



# The dynamics of long-term unemployment

ESDE 2012 Conference  
Brussels, 6 February 2013

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*Social Europe*

## Long-term unemployed in the EU

- ~~• 2.6% of the active population~~
  - ~~• 37% of the unemployed~~
  - ~~• >6 million persons~~
- ← 2008

- **4.6% of the active population**
  - **45% of the unemployed**
  - **>11 million persons**
- ← 2012

# Long-term unemployment : need for a dynamic approach

- *Consequences for individuals and society*
- *Two options to tackle LTU*
  - **Get back LT unemployed in a job**
  - **Prevent people to become LT unemployed**
- *Better understand dynamics*

# Outline

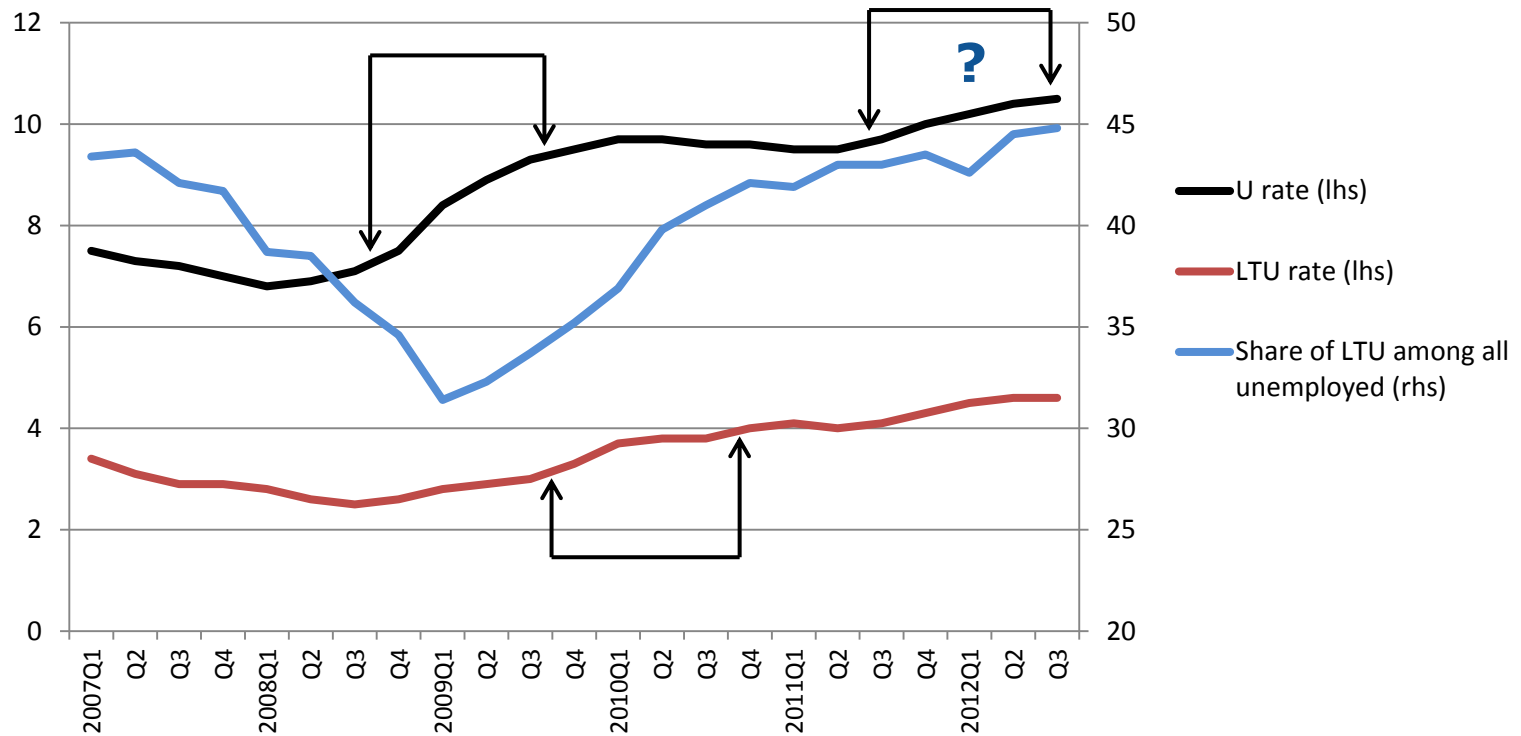
1. Describe **recent trends** in LTU in the EU & across countries and groups
2. Analyse the **dynamics** of LTU, using longitudinal data
3. Identify the **main factors** behind LTU  
...and explore possible **policy options**

# 1. Trends in LTU – main findings

- *Overall increase of LTU since 2008*

# Increase of LTU, with a lag compared to overall unemployment

Unemployment and LTU rates (in % of active population) and incidence of LTU (in % of total unemployment), EU-27

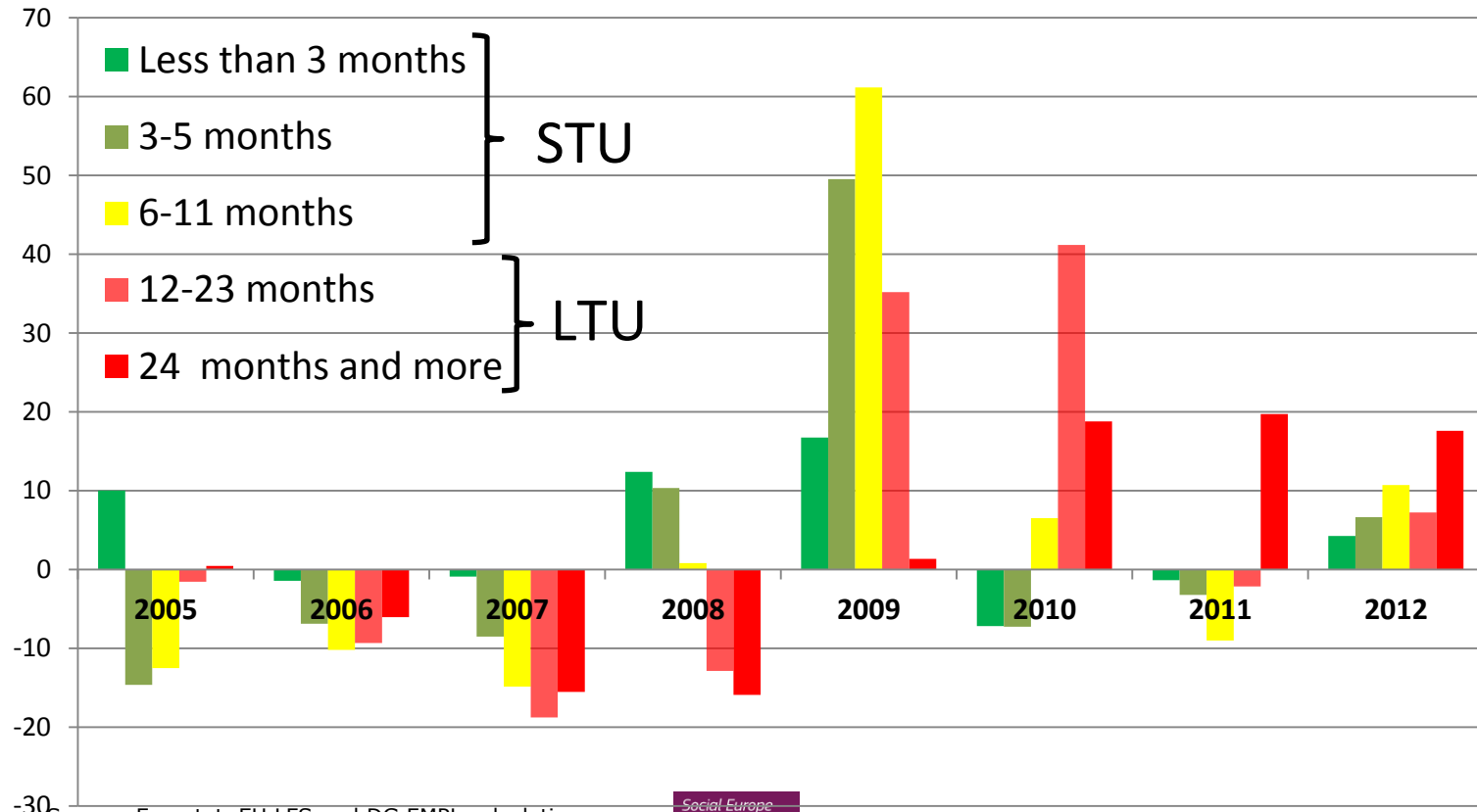




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# Transfer from short to long-term unemployment categories

Changes in the numbers of unemployed, by duration (in %), EU-27



Source: Eurostat, EU LFS and DG EMPL calculations.  
2012 estimated on the first 3 quarters.

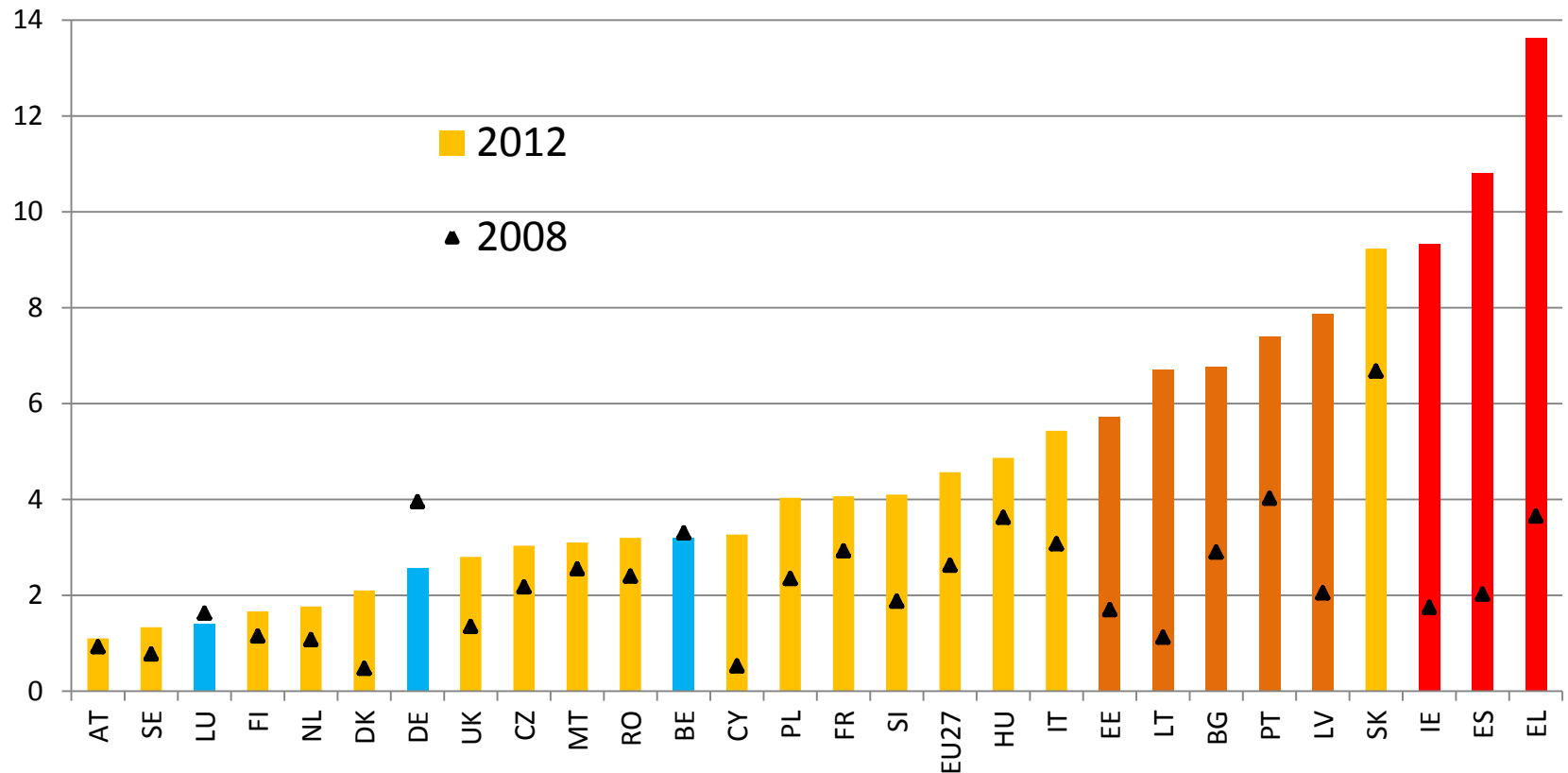
# 1. Trends in LTU – main findings

- *Overall increase of LTU since 2008*
- ***But large diversity of the LTU rate across countries***



# Large diversity in level and changes across countries

Long-term unemployment rate in % of active population in 2008 and 2012

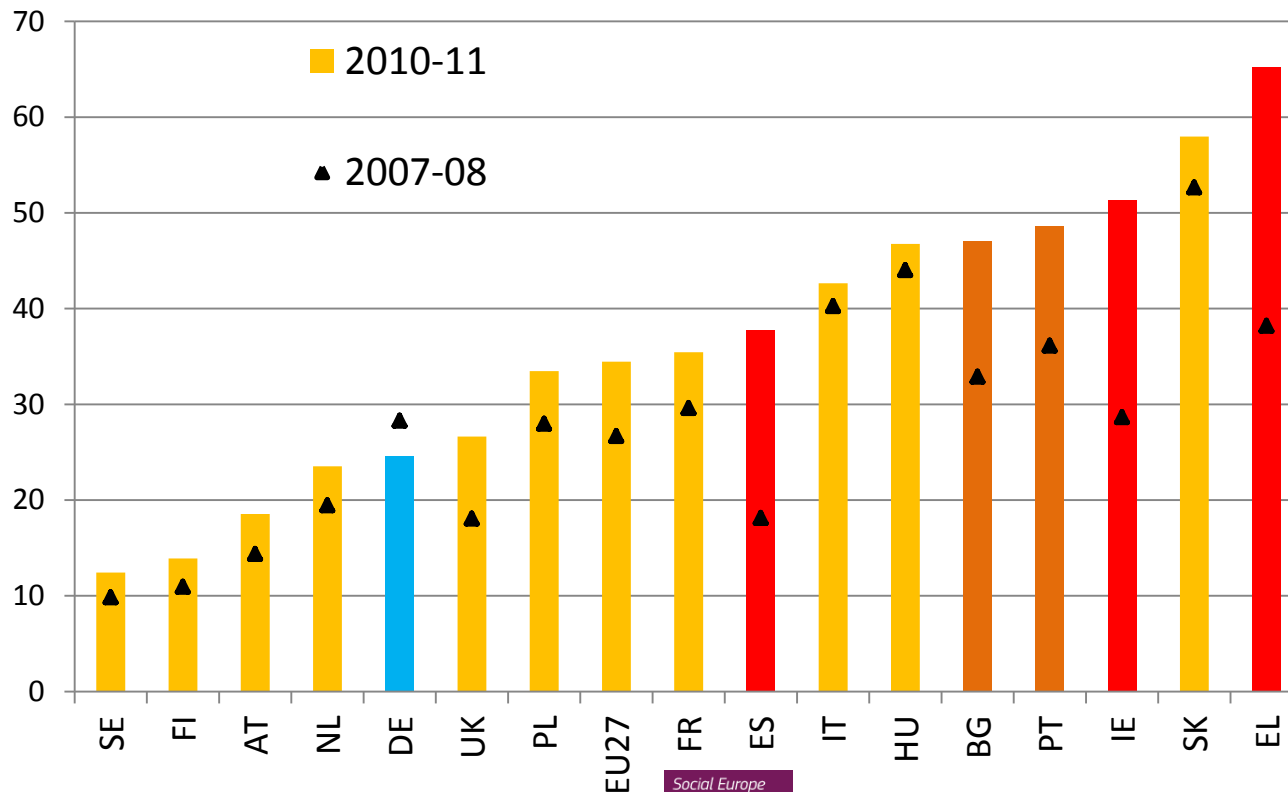


# 1. Trends in LTU – main findings

- *Overall increase of LTU since 2008*
- *But large diversity of the LTU rate across countries*
- ***...and various level of persistence in unemployment***

# Much variety in the persistence rates...that worsened almost everywhere

**Persistence rate in unemployment for the 'short-term unemployed' for selected countries (ratio between those unemployed for 12-24 months and those who were unemployed for fewer than 12 months one year earlier)**

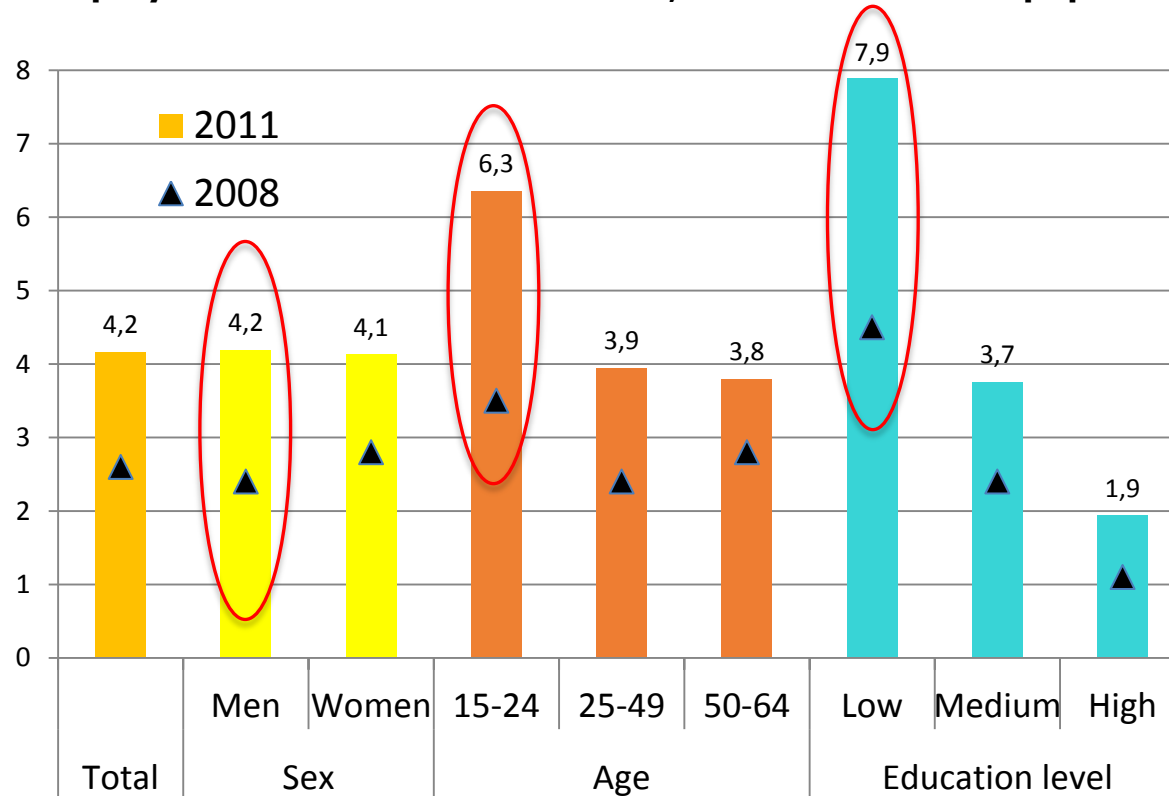


# 1. Trends in LTU – main findings

- *Overall increase of LTU since 2008*
- *But large diversity of the LTU rate across countries*
- *...and various level of persistence in unemployment*
- ***Men, young and low-skilled workers most affected by recent increase in LTU***

# Men, young and low-skilled workers most affected by recent increase in LTU

Long-term unemployment rate in 2008 and 2011, in % of the active population



# 1. Trends in LTU – main findings

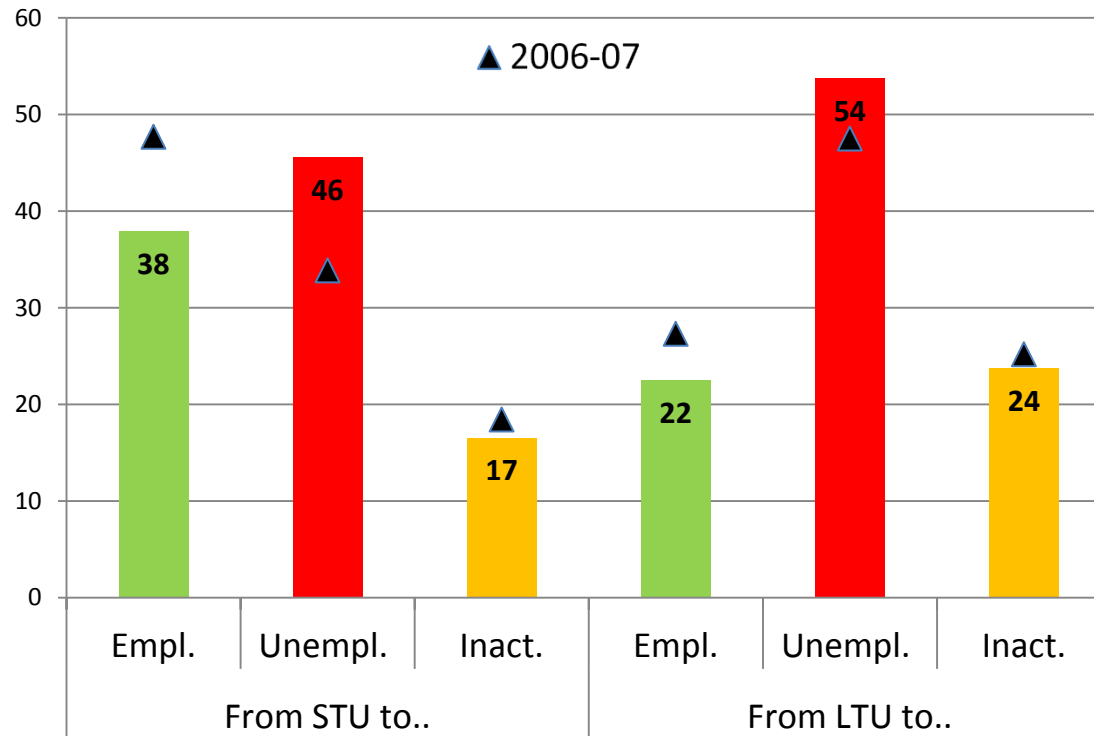
- *Overall increase of LTU since 2008*
- *But large diversity of the LTU rate across countries*
- *...and various level of persistence in unemployment*
- *Men, young and low-skilled workers most affected by recent increase in LTU*
- ***Previous job influences probability to become/remain unemployed***

## 2. Transitions in/out of LTU – main findings

- *LTU have lower chance to find a job than STU...and higher chance to fall into inactivity*

# LTU have lower chance to find a job than STU...and higher to fall into inactivity

Transition rate from short and long-term unemployment to employment and inactivity in 2010-11 and 2006-07, for EU-13 ( in % of all unemployed one year before)





## 2. Transitions in/out of LTU – main findings

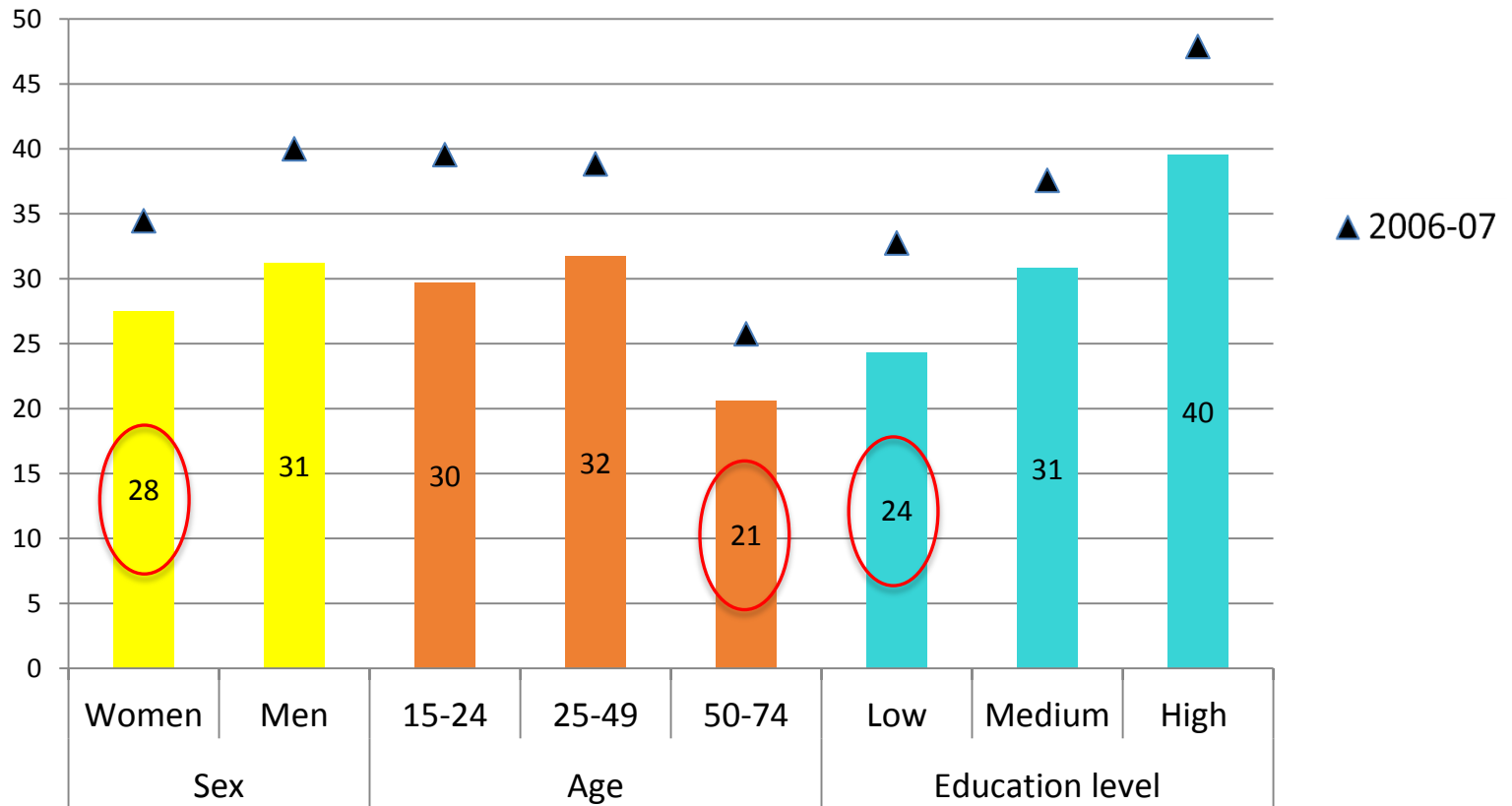
- *LTU have lower chance to find a job than STU...and higher chance to fall into inactivity*
- ***Transition rates worsened for all groups during the crisis***



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# Probability to find a job decreased for all groups during the crisis - though more strongly for some

Transition rate from unemployment to employment in 2010-11, for EU-13\*, in % of all unemployed one year before

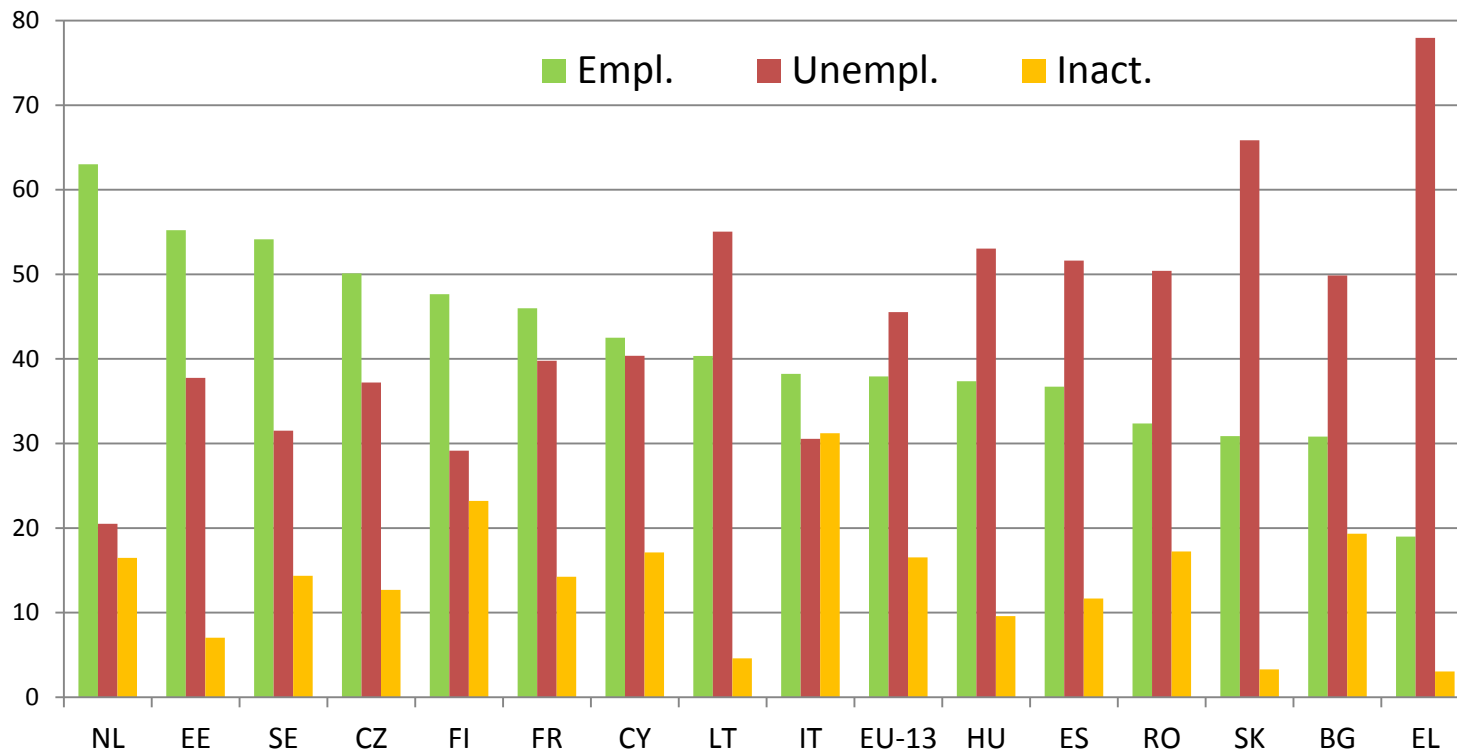


## 2. Transitions in/out of LTU – main findings

- *LTU have lower chance to find a job than STU...and higher chance to fall into inactivity*
- *Transition rates worsened for all groups during the crisis*
- ***Large differences across countries in transition rates for short and long-term unemployed***

## Huge variety across countries in transitions for short-term unemployed

Transition rate for STU (unemployed less than a year) to employment, unemployment and inactivity (25-49, in 2010-11)



## **3. Factors behind LTU**

**... and policy options**

# Factors behind LTU

- 1). General economic / labour market conditions*
- 2). Country-specific (institutional) factors*

# 1). General economic/labour market conditions

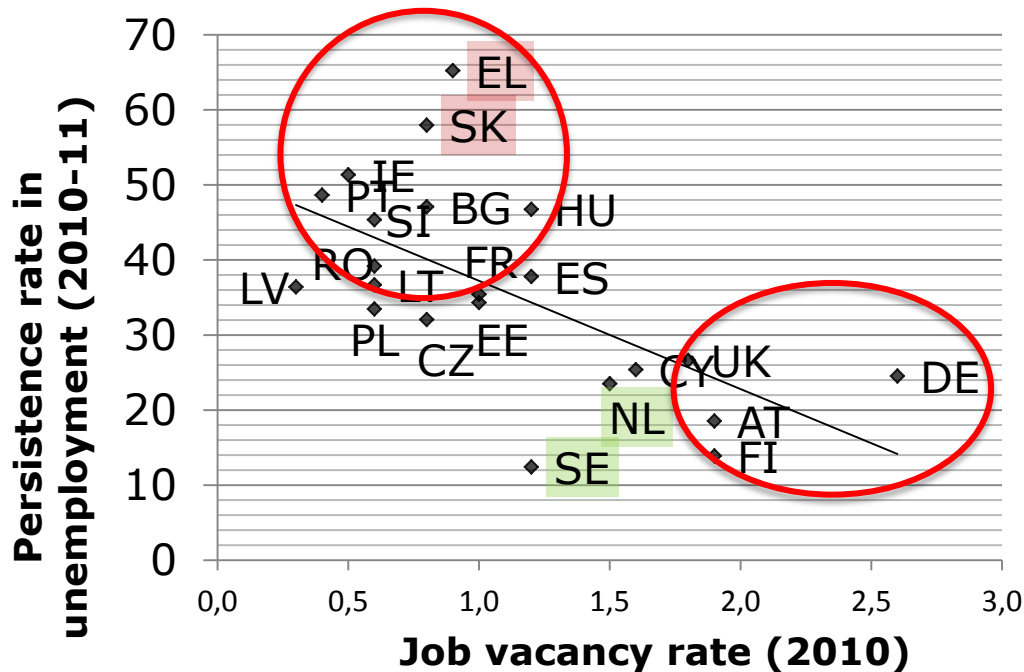
*Low aggregate demand is a fundamental factor for rising LTU*

→ *MS with the highest rise in overall unemployment have also the highest LTU rates  
(the Baltic countries, IE, ES, EL)*



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# More job opportunities favour lower persistence



*MS with highest job vacancy rate have lowest persistence of unemployment*



# Factors behind LTU

*Aggregate demand explains only partially the trends in LTU,*

→ *Country-specific (institutional) factors also play a role*

## 2). Country-specific factors

- *Unemployment benefit & social security systems*
  - ⊖ effect on job search incentives
  - ⊕ effect on AD & job matching

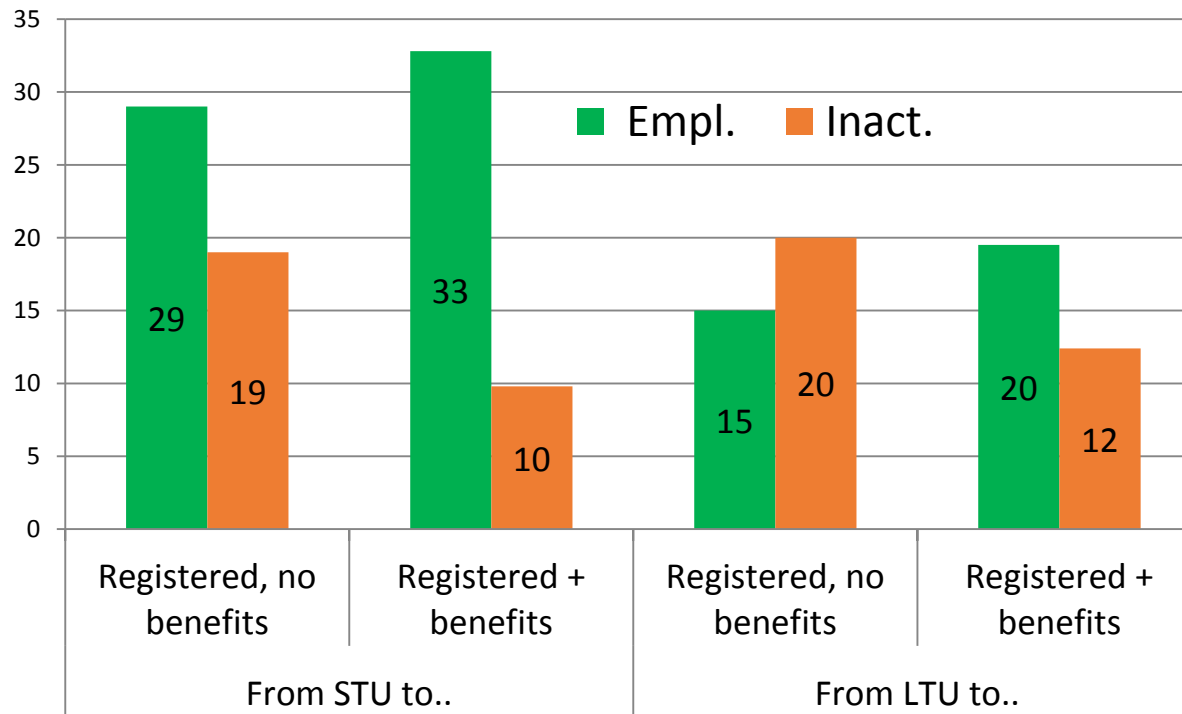
# Impact of receipt of benefits

*The receipt of benefits improves chances of finding employment*

*..... more important for the LTU*

# Impact of receipt of benefits:

## Transition rates from STU/LTU to employment and inactivity



# Design of UB systems

- *Large and durable UB do not necessarily increase the persistence of unemployment, if coupled with sufficient activation*
- *Time profile of UB can contain activation elements*
- *Replacement income from social assistance affects work incentives (e.g. Nordic countries, LU)*

## 2). Country-specific factors

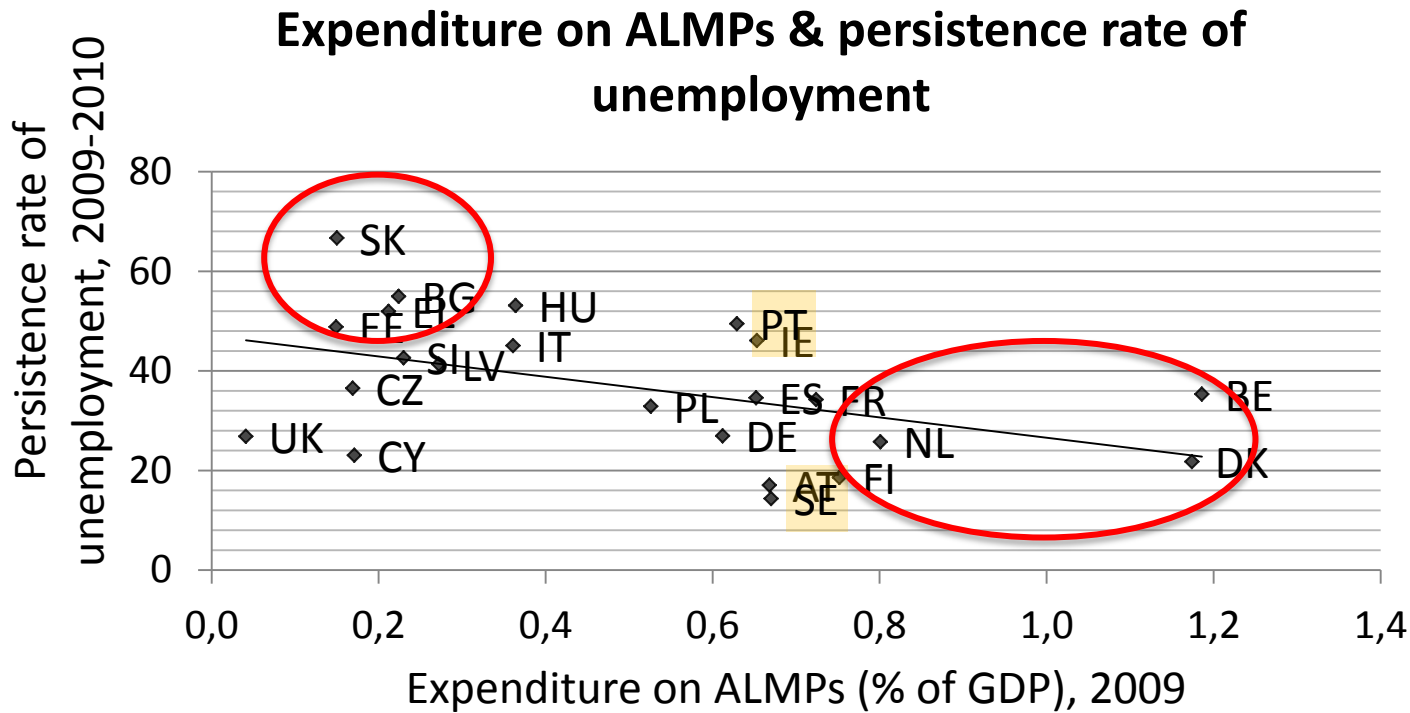
- *Unemployment benefit & social security systems*
- ***Complementarity with/ design of ALMP***

# Impact of ALMP

*Access to **sufficient & efficient** LM programmes*

*favours return to employment*

# Impact of ALMP



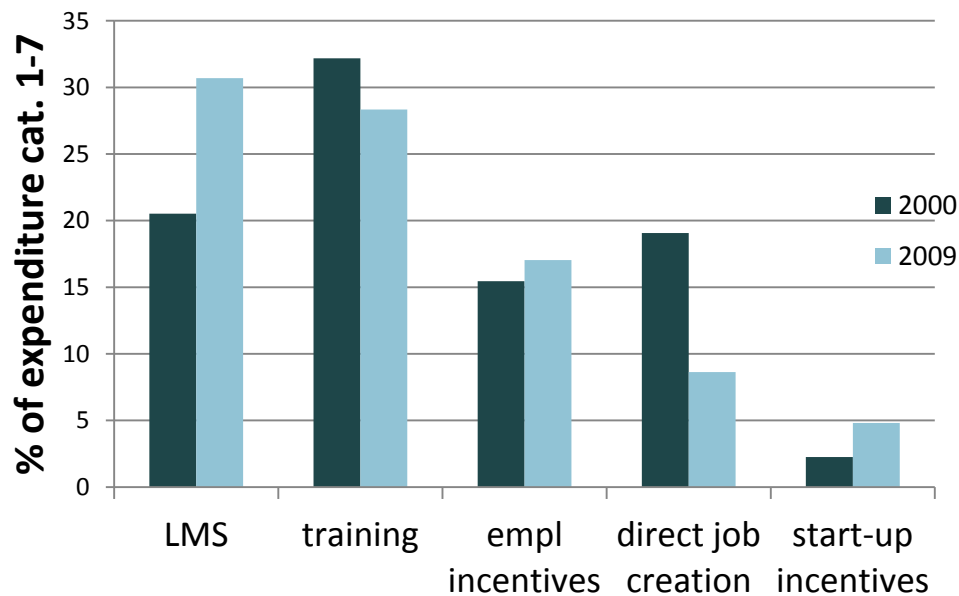


## 2). Country-specific factors

- *Unemployment benefit & social security systems*
- *Complementarity with/ design of ALMP*
- ***Role of employment offices***

# Higher profile of employment offices

Share of expenditure by category



- *they can ensure higher efficiency of ALMP programmes by*
  - *profiling*
  - *targeting*
- *higher share of expenditure on labour market services*

## 2). Country-specific factors

- *Unemployment benefit & social security systems*
- *Complementarity with/ design of ALMP*
- *Role of employment offices (PES)*
- ***Lifelong learning opportunities (LLL)***

# Impact of LLL

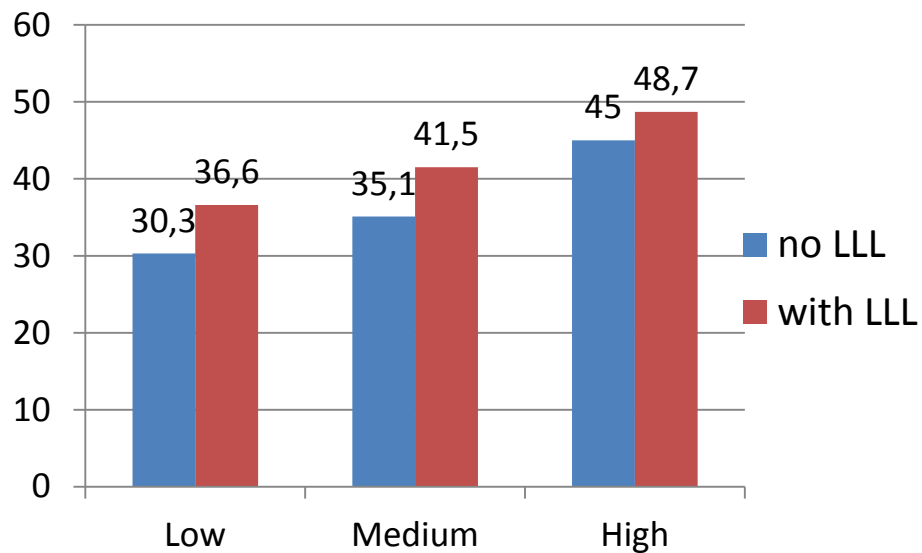
*LLL improves chances of finding a new job*

*.....at all educational levels*

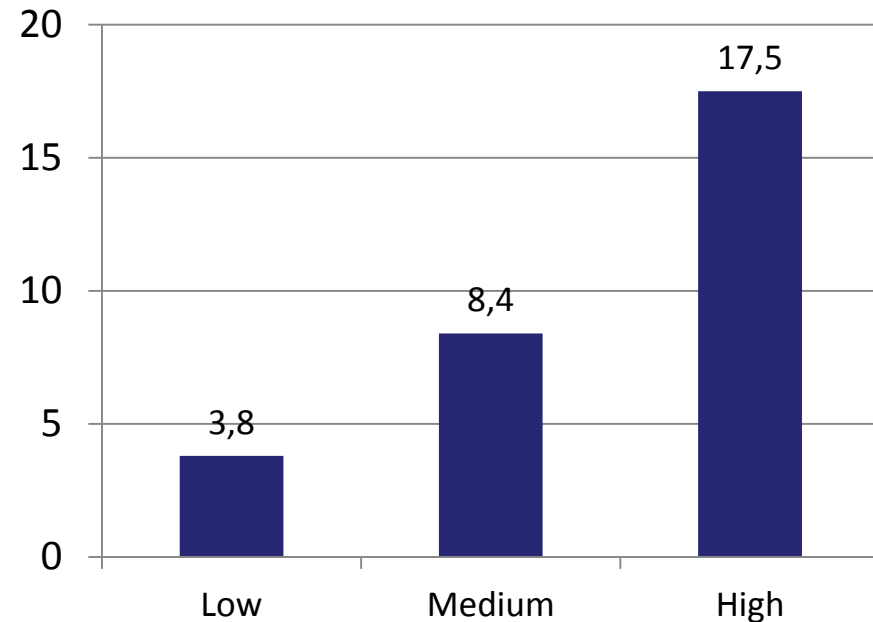
*but bigger for the low and medium educated*

# Impact of LLL

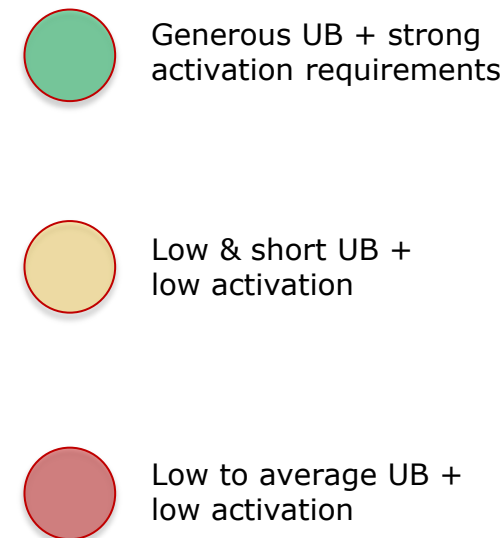
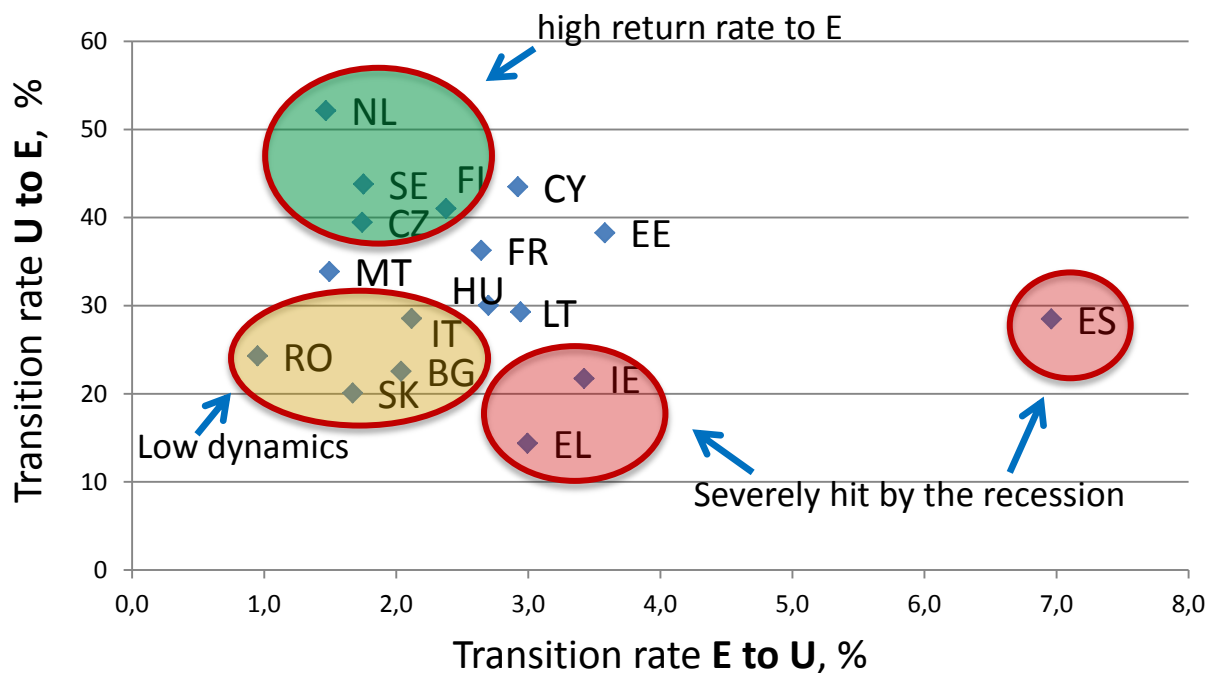
Transition rate from Unemployment to employment, by education



Participation in LLL, 2005-2011

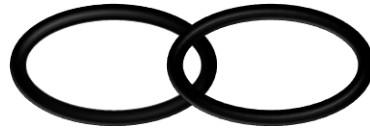


# Transition rates ↔ institutions



# Conclusions

*LTU threatens to sky-rocket,*



*Job creation*

*&*

*A strong link between income support &  
activation can keep it down.*



*Thank you very much for your attention*