

# Expenditure on Labour Market Policies in 2004

## Statistics in focus

### POPULATION AND SOCIAL CONDITIONS

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Author

*Africa MELIS*

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*In 2004 the EU-25 countries spent 2.3% of their combined GDP on interventions to support the labour market integration of the unemployed and other disadvantaged groups.*

*The indicators of LMP expenditure in relation to GDP taking into account the underlying level of unemployment and the analysis of expenditure per unemployed person show marked differences between countries in the amounts spent.*

*In more than half of the countries studied, the largest share of expenditure on LMP measures is accounted for by transfers to employers, either in the form of cash subsidies or as revenue foregone through reductions in obligatory levies.*

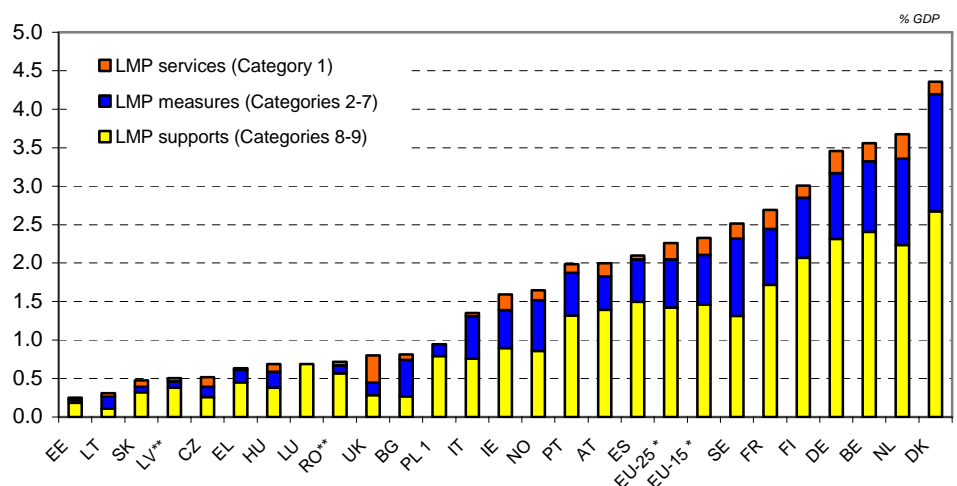
### Expenditure on LMP accounts for 2.3% of EU-25 GDP but there are significant differences between countries

In 2004, public expenditure on Labour Market Policies (LMP) in the European Union (EU-25) was 2.3% of GDP (Table 1)<sup>1</sup> but there were considerable variations in the level of expenditure between countries (Graph 1)<sup>2</sup>. In Denmark, LMP expenditure amounted to almost 4.4% of GDP and the Netherlands, Belgium, Germany and Finland also spent more than 3% of GDP.

The LMP data for 2004 include, for the first time, complete information on public expenditure on LMP services in category 1 (see methodological notes). This covers, primarily, the costs of services for jobseekers provided by the public employment services (PES) in each country including, where relevant, benefit administration. Expenditure on LMP services is particularly important in the United Kingdom, where it accounted for approaching 0.4% of GDP in 2004 and represented the largest element of total UK expenditure on LMP (44%).

Across the Union, expenditure on labour market services accounted for less than 10% of total LMP expenditure and, apart from the UK, it is only in the Czech Republic where the share exceeds 20%.

Graph 1 - Public expenditure on LMP as a percentage of GDP, 2004.



\* Eurostat estimations.

\*\* Data refer to 2003.


<sup>1</sup> OECD data.

Source : Eurostat, Labour Market Policy database, March 2006.

<sup>1</sup> Refer to the methodological notes for information on the breakdown of LMP expenditure.

<sup>2</sup> EU-25 totals are constructed without data for Cyprus (CY), Malta (MT), and Slovenia (SI), and including estimated data for Greece (EL) and Poland (PL). Data for category 2 (training) are incomplete for Luxembourg (LU) and are not included in relevant EU totals.

Table 1 - Public expenditure on LMP as a percentage of GDP, 2004.

 Eurostat	LMP services (Category 1)	LMP measures (Categories 2-7)	LMP supports (Categories 8-9)	Total LMP expenditure
EU-25	0.21 *	0.62 *	1.42 *	2.26 *
EU-15	0.22 *	0.64 *	1.46	2.33 *
BE	0.23	0.92	2.41	3.56
CZ	0.12	0.13	0.26	0.52
DK	0.16	1.52	2.67	4.36
DE	0.29	0.85	2.31	3.46
EE	0.02	0.04	0.18	0.25
EL	0.02	0.17	0.45	0.63
ES	0.05	0.55	1.50	2.10
FR	0.25	0.73	1.72	2.69
IE	0.20	0.49	0.90	1.59
IT	0.04	0.55	0.76	1.35
CY	:	:	:	:
LV**	0.04	0.09	0.38	0.50
LT	0.04	0.15	0.11	0.31
LU	:	:	0.69	:
HU	0.10	0.21	0.38	0.69
MT	:	:	:	:
NL	0.32	1.12	2.23	3.67
AT	0.17	0.43	1.39	2.00
PL <sup>1</sup>	:	0.15	0.79	0.95
PT	0.11	0.55	1.32	1.99
SI	:	:	:	:
SK	0.08	0.07	0.32	0.47
FI	0.16	0.78	2.07	3.01
SE	0.20	1.00	1.32	2.51
UK	0.36	0.16	0.28	0.80
BG	0.07	0.48	0.27	0.81
RO**	0.04	0.11	0.57	0.72
NO	0.13	0.66	0.86	1.65

\* Eurostat estimations.

\*\* Data refer to 2003.

<sup>1</sup> OECD data.

Some of these values may be estimated (or include estimated values). See "Notes on the data".

Source : Eurostat, Labour Market Policy database, March 2006.

Total expenditure on LMP measures in categories 2-7 accounted for more than 1.5% of GDP in Denmark, and 1% of GDP in the Netherlands and Sweden. In Belgium, Germany, France and Finland expenditure was also higher (over 0.7% of GDP) than the average of 0.6% throughout the Union (EU-25). In contrast, in Latvia (2003 data), the Slovak Republic and Estonia, expenditure on active interventions amounted to less than 0.1% of GDP.

In 2004, public expenditure on LMP supports in categories 8-9 accounted for the largest share of total LMP expenditure in every country except the UK, Lithuania and Bulgaria, and for just over 1.4% of GDP (63% of total expenditure) in the EU-25 as a whole. In five countries - Denmark, Belgium, Germany, the Netherlands and Finland - expenditure on LMP supports accounted for more than 2% of GDP, whilst in Estonia and Lithuania it accounted less than 0.2% of GDP.

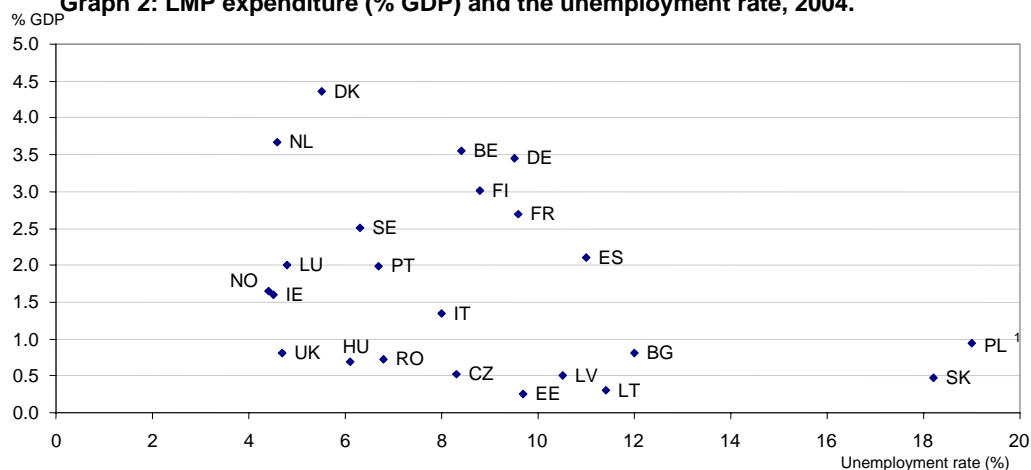
There are significant disparities between Member States in the levels of spending on LMP with a seventeen-fold difference between the highest and lowest expenditure as a percentage of GDP (Denmark and Estonia respectively). The disparity is more pronounced for the different types of intervention with 24-fold and 35-fold differences for LMP supports and LMP measures respectively.

## There is no relation between LMP spending as a % of GDP and the level of unemployment

LMP expenditure as a share of GDP is commonly used to compare the level of expenditure between countries. However, this measure does not take into account factors such as the underlying level of unemployment, which might be expected to

influence the amounts spent. Indeed, graph 2 below demonstrates that there is little or no correlation between the level of spending as a share of GDP and the level of unemployment in each country.

Graph 2: LMP expenditure (% GDP) and the unemployment rate, 2004.



\*\* LV and RO data refer to 2003. <sup>1</sup> PL - OECD data on LMP expenditure

Source : Eurostat, Labour Market Policy and Labour Force Survey (LFS) databases, March 2006.

## LMP expenditure in PPS per unemployed shows low levels of spending in the new EU countries

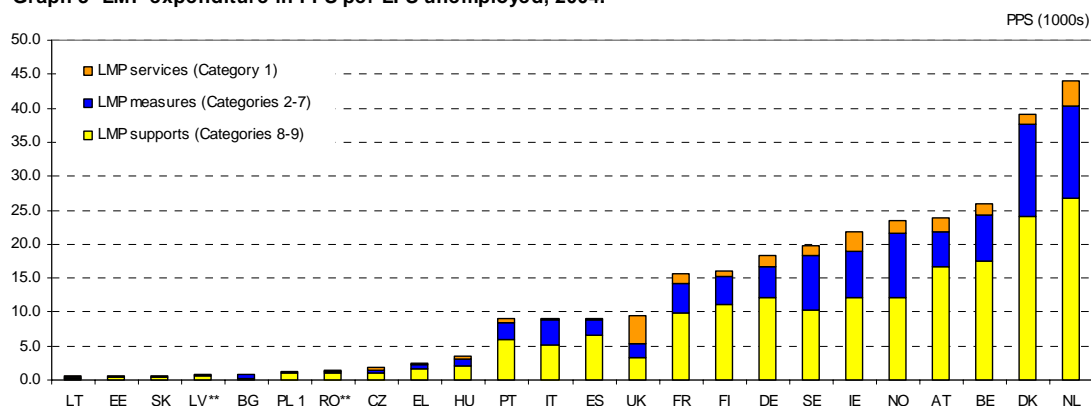
It is interesting, therefore to consider expenditure in absolute terms in relation to the numbers of unemployed. By also considering expenditure in terms of PPS (purchasing power standards) rather than Euro, price differentials are also largely eliminated. Table 2 shows LMP expenditure in thousands of

PPS per unemployed person measured according to the Labour Force Survey and per registered unemployed person. In some countries these populations may be quite different. The LFS definition of unemployed refers to persons that are without work (not even one hour per week), available for work

and actively seeking work. On the other hand, the population of registered unemployed is subject to national definitions and may include/exclude certain groups. For example, persons working low numbers of part-time hours may be included in some countries whilst in others persons fully out of work but seeking only part-time or temporary work may be excluded.

The national legislation underlying labour market policies means that the registered unemployed best represents the population eligible to benefit from LMP interventions in each country but the population of LFS unemployed gives a more internationally comparable measure of unemployment.

Graph 3- LMP expenditure in PPS per LFS unemployed, 2004.



\* \* Data refer to 2003.

<sup>1</sup> OECD data.

Eurostat estimations: EL estimated data for category 1 and 2-7.

Source : Eurostat, Labour Market Policy (LMP) and Labour Force Survey (LFS) databases, March 2006.

In terms of expenditure (in PPS) per LFS unemployed, (see Graph 3), the Netherlands has the highest level (44,100), followed by Denmark (39,100), with Belgium, Austria, Norway and Ireland the only other countries to have expenditure above 21,000. On the other hand, total LMP expenditure in 2004 was only around 9 thousand PPS per unemployed in the UK, Italy, Spain and Portugal. In Greece the expenditure was even lower at only 2,400 PPS per unemployed (LFS). In the new EU countries, expenditure was below 2,000 PPS/unemployed everywhere except Hungary. Given that

expressing expenditure in PPS eliminates price differentials, the low levels of expenditure per unemployed person in the new EU countries might reflect the relatively high levels of unemployment (in some cases) and the lack of tradition for government intervention in this area.

The ratio between the country spending the most on LMP in PPS per LFS unemployed (Netherlands), and the one spending the least (Lithuania) in 2004 was 94. Within the EU-15 countries, excluding Greece where the data are incomplete, the ratio was just less than 5.

Table 2 - Expenditure on LMP in PPS (1000s) per unemployed (LFS and registered), and the unemployment rate, 2004

eurostat	LMP services (Category 1)		LMP measures (Categories 2-7)		LMP supports (Categories 8-9)		Total LMP expenditure		Unemployment rate (% labour force)
	LFS unemployed	Registered unemployed	LFS unemployed	Registered unemployed	LFS unemployed	Registered unemployed	LFS unemployed	Registered unemployed	
BE	1.7	1.1	6.7	4.4	17.5	11.5	25.9	17.0	8.4
CZ	0.5	0.4	0.5	0.4	1.0	0.8	1.9	1.5	8.3
DK	1.5	1.2	13.7	11.2	24.0	19.7	39.1	32.2	5.5
DE	1.5	1.4	4.5	4.1	12.2	11.0	18.3	16.4	9.5
EE	0.1	:	0.1	:	0.4	:	0.6	:	9.7
EL	0.1*	0.1*	0.6*	0.6*	1.7	1.7	2.5*	2.4*	10.5
ES	0.2	0.2	2.4	2.5	6.5	6.8	9.1	9.5	11
FR	1.4	1.4	4.2	4.1	9.9	9.8	15.6	15.3	9.6
IE	2.8	4.3	6.7	3.9	12.2	6.5	21.7	14.7	4.5
IT	0.3	:	3.7	:	5.1	:	9.1	:	8
CY	:	:	:	:	:	:	:	:	5.2
LV**	0.1	0.1	0.1	0.2	0.6	0.8	0.8	1.0	10.5
LT	0.1	0.1	0.3	0.4	0.2	0.2	0.6	0.6	11.4
LU	:	:	:	:	:	:	:	:	4.8
HU	0.5	0.4	1.1	0.7	2.0	1.3	3.6	2.4	6.1
MT	:	:	:	:	:	:	:	:	7.7
NL	3.8	2.2	13.5	7.6	26.8	15.1	44.1	24.9	4.6
AT	2.1	1.6	5.2	4.0	16.7	13.1	23.9	18.7	4.8
PL <sup>1</sup>	:	:	0.2	:	1.0	:	1.1	:	19
PT	0.5	0.4	2.5	2.0	6.0	4.7	9.0	7.1	6.7
SI	:	:	:	:	:	:	:	:	6.3
SK	0.1	0.1	0.1	0.1	0.4	0.5	0.6	0.7	18.2
FI	0.8	0.7	4.2	3.3	11.0	8.7	16.0	12.7	8.8
SE	1.6	1.9	7.9	9.8	10.4	12.8	19.8	24.5	6.3
UK	4.2	6.9	1.9	3.1	3.4	5.5	9.5	15.5	4.7
BG	0.1	0.1	0.5	0.5	0.3	0.3	0.9	0.8	12
RO**	0.1	0.1	0.2	0.2	1.1	1.1	1.4	1.4	6.8
NO	1.9	2.2	9.4	10.8	12.2	14.1	23.4	27.1	4.4

\* Eurostat estimations.

\*\* Data refer to 2003.

<sup>1</sup> OECD data.

Some of these values may be estimated (or include estimated values). See "Notes on the data".

Source : Eurostat, Labour Market Policy and Labour Force Survey (LFS) databases, March 2006.

This same ratio is lower (around 53) when comparing all countries using PPS per registered unemployed (Denmark is the highest in this case). In fact, table 2 shows that the expenditure in PPS goes down in most countries if registered unemployed is used as the denominator - in particular in Ireland and the Netherlands the level drops by almost a half compared with PPS per LFS unemployed. This is a result of the significant differences between the two populations of unemployed as discussed above.

The disparities between countries are greatest when considering LMP supports ("passive" interventions in categories 8-9) with a difference of around 230 fold with expenditure expressed in PPS per LFS unemployed and 131 fold if expressed in PPS per registered unemployed (note that the order of the countries changes between measurements). For LMP measures ("active" interventions in categories 2-7) the difference between the country which spent most and the

one which spent least was around one third less than for LMP supports.

It is important to note that these measurements of expenditure per unemployed should not be interpreted as measuring the generosity (or otherwise) of the unemployment benefit system in each country. In most countries a person has to be registered unemployed in order to receive benefits, but by no means all registered unemployed receive benefits – in some cases unemployment benefits are payable for a limited period only, in others there is means testing or other conditions that preclude receipt of benefits for some registered unemployed. On the other hand some persons may be in receipt of benefits but no longer counted as registered unemployed - e.g. older persons who are no longer obliged to look for work. The number of persons receiving benefits may, therefore, be quite different from the numbers of registered or LFS unemployed.

## Spending on supports (mainly unemployment benefits), accounts for nearly two-thirds of total LMP expenditure

Table 3 - Share of LMP expenditure by main type of intervention, 2004

EUROSTAT	LMP services Category 1	LMP measures Categories 2-7	LMP supports		
			Categories 8-9	Sub-categories 8.1 - 8.3 <sup>2</sup> (Unemployment benefits)	Category 9 (Early retirement benefits)
EU-25	9.5 *	27.6 *	63.0 *	57.6 *	3.6 *
EU-15	9.5 *	27.7 *	62.9	58.1	3.6
BE	6.5	25.9	67.7	53.5	12.1
CZ	24.0	25.7	50.3	48.8	-
DK	3.8	34.9	61.3	44.1	16.6
DE	8.4	24.7	66.9	63.8	1.3
EE	9.7	17.1	73.2	54.7	-
EL*	3.3	26.1	70.6	70.6	-
ES	2.3	26.3	71.4	68.8	1.3
FR	9.1	27.0	63.9	60.9	2.9
IE	12.8	30.9	56.3	45.6	4.0
IT	3.3	40.5	56.3	48.9	7.3
CY	:	:	:	:	:
LV**	7.6	17.0	75.5	74.7	-
LT	13.9	50.2	35.9	16.4	11.7
LU	:	:	:	:	:
HU	14.7	30.1	55.2	54.1	1.2
MT	:	:	:	:	:
NL	8.7	30.6	60.8	60.8	-
AT	8.7	21.6	69.7	47.7	14.9
PL <sup>1</sup>	:	16.2	83.8	:	:
PT	5.8	27.8	66.4	55.3	10.4
SI	:	:	:	:	:
SK	17.4	15.2	67.4	63.1	2.9
FI	5.2	26.0	68.8	52.3	16.1
SE	7.8	39.8	52.3	50.2	-
UK	44.4	20.0	35.6	35.6	-
BG	8.9	58.4	32.7	32.7	-
RO**	6.3	14.8	78.9	62.0	-
NO	8.0	39.9	52.1	47.2	-

\* Eurostat estimations.

\*\* Data refer to 2003.

<sup>1</sup> OECD data.

<sup>2</sup> 8.1 Full unemployment benefits; 8.2 Partial unemployment benefit; 8.3 Part-time unemployment benefits.

Some of these values may be estimated (or include estimated values). See "Notes on the data".

Source : Eurostat, Labour Market Policy database, March 2006.

In 2004, expenditure on LMP supports in categories 8-9 accounted for 63.0% of EU-25 expenditure on LMP interventions and the largest share of expenditure in almost all countries (Table 3). The most important part of this expenditure relates to the provision of different forms of unemployment benefit (full, partial, and part-time), which are covered by sub-categories 8.1 to 8.3. Overall, these account for 57.6% of total LMP expenditure (EU-25).

In 2004, expenditure on LMP supports was most important in Estonia (73.2% of total), in Spain and in Greece (both more than 71%), the latter with all of the expenditure related to unemployment benefits. Expenditure was also very important in Latvia (75.5%) and Romania (78.9%) where the data refer to 2003. In contrast, LMP supports consume the lowest share of expenditure in Bulgaria (32.7%) , the United Kingdom (35.6%) and Lithuania (35.9%). Sweden, Norway, and the Czech Republic are the only other countries to use less than 55% of LMP expenditure on compensation/support for unemployed persons.

In addition to unemployment benefits, the other main component of passive expenditure is early retirement benefits, which are covered by LMP category 9. These benefits accounted for 3.6% of total LMP expenditure in EU-25 in 2004. In Denmark and Finland, expenditure on early retirement benefits accounted for more than 16% of total LMP expenditure. Expenditure was also high in Austria, Lithuania and Belgium (12% or more).

In 2004, just around 28% of total LMP expenditure (EU-25) was spent on LMP measures in categories 2-7 . Lithuania and Bulgaria were the only countries in which expenditure on active measures exceeded half of total LMP expenditure but Italy, Sweden and Norway also spent 40% or more to finance active interventions. By contrast, the UK, Estonia and the Slovak Republic, plus Latvia and Romania in 2003, all used less than 20% of total LMP expenditure on active measures.

LMP services (category 1) represented the most important part of total expenditure in the UK only (more than 44%). LMP services accounted for 24.0% of expenditure in the Czech Republic but elsewhere the share of total LMP expenditure exceeded 10% only in the Slovak Republic, Lithuania, Hungary and Ireland. Indeed, the UK expenditure on LMP services is so significant that it accounts for nearly 30% of the total amount spent in the Union .

## Training remains the most important part of expenditure on active interventions

Table 4 shows the composition of expenditure on LMP measures by category for 2004. Measures providing training (category 2) accounted for the largest share of EU-25 active expenditure (40.4%). Indeed, training is the most significant area of expenditure on active measures in nine of the twenty-three countries for which data are available and in the United

Kingdom and Estonia, training accounted for more than three-quarters of expenditure on LMP measures.

The second most important category of active expenditure was employment incentives (category 4), which accounted for 18.5% of the EU-25 total. These measures support the recruitment of unemployed people into regular market jobs, typically through wage-subsidies or exemptions to employers

social contributions. The extent to which employment incentives are used as an instrument of active labour market policy varies considerably between countries. In Hungary (45.7%), Italy (45.5%), Spain (42.7%), and the Czech Republic (35.7%), employment incentives represented the most important area of expenditure in 2004. Spending was also above average (EU-25) in Portugal (31.0%), Denmark (30.3%), Lithuania (25.6%), Greece (25.3%) and Sweden (18.5%). However, in the United-Kingdom, the Netherlands and Norway employment incentives were little used and consumed 5% or less of active LMP expenditure. It is worth noting that some countries use alternative instruments that are not included within the scope of the LMP database in order to stimulate people to make the transition from benefits to work. For example, the UK has a system of tax credits that increase the net income of persons on low wages, particularly those with dependent families.


Integration of the disabled (category 5) groups together all LMP measures exclusively in favor of disabled persons. In 2004 the EU-25 countries spent 17.8% of active expenditure on interventions for disabled persons and the category represented the largest share of expenditure in the Netherlands (around 49.7%) and Sweden (43.0%). It was also important in Denmark where integration of the disabled was the second most important area of expenditure (34.2%) after

training (35.5%). Outside of the European Union, the category is particularly important in Norway where occupationally disabled persons benefit from 81.4% of expenditure on LMP measures. However, elsewhere interventions specifically for the disabled are not so important and account for less than 5% of active expenditure in Hungary (4.5%), Bulgaria (2.2%), Italy, Lithuania, the Slovak Republic and Romania (all less than 2%).

These large disparities are, at least in part, a reflection of policy design since countries with a policy of mainstreaming disadvantaged groups are likely to have less expenditure in this category than those that prefer to provide tailored interventions for the disabled and other groups.

Direct job creation measures (category 6), which use public money to create community and similar non-market jobs for the unemployed, accounted for 16.3% of total EU-25 expenditure on active measures in 2004 and was the most important category in Latvia (52.7%), Belgium (50.0%), Slovak Republic (48.7%) and Ireland (41.5%) and the second largest area in Lithuania (33%) and Hungary (25%). Outside the Union, direct job creation is particularly important in Bulgaria (78.3%). On the other hand, direct job creation measures accounted for only around 2% of active expenditure in United-Kingdom and in Italy, less than 1% in Denmark and Norway, and were not used at all in Greece or Sweden.

**Table 4 - Share of expenditure on LMP measures by category. 2004**

	2. Training	3. Job rotation and job sharing	4. Employment incentives	5. Integration of disabled	6. Direct job creation	7. Start-up incentives
EU-25	40.4 *	0.4 *	18.5 *	17.8 *	16.3 *	6.6 *
EU-15	40.6 *	0.4	18.2 *	18.0	16.2	6.5 *
BE	21.3	-	16.5	11.8	50.0	0.4
CZ	12.8	-	35.7	25.0	22.7	3.8
DK	35.5	-	30.3	34.2	0.0	-
DE	42.5	0.2	9.9	17.2	15.1	15.3
EE	77.5	-	11.8	-	1.0	9.6
EL	18.5 *	-	25.3 *	19.6	-	36.5 *
ES	22.2	1.5	42.7	12.8	14.7	6.1
FR	42.5	-	13.6	11.7	31.7	0.5
IE	36.8	-	14.6	7.1	41.5	-
IT	41.4	0.5	45.5	1.2	1.8	9.6
CY	:	:	:	:	:	:
LV**	32.8	-	6.6	8.0	52.7	-
LT	39.9	-	25.6	1.0	33.4	0.0
LU	:	:	:	:	:	:
HU	22.3	-	45.7	4.5	24.9	2.7
MT	:	:	:	:	:	:
NL	31.8	0.0	2.6	49.7	15.9	-
AT	64.8	0.0	12.9	11.9	9.5	0.9
PL	:	:	:	:	:	:
PT	52.8	0.0	31.0	8.3	7.4	0.5
SI	:	:	:	:	:	:
SK	14.1	-	10.9	1.2	48.7	25.0
FI	51.9	6.5	15.9	12.8	10.9	1.9
SE	34.6	0.6	18.5	43.0	-	3.3
UK	82.6	-	1.0	13.6	2.5	0.3
BG	12.6	-	5.1	2.2	78.3	1.9
RO**	2.5	-	53.8	0.3	42.9	0.4
NO	13.9	0.0	4.2	81.4	0.1	0.4

\* Eurostat estimations.

\*\* Data refer to 2003.

Some of these values may be estimated (or include estimated values). See "Notes on the data".

Source : Eurostat. Labour Market Policy database, March 2006.

Start-up incentives (category 7), which aim to promote entrepreneurship by encouraging the unemployed and other target groups to start their own business or to become self-employed, are utilised by all countries except Denmark, Ireland, Latvia and the Netherlands. Overall the category is relatively small, accounting for just 6.6% of EU-25 expenditure on LMP measures. However, in Greece start-up incentives were the most important type of active intervention and accounted for 36.5% of active LMP expenditure in 2004. In

Germany also expenditure was relatively high (15.3%) and in the Slovak Republic it was the second most important area of active expenditure, accounting for 25.0% of the total spent on LMP measures.

Finally, expenditure on job rotation and job sharing measures (category 3) - where unemployed people replace fully or partially employees on leave or reducing hours - accounts for less than half a percent of all active expenditure in the Union .

Indeed, this type of measure is not used in almost all countries and is only significant in Finland, where it consumes 6.5% of expenditure.

## In more than half the countries the largest share of expenditure on LMP measures is transferred to employers

In the LMP database, data on expenditure are broken down by type of expenditure, which describes the ways in which public funds are issued in order to benefit target groups. The classification is two-tier and identifies firstly the direct recipient of the public money and secondly the type of expenditure involved (cash payment, reimbursement, or reductions in social contributions or taxes).

Table 5 shows the breakdown of expenditure on LMP measures and supports by direct recipients, including the amounts where the breakdown is for some reason not specified (by definition all expenditure on LMP services are transfers to service providers).

The direct recipient of expenditure for LMP supports was – as would be expected in respect of unemployment and early retirement benefits – almost exclusively the individual beneficiaries. The exceptions being Austria and Ireland where more than 10% of total expenditure on LMP supports was disbursed through transfers to employers and, to a lesser extent Germany, Luxembourg and France with a very small amount (less than 4%). This reflects situations such as temporary lay-off or redundancy where the public support is

transferred to the employer who then compensates the affected employees.

In more than half of the countries providing detailed information, the largest share of expenditure on LMP measures (categories 2-7) is accounted for by transfers to employers – more than three-quarters of the total in Bulgaria (90.3%), the Czech Republic (83.3%), Hungary (79.8%) and Italy (78.6%); over 65% of the total in Spain (68.9%), Latvia (67.2%) and France (65.7%). In Bulgaria this expenditure relates primarily to direct job creation whilst in the other countries mentioned employment incentives are more important. At the other extreme, transfers to employers represented less than 9% of expenditure in Germany and the United Kingdom (though the direct recipient is not specified for 25% of UK expenditure). Readers should be aware that this expenditure covers not only transfers of cash as wage subsidies but also revenue foregone by the state through reductions or exemptions to obligatory levies. Indeed, in Italy, almost all of the transfers to employers, and 75% of total expenditure on active measures, is accounted for by reductions in employers social contributions.

**Table 5 - Share of LMP expenditure by direct recipient, 2004**

EUROSTAT	LMP measures (categories 2-7)					LMP supports (categories 8-9)				
	Total	Transfers to individuals	Transfers to employers	Transfers to service providers	Not specified	Total	Transfers to individuals	Transfers to employers	Transfers to service providers	Not specified
EU-25	100	23.9 *	39.7 *	31.7 *	4.7 *	100	98.3 *	1.7 *	0.0 *	0.0 *
EU-15	100	23.9	39.5	31.9	4.7	100	98.3	1.7	0.0	0.0
BE	100	23.7	56.6	19.7	0.0	100	100.0	0.0	0.0	0.0
CZ	100	4.4	83.3	12.4	0.0	100	100.0	0.0	0.0	0.0
DK	100	41.7	51.8	6.4	0.0	100	100.0	0.0	0.0	0.0
DE	100	36.1	8.3	45.4	10.2	100	96.7	3.3	0.0	0.0
EE	100	19.5	11.8	68.6	0.0	100	100.0	0.0	0.0	0.0
EL	100	30.3	6.0	1.0	62.7	100	100.0	0.0	0.0	0.0
ES	100	5.2	68.9	25.9	0.0	100	100.0	0.0	0.0	0.0
FR	100	18.8	65.7	15.5	0.0	100	99.9	0.1	0.0	0.0
IE	100	65.6	0.0	20.2	14.2	100	89.6	10.4	0.0	0.0
IT	100	11.8	78.6	9.6	0.0	100	100.0	0.0	0.0	0.0
CY	:	:	:	:	:	:	:	:	:	:
LV**	100	7.1	67.2	25.8	0.0	100	100.0	0.0	0.0	0.0
LT	100	11.5	60.1	28.5	0.0	100	100.0	0.0	0.0	0.0
LU	:	:	:	:	:	100	96.7	3.3	0.0	0.0
HU	100	20.2	79.8	0.0	0.0	100	100.0	0.0	0.0	0.0
MT	:	:	:	:	:	:	:	:	:	:
NL	100	3.2	19.6	77.2	0.0	100	100.0	0.0	0.0	0.0
AT	100	36.7	29.0	25.6	8.7	100	81.8	18.2	0.0	0.0
PL	:	:	:	:	:	:	:	:	:	:
PT	100	44.6	29.9	25.5	0.0	100	100.0	0.0	0.0	0.0
SI	:	:	:	:	:	:	:	:	:	:
SK	100	35.6	26.0	38.4	0.0	100	99.8	0.0	0.0	0.2
FI	100	49.2	29.9	20.9	0.0	100	100.0	0.0	0.0	0.0
SE	100	38.8	51.9	9.3	0.0	100	100.0	0.0	0.0	0.0
UK	100	0.3	7.2	66.9	25.6	100	100.0	0.0	0.0	0.0
BG	100	2.0	90.3	5.2	2.5	100	96.5	0.0	3.5	0.0
RO**	100	16.2	73.3	10.5	0.0	100	100.0	0.0	0.0	0.0
NO	100	68.0	17.8	14.2	0.0	100	100.0	0.0	0.0	0.0

\* Eurostat estimations.

\*\* Data for LV and RO refer to 2003.

Some of these values may be estimated (or include estimated values). See "Notes on the data".

Source : Eurostat, Labour Market Policy database, March 2006

Transfers to individuals contributed the largest share expenditure on LMP measures in Norway (68.0%), in Ireland (65.6%), Finland (49.2%), Portugal (44.6%), Denmark (41.7%) and Austria (36.7%). On the other hand, transfers to service providers were most important in the Netherlands (77.2%), Estonia (68.6%), the UK (66.9%), Germany (45.4%) and the Slovak Republic (38.4%).

The above summary reflects the data currently available on expenditure but it is important that users bear in mind two issues that may affect the comparability between countries. Firstly, it is necessary to be aware that the LMP data refer to the direct recipient of public transfers and that this may conceal important differences. For example, in the category of training there are cases where the public money is paid to a

training provider – and is therefore recorded as transfers to service providers – who then uses part of this money to pay subsistence allowances to the participants during training. In other cases similar allowances may be paid directly by the state and therefore recorded as transfers to individuals. Secondly, in some countries participants in active measures

may continue to receive unemployment benefits rather than a training or other activation allowance. The LMP methodology recommends that such expenditure is identified and included in the relevant active category rather than in category 8 but at the present time only Norway (unemployment benefits) and Finland (labour market support) have managed to do so.

## ➤ ESSENTIAL INFORMATION – METHODOLOGICAL NOTES

Definition of LMP categories by type of action

### LMP services

1 – *Labour market services*: all services and activities undertaken by the PES together with services provided by other public agencies or any other bodies contracted under public finance, which facilitate the integration of unemployed and other jobseekers in the labour market or which assist employers in recruiting and selecting staff.

### LMP measures

2 - *Training*: Measures which aim to improve the employability of the unemployed and other target groups through training, and which are financed by public bodies. Measures included here should include some evidence of classroom teaching, or if in the workplace, supervision specifically for the purpose of instruction.

3 - *Job rotation and job sharing*: Measures that facilitate the insertion of an unemployed person or a person from another target group into a work placement by substituting hours worked by an existing employee.

4 - *Employment incentives*: Measures which facilitate the recruitment of unemployed persons and other target groups, or help to ensure the continued employment of persons at risk of involuntary job loss. The majority of the labour cost is normally covered by the employer.

5 - *Integration of the disabled*: Measures that aim to promote integration of disabled persons into the labour market.

6 - *Direct job creation*: Measures that create additional jobs, usually of community benefit or socially useful, in order to find employment for the long-term unemployed or persons otherwise difficult to place. The majority of the labour cost is normally covered by the public finance.

7 - *Start-up incentives*: Measures that promote entrepreneurship by encouraging the unemployed and target groups to start their own business or to become self-employed.

### LMP supports

8 - *Out-of-work income maintenance and support*: Measures which aim to compensate individuals for loss of wage or salary through the provision of cash benefits.

9 - *Early retirement*: Measures which facilitate the full or partial early retirement of older workers who are assumed to have little chance of finding a job or whose retirement facilitates the placement of an unemployed person or a person from another target group.

### Expenditure by type

The LMP database collects data on the public expenditure associated with each intervention. For each intervention, the expenditure required should cover the whole of transfers and foregone revenue provided to the direct recipients as a result of the intervention. Any other indirect costs are considered as part of the administration costs of an intervention and should be reported in sub-category 1.2 only.

This expenditure may include:

- transfers in the form of cash payments or reimbursements
- the value of directly provided goods and services
- amounts of revenue foregone through reductions in obligatory levies

For all LMP interventions, the direct recipient of the public expenditure may be the individual participants, their employers, or service providers as defined below.

- Transfers to individuals refer to public expenditure transferred directly to individuals and which are paid in cash or through a reduction in obligatory levies.

- Transfers to employers refer to public expenditure transferred directly to employers and which are paid in cash or through a reduction in obligatory levies. In cases where a public or non-profit organisation pays a wage to participants (e.g. for public or socially useful works) then the state or municipality should be considered as an employer.

- Transfers to service providers refer to public expenditure transferred directly to producers of goods and services that are provided to individuals or to employers as directly provided services (e.g. training or counselling) for the benefit of participants.

- Not specified refers (for quantitative data only) to the amount of expenditure that cannot be broken down by direct recipient or type. (This amount is calculated automatically by the LMP software).

### Basis of data

The observation unit in the LMP database is the labour market policy intervention. For each country, the data by category is an aggregate of one or more interventions. When publishing data on expenditure, category totals are not calculated unless values are complete for all measures in that category or missing values are known to be small (<1%). This ensures that the relative importance of each category is not misinterpreted due to significant missing values not being taken into account.

### Notes on the data

Data for Cyprus (CY), Malta (MT) and Slovenian (SI) are not available. Data for Latvia (LV) and Romania (RO) refer to 2003. Figures for Poland derive from data submitted to the OECD and not validated by Eurostat. EU-25 Eurostat estimations.

EU-15: Eurostat estimations for categories 1 to 7. Excludes LU for category 2.

DK: Expenditure estimated for some measures in all categories except category 5.

DE: Expenditure for measures implemented by the Länder relates to 2003 (around 7% of total cat. 1-7).

EL: Partial data for category 1 and estimated data for cats. 2, 4, 5 & 7

ES: Small amounts of expenditure refer to 2003 for some measures in categories 4, 5 and 9.

EE: Data for category 6 are estimated.

FR: Expenditure estimated for some measures in categories 1 and 7 (respectively 16% and 33% of the category total).

IE: Category 4 includes some small amounts that belong in category 7 but which cannot be separated.

IT: More than 50% of the expenditure of category 1 is estimated. Category 4 includes some small amounts that belong in category 7 but which cannot be separated.

HU: Expenditure for categories 2, 4 and 7 include some amounts for disabled persons that should normally be recorded in category 5.

AT: Category 2 includes small amounts of expenditure that belong in categories 3 and 7.

SK: Expenditure of category 9 is estimated.

FI: Expenditure is estimated for measures in category 5 (around 40% of the category total).





















UK: Expenditure estimated for some measures in categories 1, 2 and 4 (around 50% of category totals) and category 6 (100%).

BG: Expenditure estimated for some measures in categories 2, 4 & 6 (less than 5% of total of each category).

## Further information:

Data: [EUROSTAT Website/Home page/Population and social conditions/Data](http://europa.eu/eurostat/home/population_and_social_conditions/data)

### Population and social conditions

-   Population
-   Health
-   Education and training
-   **Labour market**
  -   Employment and unemployment (Labour Force Survey)
  -   Job vacancy statistics
  -   Earnings
  -   Labour costs
-   **Labour Market Policy**
  -   **Public expenditure on labour market policies**

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#### For information and methodology

Africa Melis  
Eurostat/D2 L-2920 Luxembourg  
Tel: (352) 4301 32294  
Fax: (352) 4301 34029  
E-mail : [africa.melis@ec.europa.eu](mailto:africa.melis@ec.europa.eu)

This manuscript was prepared by Flavio Bianconi and Andy Fuller.