadvantaged on the labour market because of language, cultural and other differences, the relative number varies from almost zero in a number of the EU12 countries (the Central and Eastern European countries which entered the EU in mid-2004 and at the beginning of 2007) to over 12% in Spain and Estonia (mostly Russian-born in the case of the latter).

Figure 1 - Working-age population by place of birth, 2008



People who are low educated – those with no qualifications beyond basic schooling – make up a higher proportion of those born outside the EU than those born in the country in which they are currently living, on average just over 40% as opposed to 30% (Figure 2). This difference is apparent in most countries but is most pronounced in Austria and, to a lesser extent, in Belgium, Greece and the Netherlands. There are marked exceptions in Ireland, Estonia, Latvia, Lithuania, Malta and Portugal.

Figure 2 - Low educated people as a share of the working-age population by place of birth, 2008

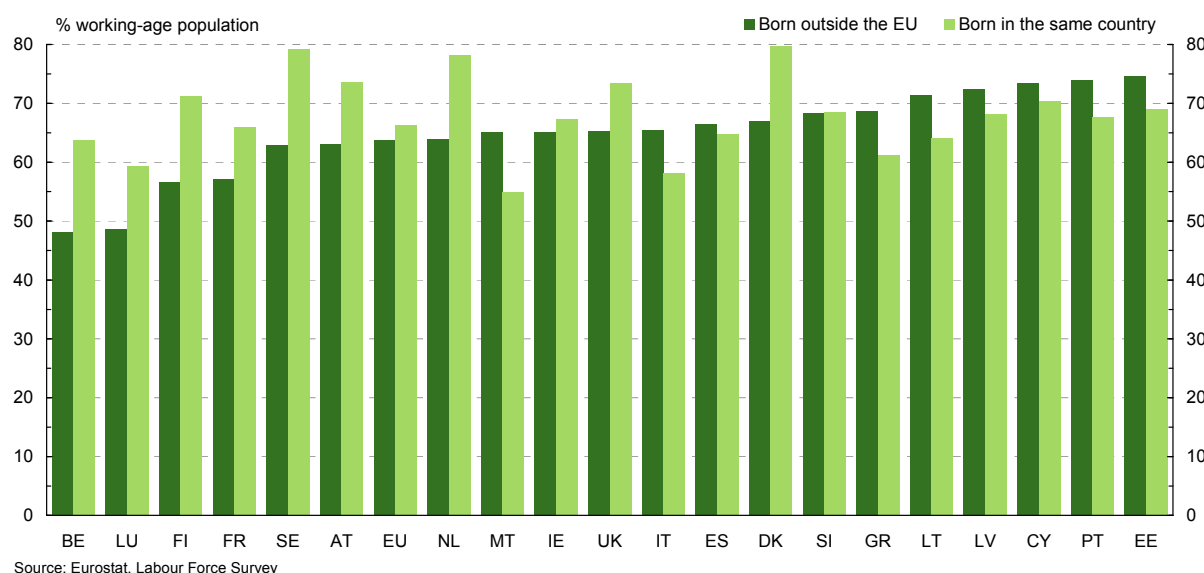


¹⁹ There tends in fact to be only minor differences in employment status between those born in another EU Member State and those born in the country concerned.

Those born outside the EU are less likely to be employed and more likely to be unemployed or economically inactive than those born in the country concerned. The employment rate (i.e. the proportion of the working-age population that is in work) of people born outside the EU was just under 61% in the EU as a whole in 2008, almost 6 percentage points below the rate for those born in the country of residence (Figure 3). In terms of the gap in the rate between the two groups, Member States can be divided into two groups:

- the EU15 countries apart from the four southern Member States (Greece, Spain, Italy and Portugal), plus (marginally) Slovenia, where the employment rate for those born outside the EU is lower than for those born in the country
- the four southern EU15 Member States together with the EU12 countries which have entered the Union since 2004 (some of which are not shown in the chart because the number of non-EU born is very small) where employment rates among those born outside the EU are higher than those born locally.

Figure 3 - Employment rates by place of birth, 2008



The lower employment rate amongst those born outside the EU is reflected in a higher incidence of unemployment with an average unemployment rate across the EU of around 12% in 2008, almost double the rate for those born in the EU (Figure 4). In Belgium and Luxembourg, the rate for the former was over 20% and in Finland, just under 20%, in all cases, considerably higher than the rate for those born in the country. Only in Greece and Malta was there either little difference between the unemployment rates for the two groups or the rate for those born in the country was above that for those born outside the EU²⁰.

These pronounced differences in unemployment rates mean that those born outside the EU tend to account for a significantly larger proportion of the unemployed than their share of working-age population. On average, therefore, those born outside the EU made up 10% of the total unemployed in 2008 across the EU as a whole (which, as noted above, almost certainly understates the true figure) (Figure 5). In Belgium, Luxembourg, the Netherlands, Austria and Sweden, however, they accounted

²⁰ It should be noted that unemployment here is defined according to international conventions as those out of work and both actively seeking work and available for work, which is not necessarily the same as the way unemployment is defined for national registration purposes.

for over 20%. Among men, moreover, they made up 30% of the unemployed in Luxembourg and 26% in Austria (not shown in figure).

Figure 4 - Unemployment rates by place of birth, 2008

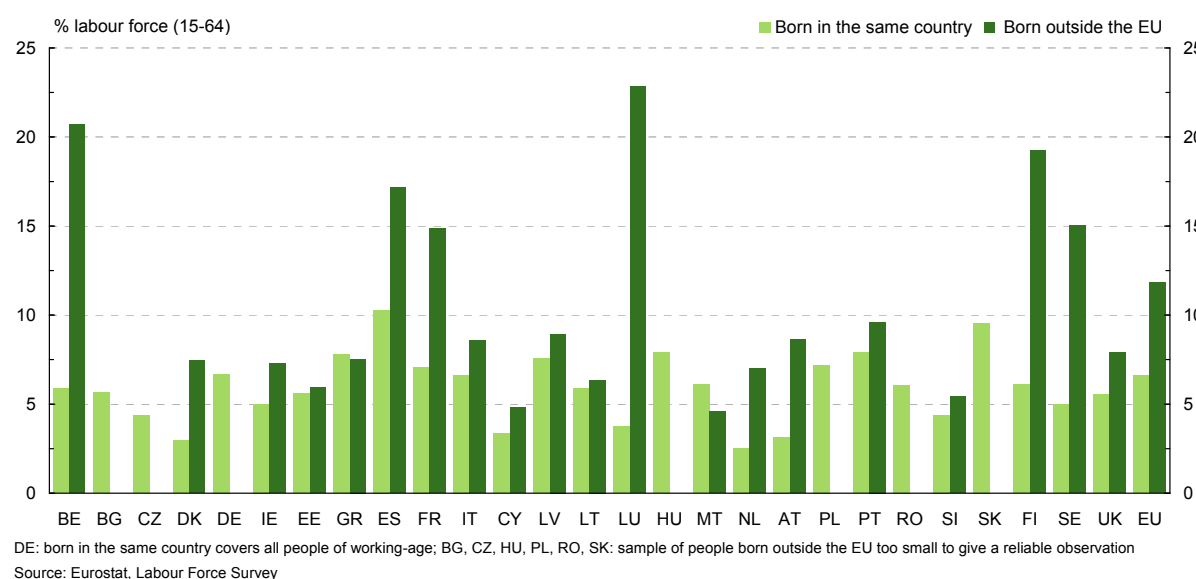
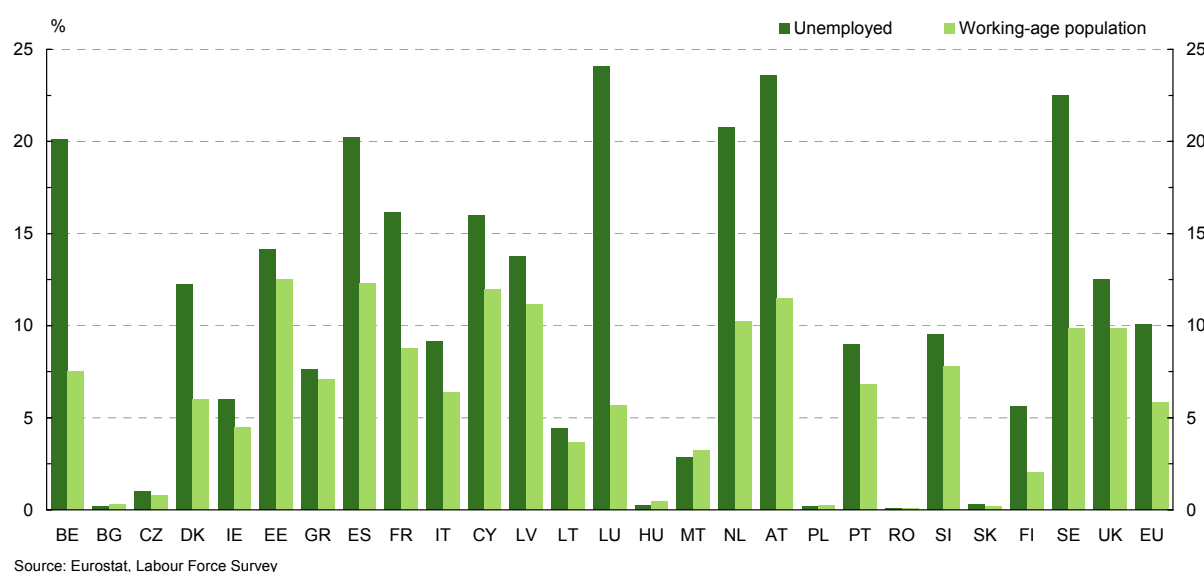
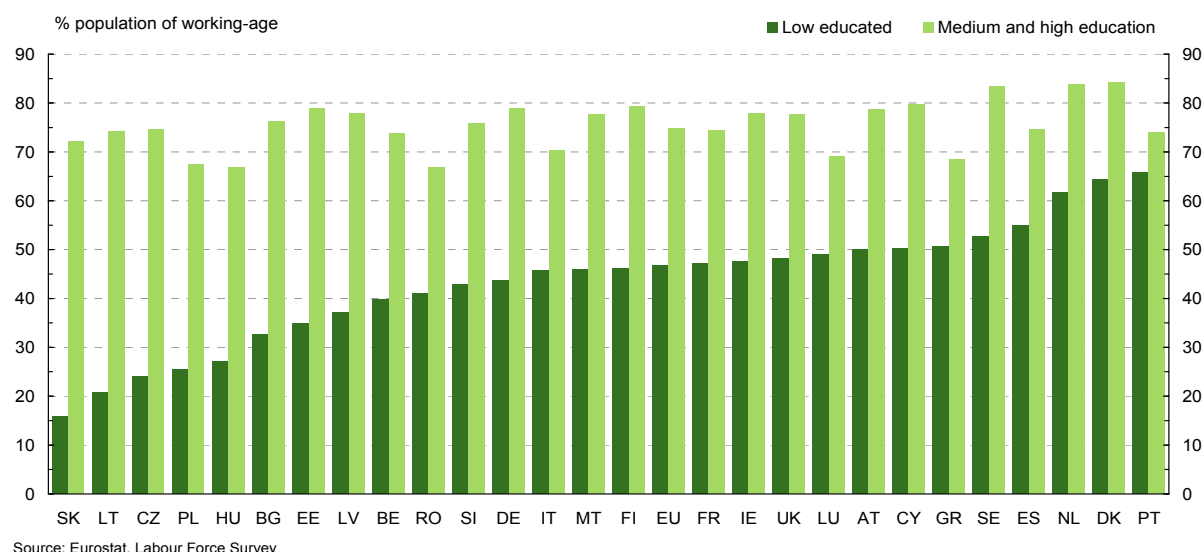


Figure 5 - People born outside the EU as a share of the unemployed and the total population of working-age, 2008

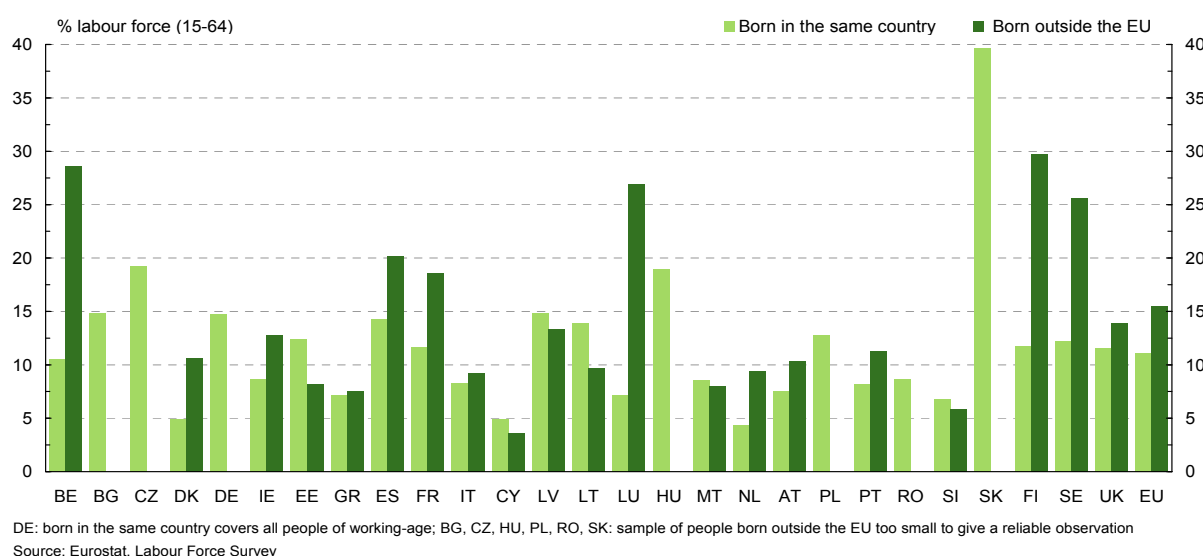


Virtually throughout the EU, those with low education levels have more difficulty finding employment than those with higher levels. In 2008, therefore, the employment rate of those with low education averaged just 47% across the EU, well below the rate for those with at least upper secondary education which averaged around 75%, over a third higher (Figure 6). Though the extent varies in size, the employment rate for the low educated was significantly less than that for those with higher education levels in all Member States, but most especially in many of the EU12 countries (the only country from this group with an employment rate for the low educated above the EU average is Cyprus).

Figure 6 - Employment rates by level of education, 2008

This difference in the employment situation of the low educated applies as much to those born outside the EU as to those born inside. In 2008, the unemployment rate among those with low education born outside the EU averaged over 15% in the Union, while the rate for those born in the country concerned was 11%, in both cases well above the overall unemployment rate (Figure 7). In Finland, unemployment among low educated workers born outside the EU was as high as 30% and in Belgium and Luxembourg, only slightly below this, while in Sweden it was over 25% and in Spain around 20%.

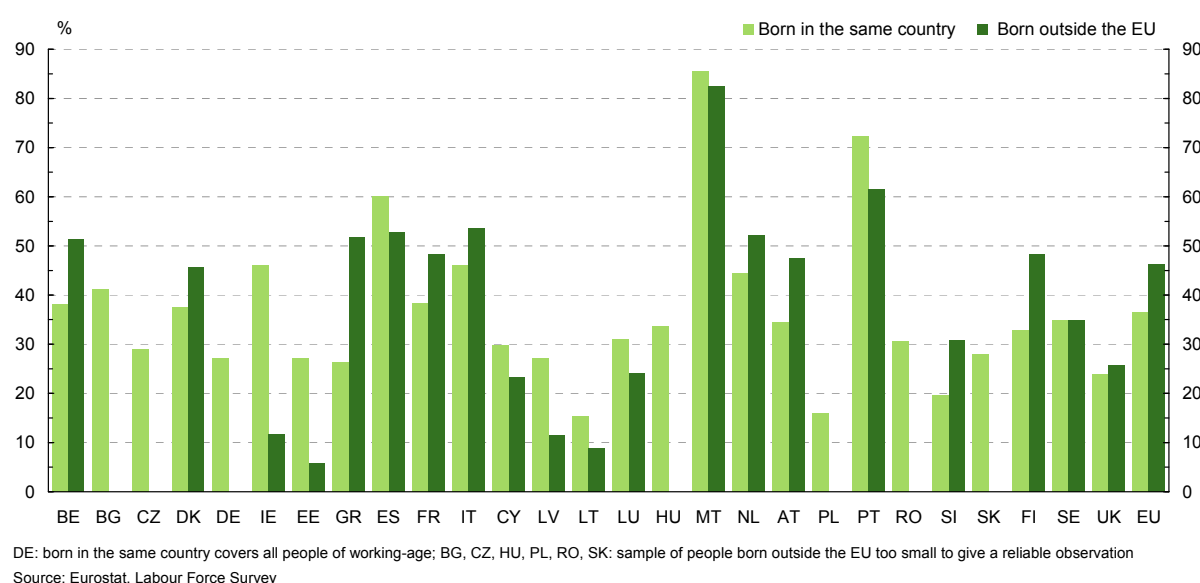
Unemployment among the low educated was even higher in Slovakia, in this case for those born in the country (the number of migrants from outside the EU being very low), the rate reaching 40% in 2008, while in the Czech Republic and Hungary, it was close to 20%. These high rates, particularly in the first two countries are a reflection of the relatively small number of people with only basic education in these countries (under 10% in both the Czech Republic and Slovakia, the norm being that young people attain at least a vocational qualification at upper secondary level), coupled with the large number of Roma among them. It is almost certain that unemployment among Roma would be even higher in all three countries, though, as noted above, the data do not exist to substantiate this. Inactivity would be higher still, since a large number of Roma do not participate in the formal labour market.

Figure 7 - Unemployment rates of low-educated people by place of birth, 2008

These relatively high unemployment rates mean that the low educated make up a large proportion of the unemployed born outside the EU as well as in the country concerned. In 2008, almost half of the unemployed born outside the EU (46%) had only basic schooling across the Union as a whole, so increasing the difficulties of placing them in employment, while almost 40% of those born in the country concerned had a similarly low level of education (Figure 8).

Once again, the figures vary markedly across countries, with over 80% of the unemployed in Malta, irrespective of where they were born, having a low education level and over 60% in Portugal (over 70% in the case of those born in the country). Indeed, in all southern EU Member States (Greece, Spain and Italy as well as Portugal), Cyprus apart, low educated workers made up over half the unemployed among those born outside the EU, though in Spain and Portugal, the proportion was even larger among those born in the country (around 60% in Spain). The proportion was also over half, however, in Belgium and the Netherlands and only slightly less than half in Finland.

Figure 8 - Proportion of unemployed by place of birth who are low-educated, 2008



Case study: Spain – labour market participation of immigrants

Over the past decade Spain witnessed one of the highest rates of immigration anywhere in the world and the percentage of immigrants in the total population rose from 1.6% in 1998 to 13.6% in 2009.

Data from the National Immigrant Survey (Encuesta Nacional de Inmigración - ENI) carried out by the Spanish Statistics Institute (INE) between November 2006 and February 2007 provides information on how the immigrant population has integrated into the labour market, albeit prior to the current economic crisis which has resulted in a dramatic rise in unemployment across Spain.

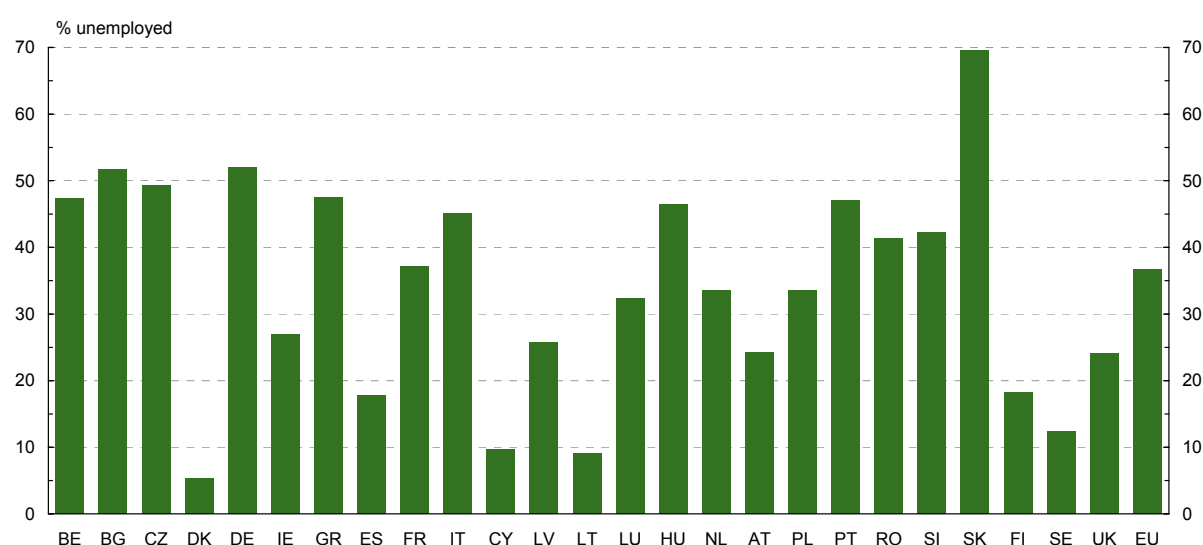
This survey, which interviewed nearly 15,500 individuals, found that the employment rate among immigrants was 58%, which is considerably below that of the total population at the time (just over 65%). Among those immigrants who were employed at the time of the survey, just less than 39% held a temporary contract, which is significantly higher than the proportion within the employed population as a whole (roughly 32% during the first quarter of 2007). The higher incidence of temporary contracts among immigrants may in part be linked to the temporary nature of their residency/work permits.

Moreover, the average monthly earnings among immigrants has been estimated to be around 30-40% less than that of native Spanish workers. One reason for this is education levels with the immigrant population generally less well educated. Additionally, the type of work undertaken by immigrants tends to be concentrated on the lower extreme of the social scale.

3.3 THE LONG-TERM UNEMPLOYED

The long-term unemployed, defined as those out of work and actively seeking work for a year or more, includes a disproportionate number of people with a low education level as well as some of those born outside the EU. Overall, the long-term unemployed accounted for almost 40% of the unemployed (defined again according to international conventions) in 2008 across the EU as a whole (Figure 9). In Slovakia, the figure was close to 70%, while in Germany and Bulgaria, it was over half. In stark contrast, in Denmark, it was only around 5% - reflecting the extensive active labour market policies in place to assist the unemployed find work or enter training before they are out of work for this length of time²¹ – while in Cyprus and Lithuania, it was under 10%. At the same time, these three countries were among just eight in which the long-term unemployed represented less than a quarter of all unemployed. In two of these, Austria and the UK, the proportion was only marginally below a quarter (around 24% in both cases).

Figure 9 – Proportion of the unemployed out of work for a year or more, 2008

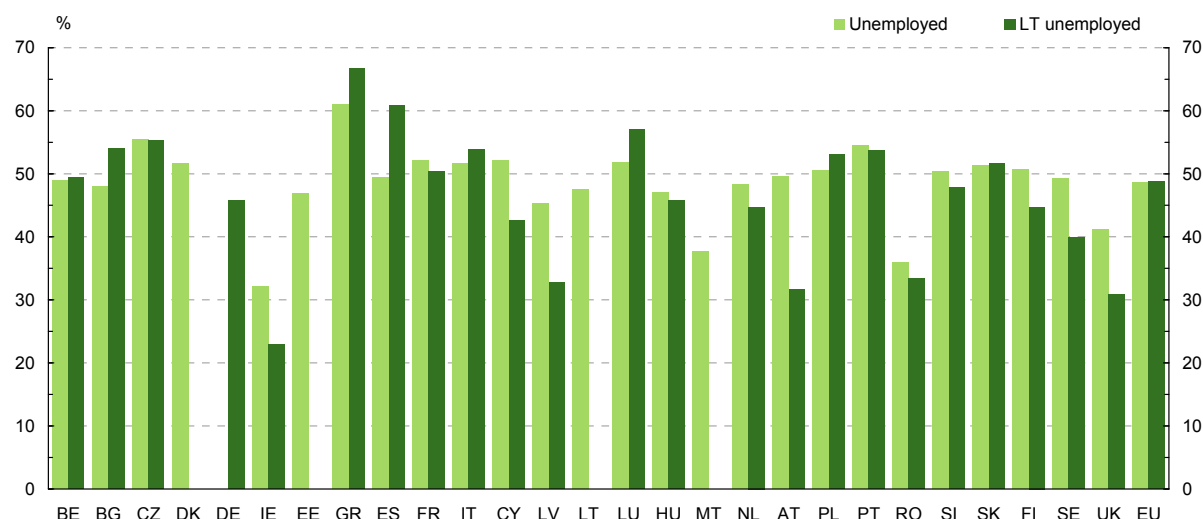


Source: Eurostat, Labour Force Survey

In the majority of countries, long-term unemployment among women was higher than among men. The main exceptions being Ireland and the UK, where in 2008, the proportion of the unemployed who had been out of work for a year or more was some 10-11 percentage points larger among men than among women. Nevertheless, over the EU as a whole in 2008, women made up much the same proportion of the long-term unemployed as of the unemployed – just under half in both cases (49%) (Figure 10).

In Greece, however, two-thirds of the long-term unemployed were women and in Spain, over 60%, while in Bulgaria, the Czech Republic, Italy, Luxembourg, Poland and Portugal, well over half of the long-term unemployed were women. In Austria, Latvia, Poland and the UK, by contrast, women made up a third or less of the long-term unemployed, and in Ireland, under a quarter.

²¹ These proportions need to be treated with some caution, since participation in a period of training or work experience might break the unemployment spell as measured here but the people concerned might then return to unemployment and begin another spell after the period comes to an end.

Figure 10 - Share of women amongst the unemployed and the long-term unemployed

DK, EE, LT, MT: observations for long-term unemployed by gender too small to be reliable
 Source: Eurostat, Labour Force Survey

3.4 PEOPLE LIMITED IN THEIR ACTIVITIES

As indicated above, there are no data which directly relate to people with disabilities, but the data in the EU-SILC comes reasonably close by identifying those who are limited in their activities because of health problems. (This in practice in the survey covers those who assess themselves to be hampered in their usual activity, or "activities people usually do", by any ongoing physical or mental health problem, illness or disability.) As also indicated, the people concerned are sub-divided into two groups – those who report being limited and those who report being strongly limited. The analysis here is confined to those aged 18-64, focusing on the data from the 2008 survey and examining the relative numbers involved before going on to consider their employment status²².

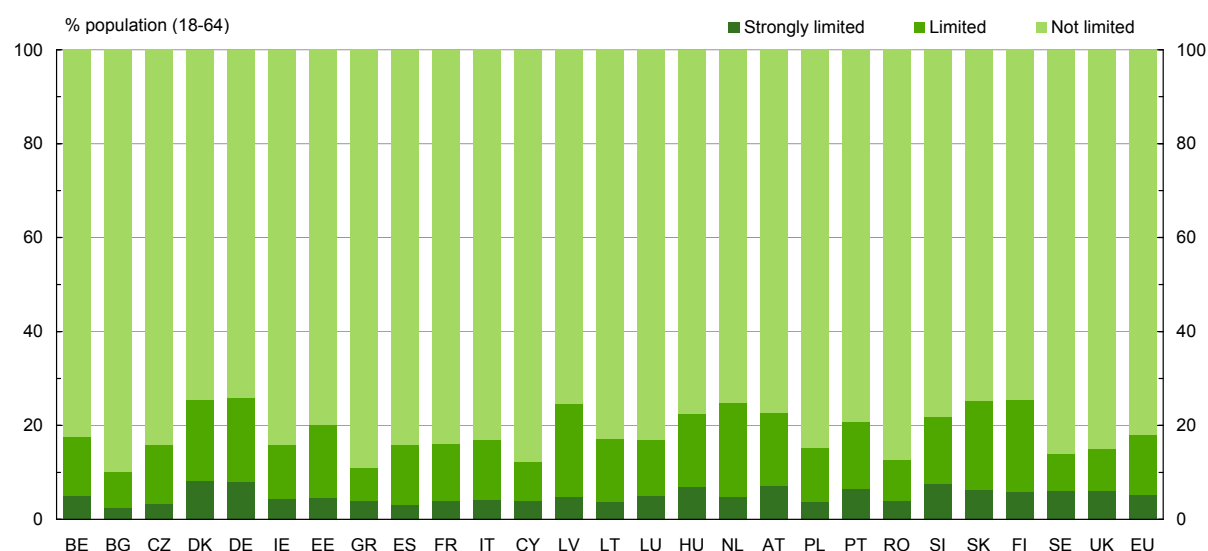
As in the case of the long-term unemployed, there is clearly some overlap between those limited in their activities and those with low education, which is taken explicit account of below. However, because of the relatively small sample size, the overlap between those limited and those born outside the EU is not taken into account, but in this case, there are no strong grounds for supposing that a disproportionate number of those limited were also born outside the EU.

Over the EU as a whole, some 5% of those aged 18-64 reported being strongly limited in their activities in 2008, while another 13% reported being limited (Figure 11). These figures varied across the Union, to some extent reflecting differing interpretations between countries as to the meaning of limited or strongly limited as well as differences in the actual reality of the situation. In Denmark and Germany, therefore, 8% reported being strongly limited and another 17-18% limited, leaving only around 74% with no limitations, the lowest proportions in the EU. In Slovenia, the relative number reporting being strongly limited was only slightly smaller than in Germany, but a significantly smaller proportion reported being limited (14%, only just above the average). In Slovakia and Finland, a similar proportion as in Denmark or Germany reported being either limited or strongly limited (just over 25%), while in the Netherlands and Latvia the proportion was only marginally below this.

²² Note that data for Malta are not available. Although the survey was conducted in Malta, the micro-data have been withheld from publication by the authorities.

At the other extreme, under 3% reported being strongly limited in Bulgaria and under 8% reported being limited, leaving 90% of the population in this age group with no limitations. The latter proportion was only slightly smaller in Greece (89%), Cyprus and Romania (87-88% in both cases).

Figure 11 - Working-age population (18-64) by degree of limitation in carrying out daily activities, 2008



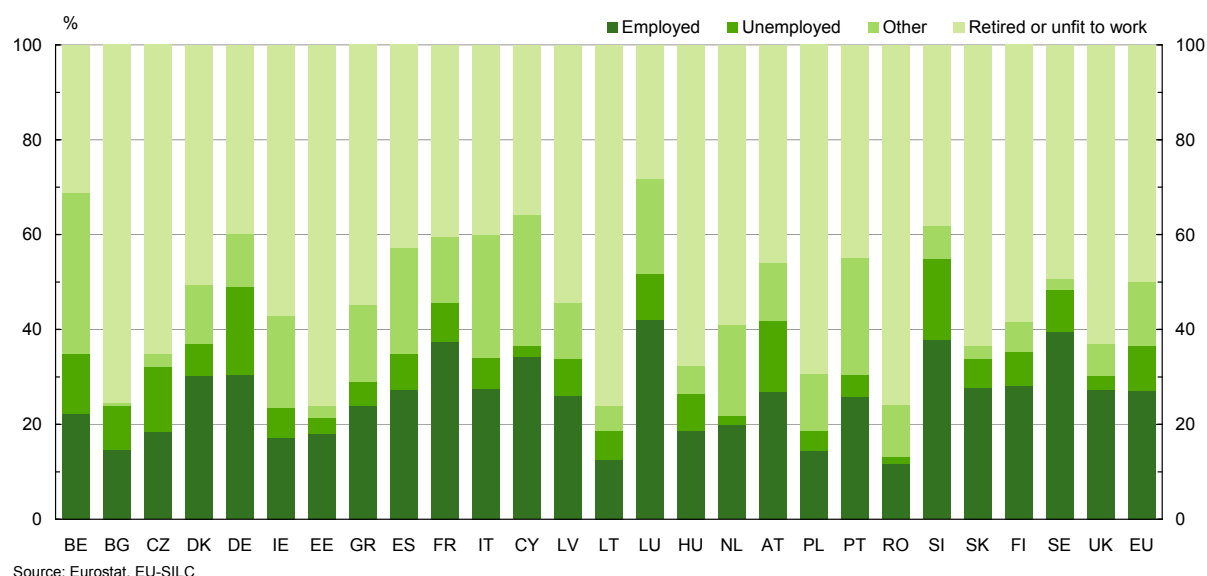
Source: Eurostat, EU-SILC

3.4.1 Employment status

As might be expected, a significant proportion of those reporting being strongly limited also report themselves to be unfit for work. As also might be expected, this proportion tends to vary inversely with the precise proportion reporting being strongly limited, since those concerned in countries where the proportion is small are likely to be more severely hampered on average than in countries where it is relatively large. The relationship, however, is by no means systematic.

Over the EU as a whole, just under a third of all those aged 18-64 reporting being strongly limited in their activities considered themselves to be unfit for work, while another 17% or so reported being retired, leaving around half who could potentially be in employment (Figure 12). In practice, only just over a quarter (27%) were in work, while just under 10% were unemployed, implying an average unemployment rate (expressed in relation to those in the labour force) of 26% among this group. (It should be noted that in this case unemployment is self-assessed rather than being strictly defined according to international conventions, so that it is likely for this reason to be higher than the LFS figures reported in the previous sections.) A further 12% of this group reported themselves to be economically inactive and a small number in education.

The proportion reporting being unfit for work varied from over 60% in Lithuania and over 55% in Estonia, the Netherlands and Poland to only just over 4% in Slovenia and 9% in Austria. In both the latter two countries, the relative number reported being strongly limited was well above the EU average (over 7%). In the former group of countries the relative number was below the EU average, but only slightly so in both Estonia and the Netherlands. The variation in these figures, therefore, may be as much to do with national attitudes to those with disabilities as with actual limitation on what the people concerned are capable of doing.

Figure 12 – People strongly limited in their daily activities by status, 2008

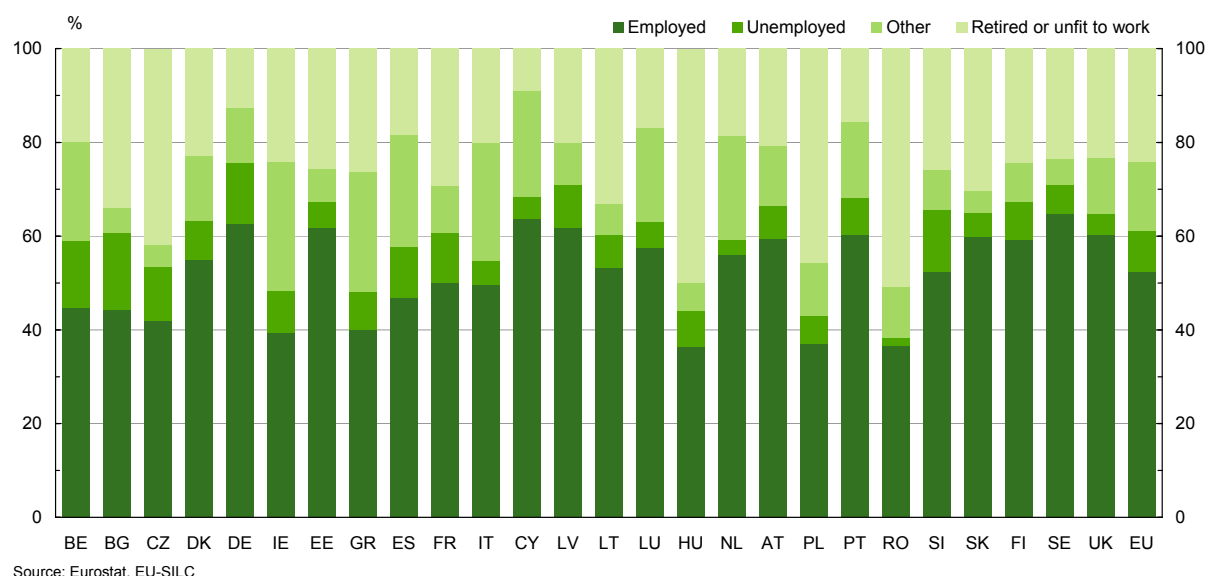
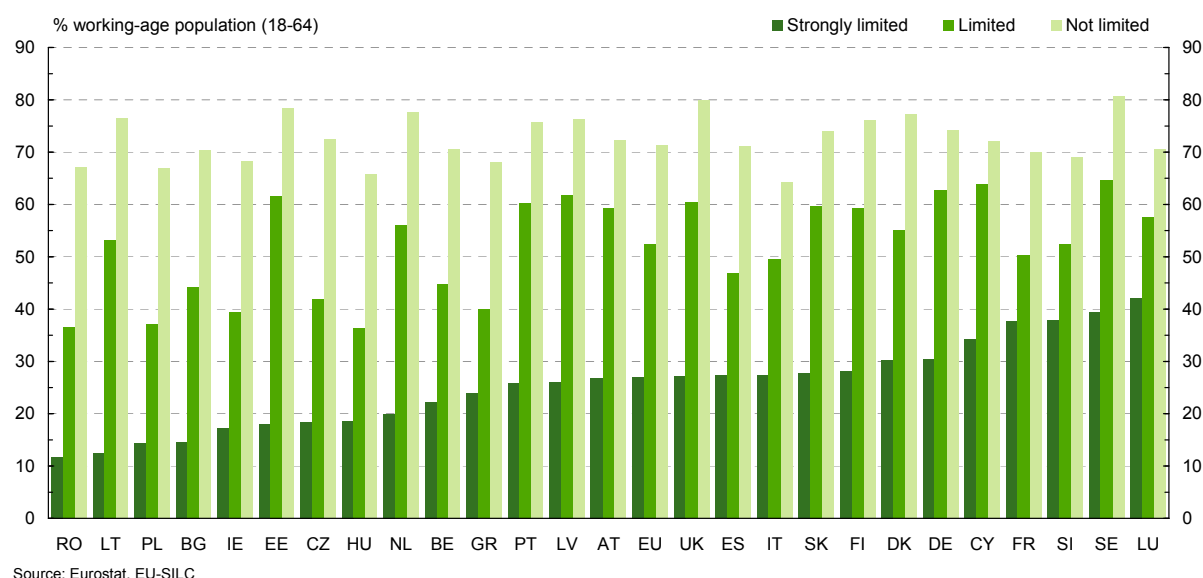
Although the relative number of those strongly limited who are in employment tends to vary inversely with the proportion reporting being unfit for work, the relationship is by no means systematic. While in Slovenia, therefore, a relatively large proportion of the strongly limited were employed in 2008 (38%), in Austria, where the relative number reporting being unfit for work was also very small, the proportion was the same as the EU average (27%). On the other hand, a large number reported being retired (37%), which was equally the case in Romania and Slovakia where the relative number reporting being unfit for work was also well below the average.

Focusing on the unemployed among this group, the proportion varied across countries, from almost 19% in Germany (implying an unemployment rate of 38%), 17% in Slovenia (giving a rate of 30%) and 15% in Austria to under 2% in the Netherlands and Romania. At the same time, those reporting being inactive, but not unfit for work, ranged from almost a third in Belgium and around a quarter in Cyprus and Portugal to under 1% in Bulgaria, Slovakia and Sweden.

Turning to those reporting being limited (rather than strongly so), as expected the proportion considering themselves unfit for work was generally smaller than for the strongly limited. Over the EU as a whole, it amounted to 9% in 2008, while another 15% were retired (Figure 13). These figures vary, however, across countries – in the case of being unfit for work, from 33% in Hungary and 28% in Poland to under 2% in Cyprus and Slovenia, and in the case of being retired, from 49% in Romania (well above the figure in any other country) and 27% in Slovakia to under 4% in Ireland and under 5% in Sweden.

Overall, just over half of this group (52%) was in employment in the EU as compared with 71% of those not limited (Figure 14). In Ireland, Greece, Hungary, Poland and Romania, the figure was under 40%, considerably below the proportion for those not limited (around two-thirds or more in each case). By contrast, the proportion in work among those limited was over 60% in Germany, Estonia, Cyprus, Latvia, Portugal, Sweden and the UK.

The relative number unemployed in the limited group was generally smaller than among the strongly limited, ranging from 17% in Bulgaria and 14% in Belgium to under 2% in Romania, while the proportion reporting being inactive – but not retired, in education or unfit for work – ranged from just under a quarter in Ireland and Greece to under 2% in Slovakia and Sweden.

Figure 13 - People limited in their daily activities by status, 2008**Figure 14 - Employment rates by degree of limitation, 2008**

3.4.2 The number of those limited among the unemployed and inactive

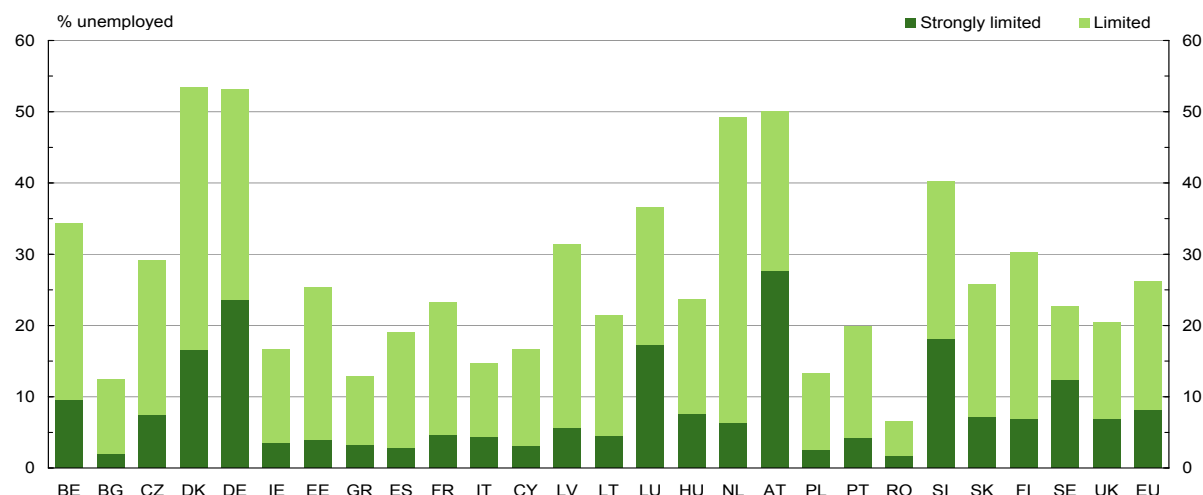
The implication of the relative number of those reporting limitations in their activities and of those reporting being unemployed is that a not insignificant proportion of the unemployed in 2008 were limited in their activities according to the EU-SILC data. In the EU as a whole, some 8% of the unemployed were strongly limited and another 18% were limited, meaning that just over a quarter of all those unemployed in the EU were hampered to some extent in what they could do (Figure 15).

The relative number of those strongly limited among the unemployed was over a quarter (28%) in Austria and only slightly less in Germany (24%). Since in the former, well over 20% of the unemployed reported being limited and in the latter, around 30%, this means that over half of the unemployed were hampered in what they could do in both countries. In Denmark too, a relatively large proportion of the unemployed were also strongly limited (17%), which since 37% were limited meant that well over half of the unemployed were hampered to some extent. In addition, the proportion hampered was only

marginally below half in the Netherlands (49%), while in Slovenia, it was 40% and in Belgium and Luxembourg, over a third.

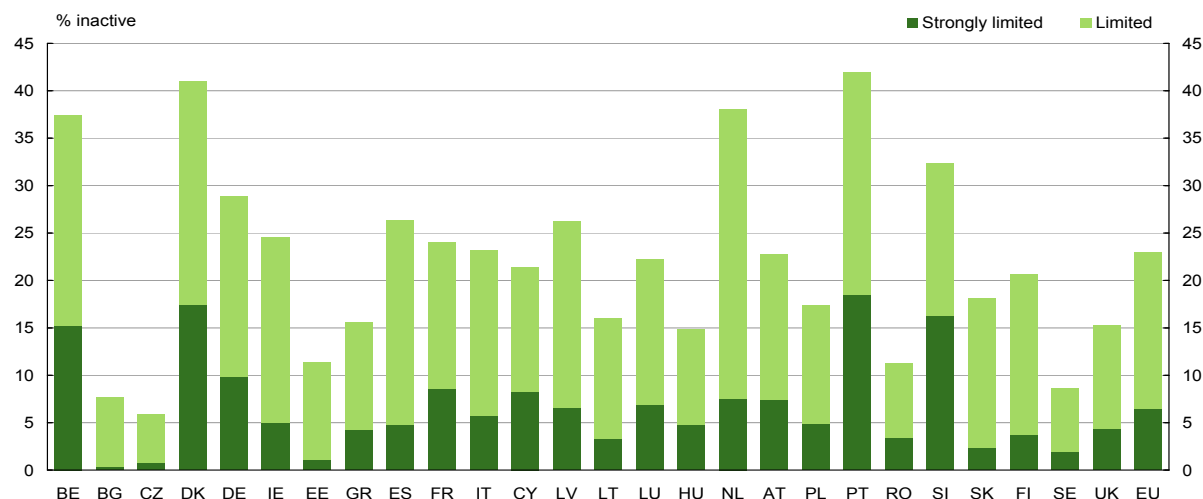
The relative number of economically inactive who were potentially available for work – i.e. other than those retired, unfit for work or in education – and who were limited in their activities was less than in the case of the unemployed but was still significant in a number of countries. In the EU as a whole, just under a quarter were hampered in some way (7% strongly so). In Denmark and Portugal, the proportion was over 40% (17-18% strongly limited) and in Belgium and the Netherlands, only slightly less than 40% (Figure 16).

Figure 15 - Proportion of the unemployed limited to some extent in their daily activities, 2008



Source: Eurostat, EU-SILC

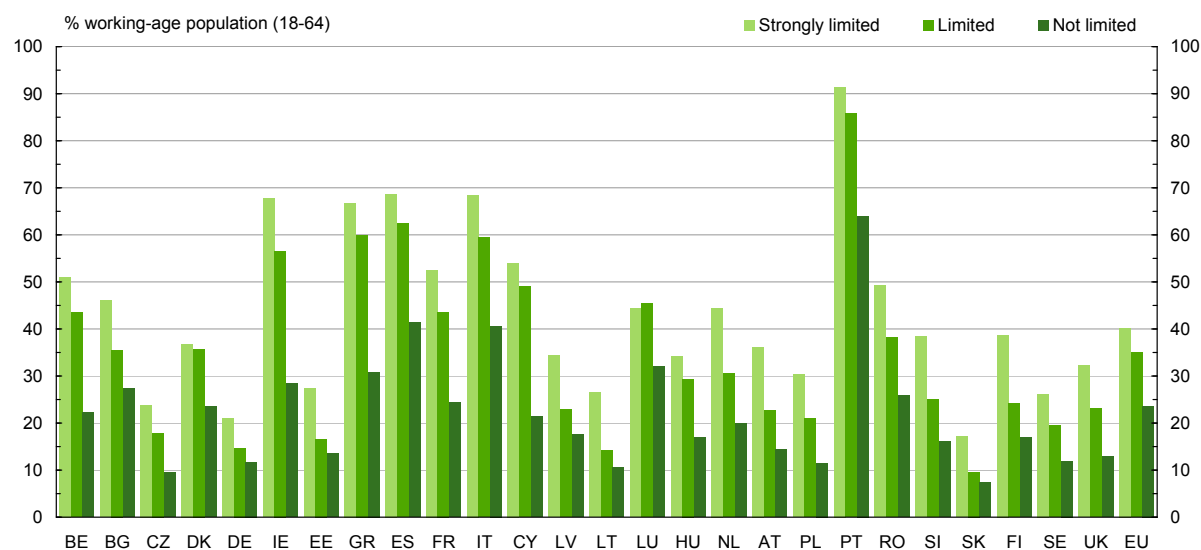
Figure 16 - Proportion of inactive people limited to some extent in their daily activities, 2008



Source: Eurostat, EU-SILC

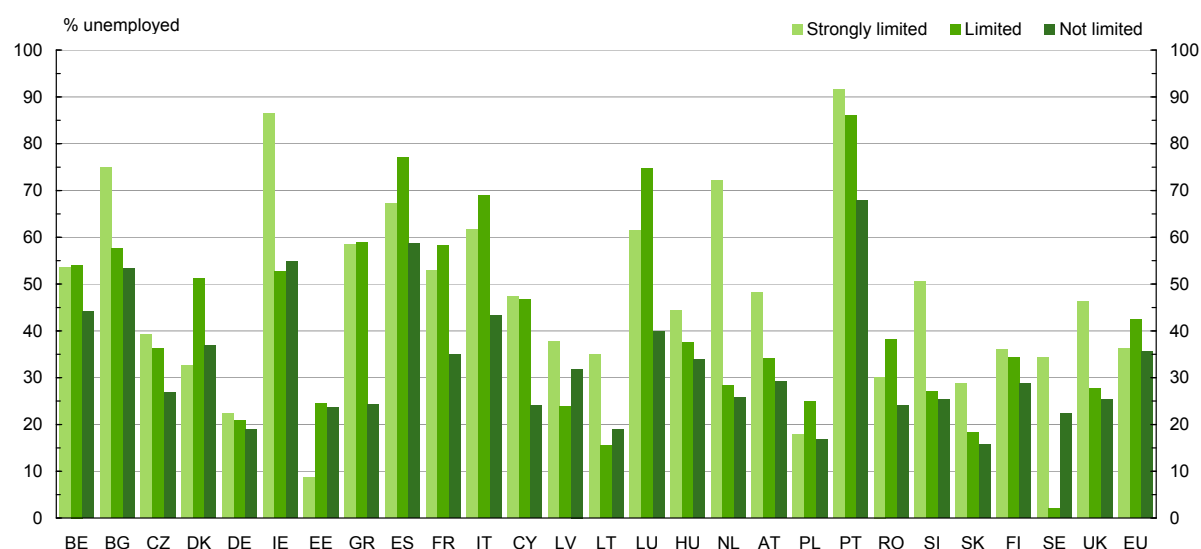
3.4.3 The low educated among those limited

In nearly all countries, those limited in their activities are much more likely to have a low education level than those not limited. This is especially the case for those strongly hampered, some 40% of whom in 2008 had only basic education in the EU as a whole and over two-thirds in Ireland, Greece, Spain and Italy, and above all in Portugal (where the figure was over 90%) (Figure 17). For those simply limited, the proportion was 35% (as compared with just 24% for those with no limitations), the figure climbing to 85% in Portugal and over 60% in Greece and Spain.

Figure 17 - Low educated people as a share of the working-age population by degree of limitation, 2008

Source: Eurostat, EU-SILC

The low educated also make up a relatively large proportion of the unemployed who are limited in their activities, though more so in some countries than others. Overall in the EU, some 36% of the unemployed who were strongly limited had only basic education in 2008, much the same proportion as in the case of those not limited, while 42% of the limited had this level of education. Despite the overall similarity of the proportions, in the great majority of countries, the relative number of unemployed and strongly limited who had low education was larger than for those not limited and in most cases, substantially so. The proportion was over 90% in Portugal, over 85% in Ireland and over 70% in Bulgaria and the Netherlands, in all cases, well above the figure for those not limited, especially in the last three countries (Figure 18). In most countries, therefore, placing the unemployed who are hampered in their activities is made more difficult by the low education level of many of them.

Figure 18 - Proportion of the unemployed who are low educated by degree of limitation

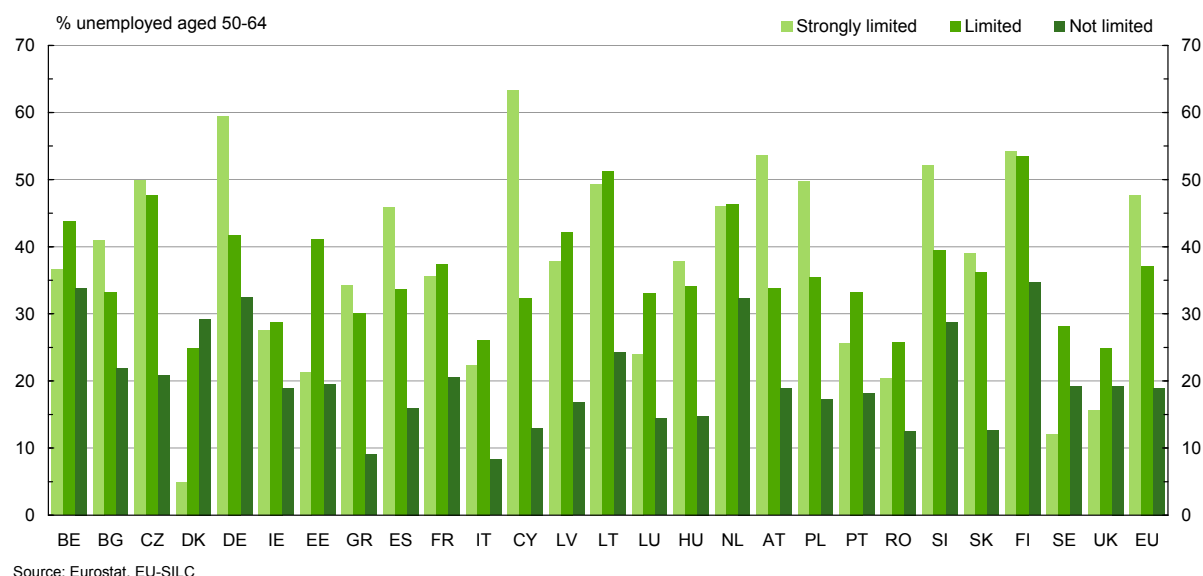
Source: Eurostat, EU-SILC

3.4.4 Those aged 50 and over and limited

Moreover, not only do people with limitations across the EU tend to have low education, they also tend to be older on average than those with no limitation, which reinforces placement difficulties. Almost

half of those aged 18-64 who were strongly limited and unemployed in the EU in 2008 were 50 or over and over 35% of those who reported being limited (Figure 19). This reflects the fact that the likelihood of people being limited increases with age. In Cyprus, around two-thirds of the unemployed who were strongly hampered were 50 or over, in Germany, around 60% and in Austria, Slovenia and Finland, 52-54%.

Figure 19 - Proportion of older unemployed who are low educated by degree of limitation



3.5 EMPLOYMENT RATES OF VULNERABLE GROUPS

The above analysis demonstrates quite clearly how people that are low-educated, born outside the EU or limited to some extent in their daily activities are disproportionately represented amongst the unemployed, which is clear evidence that they are facing particular disadvantages in the labour market. The fact that these groups are not mutually exclusive and that many suffer multiple disadvantages serves only to compound the problem. The question is how does this analysis translate into figures that are more accessible to policy makers and which might be used as tangible targets in the effort to improve the integration of vulnerable groups?

The new EU-2020 strategy sets an ambitious target of getting 75% of people of working age into employment. Although Denmark and the Netherlands have already achieved this target, most countries remain some distance from it. The employment rate across the EU peaked around 66% in 2008 and has subsequently fallen as a result of the economic downturn. If the 2020 target is to be achieved then it is going to be imperative not only to foster strong economic growth and job creation, but also to activate large numbers of people who are currently inactive, including many women and people from vulnerable groups.

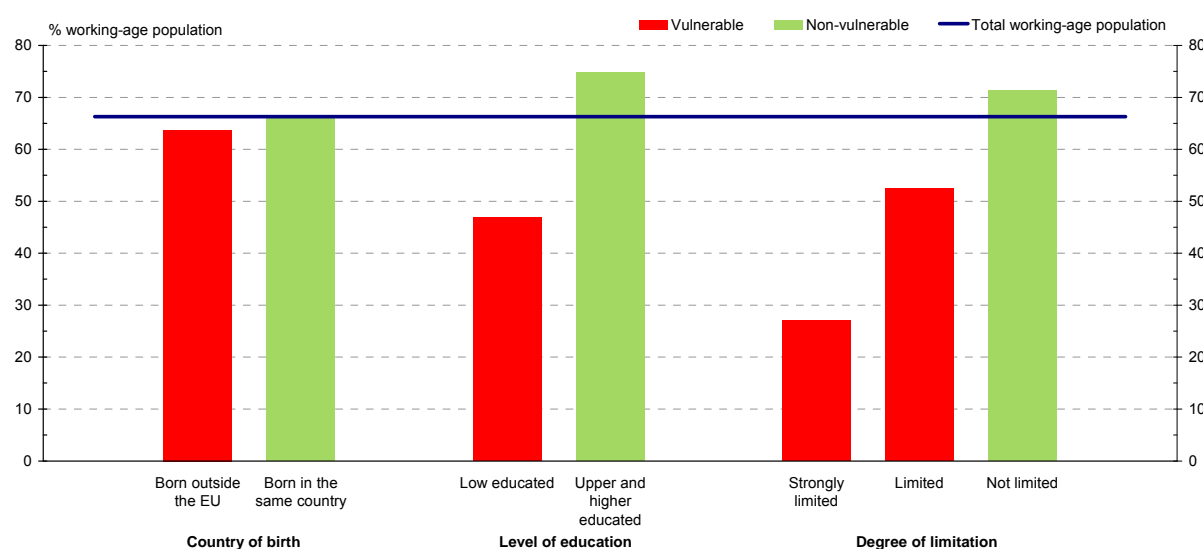
The gap between the employment rates of vulnerable and non-vulnerable groups across the EU is striking (Figure 20) and demonstrates the scale of the challenge ahead. Even amongst people who are best placed to find work – those that are well educated – the employment rate across the EU barely reaches the 2020 target. In 2008 the rate for those with at least secondary education was 74.8% and the gap compared to those with low education is a massive 28 percentage points with less than half of the latter group being in work (46.8%).

The employment rate gap for workers born outside the EU was less than 3 percentage points in 2008 – 63.7% compared to 66.4% for those born in the country that they are working or indeed anywhere

else in the EU. However, for people that are limited to some extent in the activities that they can undertake the gap is again high. The employment rate of people without any form of limitation is 71.3% but there is then a gap of 19 percentage points compared to those with some limitation (52.4%) and an enormous gap of 44 points for those that are strongly limited in their daily activities (27%).

Narrowing employment rate gaps for vulnerable groups represents an ideal and quantifiable objective for measuring the progress of active inclusion strategies. The United Kingdom is leading the way with this kind of approach and already assesses progress with strategic objectives to maximise employment opportunity for all using indicators to monitor employment rate gaps for disabled people, lone parents, ethnic minorities, the over fifties, those with no qualifications, people living in the most deprived wards and those most likely to be socially excluded²³. The approach focuses not on specific targets for the employment rate of each group, but on narrowing the gaps compared to the overall employment rate in the population. A similar approach at European level could be extremely valuable for monitoring progress with the active inclusion strategy.

Figure 20 - Employment rates of vulnerable groups in the EU, 2008



Source: Eurostat, Labour Force Survey & EU-SILC

Note: Groups are not mutually exclusive – e.g. a person that is low educated may also be strongly limited. Moreover, a person considered as vulnerable by one criterion may be non-vulnerable according to another criterion (e.g. born outside the EU and high educated).

Improving data to monitor social exclusion and discrimination – example of the UK

Across Europe, there is a clear consensus regarding the need to reduce social and economic inequalities and discrimination of all forms. However, at the current time, the data available to measure equality and the situation of vulnerable groups that should provide the evidence to develop and assess policy is all too often weak or unreliable, not comparable between countries or, in some cases, simply does not exist at all.

There are many reasons why good quality data covering socio-cultural characteristics such as ethnicity, disability, sexuality or religious beliefs are not widely available, but mostly they boil down to three main points. Firstly, there is a problem of definitions and a lack of commonly agreed concepts and classifications. Secondly, the information is often considered as “sensitive” so that, depending on

²³ <http://www.dwp.gov.uk/docs/performanceframework2008-2011.pdf>

the interpretation of data protection laws in each country, the collection of data may be restricted or even prohibited. Finally, even when data are collected the responses may not be reliable – answers to questions on socio-cultural characteristics are generally dependent on self-declaration and people who consider themselves victims of discrimination due to a particular characteristic may be unwilling to respond appropriately to questions on the issue.

Data on ethnicity are a prime example. A 2003 review by the United Nations Statistics Division found that only just over half (53%) of European countries included a question on ethnicity or nationality in their most recent population census (covering the period 1995 to 2004)²⁴. Often the reason put forward for not collecting such data is that it contravenes data protection laws but a study undertaken by the European Commission against Racism and Intolerance (ECRI) for the Council of Europe concludes that this assertion is only partly true and that such sensitive data can be collected if policy makers can demonstrate that it is a legal obligation²⁵. Given that anti-discrimination laws need evidence to support their assessment, there ought to be room for countries to work within data protection laws and collect the data needed to support all areas of anti-discrimination policy – an approach that was recommended by the Commission in a 2006 equality communication²⁶.

There are, however, a number of countries that have already made significant efforts to collect data on equality issues and which use these routinely to monitor progress with targets to reduce social exclusion and discrimination. These include the UK, Ireland, the Netherlands and the Scandinavian countries. The case of the United Kingdom is worth considering further as a good practice example.

Equality data in the UK

For a number of years, the UK government has been committed to reducing discrimination and social exclusion and, moreover, to having the evidence to support and direct related policy. It has, therefore, progressively made the collection of data on issues such as gender and ethnicity routine and often a statutory requirement²⁷. Recognising that such information can be sensitive, transparency is taken seriously and information about the data collected, the reasons for their collection and how they are used is made freely available – see, for example, the Department for Work and Pensions (DWP) diversity monitoring and evaluation strategy²⁸. The data collected is used both to assess the effectiveness of policy (by measuring outcomes) and to develop quantitative policy targets – for example, DWP has targets to reduce employment rate gaps for various vulnerable groups in society and routinely publishes results²⁹. Moreover, the data collected are freely disseminated and presented in a way that is widely accessible. See, for example, the *Ethnicity and Identity* section of the ONS (Office for National Statistics) website where the front page gives a series of bulleted statistical

²⁴ Ethnicity: A Review of Data Collection and Dissemination, United Nations Statistics Division, 2003. <http://unstats.un.org/unsd/demographic/sconcerns/popchar/Ethnicitypaper.pdf>

²⁵ “Ethnic” statistics and data protection in the Council of Europe countries, Council of Europe, 2007. http://www.coe.int/t/dghl/monitoring/ecri/activities/themes/Ethnic_statistics_and_data_protection.pdf

²⁶ The application of Directive 2000/43/EC of 29 June 2000 implementing the principle of equal treatment between persons irrespective of racial or ethnic origin. Communication from the Commission to the Council and the European Parliament, COM(2006) 643 final. <http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=COM:2006:0643:FIN:EN:PDF>

²⁷ For example, it is a statutory requirement for schools in the UK to report on the ethnicity of pupils. <http://www.standards.dfes.gov.uk/ethnicminorities/collecting/763919/>

²⁸ <http://www.dwp.gov.uk/docs/diversity-monitoring.pdf>

²⁹ <http://www.dwp.gov.uk/publications/policy-publications/opportunity-for-all/indicators/table-of-indicators/people-of-working-age/indicator-19/>

highlights that are presented in a way that would be of immediate relevance and interest to the general public and not just to statisticians, researchers or policy makers³⁰.

Complete openness about the reasons for collecting data, how it is used and the results obtained is key to overcoming some of the objections to collecting statistics on “sensitive” issues and the UK example is one that other countries could learn from. Moreover, although the UK is already ahead of many other countries in collecting equality data and using it to underpin policy, the government also recognises that there shortcomings in the data currently available and is prepared to take steps to rectify these.

In 2006 the UK government commissioned a review to investigate the causes of persistent inequalities and social exclusion in the British society. The final report of *The Equalities Review*, published in February 2007, noted that “a cross-cutting Government review of current data needs is a fundamental and necessary starting point if Government and devolved administrations are to properly analyse, understand and address inequalities”. This review was duly undertaken by the Office of National Statistics and published in October 2007 and serves as an excellent model of a systematic evaluation of equality data needs and how they can be realised³¹.

The ONS review is based on a framework for measurement of equality that was proposed by Centre for Analysis of Social Exclusion and endorsed by the Equalities Review. The framework defines equality as equality of substantive freedoms so that measuring it requires information on outcomes, process and choice/control. It then lists seven characteristics (gender, ethnicity, disability, age, sexual orientation, transgender and religion/belief which are crossed with ten equality domains (such as health, education, standard of living, etc.). The review then systematically assessed the information needed and available for each combination of characteristic and domain.

The review found that there were more data available than previously indicated but nevertheless confirmed some significant gaps, particularly in relation to disability, transgender and sexual orientation. A lack of strategic co-ordination between the organisations that gather and disseminate equality data was identified as one factor behind the existing data gaps and inconsistencies. In conclusion, the review made a series of recommendations to improve data co-ordination, comparability and quality, and to improve the dissemination of data. The openness of the government in recognising the problem and taking on such a comprehensive and cross-cutting review to assess data needs and find ways to improve the situation can only be applauded.

³⁰ <http://www.statistics.gov.uk/focuson/ethnicity/>

³¹ <http://www.ons.gov.uk/about-statistics/measuring-equality/equality/equality-data-review/index.html>

4 THE IMPACT OF THE RECESSION ON PES SERVICES FOR VULNERABLE GROUPS – THE CASE OF GERMANY

At a time when many European Public Employment Services have hugely increased caseloads compared to two years ago, with large numbers of unemployed clients having been laid off during the recession, there is clearly a dilemma in how to allocate available resources, which are also under threat as governments clamp down on spending in order to reduce deficits. Investing heavily in supporting those newly unemployed in order to counteract the risks of long-term unemployment and social exclusion could, at the same time, result in fewer resources being available to support vulnerable groups who are more difficult to place and therefore more costly to support. The issue is investigated through a case study from Germany that examines how welfare services of the Bundesagentur für Arbeit (the Federal Employment Agency) have been affected by the recession.

4.1 INTRODUCTION

Germany endured a recession in 2002-2003 following which the unemployment rate peaked at 10.7% in 2005, a level that was among the highest in Europe with only Poland and Slovakia experiencing higher rates. The German government reacted to the imbalances in the labour market by introducing four new laws aimed at increasing flexibility. The first focused on modernising services for the labour market by lifting restrictions on labour leasing and temporary employment agencies. The second established low paid “mini” jobs and encouraged self employment. Both of these were implemented in 2003. The third, in 2004, reorganised the Federal Employment Agency whilst the fourth, in 2005, transformed the social security system by combining two previously separate systems for unemployment and social assistance (Arbeitslosenhilfe / Sozialhilfe). At the same time, the government expanded efforts to help people through active labour market policies, especially in the areas of long-term and youth unemployment.

In 2008, at the beginning of the financial crisis, Germany’s unemployment rate stood at a ten year low of 7.3%, the share of long term unemployed had dropped from 35% to 30% and the Federal Employment Agency (FEA) produced a budget surplus. During this period, services for people with difficulties entering the labour market were generally expanded, except for the long-term unemployed - after a debate about inefficiencies in services provided by the Federal Employment Agency, the German government froze 1.3 billion of the 2.5 billion funds for services for the long-term unemployed. A longer-term analysis shows that services provided to long-term unemployed also declined during the 2003 recession.

This case study attempts to investigate how the recession impacted on the provision of services by the Federal Employment Agency to people with placement restraints (i.e. people with difficulties to find or retain work)³². It is based on an analysis of differences between the current level of service provision and that before the recession using data from the monitoring system of the Agency. The analysis is broken down to cover five main groups of people with placement restraints (people who are re-entering the labour market, the long-term unemployed, young and older unemployed, people with a migration background and severely disabled workers) and various categories of services (services to improve opportunities on the regular labour market, services to improve vocational training, in-work assistance services, employment creation services, free assistance and other assistance).

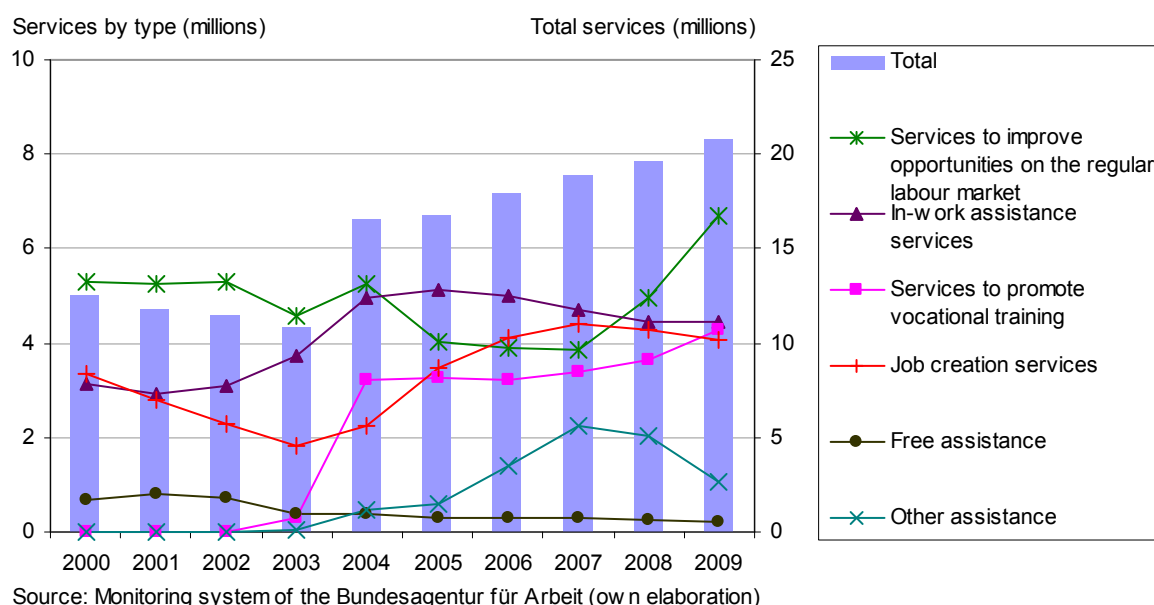
³² The study covers all services included in the management system of the Federal Employment Agency, which includes some services provided by municipalities.

4.2 THE IMPACT OF THE RECESSION ON SERVICE PROVISION

The number of people catered for by Federal Employment Agency services declined slightly between 2000 and 2003 and then rose significantly following the 2003 reforms (Figure 21). Note that services to improve vocational training were only established by the new reforms and therefore did not exist before 2003, and that in-work assistance services were expanded as part of the reforms. Job creation services declined from 2000 to 2003 but steadily increased thereafter as result of a new service called “Arbeitsgelegenheiten” which is targeted, in particular, at long-term unemployed. Beneficiaries of this service do not receive income instead they are given an allowance for particular expenses related to their jobs. These jobs are referred to as “one euro jobs” because of the way that the allowances are calculated on the basis of participants’ working hours.

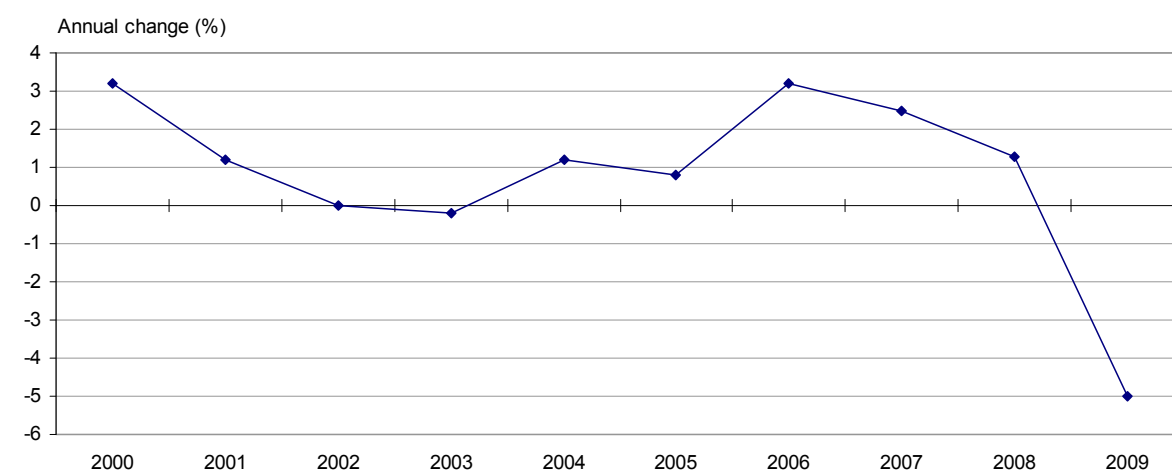
With the exception of services related to job creation³³, there is no clear evidence that there is any relationship between the business cycle (Figure 22) and the numbers of unemployed to whom different services are provided. However, the time series is very short and there are several breaks due to labour market reforms and services shifting from one category to another and such limitations make it difficult to make a clear conclusion.

Figure 21: Number of services provided by the FEA for persons with placement restraints, 2000-2009

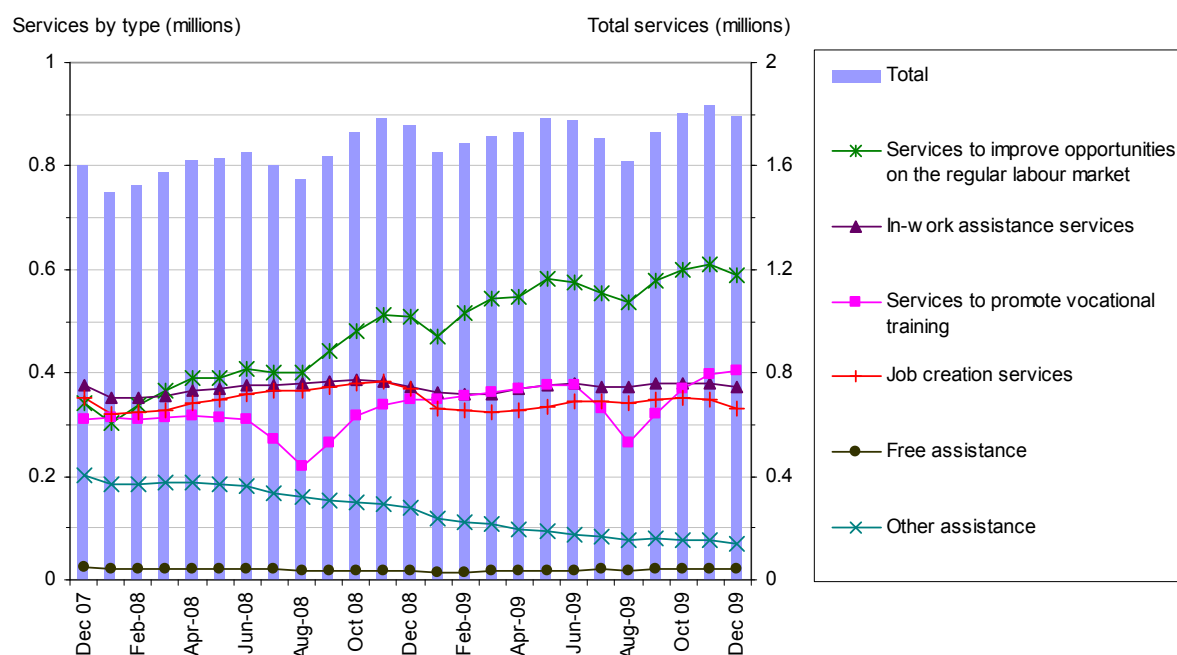


During 2009 there was no significant change in the total number of services provided by the Federal Employment Agency compared to 2008 (Figure 23) despite the fact that Germany experienced the deepest recession since the Second World War. However, there was a shift in the types of services provided from those classified as other services to those classified as services to improve opportunities on the regular labour market. The numbers of services related to job creation, vocational training and free services remained more or less stable. Although this meant that the overall level of service provision was hardly affected in 2009, it is possible that a decline will be seen in 2010 as a result of federal budget imbalances and the freezing of funds.

³³ Job creation services declined between 2000 and 2003 and again in 2009. However, it is unclear if this decline was caused by recession. Since May 2009 a service of the Federal Employment Agency (Arbeitsbeschaffungsmaßnahmen) is no longer available to people receiving basic social security benefits (Grundsicherungsleistungen – see Bundesagentur für Arbeit: Der Arbeits- und Ausbildungsmarkt in Deutschland – Monatsbericht März 2010, Nuremberg 2010).

Figure 22: GDP growth rate, Germany, 2000 – 2009

Source: Eurostat, National accounts (Real GDP growth rates: tsieb020)

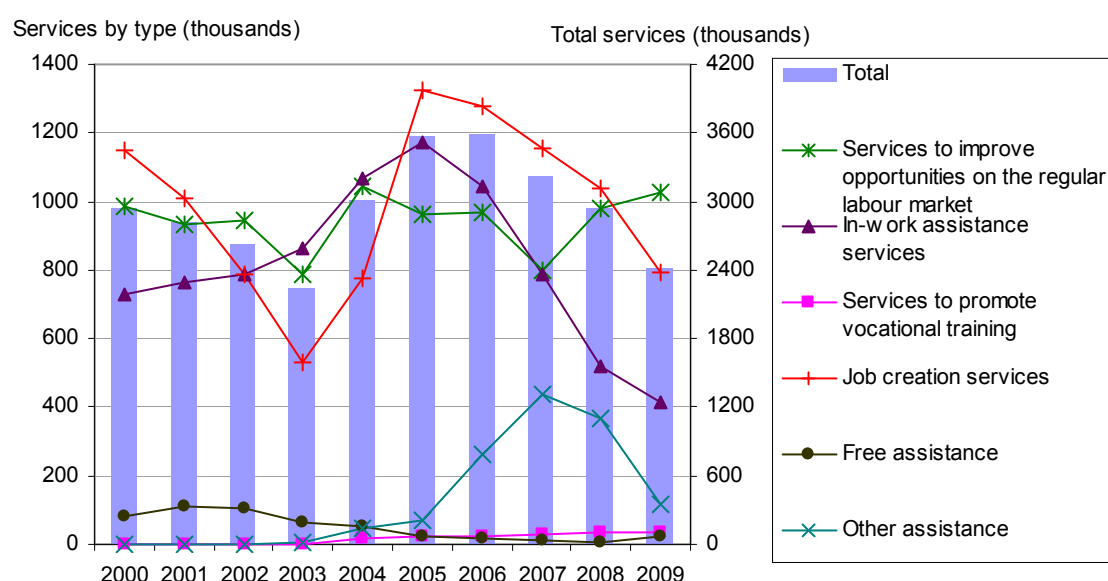
Figure 23: Number of services provided by the FEA for persons with placement restraints, Dec- 07 - Dec-09

Source: Monitoring system of the Bundesagentur für Arbeit (own elaboration)

4.2.1 Services for the long-term unemployed

The number of services provided to long term unemployed appears to follow a pro-cyclical path (Figure 24) with the number of services falling from 2000 (boom year) to 2002/2003 (recession years), rising until 2006 (boom year), and then falling again.

At first glance, the number of services for long term unemployed seems to have fallen during the recession whilst those for other groups increased. There could be at least three explanations for this phenomenon:

Figure 24: Number of services provided by the FEA for long-term unemployed, 2000-2009

Source: Monitoring system of the Bundesagentur für Arbeit (own elaboration)

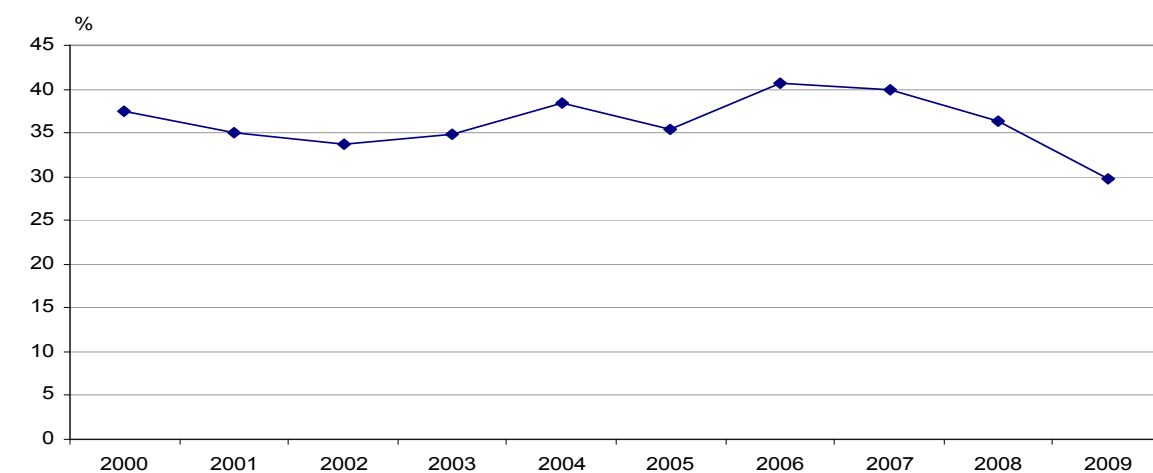
- The first possibility is that the recession reduced the national insurance contributions received by the Federal Employment Agency whilst an increase in the number of clients imposed a demand for increased expenditure. At the beginning of the crisis the federal government compensated the Federal Employment Agency for shortfalls in its budget. However, reduced tax revenues and higher expenditure as a result of stimulus packages during the recession could have driven the government to reduce this compensation, leading to lower expenditure for services for the unemployed.
- A second is linked to the corporate policy of the FEA, which has a responsibility to make efficient use of resources. During a period of high unemployment, providing services to people with difficulties could be deemed less efficient³⁴ than providing services to people that already have an attachment to, or are close to, the labour market. This would lead to a rise in services provided to people who are employed³⁵, new labour market entrants or short-term unemployed at the expense of the long-term unemployed.
- A third possible explanation relates to the cyclical behaviour of long-term unemployment and the time lag of the labour market. Labour markets adjust more slowly to a macroeconomic shock than the financial and goods markets. Furthermore, by definition, there is an additional lag between the peak in unemployment and the peak in long-term unemployment. If these lags are long enough, long-term unemployment could be highest during periods of high growth and lowest during periods of low growth. Despite the structural break due to labour market reform in 2004, services for the long-term unemployed appear to have been lowest at the beginning of a recession and highest at the beginning of a boom (Figure 25).

³⁴ In Germany most studies find little evidence for the success of job creation services. Most participants can't improve their chances for a job on the regular labour market. However, according to Caliendo et al. (2005) this is not true for long-term unemployed (see Caliendo, Marco; Hujer, Reinhard; Thomsen, Stephan L.: *Identifying effect heterogeneity to improve the efficiency of job creation schemes in Germany*, IAB Discussion Paper, 08/2005, Nuremberg).

³⁵ In 2009 the Federal Employment Agency enhanced services for employed people. In particular, short-time work benefits were extended (see Bundesagentur für Arbeit: report on the labour market: the labour market in Germany – a year of crisis for the German labour market, Nuremberg 2009).

Which one of these three explanations is more pertinent in today's recession is difficult to assess. This "natural" pro-cyclical behaviour of long-term unemployment could easily be misinterpreted.

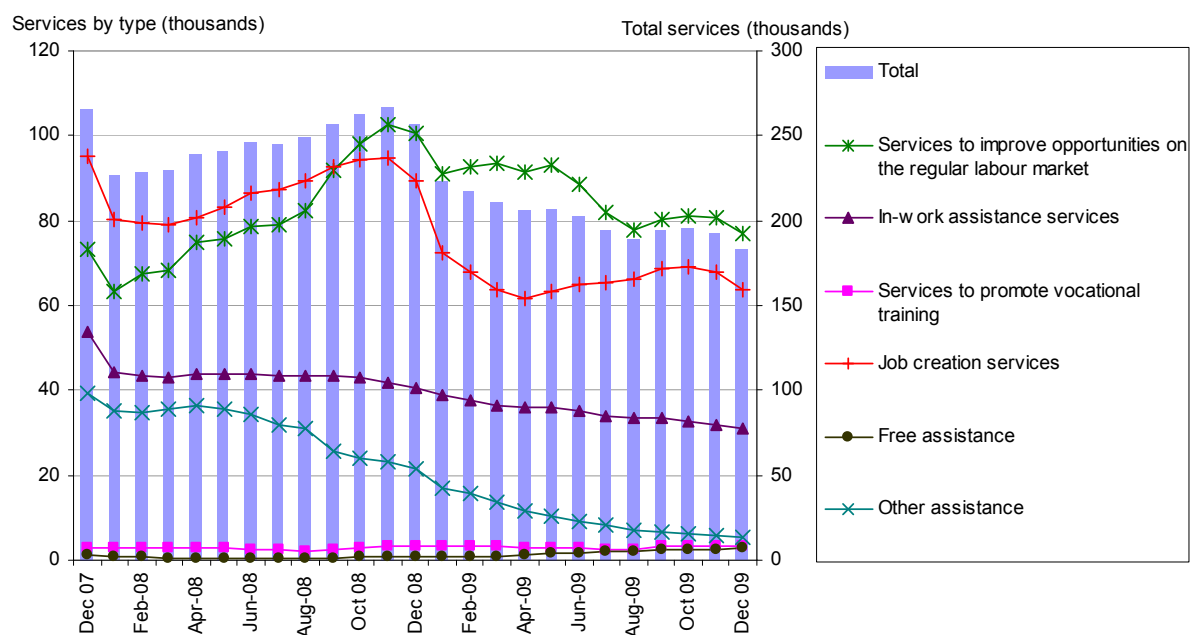
Figure 25: Long-term unemployed as a share of all unemployed, Germany, 2000-2009



Source: Bundesagentur für Arbeit

Over the last year (Jan-09 to Dec-09) there has been a drop in the provision of services to long-term unemployed, particularly job creation services and those to improve opportunities on the labour market (Figure 26). A drop in service provision might be justified given the shrinking number of long-term unemployed as a share of the overall population of unemployed but the scale of the drop - from more than 260,000 in December 2008 to 180,000 a year later - appears rather severe given the overall rise in the number of unemployed catered for. This drop could only be justified if services for short-term unemployed, victims of the recent recession, are more efficient than the services provided to long-term unemployed who are reminders of previous recessions.

Figure 26: Number of services provided by the FEA for long-term unemployed, Dec-07 - Dec-09

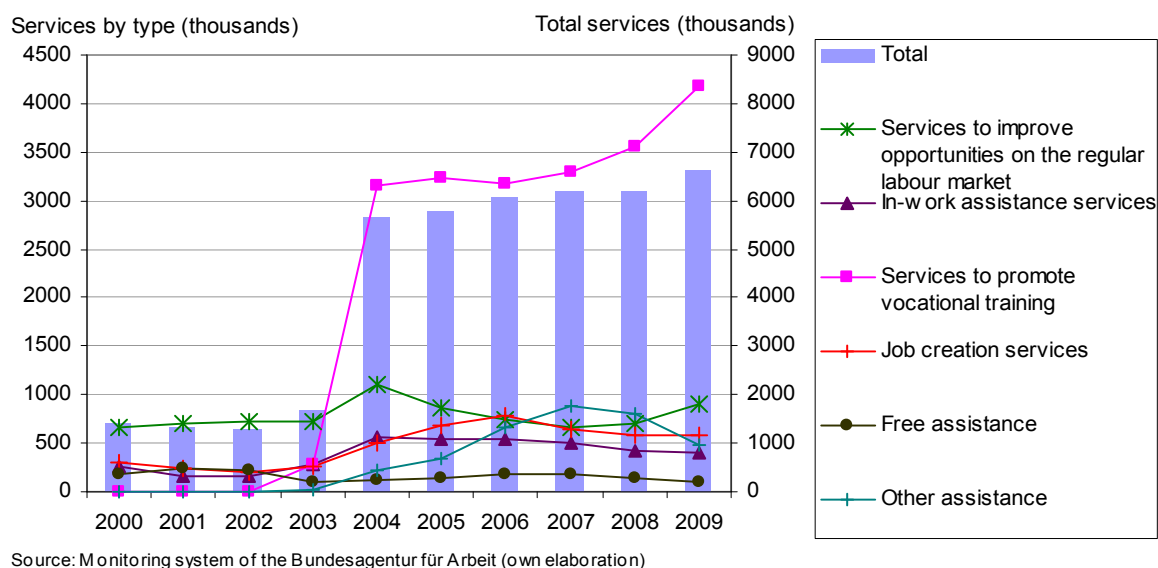


Source: Monitoring system of the Bundesagentur für Arbeit (own elaboration)

4.2.2 Services for young unemployed

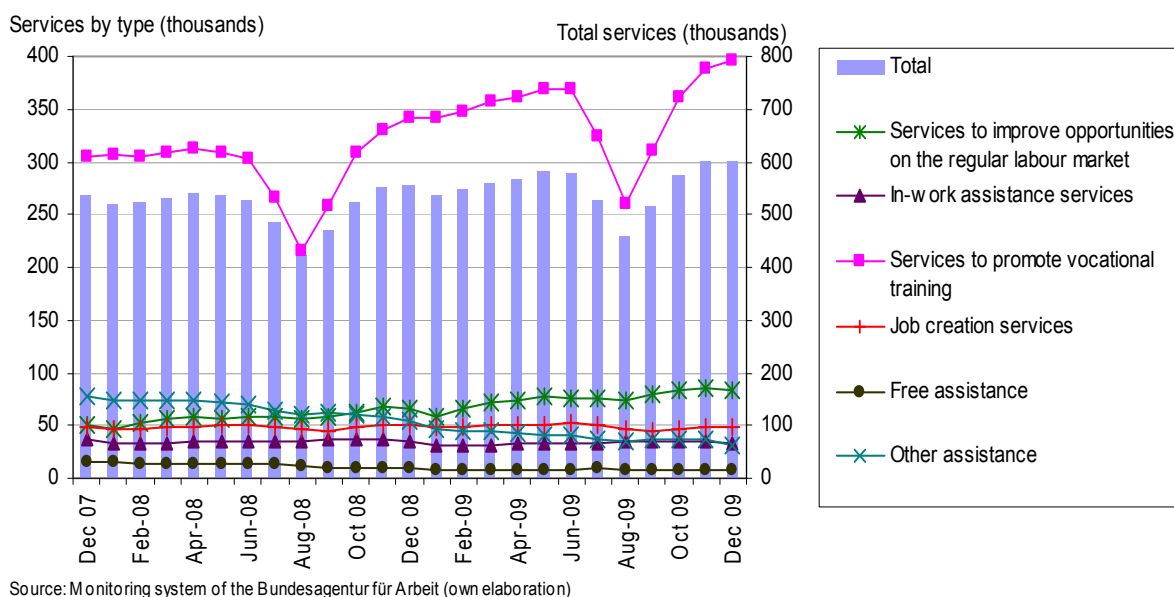
In mid 2003 the German government started a campaign to fight youth unemployment and undertook a restructuring of services to promote further vocational training. This shows as a clear break in the time-series for services provided to young unemployed, with a dramatic increase in service provision following the reforms (Figure 27). Although the break makes it difficult to be sure, there is no obvious link between service provision for young unemployed and the business cycle. Interestingly, the major increase in services for youth unemployed occurred at a time when the number of youth unemployed was in decline.

Figure 27: Number of services provided by the FEA to young unemployed (<25), 2000-2009



During the recent downturn, the number of services provided to young unemployed increased by 5-10% (2009 compared to 2008, Figure 28) whilst the total number of young unemployed increased by 13% over the same period. Services to improve opportunities on the regular labour market increased most (25 to 35% when comparing one month to the previous year) followed by services to promote vocational training (10 to 23%), whilst there was a decline of up to 5% in job creation services.

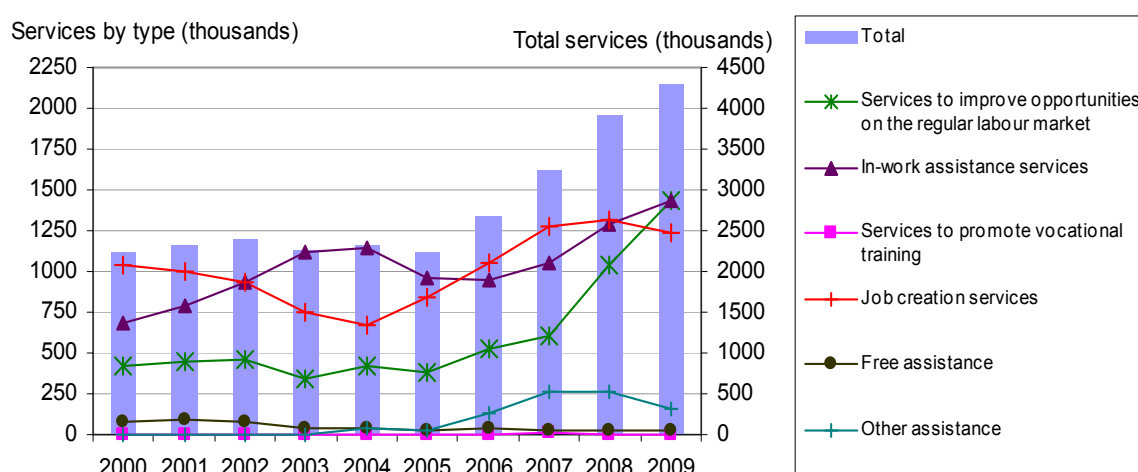
Figure 28: Number of services provided by the FEA to young unemployed (<25), Dec-07 – Dec-09



4.2.3 Services for older unemployed

There has been a significant rise (roughly double) in the number of services provided to older unemployed since the labour market reforms in 2005 that restricted access to early retirement schemes, yet the total number of older unemployed actually decreased by 15% over the period. Of the different types of service, those to improve opportunities on the regular job market increased most (Figure 29). As with the young unemployed there is no evidence of a business cycle component in the trend of service provision for older unemployed. Since the downturn, there appears to have been less use of job creation services for older unemployed and increased use of in-work assistance services, which may be a result of time lags in the labour markets and later dismissals of older people.

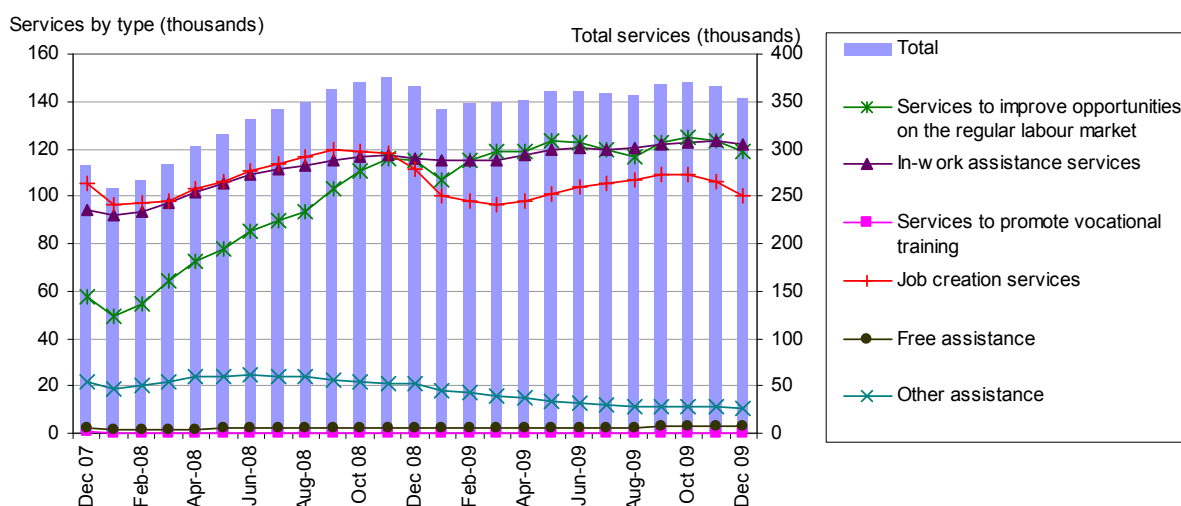
Figure 29: Number of services provided by the FEA to older unemployed (50+), 2000-2009



Source: Monitoring system of the Bundesagentur für Arbeit (own elaboration)

The number of services provided to older unemployed rose sharply during 2008 and then remained more or less stable throughout 2009 (Figure 30) and it looks as if the continuous rise in services for this group since 2005 came to an end in this period. The number of older unemployed rose by 17% over the 2008-9 period. Three types of service are particularly used for older unemployed, with services to improve opportunities on the regular labour market and in-work assistance services remaining more or less constant through 2009 whilst the use of job creation services declined.

Figure 30: Number of services provided by the FEA to older unemployed (50+), Dec-07 – Dec-09

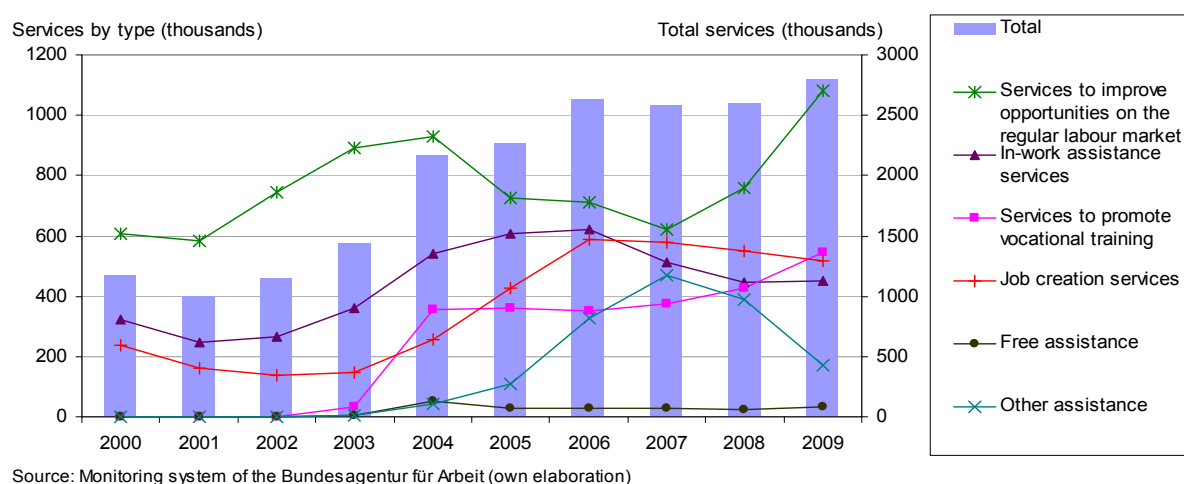


Source: Monitoring system of the Bundesagentur für Arbeit (own elaboration)

4.2.4 Services for people with a migration background

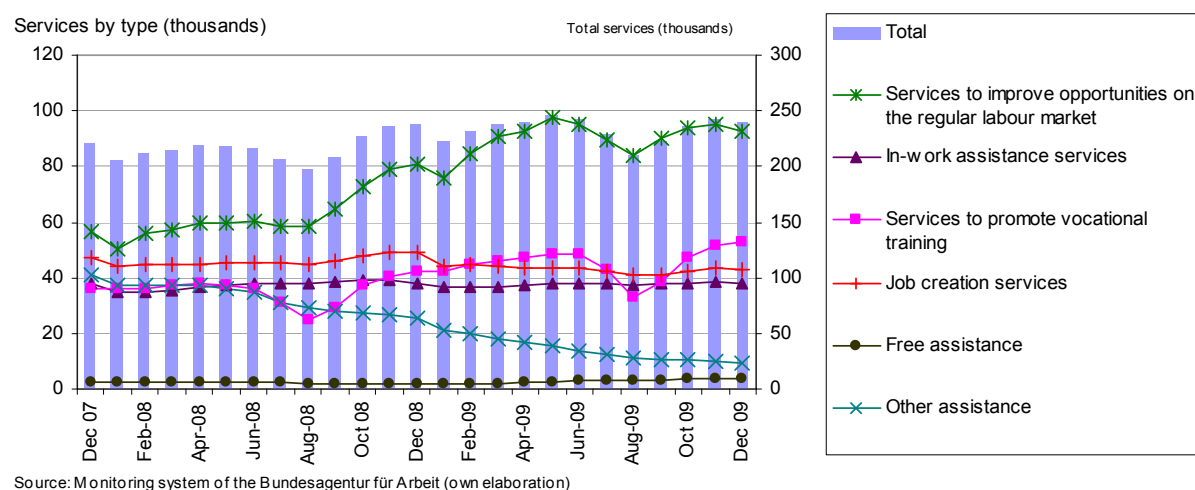
Even before the start of labour market reforms in 2003 there was an increase in service provision to people with a migration background, which includes actual migrants and second or third generation migrants (Figure 31). From 2006 the total number of unemployed people with a migration background fell by 21%. There does appear to be a business cycle related trend in the number of people with a migrant background benefitting from job creation services and services to improve opportunities on the regular labour market, though these offset each other. This, once again, may be explained by lags in the labour markets. For migrants, as was the case for young unemployed, services to promote vocational training are important. In fact, a huge share of people with a migration background is under the age of 25 and this overlap may well explain the increase in such services.

Figure 31: Number of services provided by the FEA to people with a migration background, 2000-2009



Service provision to people with a migration background was more or less stable during 2009 (Figure 32), a time when the number of unemployed migrants increased by 5%. Due to the restructuring of FEA services there has been a strong increase in the number of individuals with a migration background participating in services to improve opportunities on the regular labour market, while the use of other assistance has sharply declined. In addition, there has been a strong increase in the number participating in services to promote vocational training (20 to 30% increase since 2008) while the number in job creation services declined (10% decline since 2008).

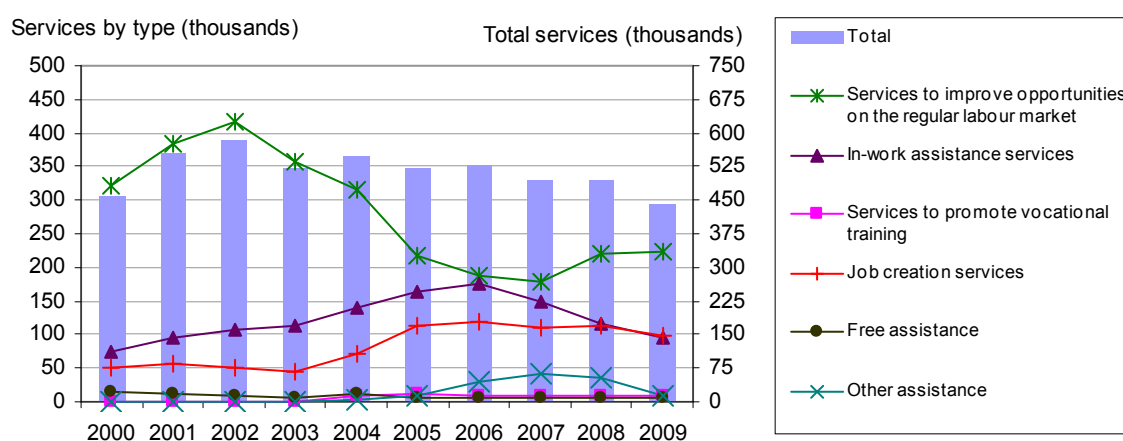
Figure 32: Number of services provided by the FEA to people with a migration background, Dec-07 – Dec-09



4.2.5 Services for re-entrants

The number of services provided by the FEA to labour market re-entrants has decreased over time. Since 2002 there was a sharp drop in the use of services to improve opportunities on the regular labour market (Figure 33). This may be because there has been an observed increase in dual earning couples and a promotion of low paid jobs during the last decade, which may have lead to a reduced number of re-entrants. As was the case for youth-unemployed, older-unemployed and people with a migration background we observe no business cycle pattern in the service provision to this group of people. Interestingly, the use of job creation services for re-entrants follows a different pattern compared to other groups of unemployed with a strong increase from 2003-2005, which was sustained until 2008.

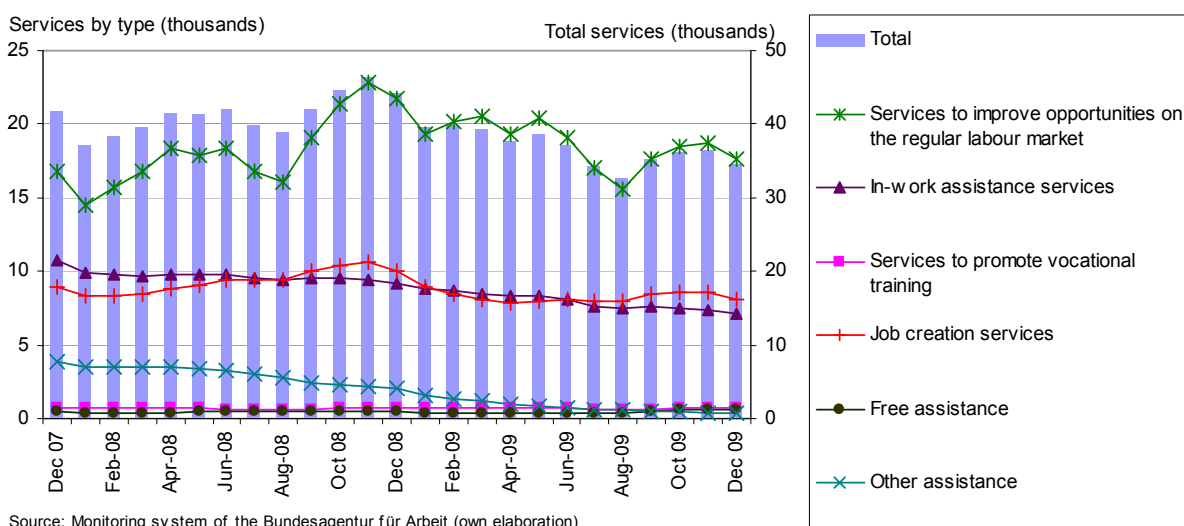
Figure 33: Number of services provided by the FEA to re-entrants, 2000-2009



Source: Monitoring system of the Bundesagentur für Arbeit (own elaboration)

During 2009 the number of services provided to re-entrants declined by 20% (Figure 34), coincident with a fall in the number of re-entrants seeking assistance (15% less than in 2008). The three services most used for re-entrants - services to improve opportunities on the regular labour market, job creation services and services to promote vocational training – all declined over the period. Services to improve opportunities on the regular labour market were increased (compared to the previous year) in the second half of 2008 and the first half of 2009 but were reduced thereafter.

Figure 34: Number of services provided by the FEA to re-entrants, Dec-07 – Dec-09

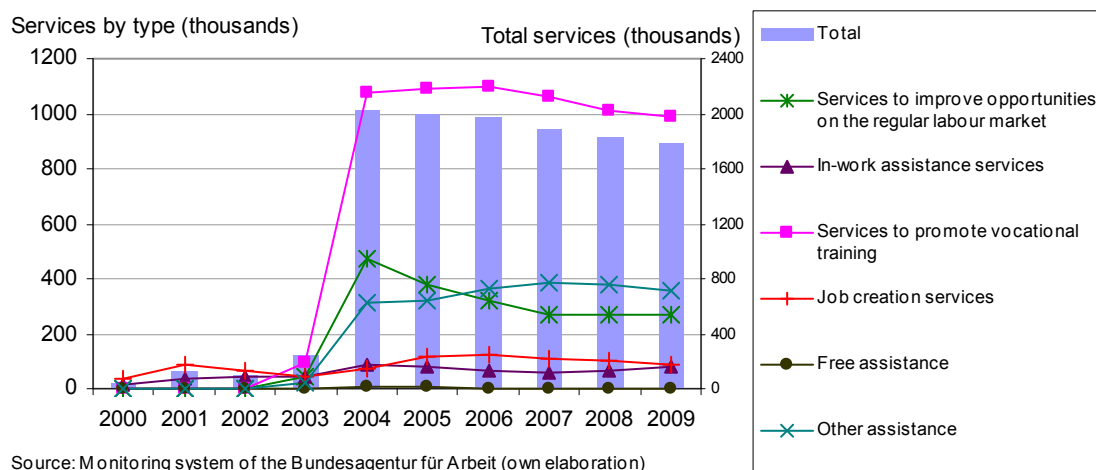


Source: Monitoring system of the Bundesagentur für Arbeit (own elaboration)

4.2.6 Services for the severely disabled

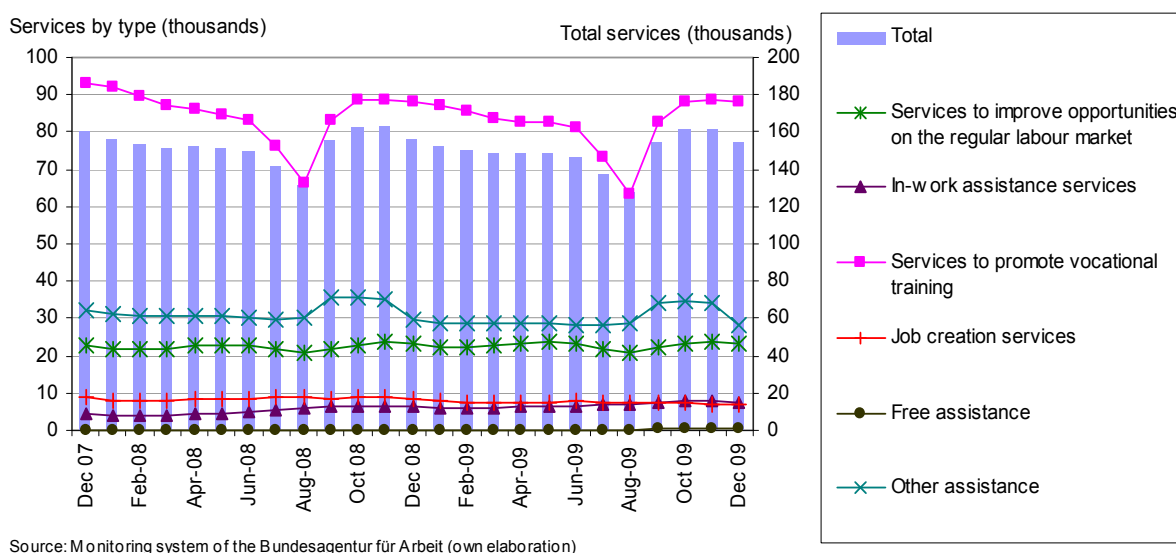
Service provision to the severely disabled people increased dramatically in 2003 as a result of the reorganisation of services related to vocational training or further vocational training but steadily decreased thereafter (Figure 35). There is no evidence of a business cycle related trend in the level of service provision.

Figure 35: Number of services provided by the FEA to severely disabled people, 2000-2009



In 2009 the number of services provided to severely disabled people declined by 2-3% compared to 2008 (Figure 36). During this period the number of severely disabled unemployed remained stable. While the provision of services to promote vocational training remained fairly constant in 2009, apart from a typical dip over the summer holiday period, the number participating in job creation services declined and the number participating in in-work assistance services rose.

Figure 36: Number of services provided by the FEA to severely disabled people, Dec-07 – Dec-09



4.3 CONCLUSIONS

Overall, the recession does not appear to have had any significant impact on the level of service provision by the German Federal Employment Agency does not appear to have reduced service provision during recession. If anything, there has simply been a continuation of the steady increase in

service provision since the series of labour market reforms initiated in 2003 but the break in the series resulting from these reforms makes it difficult to be certain of any longer term trends and possible similarities with the previous recession.

There is, however, one group amongst people with difficulties in the labour market that does appear to be affected. Service provision for the long-term unemployed seems to have fallen significantly during the recession period whilst provision for other groups – young and older unemployed, migrants, re-entrants and the severely disabled – have either been stable or increased. The reasons for this are not entirely clear. Certainly the share of long-term unemployed amongst clients of the Agency has fallen as the number of short-term unemployed has increased but this alone does not appear to justify the scale of the decline in service provision for the long-term unemployed. It does seem, however, that during the recession the government restricted funds for services to create jobs or to integrate people into jobs whilst increasing resources available to keep people in jobs. The latter kind of service supports people already in employment whilst the long-term unemployed are entirely dependent on the former types. This means that, at a time when jobs are in particularly short supply, the long-term unemployed are further disadvantaged by reduced service provision and more effort goes to supporting those closer to the labour market.

5 INCLUSION CASE STUDIES: 1. LABOUR MARKET INTEGRATION OF ROMA IN BULGARIA

This first case study considers the labour market integration of Roma people in Bulgaria, where they face significant high levels of poverty and social exclusion. It considers the scale of the problem, the main barriers faced by Roma workers and some of the measures that have been implemented to promote inclusion among this group.

5.1 QUANTITATIVE AND QUALITATIVE DIMENSIONS OF THE ROMA LABOUR FORCE

5.1.1 The size of the Roma Population

The exact size of the Roma population in Bulgaria is debatable. It is estimated to be between 300 000 and 800 000 people. This may appear to be a wide range but more reliable statistical data cannot be presented for a number of reasons:³⁶

- According to the Bulgarian Constitution, all people in the country, irrespective of their ethnic origin, are equal. As a result ethnicity does not usually feature as a variable in regular statistics. Census data is therefore the only official source of information where ethnicity is observed and registered. According to the last census performed in Bulgaria (2001), there were 370,908 Roma people or 4.7% of the total population of the country - an increase since the 1992 census when 313,396 Roma were recorded (3.7% of the population).³⁷ However, the census data is based on self-declaration of ethnicity and many Roma people consider themselves Turks because of the language they speak.
- The high mobility of the Roma population and the lack of permanent address registration further impede the collection of data based on residence.
- Existing studies of the size of the Roma population in Bulgaria usually base their analysis on other sources of information which are considered more reliable, including statistics of the Ministry of Internal Affairs and expert estimations based on fertility rates. According to these sources, the Roma population was 576 927 (Ministry of Internal Affairs) in 1989. In 1993 experts estimated there were approximately 800 000 Roma in Bulgaria by taking into account the fertility rate of the population. In 2008 a qualitative study performed by the Open Society Institute and the National Policy Agency estimated the size of Roma population to be about 650 000 – 700 000 people.³⁸
- According to Roma non-governmental organisations and Roma leaders, the size of the Roma population in the country is about 800 000 people.

5.1.2 Labour inclusion of Roma people

The exact number of Roma in Bulgaria is, therefore, difficult to specify but can be assumed to represent between 4 and 8% of the population. Although relatively modest as a share, the inclusion of Roma people in the labour force is important and the exclusion that Roma people face is largely related to their lifestyle.

³⁶ The Constitution of the country forbids the division of the population by ethnic feature, since it states that all people are equal irrespective of their ethnic origin.

³⁷ Census data, National Statistical Institute for the respective years, Sofia.

³⁸ Roma in Bulgaria (in Bulgarian). Information book, Open Society Institute, 2008, p. 25.

Although different sources again report different results, it is clear that there is a low level of active participation amongst Roma people in Bulgaria. A study in 1994 found that only 27.5% of Roma over 18 years of age were in employment and this included 8.6% of Roma over 18 working in temporary jobs without a labour contract.³⁹ In 2007 a joint study by The World Bank and The Open Society Institute showed that 50.8% of the working age Roma population were employed during the previous week. The breakdown by professional status show that Roma workers are mainly employees (78.2%) and unpaid family workers (11.8%) with few being self-employed (6.7%) and only 0.9% employers. Another negative feature is the high share of employed Roma working in the informal sector (i.e. unofficial work without a labour contract and relevant social insurance) which stood at 23.6% among Roma employees, compared with 4% among Bulgarian employees and 11.7% among Turkish employees.

Roma employment has changed significantly over the last twenty years. While in the past the Roma labour force was mainly engaged in agriculture (26.6%) and industry (26.7%), today Roma employees are heavily involved in construction (22.4% compared with 10.2% of Bulgarian and 16.4% of Turkish workers). Another sector, where Roma employees are prevalent, is communal services (11.1%), followed by metallurgy and the food processing industry. However, the construction industry was the first sector to be affected by the current economic crisis and as a result many Roma people have become unemployed.

5.1.3 Poverty among Roma people

A World Bank study produced in 2001 reported that approximately 62% of the Roma population in Bulgaria were poor, compared with 9.5% of Bulgarians and 23.4% of people from the Turkish ethnic group.⁴⁰ Similarly, the National Plan for fighting poverty and social inclusion (2005) considers 64% of Roma as being poor.⁴¹ Existing studies outline unemployment as a main factor causing poverty. Moreover, according to these studies, employment integration is considered a precondition for social integration of the Roma population.

5.2 FACTORS DETERMINING THE EMPLOYMENT EXCLUSION OF THE ROMA POPULATION

5.2.1 Education

A low level of education is one of the main factors affecting the employability of the Roma labour force. The last census (2001) recorded that the Roma population was the most vulnerable group in terms of educational achievement (Table 3).

Table 3: Distribution of the main ethnic population groups in Bulgaria by level of education, 2001

Level of education	Bulgarian	Turkish	Roma
Higher	23.5	2.7	0.2
Secondary	53.0	23.7	7.0
Elementary	20.7	53.0	44.9
Illiterate	0.4	3.5	12.7

Source: Census 2001, National Statistical Institute.

³⁹ Roma in Bulgaria (in Bulgarian language). Information Book, Open Society Institute, 2008, p. 35 (<http://osi.bg>).

⁴⁰ Bulgaria. Poverty Challenges. National Statistical Institute, 2003, p. 81.

⁴¹ Bogdanov, L., G. Angelov. Integration of Roma in Bulgaria: Requested Reforms and Economic Effects. April 2007. <http://www.osf.bg/downloads/File/ResumeG.Angelov.pdf>

A more recent study (2004) points out that the share of Roma women who are illiterate (20.1%) is twice as high as that of Roma men (10.7%). More than two thirds of Roma women have only elementary (38.7%) or basic education (37.4%), which is similar to the situation for Roma men (30.7% have elementary and 42.9% have basic education), but only 4.1% of Roma women have secondary education compared to 15.5% of Roma men.⁴²

As highlighted in the National Program for eliminating illiteracy and improving the qualification of Roma (2008)⁴³, the low educational level of Roma population in comparison to other ethnic groups, predetermines their lower employability. The negative trend towards increasing illiteracy only makes the picture worse as more and more young people swell the numbers of illiterate Roma - 17% of Roma aged between 16-25 years are illiterate, twice the share of those aged over 25. This illustrates the difficulties the young Roma population are faced with. Other studies report that 18.1% of Roma of working age are illiterate, 24.2% have not completed a basic education, 41.4% have an elementary education, 2.7% have not completed a secondary education, 12.2% have secondary education and only 0.7% have a higher education.⁴⁴ According to a study entitled "Demographic Development of Bulgaria" (2005), 64% of Roma aged between 15-19 years have not completed the basic stage of education (first four grades), which means that they, in fact, are effectively illiterate⁴⁵.

5.2.2 Drop-outs from school

One of the main reasons for the low level of education amongst Roma is the high level of school drop-outs. According to a study completed in 2002, about 42.8% of Roma aged 15-19 drop out from school. The share of Roma pupils attending school decreases as they progress up the school system. In the first grade Roma children account for 20.6% of pupils; in the fourth grade the share falls to 14.5%; in the eighth grade to 8.8%; and by the tenth grade to as low as 1.7%⁴⁶. It is apparent that education is not particularly valued among the Roma population and Roma parents do not insist on their children attending school on a regular basis. Indeed, the opportunity for parents to receive social benefits is the only significant motivation behind the school attendance of Roma children.

The reasons for Roma children dropping out from school are various but include family, ethno-cultural, economic, psychological and pedagogical factors. Poverty creates difficulties for the parents to provide essential learning materials, clothes and even food for the children whilst at school. Therefore, the family becomes unmotivated and prefers to send them to work, or to help them raise smaller children and complete other household tasks. Detached from society, the Roma children have difficulties with the Bulgarian language. In fact, only 14% of the Roma families speak Bulgarian and the lack of basic Bulgarian language skills among Roma children is an additional constraint to their full participation in schooling.

5.2.3 Low motivation and ethno-cultural features

As already mentioned, school and education are not among the main priorities of the Roma population and it is thought that trust in the educational system has actually decreased over the past 20 years.

⁴² Roma in Bulgaria. Open Society Institute, 2002. <http://www.osf.bg/downloads/File/RomaGuideFinal.pdf>

⁴³ National Program for Liquidation of Illiteracy and Qualification of Roma. Ministry of Labour and Social Policy, 12.02.2008, p.1.

⁴⁴ Simeonova, M., D. Korudjieva, L. Petrova. Roma in Bulgaria & the New Challenges. Analytical Report, February 2007.

⁴⁵ Demographic Development of Bulgaria. Bulgarian Academy of Science, 2005.

⁴⁶ Nunev, I. Analysis of the Actual School State, 2002; Strategy: Educational Policy and Cultural Differences. <http://www.osf.bg/downloads/File/RomaGuideFinal.pdf>

This attitude relates to the belief of the Roma people that school threatens their Roma identity and way of life.

Early marriages, which are inherent to the Roma community, are directly attributable to the lasting isolation of the Roma woman from employment, in some cases for life. This deprives the family of income, and women of the opportunity for labour market inclusion, social integration in the wider society and personal development.

The reproduction of poverty in the family and in the Roma community is a common process. The opportunities for climbing out of the so-called “poverty trap” are few and far between, since “poverty breeds poverty” and leads to continued social isolation. As a result, studies carried out in Bulgaria recommend the implementation of policies which ensure “equal” chances for children in the education system⁴⁷. So far, the experience in implementing such policies has shown some success, but without lasting effects.

5.3 POLICIES FOR LABOUR INTEGRATION – PROGRAMS AND ACHIEVEMENTS

The labour market integration of the Roma population is a widely discussed problem. In the last ten years many strategic and operative documents on the Bulgarian labour market have attempted to come up with a solution.

The Frame Program for integrating the Roma into the Bulgarian society (1999) was the base for creating the National Action Plan on the Decade of Roma Inclusion 2005-2015. The Frame Program has been revised for the period 2010-2020, representing new priority areas and directives for equal integration of the Roma into the Bulgarian society.

The priority directions in the Frame Program are as follows:

- Developing policies and programs for employment at national, regional and local level, and establishing concrete mechanisms for ensuring sustainable employment of working-age Roma.
- Establishing partnerships at local level for encouraging employment, through information campaigns.
- Encouraging self-employment.
- Encouraging participation in training for entrepreneurial skills and managing own business.
- Encouraging enhancement of education and qualification of the Roma people.
- Encouraging employers to hire Roma people.
- Encouraging the development of labour mediation and an individualised approach to working with Roma people.

5.3.1 National program for activating Roma people

As a response to the last priority, a National Program for activating Roma people has been developed. This Program has been active since 2007, and its principle aim is to activate Roma who are currently inactive or discouraged, and to promote their inclusion in the labour market. This is achieved through the implementation of measures and services to attract and motivate people to register at Employment Offices, as a first step towards inclusion in education and/or employment. The Program has been a part of the annual National Employment Plan for the period 2008-2010 and will end in December 2010.

⁴⁷ Bulgaria. Poverty Challenges. National Statistical Institute, 2003, p. 118-119.

The Program activities include:

- Working with inactive people.
- Organising a Labour exchange service.
- Encouragement and development of local employment partnerships.

The inspiration for the Program derives in part from a study carried out in 2007 entitled “Roma for Roma”, which showed that the training and implementation of Roma mediators to work in the Roma community, is an effective measure for promoting the integration of inactive Roma people.

The people chosen via the Program are trained to become labour mediators, and are then hired to work as labour mediators within their community. Participants tend to be registered unemployed people who have declared themselves as Roma and who have graduated with at least a secondary education. Each Employment Office can only hire up to two Roma mediators.

Once trained, the responsibilities of a Roma mediator are to encourage the registration of inactive Roma people at Employment Offices.

- As a first step the mediator conducts formal and informal meetings with inactive Roma people on a group or individual basis. During these meetings the mediator should determine whether there are any impediments (surmountable or insurmountable) that restrict people’s capacity to find work. Potential impediments, which could put a person in an unfavourable position include gender, age, ethnicity, their current profession, lack of qualifications or experience and personal qualities.
- The mediators work closely with individuals on the basis of their specific needs and characteristics. They inform and encourage them to be active on the labour market. To achieve these goals, the mediators work in densely populated Roma neighbourhoods.

Besides these two main responsibilities, Roma mediators also participate in:

- Organising and carrying out information campaigns such as “*Come and register at the Employment Office*”. These campaigns highlight the legal regulations and the rights, obligations and opportunities of those who are employed, unemployed or inactive, as well as promoting active inclusion in the labour market.
- Carrying out informal seminars for developing job seeking skills among participants and preparing applications for interviews with employers.
- Identifying groups of inactive and discouraged individuals and their needs through informal meetings (on an individual and group basis) concerning matters such as employment, vocational guidance and consulting.
- Individual work with the beneficiaries to provide advice to the people who need help finding work. This includes help to prepare and edit Curriculum Vitae, analysis of the different job seeking techniques and making suitable education choices.
- Encouraging education/training among registered people.
- Developing the skills and habits necessary for seeking jobs, such as looking for ads in different sources (i.e. newspapers, magazines and the internet).
- Providing practical job seeking advice.
- Maintaining active contacts with beneficiaries.

Achievements

As of the end of 2009, 105 Roma mediators were working in 74 Employment Offices. 77 of these were women and 17 had a higher education. From the beginning of the Program in 2008 to the end of 2009, 19 mediators had quit the job for a variety of reasons.

The results of the activity of the mediators in 2009 are as follows:

- Carried out 244 information campaigns in which 2,506 inactive / discouraged individuals participated.
- Carried out 131,380 informal meetings with inactive people, including 336 group meetings with an average of 7 persons per group.
- Organised 312 meetings with non-governmental organisations, social partners and employers' organisations.
- Organised 626 meetings with employers to promote applications of the program participants.

Institutions involved

The institutions involved in the program include:

- ***The Ministry of Labour and Social Policy (MLSP)*** approved the Program, and makes any amendments if they are required. Financial resources for implementing the Program are provided from the active policy budget of the Ministry in accordance with the National Action Plan for Employment in the relevant year. The Ministry also carries out general coordination and evaluation of the implementation of the Program.
- ***The Employment Agency (EA)*** provides systematic guidance, coordination and organisation of the Program and is in charge of distributing the finances for the implementation of the Program and for hiring the Roma mediators at participating Employment Offices. The EA also develops, publishes and distributes materials for promoting the Program, promotes the policy of activation and provides information on the needs of the labour market. Finally, it carries out continuous monitoring and evaluation of the Program and reports monthly on progress to the Ministry of Labour and Social Policy.
- ***The Regional Employment Offices (REO)*** promote and develop the Program at regional level by providing systematic support and coordinating the implementation of the Program in local Employment Offices. REOs develop guidance for the Employment Offices concerning finance and training schedules for job mediators and collect monthly data on the Program implementation for the Employment Agency. REOs are in charge of financing the employment contracts of the Program; coordinating the relations between institutions at regional level; and supporting and coordinating the organisation of labour exchanges.
- ***The Employment Offices (EO)*** promote, develop and implement the Program at the local level. They select who will be hired as Roma mediators and conclude mediator training contracts between the National Centre for Professional Development and the selected individuals. The Employment Offices transfer funds for grants, accommodation and transport to trainees on a weekly basis. When the training is completed they consult with Roma mediators and support their work. In addition, they provide mediation services as well as organising and running the labour exchange.
- ***The Centre for Developing Human Resources and Regional Initiatives (CDHRI)*** organizes and carries out the training of mediators.
- ***General Labour Inspectorate - Executive Agency*** carries out the evaluation of the system as a whole and informs the implementing institutions on their results.
- ***The Employment Commissions at the District Councils of Regional Development*** monitor and evaluate the implementation of the Program. They ensure that the conditions for carrying out

the regional policy on employment are in accordance with the national and regional priorities. In addition, they form local agreements concerning employment.

- **The Partnership Councils** initiate and form local agreements concerning employment with representatives of the local employers' organisations, civil society associations, NGOs, etc... They are also involved in monitoring, evaluating and supporting the implementation of the Program.
- **The Social partners** support the promotion and implementation of the Program.

Funding of the program

The program is funded via the active policy budget of the Ministry of Labour and Social Policy in accordance with the National Action Plan on Employment.

- In accordance with the implementation of the Program, each Roma mediator hired is provided with the following funds:
 - Pay for actual time worked. The amount is determined by the National Action Plan on Employment for the relevant year - in 2008 it was BGN 220 (EUR 110) per month.
 - Additional payments, determined by the Labour Code and relevant implementing acts.
 - Payments for paid annual leave according to the Labour Code.
 - Social insurance payments according to the Insurance Code, including due instalments, additional obligatory pension insurance and health insurance.
- During the training process selected Roma mediators receive the following funding:
 - A grant for participation in training, for the duration of the course;
 - Transport and accommodation costs when training is carried out somewhere other than the participants place of residence.

Monitoring and evaluation

Continuous monitoring is carried out throughout the duration of the program. The institutions responsible for the implementation of the Program constantly evaluate:

- The quality of the implementation of activities.
- The effectiveness and appropriateness of the allocation of funding.
- The monitoring of activities.

At the end of the year, the Executive Director of the Employment Agency, in its capacity of institution responsible for the program's implementation, present the following to the Minister of Labour and Social Policy:

- A report on whether the Program's initial goals have been met and how the funds have been allocated. The report also mentions the difficulties faced whilst implementing the Program, and suggests possible measures to overcome them.
- The report may suggest (if required) to reshape the program in terms of its conditions, range and subject. Furthermore, the distribution of the funding may also be revised at this stage. These suggestions are based on the results of the monitoring and ongoing evaluation of the Program.

5.3.2 Conclusions

A comparison between the expected results of the Program and the actual achievement as of 2009 shows that its main aims are being met. The active program became an effective lever for labour integration of the Roma people. The program's success has mainly been resulted from the involvement of the Roma people as mediators, an approach that has proved motivational among the Roma community as a whole.

There exist areas in which the program could be improved, particularly in that of the management of the program. It became apparent that the functions of the institutions involved often overlapped. However, the Program is considered successful and is likely to be extended to 2011. The success is due to the fact that the Program plays an integral part in targeting the social and economic integration of Roma people.

The program complements the National Action Plan on the Decade of Roma Inclusion 2005-2015. In addition to the National Program for activating Roma people, there is also a National Program for eliminating illiteracy and improving the qualification of Roma and there exist other programs, under the National Employment Plan, in which Roma people can participate.

As a result of all the active policies 172,688 Roma people were covered by different programs during the period from 2006 to 2009. 63,618 people have been included in motivation, training and qualification courses and 108,904 have been in employment schemes. 20 Roma exchanges were organised during the period from 2006 to 2009 and involved 3,951 Roma people seeking jobs and 310 employers who had announced 4,441 vacancies. The number of people who found jobs as a result was 3,117. These figures provide confirmation of the effectiveness of the variety of policies available. These supplement each other and contribute to the overall employability of the Roma labour force.

5.4 FURTHER REFERENCES

Bogdanov, L., G. Angelov. *Integration of Roma in Bulgaria: Requested Reforms and Economic Effects*, April 2007 (<http://www.osf.bg/downloads/File/ResumeG.Angelov.pdf>).

Bulgaria. Poverty Challenges. National Statistical Institute, 2003.

Demographic Development of Bulgaria. Bulgarian Academy of Science, 2005.

Национална програма за ограмотяване и квалификация на роми, МТСП

http://www.mlsp.government.bg/bg/projects/Programa_Roma_2009.doc

National Program for elimination of illiteracy and qualification of Roma. Ministry of Labour and Social Policy, 12.02.2008, p. 1.

Nunev, I. *Analysis of the Actual School State*. 2002; Strategy: Educational Policy and Cultural Differences <http://www.osf.bg/downloads/File/RomaGuideFinal.pdf>

Simeonova, M., D. Korudjieva, L. Petrova. *Roma in Bulgaria & the New Challenges*. Analytical Report, Fredric Ebert Foundation, Regional branch, Sofia, February 2007.

Roma in Bulgaria (in Bulgarian). Information book, Open Society Institute. 2008, p. 35 <http://www.osf.bg/downloads/>

6 INCLUSION CASE-STUDIES: 2. INCLUSION OF ROMA IN HUNGARY

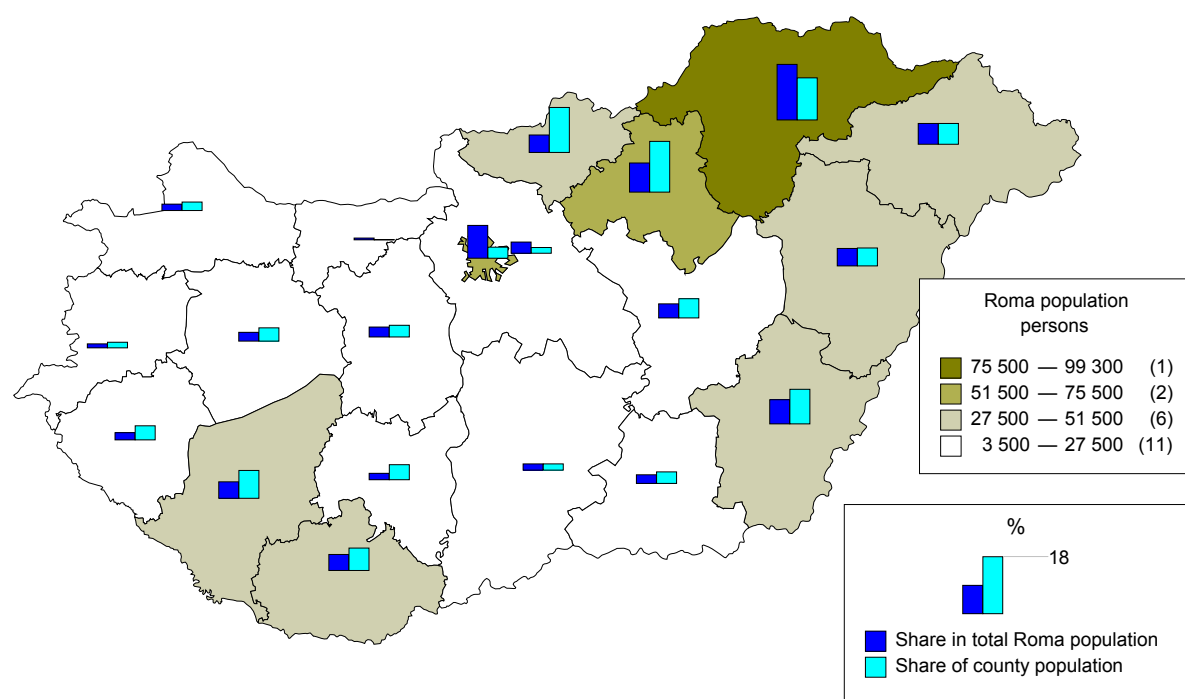
6.1 THE SITUATION OF ROMA IN HUNGARY

6.1.1 The scale of the problem

There is a considerable Roma population living in Hungary but they are not registered as a minority so that quantifying the population is not straightforward. According to a census conducted in 2001 the Roma population consisted of nearly 200,000 persons or approximately 2% of the total Hungarian population. However, census data is based on self declaration and may seriously underestimate the true numbers. Carefully designed Roma surveys were conducted in 1971, 1993 and 2003 using a different approach to that applied by the census, recording Roma as those who the surrounding population considered to be Roma. The last of these surveys reported the size of the Roma population in 2003 as being 520-650 thousand or about 5% of the total population⁴⁸.

The Roma population mainly resides in the north-eastern, eastern and south-western regions in Hungary but there is also a growing presence in the north (Figure 37). There is also a clear tendency for Roma to reside in urban areas. According to the 2003 survey, 10% of Roma lived in Budapest, half in other towns and 40% in villages. This is not so different from the pattern observed amongst the general population but Roma tend to live in segregated districts and the degree of segregation is getting stronger over time. In 1993 over 60% of Roma lived in Roma neighbourhoods but by 2003 this figure had risen to over 70%. Moreover, in 2003 there was strong difference in the employment rates across the types of settlements Roma lived in. In Budapest 64% of the Roma men were employed, in other towns the figure was 27.5% and in villages it was only 20%. For women, the employment rate was lower than for men in all cases – 36% in Budapest, 15% in other towns and only 10% in villages.

Figure 37: Share and geographic concentration of Roma in Hungary



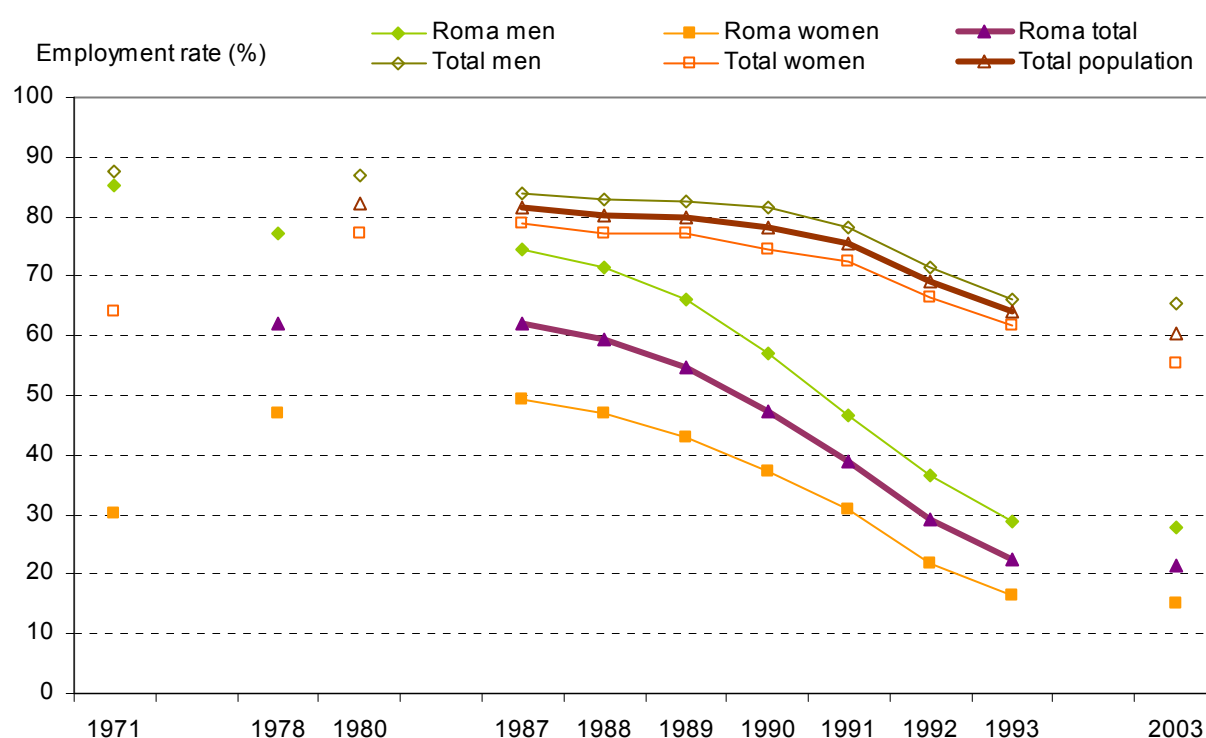
Source: Roma survey 2003, data published in Kemény et al 2004

⁴⁸ Kemény, I, Janki, B, Lengyel, G (2004) *A magyarországi cigányság 1971-2003*. (The Hungarian Romas, 1971-2003) Gondolat-MTA NKI, Budapest.

6.1.2 Historical background to the employment situation of Roma

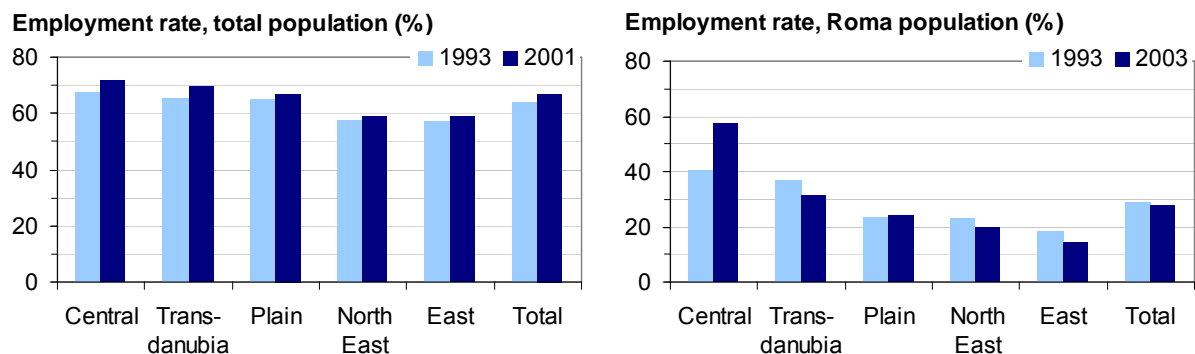
The level of employment amongst the Roma population changed dramatically during the country's economic transition from a centrally run to free market economy with the main losers being Roma who had regular employment in the lower skilled segments of the economy during the socialist period. In the 1970s the level of employment among Roma men (85.2% in 1971) was around the same as that of the total male population (87.7% in 1971) but the jobs they occupied were mostly unskilled. In the late 1980s, prior to the transformation of the economy, there were economic problems and a diminishing demand for unskilled labour, which resulted in a fall in Roma employment whilst employment of the non-Roma population remained stable. Then, in 1989, the transformation of the Hungarian economy resulted in a more widespread fall in employment rates but the Roma were again more severely affected than most and in a very short period of time. At the beginning of the transition period (between 1989 and 1993), the employment rate of the total population fell approximately 30% while that of Roma fell 60% (Figure 38). Of even greater concern is that the extremely low level of employment among the Roma population compared to the general Hungarian population persisted. In 1993 the employment rate among Roma was 22.6% and by 2003 it was slightly lower at 21.4%.

Figure 38: Employment rate of the Roma population vs the employment rate of the total population (incl. Roma), by gender, 1971-2003



Source: Roma survey 1971, 1993, 2003, data published in Kemény et al (2004); Labour Accounts 1980-2005, HCSO

Regional differences are essential factor where Roma employment is concerned. Roma people tend to live in the north-eastern and eastern parts of the country which have relatively low levels of employment. The North-East region was the centre of heavy industries that became bankrupt and disappeared during the transformation of the economy while in the East region the level of employment is traditionally low. Indeed, the employment rate of Roma fell between 1993 and 2003 in all of the regions where they typically live (the North-East, East and Transdanubia), whilst the employment rate of the general population increased over a similar period (Figure 39).

Figure 39: Employment rate of Roma and the general population (incl. Roma), by region, 1993 and 2001/2003

Source: Roma survey 1993, 2003, data published in Kemény et al (2004); Labour Force Survey regional data, time series 1992-2001, HCSO 2002

In summary, the main reason for the extreme job losses among the Roma population was their low level of education and the fact that a large proportion of unskilled jobs disappeared during the transformation of the Hungarian economy. The second reason was their geographic distribution. The regions where the Roma live were those that suffered the highest rates of unemployment. In addition, Roma were often employed in the sectors that were most severely affected by the economic transformation of the early 1990s (e.g. heavy industry, metallurgy, mining, and construction for Roma men, textiles and other light industries for Roma women). However, these are not the only factors which explain their situation. Discrimination has also been identified as an important cause of the extremely low level of employment among Roma and its persistence over time⁴⁹.

6.1.3 The consequences for Roma today

In 2003, over 75% of the Roma aged 15 to 74 in Hungary had no regular job and among those who were employed, only 71% had a job all over the whole year while 19% had a job for a number of weeks or months, and the remaining 10% participated only in casual employment. In addition, some estimates suggest that a considerable proportion of these jobs were supported by welfare programs⁵⁰.

In 2003, the labour market experience of Roma, particularly among the younger generations, was poor. Nearly 25% of those aged 20 to 29 years of age and about 7% of those aged 30 to 39 had never had a job. In accord with these figures, the rate of employment among young Roma was especially low. It stood at approximately 40-45% among men aged 20 to 29 and around 40-56% among men aged 30 to 39 (depending on primary or apprentice school education). Even those who held jobs tended to be employed in unstable, short-term jobs characterised by high levels of labour turnover with the result that many young Roma remain on the margins of the labour market.

The poor situation of Roma in the labour market and the poverty amongst Roma families are strongly connected. Welfare programs and benefits are an important source of income for these families. Of

⁴⁹ Kertesi, G (2009) *Roma foglalkoztatás az ezredfordulón. Számítások a 2003. évi Országosan reprezentatív roma felvétel adatain.* (Roma employment at the Millennium. Estimations based on the Roma survey 2003) In Fazekas, K., Lovász, A., Telegdy, Á (eds) *Munkaerőpiaci helyzetkép*, 2009.OFA-KTI Budapest pp 133-148.

⁵⁰ Kertesi, G (2009) *Roma foglalkoztatás az ezredfordulón. Számítások a 2003. évi Országosan reprezentatív roma felvétel adatain.* (Roma employment at the Millennium. Estimations based on the Roma survey 2003) In Fazekas, K., Lovász, A., Telegdy, Á (eds) *Munkaerőpiaci helyzetkép*, 2009.OFA-KTI Budapest pp 133-148.

Fleck, G – Messing, V (2009) *A roma foglalkoztatáspolitikai alakváltozásai* (Metamorphosis of the Roma employment policy) In Fazekas, K., Lovász, A., Telegdy, Á (eds) *Munkaerőpiaci helyzetkép*, 2009.OFA-KTI Budapest pp 82-96.

those who are not working, 13% were receiving a pension for disability or retirement, 13% were receiving child-care benefits, 3% were receiving unemployment benefits and 10% were receiving social benefits⁵¹. Roma families generally live below the poverty line in segregated communities. Non-Roma living in Roma neighbourhoods tend to be in a similar situation; but socio-economic indicators for the Roma are systematically below those for non-Roma in the same neighbourhoods. The activity rate of non-Roma living next to the Roma is somewhat higher (21%), than that of the Roma (13%), but remains considerably lower than the national average (54.5%)⁵².

6.2 INCLUSION PROGRAMMES

The problem of low skilled individuals being excluded from the labour market and the problem of Roma being excluded from the labour market are often considered to be the same issue. However, this should not be the case. The low-skills of the Roma population is only one factor which contributes to their exclusion and the need to make this distinction is highlighted by previous policy experiences in Hungary

The government first initiated programmes directly targeting ethnic minorities in the 2000s as a direct response to the increasing social exclusion of the Roma population. The main problem encountered by these targeted employment programmes was how to define the Roma target group and how to reach them. Some of the programmes were initiated on the condition that employers who apply within the framework of a Roma targeted programme should be Roma, primarily because it was assumed that Roma employers were more likely to take on unemployed Roma people. However, this proved only partly true. Other programmes involving unemployed Roma required the recommendation of Roma civil organisations or Roma municipalities to employ a person. However, research revealed that the participants in these programmes were on average only 50% Roma. Furthermore, there was evidence that the more complex and longer duration a particular program was, the lower the share of Roma among program participants. In addition, access to resources available through Roma programmes were distributed according to bids submitted by participants, which presupposed the necessary skills to prepare a suitable proposal. However, most of the applicants did not have the skills to either prepare a successful proposal or fulfil other conditions of the application.

The ethnic minority targeted programmes were replaced by inclusion programmes for disadvantaged groups. Instead of aiming directly at the complex problem of disadvantaged groups as a whole, narrower target groups were set focusing on long-term unemployed, families with many children or low-skilled etc. As a consequence, the labour market inclusion programs moved focus from those with multiple disadvantages and most in need, towards those with specific disadvantages. As a result, those with multiple disadvantages and furthest from the labour market were not treated any differently from those with a single disadvantage and the programs failed diminish extreme social exclusion.

The official evaluation of the Roma projects under these programs by the State Audit Office in 2008⁵³ openly discusses the anomalies of the Roma programmes and the failure in diminishing social and

⁵¹ Kemény, I, Janki, B, Lengyel, G (2004) *A magyarországi cigányság 1971-2003*. (The Hungarian Romas, 1971-2003) Gondolat-MTA NKI, Budapest.

⁵² Bernát (2006) *A magyarországi cigányság helyzete nemzetközi szszehasonlításban*. (Situation of the Hungarian Roma in international comparison) In Kolosi, T, Tóth I. Gy, Vukovich, Gy (eds) *Társadalmi Riport 2006, TÁRKI, Budapest*, pp 118-137. Based on UNDP (2005) *Faces of poverty, faces of hope. Vulnerability profiles for decade of Roma inclusion countries*. Bratislava, UNDP.

⁵³ State Audit Office (2008) *A magyarországi cigányság helyzetének javítására és felemelkedésére a rendszerváltás óta fordított támogatások mértéke és hatékonysága. Összegző helyzetteltáró tanulmány*. (The size and efficiency of the assistance for the Roma inclusion and improvement since the beginning of the transition. A summary and overview study) Állami Számvevőszék, Budapest.

labour market exclusion. Despite these failures, a recently completed large-scale 4 year project (2004-2008) shows some signs of success. The project was launched with the aim to promote the labour market inclusion of unemployed people whom the PES was unable to reach successfully. Regional employment offices called for proposals targeting 3 different groups:

- a) Young unemployed aged 16 to 30 with difficulties to enter the labour market
- b) Long term unemployed over the age of 30
- c) Unemployed over the age of 30 at risk of becoming long term unemployed

Roma participants represented roughly the same proportion in each sub-group and data shown in Table 4 give some indication of the overall performance of the project⁵⁴.

Table 4: Outcome of the HEFOP 1.1 program

	Women	Men	Roma	Disabled
Share of those entered the program	51.74%	48.26%	9.53%	3.74%
Share of those remained in the program and completed it	89.11%	85.20%	83.93%	82.55%
Share of those who had a successful result in at the end of the program	78.53%	75.53%	74.19%	67.16%
Share of those gained employment following the program	46.15%	42.96%	24.81%	32.20%

Source: Calculations based on PES data

Employment inclusion programmes under the project were successful so long as the programme was completed. Finding a job after the program was the most difficult stage for all participants but the Roma found it significantly more difficult (roughly double) than non-Roma. This tends to suggest some degree of discrimination on the demand side of the labour market but as the programmes mainly supported the supply side (e.g. training courses or developing skills, etc.) they were unable to combat this problem.

Roma are often discriminated against in low-skilled jobs. Instead of finding regular employment, Roma tend to end up in supported employment that is unstable and demotivating, which only serves to maintain their precarious, dependent and socially excluded situation⁵⁵. As a high and increasing share of Roma households live on welfare and are far below the poverty line⁵⁶ they often engage in low quality/low wage labour on the informal labour market to complement the low total income of their households. However, this does not provide enough additional income to raise them out of poverty⁵⁷. A comparative survey completed in 2002⁵⁸ revealed substantial irregularity in employment among the Roma population in Hungary. Using a looser definition of unemployment, (defined by the ILO and UNDP) where a person is considered unemployed if no bread-winning activity of any form has been carried out in the months prior the questioning, it found that approximately 25% of the Roma in Hungary were unemployed and 40% were in irregular employment.

⁵⁴ Share of the Roma is based on estimations. There was no formal registration of the Roma in the projects.

⁵⁵ Szalai, J (2007): *Nincs két ország...?* (Are there two countries...?) Budapest : Osiris, 2007.

⁵⁶ Kemény, I, Janki, B, Lengyel, G (2004) *A magyarországi cigányság 1971-2003*. (The Hungarian Romas, 1971-2003) Gondolat-MTA NKI, Budapest.

⁵⁷ Szívós, P. – Medgyesi, M. (2000) *Kereseti és jövedelem egyenlőtlenségek*. (Inequality of income and wages) In Fazekas, K – Köllő, J (eds) *Munkaerőpiaci tükrök 2000* MTA KTI – OFA, Budapest., Molnár, Gy-Kapitány Zs (2007) *Welfare recipients' satisfaction with their lives and income position*. In. Fazekas, K. Cseres-Gergely, Zs. Scharle, Á. eds. *The Hungarian Labour Market 2008*. MTA KTI, Budapest. 2006

⁵⁸ UNDP 2002 *Avoiding the dependency trap*. Bratislava UNDP cited in Bernát (2006)

6.2.1 A success story - promoting self-activation among the Roma population

Despite the inability of previous projects to include Roma people in the labour market, some other projects have had more success. It has been found that projects can successfully promote inclusion of Roma in the labour market and decrease their social exclusion if participants are motivated to take up the responsibility to do so by themselves. A number of programmes around the world have followed this principle by using 'micro-financing of the poor' and this type of initiative has been adapted to Hungarian circumstances to find ways to move Roma into the formal labour market by promoting the use of the skills that they have (and already use on the informal labour market).

In these micro-financing based projects the Roma participants are responsible for repaying any amounts that are credited to them. The credits granted must be used as a productive investment and not for personal use. Non-profit organisations are the main providers of finance and work closely with the participants of the projects. They may also cooperate with Roma ethnic organisations, the PES and welfare institutions. Preparatory pilot and research projects have proved that such initiatives may open a new way to promote the inclusion of Roma and fight their socially and economically instable position that derives from living on welfare and/or the black economy.

A good example of a successful venture is a project carried out in the village of Igrici in the North-East of Hungary⁵⁹, which was one of the most disadvantaged regions. There were no employers except for the local government and its institutions and a single agricultural enterprise. 61% of those who were unemployed in the area were unskilled and over 50% were long term unemployed. The jobs that were previously available in the village were in industry and agriculture and they disappeared during the transformation of the Hungarian economy. Socially excluded, most Roma people who live in the village had very small gardens where they would plant some vegetables but in general the land area was not enough to produce for the market. Most worked as undeclared labourers in agriculture in precarious circumstances.

Experts from the non-profit foundation that initiated the project conducted a thorough assessment of the needs in the village. The idea was to create a cooperative and to acquire the necessary investment to produce output via micro-financing. Informal consultations and negotiations with the local people and the president of the Roma minority self governing community were an important part of the process. Since agriculture was the main activity in the village, and people often worked on the black market in agricultural roles, it was evident that the cooperative should enter the agricultural market. The cultivation of gherkins offered the opportunity for a quick return on the investment since crops mature in a short period and the produce could be sold en masse to a company that preserves such vegetables. It proved a successful choice. The foundation helped to obtain preferential credit to finance the activity and initial success in cultivation of the gherkins facilitated the employment of 25 persons. The crop was produced was good and as a result additional workers had to be employed for the harvest. There is now a possibility that the cooperative will expand.

The most important feature of the project was that local Roma people themselves identified the best way to get them active in the formal labour market. In other villages, similar projects supported very different types of activity. In a village where the population mostly used to work in construction, the micro-financing supported production of a special type of stone. In a third village a project supported traditional activities related to the collection of herbs. In both cases, informal activities of the local people were transformed into formal employment via micro-financing projects.

⁵⁹ Projektösszefoglaló (2009) *Szövetkezeti formában működő kertészet alakítása Igriciben*. (Founding of a market garden in cooperative form in Igrici. A summary of the project) 26 May, manuscript.

Csák Gergely (2009) *Túl nagyra nőtt a siker az igrici cigányoknál* (Success grew enormously at the Igrici Gypsies) 168 óra online, 28 July. <http://www.168ora.hu/itthon/termeloszovetkezetet-alapitottak-az-igrici-romak-a-problema-most-az-hogy-tul-nagyra-nottek-az-uborkak-40688.html>

Initiating these types of projects requires intensive support from experts of the non-profit foundation, for example in explaining the processes and conditions needed to acquire the necessary credit and the terms of repayment. The repayment guarantee needed to obtain the credit was the collective responsibility of the members of the cooperative. The experiment proved that the self initiative involved in such approaches and the income received by participants (which amounted to double that of welfare) motivated participants to remain in the project.

However, the project needs to become more harmonious with regulations. A lack of flexible mechanisms and proper financing techniques hindered the success of the program. Similarly, the financing of the project requires a new approach to be eligible it to gain access to funding from government and EU sources.

The tailor-made small scale project initiated in Igrici serves as reference of good practice, however, cooperation with the PES and other government institutions remained essential. The cooperative in Igrici could only offer employment to participants from March until October and was unable to bear the costs of employing participants for the whole year. During the rest of the year people had to return to unemployment benefit and supported employment. It was therefore important to ensure employment in the cooperative was aligned with the labour regulations such that participants could remain eligible for the benefits. This had to be clarified with the local employment offices to ensure that the support and employment offered by the PES was available for the remainder of the year.

6.2.2 Conclusions

The Roma population in Hungary is beset with serious poverty and social exclusion and cultural attitudes that place little value on education will continue to place significant barriers to further integration into the regular labour market unless there is a seed change in the way of thinking. Yet there is some room for optimism. Local level projects have shown that giving even the most disadvantaged Roma communities the opportunity to start autonomous productive activities can provide the motivation to get people actively participating in regular work, thereby reducing benefit dependency and providing an inspiration to the next generation. However, projects to date have been small scale and limited in resources. There needs to be more investment in this type of initiative and close co-operation between labour institutions and benefit agencies to ensure that they can be developed into enterprises that support communities in a sustainable way and not just in the short-term.

7 INCLUSION CASE-STUDIES: 3. IOD (FRANCE) - A GOOD PRACTICE FOR INCLUSION OF THE LONG-TERM UNEMPLOYED?

7.1 THE SITUATION OF THE LONG-TERM UNEMPLOYED IN FRANCE

7.1.1 General situation

In a nutshell, the stylised facts regarding the long-term unemployed (LTU) in France are as follows⁶⁰:

- Unemployment in France, as is also the case around Europe, is mainly a problem of long-term unemployment. In France more than 40% of unemployed are LTU - just below the average of nearly 45% for the EU as a whole.
- There are relatively small gender gaps amongst the LTU but older and less qualified workers tend to be more often affected than others.
- Longitudinal data underline how unemployment spells tend to repeat for the same persons.
- The French data set “*Sortants des listes de Pôle Emploi*”, which covers exits from the PES register, shows that LTU are less likely than others to end their relationship with the PES as a result of finding a new job. In June 2009, 6% of all people registered with the PES as unemployed for less than one year (at the end of the preceding month) left the register because they obtained a job compared to only 2.9% of long term unemployed.

7.1.2 How the recession has affected LTU

In France, as in other EU countries, the rise in unemployment started in the second part of 2008 and continued into 2009 as unemployment grew to significant levels (Table 5).

Table 5: Unemployment rate in France

	2007				2008				2009			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Unemployment rate	8.5	8.1	7.9	7.5	7.2	7.3	7.4	7.8	8.6	9.1	9.1	9.6

Source: Enquête Emploi, INSEE. BIT definition of unemployment.

http://www.indices.insee.fr/bsweb/servlet/bsweb?action=BS_SERIE&BS_IDBANK=001505108&BS_IDARBO=02000000000000

To provide recent and precise data, the following figures refer to the population registered at the PES⁶¹ (“*Pôle Emploi*”) called the DEFM (“*demandeurs d’emploi en fin de mois*”) or end of month job seekers⁶². From February 2009 to February 2010, the number of DEFM rose by 12.8% and those that were long term jobseekers rose 29.6%. As a result, the share of DEFM who had LTU status increased (Figure 40). Up to now the recession mainly induced a growth in the number of short-term jobseekers (Figure 41). However, the impact on long term jobseekers may become more and more important as

⁶⁰ From “*Employment in Europe*” 2009 based on EU LFS cross sectional data and EU SILC longitudinal data

⁶¹ DARES, 2010, « *Demandeurs d’emploi inscrits et offres collectées par Pôle Emploi en Février 2010* », DARES Indicateurs, mars, n°015. <http://www.travail-solidarite.gouv.fr/etudes-recherche-statistiques-de,76/etudes-et-recherche,77/publications-dares,98/dares-analyses-dares-indicateurs,102/>

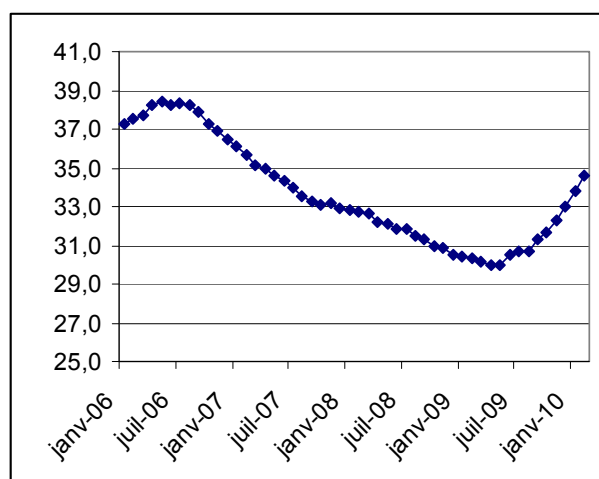
DARES, 2010, « *Les sortants des listes de demandeurs d’emploi inscrits à Pôle Emploi, en juin 2009* », Premières Informations-Premières Synthèses, janvier, n°003. <http://www.travail-solidarite.gouv.fr/etudes-recherche-statistiques-de,76/etudes-et-recherche,77/publications-dares,98/dares-analyses-dares-indicateurs,102/>

⁶² The number of unemployed taken into account is different from that using the BIT definition. Yet the two statistics present similar trends and, given its availability, the number of persons registered at the PES (counted at the end of the month) is a common reference in France to follow the situation in the labour market.

the recession progresses. If we consider a longer period of time (since 1997, see Figure 42), the share of long-term registered at the PES remains relatively stable, varying around the relatively high level of 35%, a level first reached in the 1980s.

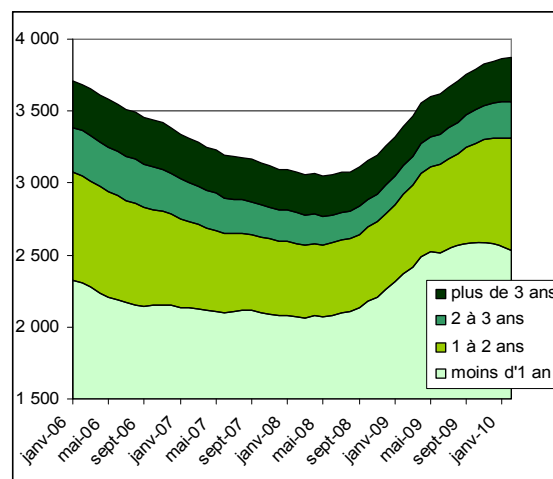
The recession does not seem to have changed the composition of the long-term unemployed by age-group. Older workers are still more often registered as unemployed for one year or more whereas it is less often the case among young people (Figure 43).

Figure 40: LTU as a share of people registered at the PES, Jan-2006 – Jan-2010



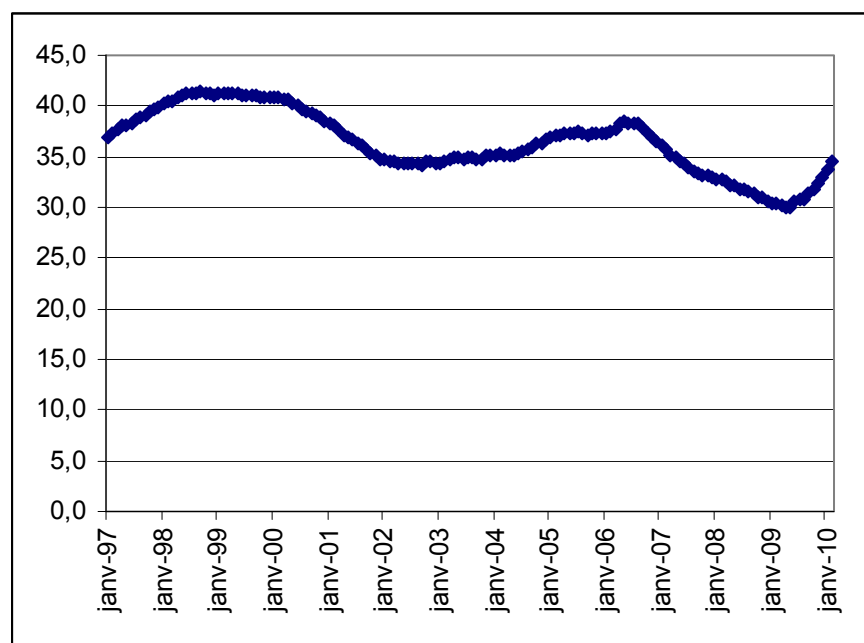
Source: Pôle Emploi, DARES. Data seasonally adjusted.

Figure 41 : Number of people registered at the PES by registration date (in thousands), Jan-2006 - Jan 2010

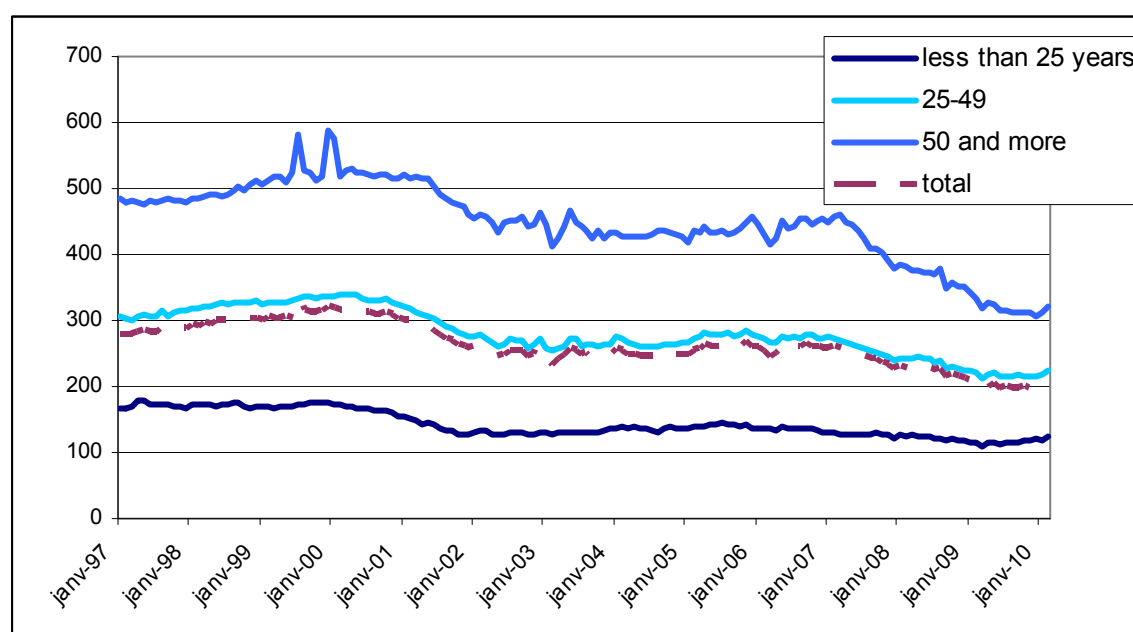


Source: Pôle Emploi, DARES. Data seasonally adjusted.

Figure 42 : LTU as a % of people registered at the PES, Jan-2006 - Jan 2010



Source: Pôle Emploi, DARES. Data seasonally adjusted.

Figure 43 : Average duration of registration (days) at the PES by age group, Jan-1997 - Jan-2010

Source: Pôle Emploi, DARES. Data seasonally adjusted.

7.1.3 How to promote a return to work for the LTU?

The debate over the impact of LTU on unemployment rates and the rate of return to employment was quite intense in the 1990s but neglected in recent years. Among economists, the negative correlation between duration of unemployment and the rate of exit from unemployment was at the heart of a literature from which the notion of the “unemployment trap” emerged. On this basis the flexicurity debate was partly centred on the hypothesis that fighting against LTU should involve motivating and training the labour supply.

However, another perspective, on how markets deal with qualitative uncertainty, has emerged⁶³. An Application of this in the context of the labour market shows that recruitment first involves a choice of recruitment method and selection criteria which ultimately determine the conditions on which a candidate is selected⁶⁴. Going beyond individual responsibility, this research characterises employability as a social construct⁶⁵. Such a perspective places more focus on the employers’ potential role in back-to-work policies compared to current labour market measures which focus on the supply side, particularly in the case of the long-term unemployment. In this context, IOD (IOD: “Intervention sur l’Offre et la Demande”) is an innovative back-to-work policy addressing employers as well as jobseekers.

⁶³ Akerlof, G. (1970), *The Market for Lemons: Quality Uncertainty and the Market Mechanism*, Quarterly Journal of Economics, 84 (3), pp. 488-500.

Stiglitz, J.E. (1987), *The Causes and Consequences of the Dependence of Quality on Price*, Journal of Economics Literature, 25(1), pp1-48.

⁶⁴ Larquier, G. de and Marchal, E. (2008), *Le jugement des candidats par les entreprises lors des recrutements*, Document de travail du CEE, n° 109, November, 39p. http://www.cee-recherche.fr/fr/c_pub1.htm

⁶⁵ Gazier, B. (1999), *Employability, Concepts and Policies*, Berlin, Institute for Applied Socio-economics (IAS).

7.2 THE IOD METHOD

The next section presents the basic principles and workings of the IOD method implemented in France by TRANSFER (a non-profit organisation).

7.2.1 Basic principles of the IOD method⁶⁶

The IOD method is based on two assumptions:

- The notion of employability is a social construct which depends on a theoretical context (beliefs and representation) and a practical context (it corresponds to a real-life work situation).
- The exclusion of certain individuals does not result from rational behaviour of employers but from 'over-selection' in the recruitment process.

The IOD method considers employers' recruitment practices as a determinant of the success or failure of the process for getting people into jobs. Its aim is to make work more accessible to the least qualified and most vulnerable groups by avoiding 'cherry picking' and limiting over-selection by employers. Quick access to work and extensive use of mediators are considered as the keys to successful integration into employment under this approach. A rapid access to work involves directly proposing a job offer rather than a training opportunity. This appears to be a key concept of the IOD method as it enables a circumvention of the stigma of unemployment.

In practical terms, promoting access to work for the most vulnerable involves three levels of intervention:

- i. Taking charge of job seeking
- ii. Avoiding over-selection
- iii. Follow-up to ensure a high-quality integration in the firm

7.2.2 Taking charge of job seeking

The first level of intervention of the IOD method is that of job prospecting. The TRANSFER team, who are in charge of implementing IOD, actively implement an intensive search of the local labour market to find employment opportunities and supply them to people without access to those opportunities. This activity on the labour market and the associated contact with employers should make it possible to build up a network of local business which may be valuable in encouraging new job offers.

IOD mediators talk to employers and present themselves as representatives of an association which offers recruitment assistance services for business (notably SMEs) subsidised by the 'County council'. They avoid employer's prejudgments by adopting business and commercial terminology rather than that of social work⁶⁶.

When in contact with potential employers, a mediator has two main objectives:

- Influence the hiring volume: the mediator will attempt to generate as many new recruitment positions as possible by thoroughly questioning companies about their personnel requirements and proposing possible candidates even if no vacancy has been formally identified.
- Influence the pecking order: the mediator will attempt to influence the pecking order for the recruitment of candidates to give a higher priority to the most vulnerable.

⁶⁶ Salognon, M. (2007), *Reorienting companies' hiring behaviour: an innovative 'back-to-work' method in France*, Work, Employment and Society, 21 (4), pp 713-730.

In addition, the mediator also attempts to influence the hiring structure of the employer by negotiating the status of the job(s) on offer to encourage full-time permanent posts where possible.

Employers tend to react in two different ways to this approach⁶⁶. On the one hand, some employers initially respond negatively but are later convinced by the employment mediator to create a job. On the other hand, some employers have a frequent need for unskilled labour because of staff turnover problems and tend to be unsatisfied with the services of the PES. In these cases, the monitoring role taken by IOD mediator even after the start of the employment relation can prove quite useful.

7.2.3 Avoiding over-selection

The mediator will discuss an employer's expectations with him. The aim of this is to avoid the intensive use of selection criteria such as education level, experience or age in the preparation of job offers and the recruitment process. The objective of this "is to hand back unskilled posts to unskilled candidates, by refocusing the employers on their real requirements rather than an ideal profile."⁶⁶ The IOD mediator encourages the employer to provide an accurate description of the vacancy and the needed qualifications, often boiling down the excessive level of qualifications required.

At this stage, the IOD mediators attempt to restore the balance between the choice capacities of each player in the recruitment process. To do so, three principles are applied:

- Candidates never compete for a job.
- Several fixed and clearly described vacancies are proposed to each jobseeker.
- Elimination of the use of CVs and application letters. CVs and application letters are systematically taken by French employers and can lead to discrimination for the most vulnerable. The presence of the mediator offsets the absence of these traditional documents by confirming the qualifications of applicants.

A crucial aspect of eliminating the opportunity for over-selection is to avoid standard deskbound job interviews by replacing them with a 'first meeting appointment' (EMR: 'Entretien de Mise en Relation'). This is a broader form encounter which takes place in the firm. It covers the vacancy available and includes a tour of the workplace. The IOD mediator is present at all times and, if necessary, re-orientates the meeting so that the discussion only concentrates on the post on offer. This approach also enables the mediator to talk with the employer after the meeting and help him focus on work-related facts. The presence of a mediator, as intermediary, can however be perceived negatively and may be counterproductive for skilled positions. From a psychologist's point of view, the 'on-the-job' interview is crucial for the inclusion of those who are considered to be very far from employment.⁶⁷

7.2.4 Follow-up to ensure a high-quality integration in the firm

In a commitment to high-quality integration of workers, the IOD mediator plays an even more crucial role when a job starts. The mediator conducts follow-up on the worker's integration until a correct match is confirmed by both the employer and employee. In practice, this is generally performed until the end of a trial period which lasts 1 to 3 months depending on the qualification level of the job. Follow-up takes the form of regular scheduled separate meetings with both the employer and the employee to raise any problem that may exist and discuss possible solutions. The mediator

⁶⁷ Castra, D. and Pascual, A. (2003). *L'insertion professionnelle des publics précaires: une alternative au recrutement concurrentiel*, Revue Européenne de Psychologie Appliquée, 53(3-4), pp 167-178.

encourages the employer to devote time to the integration of the employee and encourage the development of management practices which are favourable to the long term integration of the employee. For instance this could include appointing a mentor, providing on-the-job training and being available to answer questions.

Case studies⁶⁶ show the importance this type of intervention can play in the inclusion of LTU. They underline the positive feedback expressed by certain companies at a round table organised by the IOD team. Such monitoring can indeed constitute a real service to firms with a “structurally” high staff turnover. Using a sample of 164 recruitment procedures, it was shown that such follow-up procedure is positively correlated with the confirmation of the employment contract⁶⁷. This phase, when employer and employee get to interact on a regular basis, is critical to changing an employer’s preconceptions about ‘unemployable’ individuals.

7.2.5 Implementing the IOD method

The IOD method was first implemented during the 1980s and was first focused towards youth. It was registered as a trademark in 1988 and, since 1991, it has been fostered by a non-profit organisation called Transfer (Trans/Formation-Emploi-Recherche). This association has been responsible for the creation of about one hundred IOD teams in France which cover, in total, approximately 10,000 disadvantaged unemployed people per year.

Created in Bordeaux, Transfer was first financed by the ‘Conseil general’ (County Council) of Gironde. The organisation now has 40 partnerships. Most of these are located in France, covering a total of 10 Regions, but the method has also been implemented in Belgium (Wallonie). IOD teams are usually constituted of 3 or 4 persons at most.

The objective of IOD is to focus on the most vulnerable jobseekers. These include those on RMI/RSA⁶⁸ income support, the under-25s, and the long-term unemployed. For instance, during 2003-2005, the IOD method covered 24,937 persons among which 66% were on RMI income-support, 62% without a diploma and 45% had been jobseekers for at least 2 years⁶⁹. The large share of jobseekers on RMI/RSA means that the Transfer association is largely funded by county councils. These local public authorities (at the departmental level) are in charge of these populations and their insertion into employment.

The way Transfer moderators take charge of jobseeking implies that they create a different set of job offers from that which is collected by the PES. The intrusive approach adopted by IOD mediators seeks to uncover unexpressed labour needs. The IOD teams often develop a specific job seeking method which focuses on small and very small enterprises. These types firms can be considered part of the “hidden labour market”⁷⁰ because they don’t spontaneously publish their job openings at the PES or even in newspapers.

In the end, the Transfer association complements the public authorities in implementing back-to-work policies for the most vulnerable by taking in charge back-to-work policies for the RMI-RSA

⁶⁸ The RSA (Revenu de Solidarité Active) replaces the RMI (Revenu Minimum d’Insertion) since June 2009 and is available to anyone over 25 (or with a child) under a certain earning threshold. Payments continue once a person has found work up to a certain level of revenue.

⁶⁹ Castra, D. et Valls, F. (2007). *L’insertion malgré tout. L’intervention sur l’Offre et la Demande*, Octares Editions, Coll. Le travail en débats, 130p.

⁷⁰ Remillon, D. (2009). *Repenser l’accompagnement des demandeurs d’emploi pour lutter contre le chômage d’exclusion : évaluation de la méthode IOD*, communication to the conference *Convention : l’inter-subjectif et le normatif*, September 1-8, Cerisy-la-Salle.

beneficiaries on behalf of the local public authorities and by digging out the “hidden labour market” which the PES does not have the time and means to do.

7.2.6 Assessing the IOD method

In 2005 the IOD method achieved a back-to-work rate of 67% (72% in 2002) and a rate of return to permanent confirmed work of 41% (46% in 2002). Of these permanent contracts 75% were confirmed within 6 months.

However, a series of case studies were used to evaluate 3 IOD teams⁷¹, 2 in the Paris Region and 1 in the North of France. These outlined three main difficulties encountered by mediators when implementing the IOD method:

- Helping jobseekers overcoming their lack of self-confidence resulting from the distance they feel from employment
- Convincing large companies to rely on IOD for their recruitment
- Time-consuming monitoring to ensure patience and adaptability.

A comparison made between two IOD teams⁷⁰ highlights that a real involvement in the local area, notably through the implementation of a business network is a useful tool to facilitate the IOD method. However, doing so appears much easier in a small scale labour pool given that IOD teams are no more than 3 persons.

The implementation of the IOD method has been estimated⁶⁶ to cost 2,400€ per person and 5,500€ per person returned to permanent and confirmed work (for 2005). Comparisons with other back-to-work policies for long-term unemployed are difficult in the absence of common basis. However, for 2005, the cost of a back-to-work programmes as part of the PARE is about 750€ for a 3 months programme and yields a back-to-work rate of 30%.⁷² The mean cost of longer privately operated back-to-work programmes is 2,300€. ⁷³ Overall, we can therefore conclude that IOD method gives relatively good results without introducing prohibitive costs⁶⁶.

⁷¹ Salognon, M. (2007), *Reorienting companies' hiring behaviour: an innovative 'back-to-work' method in France*, Work, Employment and Society, 21 (4), pp 713-730.

Remillon, D. (2009) “Repenser l’accompagnement des demandeurs d’emploi pour lutter contre le chômage d’exclusion : évaluation de la méthode IOD”, communication to the conference « Convention : l’inter-subjectif et le normatif », September 1-8, Cerisy-la-Salle.

⁷² Crépon, B., Dejemeppe, M. and Gurgand, M. (2005). *Un bilan de l’accompagnement des chômeurs*, Connaissance de l’emploi, 20, September http://www.cee-recherche.fr/fr/c_pub1.htm.

⁷³ Klein, D. Renard, E. and Traversier, T. (2006). *L’accompagnement renforcé des demandeurs d’emploi*, l’Observatoire de l’ANPE-L’essentiel, November.

8 KEY MESSAGES AND POLICY POINTERS

The European social model is based around social justice, or equality for everyone, and ensuring that all citizens have the opportunity to participate in and contribute to the economy and society to which they belong. Increasingly, the fight against poverty and social exclusion is seen not just as a social issue but as an economic one and fundamental to the future growth and economic well-being of Europe. Even before the recent economic downturn, Europe was falling behind other major economic powers in terms of levels of growth and employment and, on top of this, current demographics mean that an ageing population will place an ever increasing burden on the welfare systems funded by a shrinking workforce. It is vital for the future of Europe that more people contribute to an efficient and productive economy and that benefit dependency and inequalities in society are reduced. This is encapsulated in the new flagship Europe2020 strategy, which promotes *smart, sustainable and inclusive growth* and aims to develop a high employment economy that can deliver social and territorial cohesion.

People on the margins of society generally don't make the move into work spontaneously. They need help and support to overcome the barriers that they face, which may be physical, social or professional or, all too often, a combination of these. They need encouragement and incentives to counteract attitudes to education and to work and habits of joblessness and benefit dependency that are often generational. They need help to build self-confidence and to gain the skills that are required in modern labour markets. And, critically, they need to be treated as individuals. The range of support needed is therefore extensive and bridges a range of traditionally separate policy areas including employment, social services and social protection. Developing cross-cutting policy and the necessary co-operation between actors, both public and private, in the various domains is a challenge that Europe is only just beginning to tackle in a co-ordinated way. At a time when national governments are still reeling from the effects of the recession and budgets are tight, it is crucial that efforts to counteract social exclusion and promote inclusion through employment are not put to one side.

Data for monitoring social exclusion and the effectiveness of policy are weak and need to be improved

The development of appropriate policy and then monitoring its effectiveness demands an understanding of the problem to be solved and its scale, and a means of quantifying the outcomes of the interventions made. Such analysis is reliant on access to good quality data and in the area of social exclusion this remains highly problematic. Although, as mentioned above, the factors underlying social exclusion are complex and individual, there is no escaping the fact that there are common factors such as disability and ethnicity that characterise many of the populations that are today on the margins of society. Yet data on some of these groups are so weak that quantifying these populations to know the real scale of the problems and to assess the impact of policies to counteract them is almost impossible.

The overview of the labour market situation of socially excluded groups across Europe undertaken as part of this study is as comprehensive as it is possible to be using data that are comparable between countries but is still far from ideal. Many of the largest groups of socially excluded people are from ethnic minorities and yet there are no data available at European level that facilitate any analysis of their situation. Unfortunately, this is too often also true at national level, even in those countries that are particularly affected by large populations of ethnic minority groups affected by deprivation – case studies of the Roma people in Bulgaria and Hungary included here both emphasise the dearth of reliable data. Disability of various forms is also a major contributor to social exclusion because of the restrictions and barriers that confront those affected and yet, again, the available data are far from satisfactory with known differences between countries in the way that disability is recorded, which are

compounded by cultural differences that can impact on the way that people report on their own condition.

The collection of data on both ethnicity and disability is fraught with difficulties because of human rights issues (even the process of collecting information in the first place can be considered as discriminatory) and cultural differences, even before the confronting the challenge of developing agreed definitions. Yet it is clear that more needs to be done and that it needs an initiative at European level to kick-start the process. A systematic approach to evaluating the needs for data and how they can be realised, such as adopted in the UK, is recommended.

Low-levels of education are a common theme amongst socially excluded groups

Analysis of the labour market situation of some of the groups of the population that are particularly liable to social exclusion shows that people who are born outside the EU or who are limited to some degree in their daily activities are under-represented amongst the employed population and over-represented amongst the unemployed. A further breakdown of these groups by level of education shows that the incidence of low-levels of education is almost universally higher than in the unaffected population (i.e. those born in the EU or those not limited in their activities). Low-levels of education are also prevalent amongst the long-term unemployed (i.e. all those recorded as being unemployed for a year or more, irrespective of place of birth or limitations in activity). Case-studies on the situation of Roma people in Bulgaria and Hungary also both stress the low levels of education prevalent amongst the Roma people as a key factor in their marginalisation.

Although policy at both European and national level takes an inclusive approach to education it is not clear that this objective is being reached. At least this is the implication from examples such as the rate of school drop-outs amongst Roma people in central and eastern European countries and even in the richer, more developed countries, the relative incidence of low education levels amongst people with limitations in their daily activities suggests that universal access to education is still some way off. Perhaps there is still a need for more targeted efforts to ensure that all young people get access to the education they need as the basis for future opportunities in work and in life. Moreover, the adults who are suffering disadvantage on the labour market because of their lack of basic education or skills (including those outdated by technological change) must not be forgotten. With the help of even the most basic literacy, numeracy and skills training they can be given opportunities to better themselves and the confidence to contribute to society through work.

Reducing employment rate gaps should be a policy target

The new EU-2020 strategy sets an ambitious target of getting 75% of people of working age into employment and most countries remain some distance from it. The recent recession has reversed much of the progress made earlier in decade and if the 2020 target is to be achieved then it is going to be imperative not only to foster strong economic growth and job creation, but also to activate large numbers of people who are currently inactive, including those from vulnerable groups.

There are some striking gaps between the employment rates of vulnerable and non-vulnerable groups across the EU. Again, level of education is a crucial factor. Even amongst people who are best placed to find work – those that are well educated – the employment rate across the EU barely reaches the 2020 target. In 2008 the rate for those with at least secondary education was 74.8% and the gap compared to those with low education is a massive 28 percentage points with less than half of that group being in work (46.8%). There are also massive gaps for people with some degree of limitation in undertaking daily activities. The employment rate of people without any form of limitation is 71.3% but

there is then a gap of 19 percentage points compared to those with some limitation (52.4%) and an enormous gap of 44 points for those that are strongly limited in their daily activities (27%).

Although, as noted above, a lack of suitable data mean that employment rate gaps cannot be measured for all socially excluded groups, the concept is clear and easily understood such that they represent ideal indicators and narrowing of employment rate gaps should be a clear target of inclusion policy. It is not the absolute value of the employment rate that is important, but the gap between the rate for vulnerable and non-vulnerable groups. The United Kingdom is leading the way with this kind of approach and already monitors progress with strategic objectives to maximise employment opportunity for all using indicators to monitor employment rate gaps for a wide range of vulnerable groups. A similar approach at European level could be extremely valuable for monitoring progress with the active inclusion strategy.

Helping vulnerable groups to help themselves can bring benefits

Case-studies looking at measures to support the integration of Roma people in Bulgaria and Hungary show two different ways in which vulnerable groups can be mobilised to help themselves. In Bulgaria, a programme to train Roma people as labour mediators to work within their own communities has proved very successful as a distrust of non-Romas and authority has previously been a barrier to efforts to encourage Roma people to come to labour offices to find work or enter training programmes. In Hungary, an innovative micro-financing programme has supported a number of projects that have enabled Roma people in rural areas to start up small businesses or co-operatives and mobilise people that were previously inactive or unemployed. The commitment for participants to repay loans from the income raised is an important part of ensuring collective responsibility and making the projects work.

The idea of providing self-start is clearly attractive – it can be relatively low cost and the fact that participants are actually taking responsibility for the success of the venture can be highly motivating and give people the confidence that work is a real long-term option. Further use of self-start initiatives for ethnic and other vulnerable groups should be encouraged.