

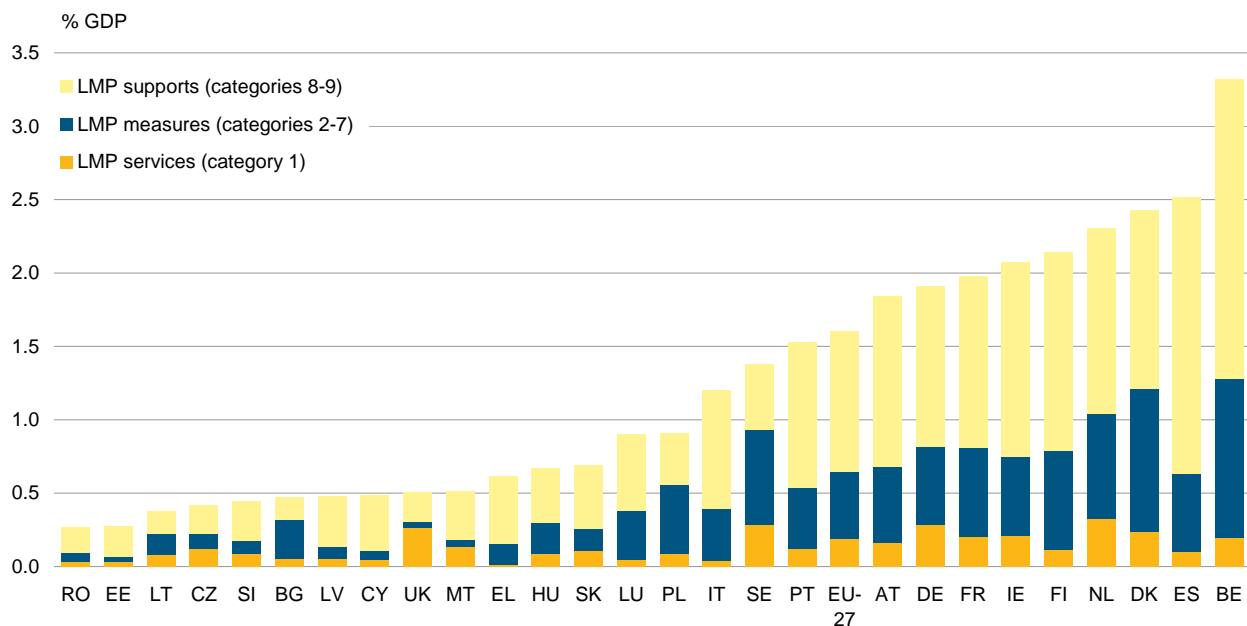
Labour market policy expenditure fell by more than 14% in real terms between 2005 and 2008

Across the EU, a total of 200 560 million euro, or 1.6% of EU-27 GDP was spent on labour market policies (LMP) in 2008. There was, however, considerable variation between Member States with expenditure ranging from 3.3% of GDP in Belgium to only just over a quarter of one percent in Romania and Estonia. A major part of LMP expenditure (60%) goes on income support for out of work jobseekers – primarily unemployment benefits – with most of the rest going on interventions to help them into work. The base level of expenditure on LMP in each country is not closely if at all tied to the level of unemployment but is governed by other economic, political and historical factors. However, changes in expenditure through time correlate much more closely with changes in the level of unemployment and the 19% fall in the

number of people unemployed in the EU between 2005 and 2008 was accompanied by a 14% fall in expenditure on LMP (when measured at constant price levels).

The statistics shown are based on Eurostat's LMP database, which collects information on labour market interventions from administrative sources in all of the EU-27 Member States and Norway. The timeliness of data depends on national accounting procedures and in some cases there is a significant delay before the annual data are finalised, particularly those relating to expenditure. As a result, data for all countries are only available 18-20 months after the reference period. It is anticipated that 2009 data will be published in June 2011. LMP data are routinely used for monitoring of the European Employment Strategy and, in particular, the efforts of each country to support the unemployed through active and passive labour market policies.

Figure 1: LMP expenditure as a share of GDP, 2008



Source: Eurostat (online data code: [lmp_expsumm](#))

Expenditure on LMP accounts for 1.6% of EU-27 GDP

In 2008, public expenditure on labour market policies in the European Union amounted to just over 1.6% of total EU-27 GDP, though there was considerable variation between Member States (Figure 1). LMP expenditure was highest in Belgium where it amounted to 3.3% of GDP, some way above the level observed in all other countries with the next five highest spending countries (Spain, Denmark, Finland, the Netherlands, and Ireland) consuming between 2 and 2.5% of GDP.

However, the majority of EU countries spent far less. While eighteen countries spent less than the overall EU figure, only nine countries spent more than the EU average. Fifteen countries spent less than 1% of GDP on LMP. It is noticeable that this group of fifteen includes all of the EU-12 countries that acceded to the Union in 2004 or later, with the three low-spending exceptions from the EU-15 group of countries being Greece, Luxembourg and the United Kingdom.

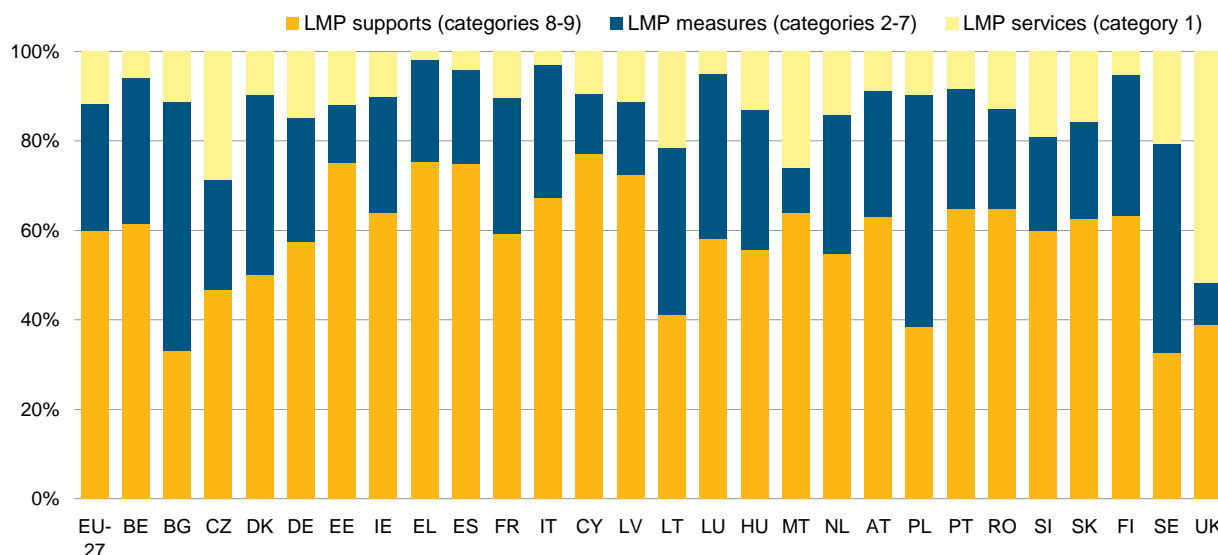
LMP supports account for 60% of total LMP expenditure

LMP interventions are organised into three main types – services, measures and supports. LMP services (category 1: labour market services) cover the costs of publicly funded services for jobseekers together with all other expenditure of the public employment services (PES)¹. Expenditure on LMP services in 2008 represented around 12% of total LMP expenditure (Figure 2) or 0.19% of EU-27 GDP (Figure 1), with only four countries spending more than a quarter of one percent of GDP (the Netherlands, Sweden, Germany and the United Kingdom). The United Kingdom is the only country where more than half of LMP expenditure

(52%) is spent on LMP services. This reflects the policy approach to focus on support for active job-search and to reserve placement on full-time measures for those most in need.

¹ The scope of PES activities varies between countries and this should be taken into account when comparing expenditure on LMP services between countries. For example, in some countries the PES is responsible for the administration of unemployment and other social benefits whilst in other countries these costs are borne by separate benefit organisations and not included in the LMP data. The LMP questionnaire requests that the costs of jobseeker services are separated from other costs of the PES but at the present time this breakdown cannot be made for a significant number of countries.

Figure 2: Share of LMP expenditure by type, 2008



Source: Eurostat (online data code: [lmp_expsumm](#))

Active LMP measures to promote the integration of the unemployed and other disadvantaged groups (categories 2-7: training, job rotation/job sharing, employment incentives, supported employment and rehabilitation, direct job creation and start-up incentives) accounted for 28% of total LMP expenditure in 2008, roughly two and a half times the expenditure on LMP services or 0.45% of EU-

27 GDP. The level of spending on LMP measures in 2008 was highest in Belgium (1.1% GDP) and in Denmark (1%). LMP measures were the most important element of expenditure in Bulgaria (56%), Poland (52%) and Sweden (47%) but accounted for less than 10% of the total in Malta and the United Kingdom.

However, the largest part of LMP expenditure in the EU – almost 60% of the total or just under 1% of EU-GDP – went on *passive* LMP supports (categories 8-9: out-of-work income maintenance and support and early retirement). The vast majority of this money (over 90%) goes on cash payments to support the unemployed during active job-search (category 8, i.e. mostly unemployment

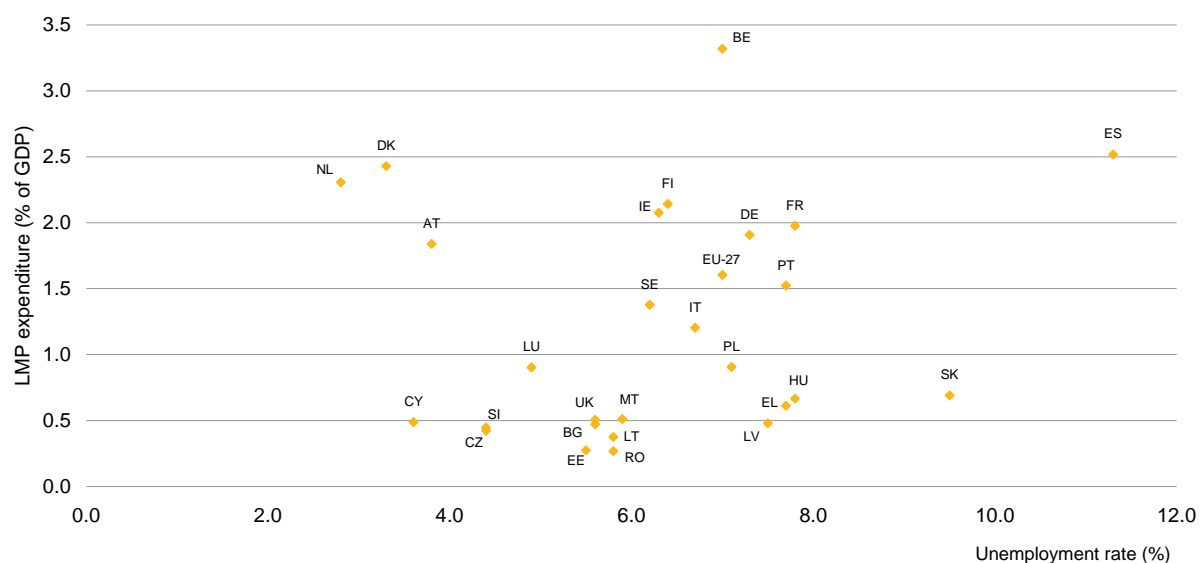
benefits). Moreover thirteen Member States did not spend anything on early retirement benefits (category 9) in 2008. Expenditure on passive income support accounted for the largest share of LMP expenditure in twenty three Member States (Figure 2) and exceeded 70% of total expenditure in five cases (Cyprus, Greece, Estonia, Spain and Latvia).

The level of LMP spending is only partly related to the level of unemployment

Given that such a large part of LMP expenditure relates to the payment of unemployment benefits it might be expected that the level of expenditure would be closely linked to the level of unemployment in each country. However, plotting LMP expenditure as a percentage of GDP against the unemployment rate (Figure 3) actually shows basically no correlation as there are too many outliers to produce a reasonable relationship. For instance, in 2008, Austria, the Netherlands and Denmark all spent relatively high shares of GDP on labour market policies despite low levels of unemployment (all below 4%). Meanwhile, Slovakia and, to a lesser extent, Hungary, Greece

and Latvia all spent relatively little on LMP even though unemployment was quite high. In other words, spending on LMP is not linked only to levels of unemployment but also to historical and economic factors as well as current government policy. The relatively low levels of LMP spending prevalent in the EU-12 (Figure 1) reflect, at least in part, a combination of the relative wealth of each country, the relative generosity of social benefits, and (where relevant) the extent to which public intervention in the labour market has developed since the transition from centrally planned to free market economies.

Figure 3: LMP expenditure as a share of GDP in relation to the unemployment rate, 2008



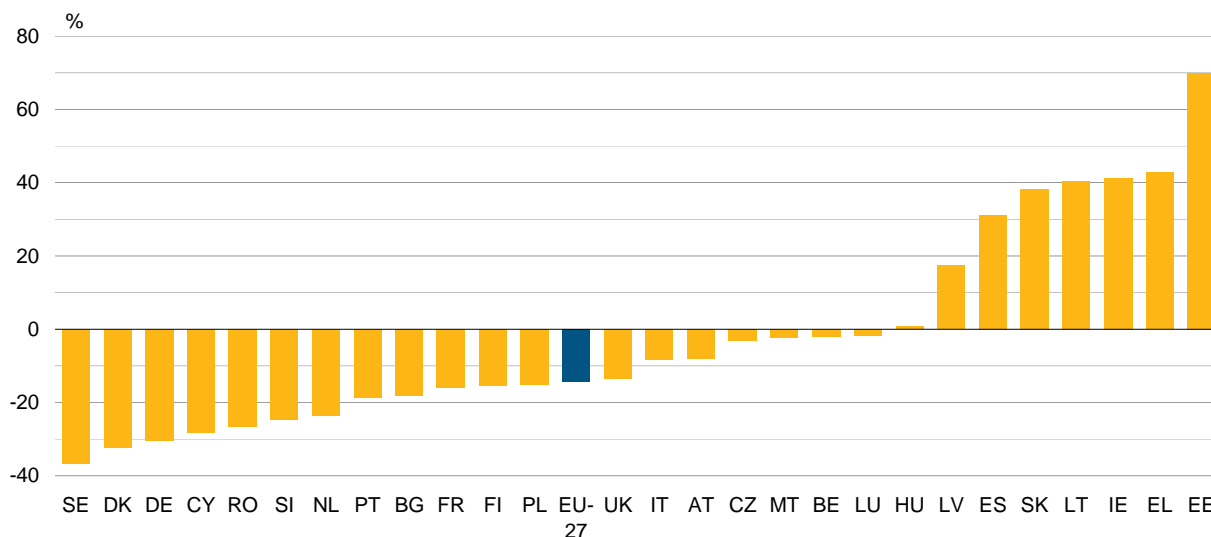
Source: Eurostat (online data codes: [lmp_expsumm_une_rt_a](#))

In real terms, LMP expenditure fell by more than 14% between 2005 and 2008

Changes in expenditure through time that are measured in terms of current prices reflect not only changes in the volume of goods and services purchased but also changes in prices and are therefore difficult to interpret and compare. Expressed at constant price levels, i.e. taking into account changes in the price level, EU-27 LMP expenditure fell by more than 14% between 2005

and 2008. However, this trend was not uniformly observed across the EU (Figure 4). In six Member States expenditure on LMP in real terms increased by more than 30% over the same period and in Estonia the increase was as much as 70%. Meanwhile, at the other end of the scale, LMP expenditure declined by more than 30% in Germany, Denmark and Sweden.

Figure 4: Change in LMP expenditure at constant price levels, 2005-2008



Source: Eurostat (online data codes: [lmp_expsumm](#) (LMP expenditure); [nama_gdp_p](#) (price deflator: household and NPISH final consumption expenditure, price level of year 2000))

Moreover, the fall in LMP expenditure can be linked to the fall in unemployment

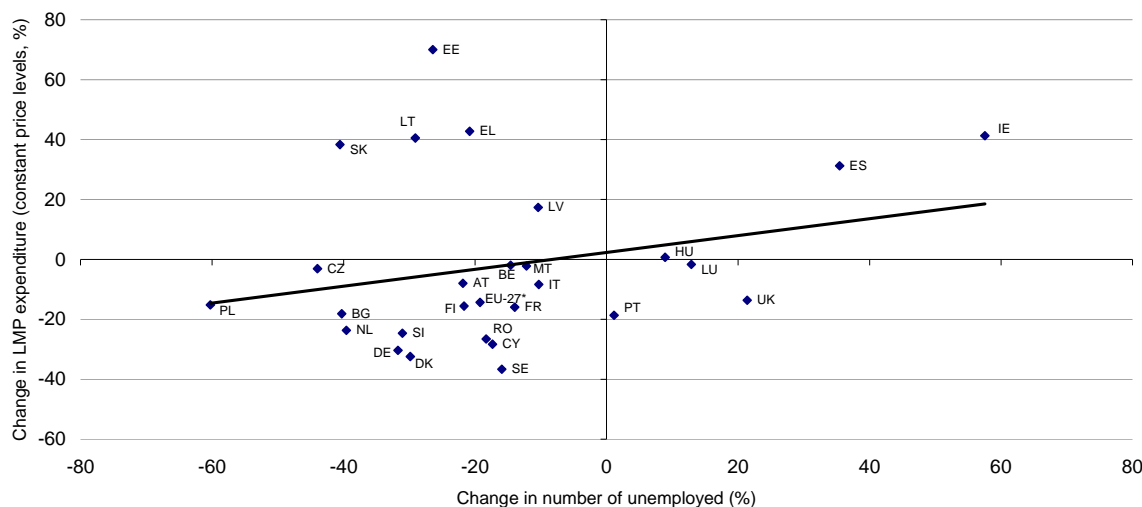
Breaking down the expenditure into the main types shows that between 2005 and 2008 EU-27 expenditure on LMP services and LMP measures fell by only 8% and 4% respectively whilst expenditure on LMP supports fell by nearly 20%. The large decrease in the amounts spent on passive LMP supports is not surprising. The period 2005-2008 was one of significant economic growth around Europe and it resulted in an extra 10.8 million people in work and a fall of nearly 4 million (19%) in the number of people out of

work¹. Although not all people considered as ILO unemployed² are eligible to receive unemployment benefits, the majority are and this is reflected in a decline in benefit expenditure that is of a similar magnitude to the fall in unemployment.

¹ Source: Eurostat, Labour Force Survey, [lfsa_pganws](#)

² ILO unemployed = people who are out of work (not even 1 hour of work in the reference week), available for work and actively seeking work.

Figure 5: Changes in LMP expenditure at constant price levels in relation to changes in the number of unemployed



Note: CY & MT 2006-2008

Source: Eurostat (online data codes: [lmp_expsumm](#) (LMP expenditure); [nama_gdp_p](#) (price deflator: household and NPISH final consumption expenditure); [une_nb_a](#) (annual average number of unemployed))

Plotting the change in LMP expenditure between 2005 and 2008 against the change in the numbers of people unemployed in each country does indeed show a reasonable correlation (Figure 5). In general, the countries that experienced rising unemployment also increased LMP expenditure whilst those in which unemployment fell show a coincident decrease in LMP expenditure. The correlation would be stronger were it not for four outliers where LMP expenditure increased significantly despite falling unemployment – Estonia, Greece, Lithuania and Slovakia. It is likely that the increased LMP expenditure in these countries reflects labour market policy reforms, either in general or for specific programmes. For example, in Estonia in 2007 the rate of the state unemployment allowance and the minimum level of unemployment insurance benefits were more than doubled from 400 EEK per month (around 25 Euro) – a rate that had been payable since 1999 – to 1 000 EEK per month

(64 Euro)¹. Clearly such a large increase in the amount payable per month to each unemployed person more than offsets any reduction in overall costs as a result of lower numbers of claimants.

From the above analysis it can be concluded that the base level of LMP spending in a country is hardly if at all linked to the level of unemployment because it also depends on other economic and historical factors. However, from the base level of expenditure, changes through time are generally positively correlated with changes in the level of unemployment but this link can be overridden by significant policy reforms.

¹ <http://www.eurofound.europa.eu/eiro/2006/10/articles/ee0610019i.htm>

Training and employment incentives account for 63% of expenditure on active measures

Table 1: Expenditure on LMP measures by type of action, 2008

	Expenditure on LMP measures (Euro, millions)	% total expenditure on LMP measures					
		2 Training	3 Job rotation and job sharing	4 Employment incentives	5 Supported employment and rehabilitation	6 Direct job creation	7 Start-up incentives
EU-27	56 878.6 e	39.0 e	0.4	24.0 e	16.1	13.4	7.2 e
BE	3 732.9	14.6	-	42.0	11.4	31.7	0.4
BG	89.5	13.4	-	16.5	2.2	66.0	1.9
CZ	154.4	7.0	-	12.7	65.7	12.1	2.5
DK	2 280.3	23.7	: n	13.8	62.5	-	-
DE	13 193.9	54.8	0.0	14.3	6.1	12.1	12.7
EE	5.6	86.8	-	1.9	0.4	-	10.9
IE	982.5	48.3	-	7.6	1.8	42.3	-
EL	335.6 e	62.5	-	25.5 e	0.1 e	6.2	5.7 e
ES	5 752.3	28.1	1.6	35.6	4.6	12.4	17.7
FR	11 746.4 e	42.2 e	-	16.7	11.4	24.5	5.2 e
IT	5 616.0	49.1	0.7	41.6	-	1.9	6.7
CY	11.3	29.8	-	52.3	12.7 e	-	5.2
LV	18.0 e	36.2 e	-	32.8	0.5	23.5	7.0
LT	45.0	30.4	0.8	52.4	4.2	10.9	1.4
LU	130.6 e	11.9 e	-	75.1	2.7 e	10.2 e	0.1
HU	220.0	31.1	-	45.2	-	20.6	3.1
MT	2.9	41.3	-	52.5	-	2.7	3.5
NL	4 253.8 e	14.0 e	-	20.5 e	65.5	-	-
AT	1 454.6	71.8	0.0	10.9	7.9	8.2	1.0
PL	1 699.8	26.2	-	12.3 b	44.2	4.7	12.6
PT	700.6	58.1	-	29.9	6.7	4.8	0.4
RO	83.5	14.9	-	59.8	-	24.1	1.3
SI	34.5	27.2	-	6.7	-	46.4	19.7
SK	96.9	7.1	-	10.1	10.9	35.3	36.6
FI	1 240.7	53.6	8.8	11.4	12.8 e	10.5	2.9
SE	2 150.2	10.6 e	-	57.3	30.0	-	2.0 e
UK	846.6 e	34.8 e	-	26.2 e	26.7 e	12.3 e	-
NO	1 286.0	49.8	-	5.9	33.7	9.9	0.7

Source: Eurostat (online data code: [lmp_expsumm](#))

The use of active labour market measures to improve the employability of people who are out of work and to facilitate transitions to employment is an important element of the European Employment Strategy but the types of programmes used vary between countries. Across the EU, expenditure on training (category 2) accounted for 39% of the expenditure on LMP measures, followed by 24% on employment incentive measures (Table 1).

Training was the most important type of measure used in eleven Member States. Of the remaining sixteen Member States, nine spent most on employment incentives (category 4), four on supported employment and rehabilitation measures (category 5), two on direct job creation (category 6), and only Slovakia spent most on start-up incentives (category 7).

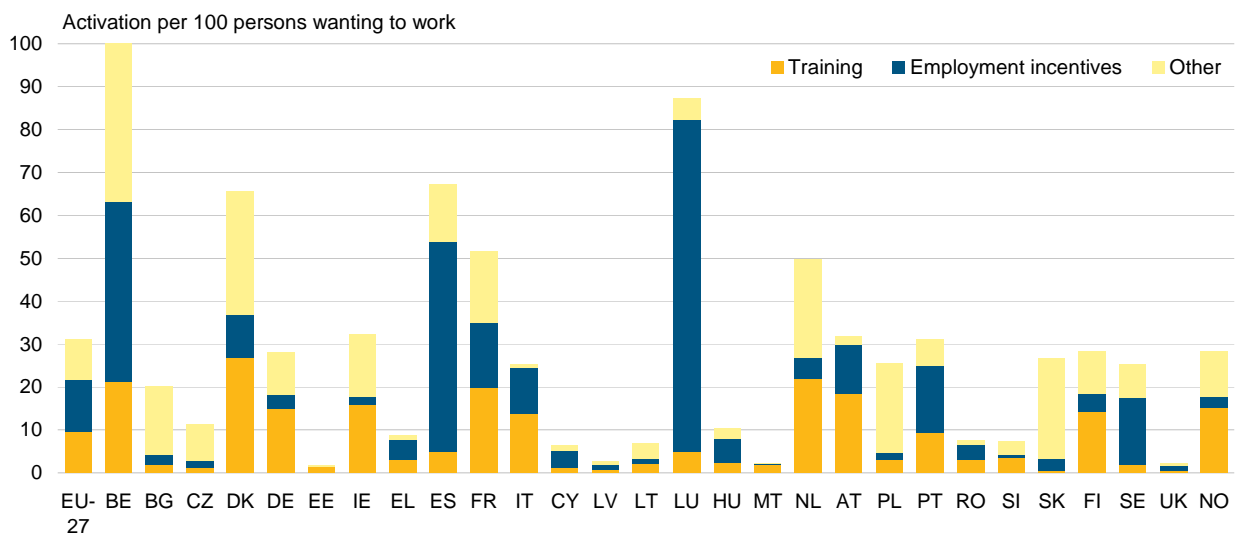
Activation in LMP measures averages 31 per 100 persons wanting to work

As part of the process of monitoring the European Employment Strategy, LMP data are used to measure the efforts that countries make to help people in the transition from unemployment or inactivity into work. Indicators measure inputs in terms of levels of expenditure and in terms of activation, or the proportion of those needing assistance who are helped by LMP interventions. The potential targets for LMP measures are the unemployed and inactive people who do not qualify as unemployed because they are either not actively seeking work or not immediately available for work but who would nevertheless like to work. Together these groups are known as the population wanting to work and the regular activation indicator measures the number of people participating in LMP measures (categories 2-7) in relation to this proxy target population.

In 2008, regular activation (i.e. activation in LMP measures in categories 2-7) averaged just over 31 per 100 persons wanting to work. Of this number,

around 70% were participating in either training (31%) or employment incentive measures (39%). It should be noted, however, that the indicator is not a true proportion. In some types of LMP measure the participants may be considered as employed and therefore not part of the denominator (i.e. the population wanting to work), and where this type of measure is widely used the values for regular activation may be surprisingly high. This is particularly true in the case of employment incentive measures that significantly impact on the activation figures for Belgium, Spain and most notably in Luxembourg, but may also be true for supported employment measures and some forms of direct job creation. In other words, the indicator shows the number of people benefitting from LMP measures in relation to a best estimate for the target population but the very fact that they are benefitting from LMP assistance means that some participants are no longer part of that target group.

Figure 6: Regular activation (LMP categories 2-7), 2008



Source: Eurostat (online data code: [lmp_ind_actsup](#))

METHODOLOGICAL NOTES

The Labour Market Policy (LMP) database

Labour market policy (LMP) statistics provide information on labour market interventions, which are government actions to help and support the unemployed and other disadvantaged groups in the transition from unemployment or inactivity to work. LMP interventions are defined as: "*Public interventions in the labour market aimed at reaching its efficient functioning and correcting disequilibria and which can be distinguished from other general employment policy interventions in that they act selectively to favour particular groups in the labour market.*"

The scope of LMP statistics is limited to public interventions which are explicitly targeted at groups of persons with difficulties in the labour market: the unemployed, persons employed but at risk of involuntary job loss and inactive persons who would like to enter the labour market.

Each country has a different approach to LMP and implements interventions that are customised to the situation of the national labour market and the different groups of people that are struggling to find work. Information on national interventions is collected annually from administrative sources in each country and is then categorised according to the Eurostat [LMP methodology](#) in order to ensure that the information on LMP interventions undertaken across Europe is presented in a way that is as consistent and comparable as possible between types of interventions and countries and through time.

Three different **types of intervention** are recognised:

Services refer to labour market interventions where the main activity of participants is job-search related and where participation usually does not result in a change of labour market status.

Measures refer to labour market interventions where the main activity of participants is other than job-search related and where participation usually results in a change in labour market status. An activity that does not result in a change of labour market status may still be considered as a measure if the intervention fulfils the following criteria: (a) the activities undertaken are not job-search related, are supervised and constitute a full-time or significant part-time activity of participants during a significant period of time, and (b) the aim is to improve the vocational qualifications of participants, or (c) the intervention provides incentives to take-up or to provide employment (including self-employment).

Supports refer to interventions that provide financial assistance, directly or indirectly, to individuals for

labour market reasons or which compensate individuals for disadvantage caused by labour market circumstance.

Classification of interventions by type of action

LMP services: 1 Labour market services

LMP measures (~ *active* interventions): 2 Training; 3 Job rotation and job sharing; 4 Employment incentives; 5 Supported employment and rehabilitation; 6 Direct job creation; 7 Start-up incentives

LMP supports (~ *passive* interventions): 8 Out-of-work income maintenance and support; 9 Early retirement.

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 Other activities of the PES only.

This expenditure may include: (a) transfers in the form of cash payments or reimbursements; (b) the value of directly provided goods and services; (c) amounts of revenue foregone through reductions in obligatory levies.

Details of the methodology are provided in Labour Market Policy Database Methodology Revision of June 2006.

http://epp.eurostat.ec.europa.eu/cache/ITY_OFFPUB/KS-BF-06-003/EN/KS-BF-06-003-EN.PDF

Symbols: ":" not available; "-" 'not applicable', 'real zero' or 'zero by default'; "0.0" less than half of the unit used; ": n" not significant; "e" estimated value; "b" break in series.

Country codes and other abbreviations: BE Belgium, BG Bulgaria, CZ Czech Republic, DK Denmark, DE Germany, EE Estonia, IE Ireland, EL Greece, ES Spain, FR France, IT Italy, CY Cyprus, LV Latvia, LT Lithuania, LU Luxembourg, HU Hungary, MT Malta, NL Netherlands, AT Austria, PL Poland, PT Portugal, RO Romania, SI Slovenia, SK Slovakia, FI Finland, SE Sweden, UK United Kingdom, NO Norway.

EU-27: European Union of 27 Member States from 1 January 2007 (BE, BG, CZ, DK, DE, EE, IE, EL, ES, FR, IT, CY, LV, LT, LU, HU, MT, NL, AT, PL, PT, RO, SI, SK, FI, SE, UK).

Further information

Eurostat Website: <http://ec.europa.eu/eurostat>

Data on "Labour market policy statistics":

http://epp.eurostat.ec.europa.eu/portal/page/portal/labour_market/labour_market_policy/database

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