



PES Network contribution to the consultation regarding a COM proposal for a Council Recommendation on Job Integration for the Long-term Unemployed

1 Background

The PES network Board agreed at its December 2014 Rome meeting to convene a Working Group to offer advice to the Commission and explore the issues for PES in supporting or the above. In addition to providing this policy advice, the PES network tables this contribution in response to the open consultation regarding the COM proposal for job integration for the long term unemployed.

2 PES network observations/perspectives on policy objectives

The PES network supports the principle of a Council Recommendation as a positive initiative to improve LTU re-integration rates. The COM proposal for this Council recommendation should take into account the different starting points and economic situations in the Member States and leave sufficient flexibility within the design principles for LTU measures to adapt to national circumstances. The network recognises the need to co-operate both within the Network, and with external stakeholders and other actors to optimise the benefits from this.

The network stresses the importance of early intervention with profiling as a preventative measure to reduce inflows to LTU. Interventions targeting LTU as a priority are not as widespread as other groups. The network recognises that support for LTU is frequently not a clearly formulated management objective and therefore not integrated in performance indicators. The network also recognises that the LTU is not a homogenous group. PES need to ensure that staff have the required skills and competencies for dealing with LTU clients. The timing of the interventions could, where this is the case, be linked to the transition of responsibility from PES to other organisations. The expiry of entitlement to unemployment benefits could be another key transition point. Timings of interventions should aim to avoid deadweight.

The network strongly endorses the principle of individualised service provision. Though doubts were expressed concerning administrative targets – in many cases models for integrating LTU do not have fixed targets or dates for intervention. The importance of factoring the growth of digital delivery channels, which may not necessarily be a lower cost option, was also stressed. There was also strong support for the rights and responsibilities approach; especially the importance of setting and enforcing clear expectations for jobseekers. An activation culture within the PES enhancing the responsibility agenda with programme beneficiaries was the desired outcome. Different perspectives were offered on the effectiveness of sanctions, though there was general agreement that there was a political necessity for these, but also a political sensitivity. The need to re-enforce the demand-side

and links with employers was seen as crucial. New and innovative models of employer engagement needed to be developed.

3 Current Labour Market Situation

Very difficult labour market situations exist in many MS with no growth, no vacancies, and consequently extreme difficulties for PES in re-integrating clients. In some countries there are large numbers of LTU who have been displaced since the crisis, in others the stock of LTU is largely comprised of people with systemic barriers to re-integration such as health, and motivation problems. Structural changes as a result of macro-economic disruption mean that there is some convergence between these groups.

Support systems for LTU vary considerably between MS in both the scale and intensiveness of help provided. Many PES currently have a specific remit to only deal with jobseekers in receipt of unemployment benefits, this can mean that early intervention to offer more support to those most at risk of LTU is less well developed. In such cases support may not be directed towards LTU until they have already suffered particular scarring effects.

Financial support for LTU ranges from comprehensive integrated networks, providing indefinite social assistance, to residual schemes offering minimal income support with minimal co-ordination between actors. There are significant differences in the extent of activation and nature of mutual obligation agreements expected of clients in return for receipt of social assistance. Some schemes include strong requirements for participation in ALMP, others are entirely passive. Overall a low share of LTU take part in activation measures, with a majority receiving neither active nor passive support. Use of Individual Action Plans (IAPs) is widespread, though these are not typically shared with other service delivery partners. In most cases these can be renewed and revised to adjust to the changing situation of a jobseeker, though it is less clear how often this happens in practice.

4 General Principles of PES measures currently applied

PES have varying degrees of involvement in providing LTU services. A number of other organisations, both public and private, are also involved in supporting these clients. A range of actors are responsible for the administration of social assistance programmes, in some instances several in one MS. Delivering this agenda will therefore require substantial co-operation between a numbers of agencies.

Re-integration becomes progressively more difficult (and costly) with longer spells of unemployment. Many PES employ targeted intensive support based on profiling as a part of IAPs and Integration Contracts based upon the principle of mutual obligation. The rights and responsibilities approach is underpinned by monitoring elements, support mechanisms, and sanctions. For many LTU motivational and personal issues need to be tackled through a gradual approach to enhance employability. It is vital to maintain a customer focus throughout the re-integration process with interventions aimed at placement on the primary labour market. Re-integration of LTU can involve a trajectory including a chain of sequential steps, ie stabilisation, creating employability, activation, placement, and after placement services. This can often be delivered by partnerships involving PES, municipalities, vocational training institutions, family services, and private providers. The nature and extent

of this collaboration can vary depending upon the division of roles between actors. Effective partnership governance processes, including transparent performance measures and a clearly defined goal, i.e. permanent integration, are key to success.

Development of quality support systems co-ordinating re-integration and benefit delivery services requires strong institutional co-operation placing the LTU and employers at the centre of delivery models. Partnerships with employers need to be developed and financial incentives for hiring LTU well targeted and carefully implemented to as far as possible avoid deadweight, substitution and displacement¹. Work opportunities in a protected environment can allow LTU to regain work habits, learn new skills, and promote job search whilst flexible working patterns can assist re-integration. To succeed these approaches can require negative perceptions about LTU held by employers and the wider public to be challenged. Information campaigns, including case studies of successful initiatives, can be provided for employers encouraging them to recruit LTU.

5 Balancing demand and supply side approaches – the employer agenda

Supply side measures alone are not adequate for addressing LTU. Access to as much pooled vacancy information as possible is essential to support continuing re-integration activity and enable the ongoing monitoring of clients job search efforts. Many PES interventions, for LTU including older and disabled jobseekers, therefore reflect a particular focus on meeting employer need. Programmes including tax/insurance contribution exemptions, work based training, work trial schemes, vocational training and support for apprenticeships all feature in measures currently offered. Though subsidised employment schemes, including various types of community/socially useful activity programmes, and public work schemes, are often the only option for the hardest to integrate they should be used sparingly monitored closely given their frequently poor and even negative employment outcomes, . PES offer support for entrepreneurship through start up grants, and loans, support to assist teleworking, and travel costs for LTU taking up employment offers. In some MS legal provisions can require tenders for public contracts to include recruitment of LTU.

PES often operate specialist teams to engage with employers and offer a number of programmes to encourage recruitment of LTU, including providing aftercare, and raising employer awareness. A co-ordinated integrated approach from employers collaborating through their representative bodies can assist through mirroring joined up initiatives from PES. Supported contracts are promoted, aimed at both market and non-market sectors, differentiating between the needs of different cohorts of LTU, e.g. young, older, and ex-professional jobseekers.

There is a considerable overlap between LTU clients and people defined in other vulnerable groups. Fees are sometimes paid to Temporary Work Agencies placing older workers. Some schemes compensate employers for the cost of adapting work places to accommodate vulnerable disabled clients. There is a growing trend for bespoke personalised support, including motivational training activities to be adopted in preference to more generalised approaches. There is an increasing emphasis on competency based matching to assist the

¹ See as well: [HoPES Note on Criteria for sustainable wage subsidies](#) (2013)

re-integration of LTU through personalised trajectories. These approaches reflect an emphasis on capability and emphasising what an LTU client can do, rather than focussing on barriers.

6 Re-integration models

Institutional ownership/responsibility for re-integration of a Long Term Unemployed (LTU) client varies. A summary of information provided by PES, and some broader study of approaches across the European Union indicates two broad re-integration models (see below). These are of course generalisations and in each MS there will be differences in the detail with some delivery elements falling outside the parameters of these descriptions.

- a) PES maintaining primary responsibility for re-integration of an LTU client and cooperating with other institutions responsible for social assistance benefits as well as for social support services.
- b) PES handing-off primary responsibility for re-integration of LTU clients to social assistance authorities/ Municipalities which administer social assistance payments.

7 Implementation issues with proposal

(i) Accessibility of LTU services - Single Point of Contact

Where this is no single access point for LTU, one stop-shop offices or, a less costly option of establishing digital/automated single contact points based on linking databases (from benefits and employment authorities), on signposting or joint counselling will be needed. Easier data sharing would assist with maintenance of comprehensive client employment histories.

(ii) Coordinated action

An integrated approach is needed to overcome multiple barriers to re-integration. This may require input from various actors in order to ensure that successful re-integration packages can be developed. These include organisations from the public and private sectors, providing; social, family, health, and employability support services.

The range of issues which could impede service integration include conflicting legal/constitutional mandates, data sharing arrangements and legislation, and the specific competencies of potential delivery organisations (including PES and municipalities).

(iii) Introducing Personalised Services- Individual Assessment.

Development of a personalised, tailored, client centred approach will be an essential component of a re-integration package. PES have already developed the infrastructure for personalising services as profiling and individual action planning are developed to an extent in all MS. The chief additional component is a clear segmentation of services and the strengthening of delivery partnerships, in which the PES will assume its conducting role. PES will need to adopt different approaches to LTU Contract implementation depending upon the current delivery model in their MS.

(iv) Spelling out Mutual Obligations

This will detail possible support available through; counselling, financial (including social) assistance, social services, and describe the commitment required from the client in return. Delivery mechanisms will need to be developed for an integrated (employability) support package. i.e. Active Labour Market Programmes (ALMPs), employer engagement, social support.

Various options exist for improving the links between passive (social assistance payments) and active (ALMP) measures and ensuring that these are as well aligned as possible to optimise the focus upon employment outcomes. These include obligations for LTU clients to agree to participate in ALMP as a condition of receiving payments (and possibly sanctioning non-participants), and increasing rates of assistance where clients voluntarily enter ALMPs.

8 The Business Case

The network acknowledges that hard empirical evidence on the causal impact or correlations between specific types of social and employment support schemes and improved labour market outcomes are hard to identify. For LTU there is however evidence about the problems caused by uncoordinated service delivery structures. Many models provide estimates of the macro cost of LTU in terms of worse long term, health, education, outcomes, other social problems, fiscal and skill decay from long term labour market detachment. To ensure support for development of enhanced infrastructure, with wider fiscal and public investment implications, robust business cases will be required. Some practice specific evaluations of particular initiatives support the case for investing in services for LTU re-integration.

In the Netherlands experiments focused on a broad client group including LTU, involving a population of 631,104 individuals reported through ex-post evaluation identified a cost benefit ratio of 1:6 for early intervention advisor interviews with unemployment benefit recipients including those who were LTU, 1:10 for competence tests, and 1:12 for workshops for older jobseekers. Studies in Denmark using the same evaluation method indicated positive returns on programmes of intensive, twice weekly, interviews with LTU clients, mentoring schemes for young LTU clients. A UK support "trailblazer" scheme for the very long term unemployed reported lower levels of assistance payments after six months of starting the programme compared to a control group of clients not included in the scheme. The French PES has significantly reduced caseloads for harder to integrate clients and reports a positive impact from ratings on barometer satisfaction scores for these jobseekers, and also positive employment outcome returns. In Flanders VDAB has reported positive sustainable employment outcome returns (measured from 6 months to 2 years) from partnerships between the PES and providers of mental health support services.

Published research supports the proposition that prevention is better than cure, with lower PES caseloads having a positive effect on the outflow rate of shorter term unemployment, though evidence of the impact on caseload size for outflow from LTU is mixed. In the Netherlands lower caseloads have a positive effect on outflow rates for the short term unemployed² (though an insignificant impact on outflow rates from LTU). Studying German

² Koning P - The effectiveness of public employment service workers in the Netherlands – Empirical Economics (2009)

employment offices³ cost efficiencies with reduced longer term benefit payments with more intensive interventions through reducing caseloads were identified. This is supported by other German studies^{4,5} finding increasing employment prospects for LTU with lower caseloads.

A study⁶ on the labour market impact of the introduction of Jobcentre Plus in the UK revealed several changes. The primary change here was the integration of all ALMP and benefit services for working age people, both those receiving unemployment benefit and previously inactive assistance clients, under one roof. This was part of a comprehensive activation programme for all working age people receiving benefits. The study concluded that this approach helped increase exit rates from benefit for assistance clients further from the labour market, and that the infrastructure investment more than paid for itself through an increase in labour supply, and is likely to have led to a small (0.1%) rise in GDP.

A recent study reported positive reactions from Swedish LTU customers⁷ able to discuss wider social barriers to re-integration with specialist experts following referral from the PES under partnership arrangements. Similar positive responses from LTU clients able to develop relationships with a specific case manager were identified in a six country study⁸.

9 Conclusions

Many of the elements included in options for a recommendation are present in at least some PES, though to varying degrees. Development of a more comprehensive support structure will necessitate further modernisation of Public Employment Services in many MS. Research and practical experience from the network supports the proposition that there are benefits from investing in development of more integrated support services. The PES network recognises the crucial importance of tackling LTU, and will cooperate with, and support network Members to, assist in the implementation of a Recommendation. Individual members will share information on overcoming barriers to integration.

³ Hainmuller J, Hofmann B, Krug G and Wolf K, - Do Lower Caseloads Improve the Effectiveness of Active Labour Market Policies? New Evidence from German Employment Offices. (2011)

⁴ Schiel S, Schroder H, and Gilberg R - More matching through more mediators – IAB – Bibliothek Vol 312, (2008)

⁵ Jerger J, Pohnke C, and Sperman A - How are the unemployed looked after in the labour market? Microeconomic evaluation of employment services in Mannheim. (2001)

⁶ Riley R, Bewley H, Kirby S, Rincon-Anzar A, and George A- The introduction of Jobcentre Plus: An evaluation of labour market impacts - National Institute of Economic and Social Research (2011)

⁷ Hollertz K, Garsten C, and Jacobson K – The impact of an Integrated Approach to Social Cohesion, Sweden Country Analysis (2014)

⁸ Sztandar –Sztanderska K, and Mandes S – Comparative Report on the Impact of an Integrated Approach to Social Cohesion – Localise Paper 7.1 University of Warsaw (2014)