CAN ACTIVE LABOUR MARKET PROGRAMMES REDUCE LONG-TERM UNEMPLOYMENT?

Thematic Review Seminar on “Tackling long-term unemployment - effective strategies and tools to address long-term unemployment”

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EXECUTIVE SUMMARY

As a consequence of the economic crisis a large number of European countries have been confronted with unemployment and a changing nature of unemployment as long-term unemployment rates and long-term unemployment shares in total unemployment have risen. There is a risk that the long-term unemployment will persist for a long time. Active labour market policies have to respond to the rise of structural unemployment in a context of poor or negative economic growth and weak labour demand. In such a situation the effectiveness of ALMPs in terms of net employment effects suffers. Therefore, expectations and objectives of ALMPs have to be reviewed critically and adapted accordingly.

Evaluation results on the impact and effectiveness of different ALMPs, in particular training measures, wage subsidies and job creation measures, show mixed results. For training measures results tend to be positive in the medium or long-term and increased when the training is well tailored to the jobseeker’s potential and employers’ skills need and when it leads to the acquisition of formal qualifications. Well-designed training policies will become increasingly important to contribute to overall labour market efficiency, but there are limitations as ALMPs can contribute to but not substitute for improved education and lifelong learning systems.

Wage subsidies and job creation measures can be effective in increasing the probability to find employment after the measure, if they are small-scale and well targeted to disadvantaged groups. The design of direct job creation measures can be improved by introducing training. Evidence indicates that implementation in the social sector and by social enterprises is more likely to yield promising results. As a general rule, the more the jobseeker is distant from the labour market, the more the ALMP will benefit from accompanying measures such as follow-up, guidance for the employer, and individualised approaches and institutional cooperation. In contrast, large-scale wage subsidy and job creation programmes generally have high dead-weight, substitution and displacement effects. Their implementation can nevertheless be desirable in a context of high unemployment and weak labour demand as it allows for redistributing job opportunities among the unemployed and break-up unemployment spells; it thus may reduce the long-term social costs of long-term unemployment. This strategy can minimise inflows into long-term unemployment but cannot prevent repeated unemployment and has the price of an increased precarious labour market segment.

Strategies to reduce inflows into long-term unemployment by intensifying and speeding-up the activation process are likely to reduce long-term unemployment. With a view to preventing long-term unemployment and reducing long-term problems arising from poor labour market integration, many countries have reacted by focusing on the integration of young people into the labour market.

INTRODUCTION

As a consequence of the global financial and economic crisis, unemployment has risen dramatically in many European countries. The persistence of the crisis leads to a new dimension, reflected in the steep rise of long-term unemployment in a number of countries, indicating the transition from cyclical towards structural unemployment. Against this background, reducing long-term unemployment is an expressed objective in a number of countries and achieving the Europe 2020 objectives implicitly calls for reducing long-term unemployment. The conditions for effectively implementing an activation strategy have, however, worsened in the context of high unemployment and poor economic development.
In a range of countries long-term unemployment has become the main form of unemployment, like in Slovakia, Croatia, Ireland, Estonia, Bulgaria, Latvia, Lithuania, Italy and Greece where between half and two-thirds of unemployed had been unemployed for more than one year (in 2011). In 2011, the long-term unemployment rate (among the labour force) was highest in Slovakia (9.2%), Spain (9%), Greece and Latvia (8.8%), Ireland and Croatia (8.6%) (Eurostat, LFS). On a EU 27 average the long-term unemployment rate increased from 2.6% in 2008 to 4.1% in 2011, while the overall unemployment rate increased from 7.1% to 9.7% (Eurostat, LFS). In particular in Spain and Greece the situation is more than worrying as unemployment rates reached 21.7% in Spain and 17.7% in Greece in 2011. Long-term unemployment rates more than quadrupled in Iceland, Lithuania, Ireland, Spain, Latvia and Estonia (Figure 1).

Figure 1: Long-term unemployment rate in 2008 and 2011 and share of long-term unemployment in total unemployment in 2011, in %

Source: Eurostat, LFS.

In contrast, in Germany, Turkey and Luxembourg, the long-term unemployment rate declined slightly. The labour market development in Germany has attracted much attention all over Europe as a rise in unemployment could be avoided during the recession and long-term unemployment could even be reduced. Germany’s labour market was characterised by the hysteresis effect for decades and the country had undergone a long period of persistent long-term unemployment linked to economic restructuring, skills mismatches, inflexibilities in the labour market, the institutional setting as well as a slowing down of economic growth. Some of the earlier weaknesses could be overcome. Labour market reforms and the implementation of ALMPs which have redistributed work opportunities among unemployed workers as well as a rapid recovery after the most recent crisis have contributed to reducing long-term unemployment.

We know from the past that unemployment tends to be rather persistent after an increase engendered by the business cycle or an external shock. The OECD (2009a) showed that the length of the periods needed to significantly reduce the increase of unemployment or
even reaching pre-crisis unemployment rates generally tend to largely exceed the length of business cycles.\(^1\)

This paper investigates what lessons can be drawn from experiences with active labour market policies (ALMPs) during the current crisis (as reported by the European Employment Observatory), as well as from previous programmes with the aim to reduce long-term unemployment. To start with the paper looks at the causes of long-term unemployment and explores which groups are most affected, and then take stock of studies shedding light on the results and the effectiveness of different type of ALMPs. A third section summarises findings on how the effectiveness of active labour market policies can be enhanced. To conclude the paper highlights the potential and success factors of ALMPs to combat high levels of long-term unemployment as well as their limitations in doing so.

3 TACKLING LONG-TERM UNEMPLOYMENT THROUGH ACTIVE LABOUR MARKET PROGRAMMES

3.1 Who are the long-term unemployed?
Comparing different ALMPs and activation strategies in which they are imbedded has to take the heterogeneity of the target group into account:

- Some groups are at higher risk of becoming and remaining long-term unemployed once they lost their job in the context of economic restructuring – this concerns mainly older workers, low-skilled workers and workers in declining occupations and sectors;
- Other groups are at risk of becoming long-term unemployed because of the persistent lack of aggregate labour demand;
- Unemployed with a low educational and skills level generally face serious placement difficulties, especially if they have to compete with other unemployed who are better skilled. They are at a higher risk to become long-term unemployed in a large number of countries (European Employment Observatory 2012);
- The long-term unemployed include people who are difficult to place even in a favourable labour market context. They often face multiple employment barriers. Structural unemployment may increase the number of unemployed in this group in the long run, as social and psychological problems tend to increase with the length of unemployment;
- Youth unemployment is particularly sensitive to business cycles. Long-term unemployment among young people increased dramatically in Ireland, Bulgaria, Spain, Latvia and Croatia. Also in Italy, Greece and Romania youth long-term unemployment is at a high level (Eurostat, LFS). In some of these countries youth unemployment has represented a severe problem even before the crisis. The extent of youth unemployment and long-term unemployment depends among other things on the quality of the education system with regard to the transition employment and on the type of integration programmes available for young people;
- Older workers are hit to a different degree by long-term unemployment across European countries, but generally speaking, once they have become unemployed they have more difficulties to re-enter the labour than other age groups. The share of long-term unemployed among all unemployed older job seekers increased significantly in

\(^1\) E.g. in Finland, in the context of the deep recession of the early 1990s unemployment rose dramatically and even after 18 years the initial unemployment rate could not be reached (although unemployment rate declined nearly continuously).
Latvia, Lithuania and Ireland. Although their share did not worsen or even improve, older long-term unemployed still represent a huge problem in Germany, Belgium, Portugal and Slovakia. Differences in the share of long-term unemployed depend to a significant extent on the institutional settings and the design of the labour market exit regulations (pension systems and disability schemes). An analysis of the impact of these schemes is beyond the scope of this paper;

- Immigrants or ethnic minorities are likely to be at a higher risk to become and remain long-term unemployed, as discrimination adds to a generally lower skills levels of this group (e.g. in Belgium, Denmark, Germany, Estonia, Greece, Finland and Sweden as reported in European Employment Observatory 2012).

3.2 What can ALMPS do?

Basically, the objectives of ALMPs are to prevent and reduce unemployment, to improve the matching of labour supply and labour demand, to increase employability of the jobseeker as well as to intensify their job-search activities. However, the design and budgets dedicated to ALMPs are enshrined in the different welfare state models. Therefore, the approaches vary quite significantly between “work-first” and “train-first” strategies, approaches towards a rapid integration and those focusing on a more sustainable integration into the labour market and between the ways in which the mutual obligation principle is implemented. It is also reflected in the large variation in the shares of expenses in percent of GDP dedicated to ALMPs, which do not reflect differences in the unemployment level. Underfunding of ALMPs is flagrant in a number of countries with high unemployment and long-term unemployment rates (Figure 2).

Figure 2: Unemployment rate and expenditures on ALMP (cat. 2-7) as a share of GDP, 2010, in %

As a response to the strong rise in unemployment and long-term unemployment, some countries have enhanced their budgets for ALMPs. But not all countries have reacted to rising unemployment with increasing their expenditures in the area of ALMPs, some have
even reduced them as a response to budgetary constraints. However, there had been recommendation to keep activation budgets in line with the increase in unemployment (OECD 2009b).

Those countries with the highest increase in expenditure and those with the largest decline in expenditures on ALMP per person wanting to work were those that had particularly low shares of ALMP spending as percentage of GDP (Figure 3). Thus it seems that some countries have somewhat “discovered” ALMPs while other countries tend to abandon them.

**Figure 3**: Change in expenditures on ALMP (cat.2-7) per person wanting to work (in PPS) between 2008 and 2010 in %

Source: Eurostat, LMP database.

With the rise of long-term unemployment and budgetary constraints, some countries have indeed focused ALMPs so as to better target the long-term unemployed or groups at risk of long-term unemployment, people running out of eligibility to unemployment benefit receipt or other disadvantaged groups (European Employment Observatory 2012).

However, preventive approaches aiming to reduce the inflow into long-term unemployment are equally important, as the probability to be hired or placed in a job decreases with the length of unemployment, as long-term unemployment is stigmatising.

The different ALMPs are designed to tackle the different types of unemployment: cyclical unemployment, structural unemployment and skills mismatches, regional disparities, as well as person-related employment barriers of the jobseekers. The most prominent measure implemented in the most recent economic crisis to avoid cyclical unemployment was the use of short-time work in Germany.\(^2\)

ALMPs that intend to reduce or prevent long-term unemployment can be broadly classified in demand-side measures and supply-side measures: (i) measures designed to generate labour demand for disadvantaged groups, however without expanding labour demand as such unless wage subsidies are permanent; (ii) measures to increase labour demand through lowering labour costs and promote the expansion of a low wage sector. These measures include often a combination of social benefits and low wages; (iii) direct job creation measures which aim to create additional jobs for target groups who are difficult to place (even in a favourable labour market context); (iv) measures in the area of supported

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\(^2\) In the case of Germany, labour shortages which appeared prior to the crisis as well as the setting-up of flexible working-time models allowed an adaptation through working time rather than the number people. This was supported by ALMPs (short-time work) which was widely taken-up. This could work as the crisis had a strong cyclical character in the case of Germany – which is not the case in some other countries.
employment and vocational rehabilitation for jobseekers with health-related problems; (v) job creation through macro-economic and industrial policy measures, but this is out of the scope of this paper as it looks at the tools of PES. Supply-sided measures focus on the employability of the job seeker, on the adaptation of his or her skills to labour demand and on his job search activities.

In 2010, as an EU average, the most important widely used ALMPs were training, followed by employment incentives and job creation programmes. But countries differ significantly, in the type of ALMP they focus on:

- Countries spending more than 40% of the ALMP budget on training programmes include in descending order (in 2010): Austria, Portugal, Finland, Malta, Ireland, Germany, Italy, Latvia, France, Norway and Estonia. In contrast some countries allocated less than 10% of their budget to training (including Hungary, Luxembourg, Poland, Bulgaria and Slovakia);

- About 40% and more of ALMP budgets were spent on employment incentives in the following countries (in descending order, 2010): Cyprus, Luxembourg, Romania, Sweden, Greece, Belgium, Estonia and Slovakia;

- The following countries spent 40% and more of their ALMP budget on job creation measures: Bulgaria, Hungary and Latvia;

- In Greece and Slovakia, about 44% and 35% of ALMP expenditures were spent on start-up incentives in 2010, although overall ALMP budgets are rather small in these countries. This measure is usually not suited to combat long-term unemployment, but in a few countries specific, although small, programmes have been set up for young people (e.g. Greece, Belgium, Slovakia, Slovenia, Cyprus, see Duell 2011).

In the following, the paper focuses on the three main ALMP categories: training measures, wage subsidies and job creation programmes.

3.2.1 Training measures

According to the OECD (2010), a shift from a ‘work-first’ approach to a ‘learn/train first’ approach could be considered for those who have had major difficulties in finding a job. Such a shift could be particularly appropriate during an economic downturn when the opportunity cost of time spent on a training programme or in education is lower. Given the shift from cyclical to structural unemployment in a number of countries, the need for training measures becomes even more evident, as adaptation of skills and reducing skills mismatches becomes a key issue. Moreover, some countries experience skills shortages despite high long-term unemployment rates.

The EEO reviews on long-term unemployment reveal that some countries have focused training measures on specific groups such as youth and immigrants or sectors or may provide them as standard programmes for long-term unemployed (European Employment Observatory 2012).

Drawing conclusions from evaluation studies on the impact of training measures is not evident, as a series of studies tend to show poor impacts in the short run. But it is widely acknowledged that positive effects of training become apparent only in the medium term (Meager and Evans 1998, Card et al. 2010). Positive impacts could be recorded in particular in the case of on-the-job training (Card et al. 2010, Kuddo 2009). The effectiveness of training measures also seems to be increased through the implementation of smaller scale schemes, targeted on specific disadvantaged groups, and particular occupations and schemes rather than larger general schemes (Meager and Evans, 1998, referring to evidence from Austria, Ireland and the Netherlands). Positive results were also recorded in cases where training led to a formal vocational qualification.

Logically, training measures are more effective when they prepare for skills and competences which are demanded by (local) companies. For example, the Fit4Job initiative
in Luxemburg organises re-skilling through tailor-made training programmes adapted to sectoral skills demands on the one-hand side and evaluation of the jobseekers’ competences on the other side (European Employment Observatory 2012). Good practice is also reported from a few other countries, including Austria. The anticipation of skills needs will become a crucial factor for improving effectiveness of training measures. A larger number of countries develop skills forecasting and identifying future skills needs, however, it seems that these efforts can be intensified and results could be used in a more systematic manner (European Employment Observatory 2012).

Some evaluation studies point to divergent impacts on different target groups. An evaluation carried out in Croatia showed that the probability of training programmes to help people exit (long-term) unemployment was generally poor, however some positive effects were discernable for the low-skilled and young people. Similar results were found in the case of Hungary (European Commission, 2012).

It is widely recognised by a number of countries that it is beneficial in the long-term to invest in training programmes for unemployed young people, in particular for the low-skilled. Youth Guarantee Schemes, that were initially developed in northern European countries and subsequently implemented by an increasing number of countries, include training measures (see for an overview Duell and Vogler-Ludwig 2011). Countries with a well established dual training system have implemented PES financed pre-vocational measures for low-skilled youth, e.g. Austria, Germany and Switzerland. In Germany, for example, they consist mainly in different elements including: vocational guidance and orientation, providing basic skills and key competencies, providing workplace related experience, providing some basic vocational skills. Evaluation results indicate that the preparatory measures lead to some success in better integrating young people into training. The individualised approach can be regarded as an important condition for the effectiveness of the measure. Walther and Pohl (2005) have also identified vocational preparation courses in Austria as a good practice. The Swiss experience with pre-vocational training measures, the so-called motivation semesters, indicates that participants benefit from personal coaching and individual action plans. Participants who found an apprenticeship can receive a further six months of counselling by their personal coaches. The motivation semesters seem to have been an effective tool in reducing the number of school drop-outs without any graduation certificate (Duell et al. 2010).

However, there are also limitations. The deficits from low formal educational attainment can hardly be overcome and it should not be the role of ALMPs to make up for the failings of the educational and the lifelong learning systems.

3.2.2 Wage subsidies

Wage subsidies shall compensate for a person’s reduced productivity (or supposed lower productivity in the case of discrimination) for a limited period of time, assuming that the productivity gap disappears over time. In a number of countries these measures are targeted to specific vulnerable groups such as young people, older people, long-term unemployed, people at risk of becoming unemployed or other disadvantaged groups (e.g. in Belgium, Germany, Austria, Sweden and Iceland, UK, Luxembourg and Romania) (European Employment Observatory 2012). The duration of the subsidy is usually several months up to a year, but can reach up to 10 years for older workers in Sweden (in which case it can be regarded as a permanent subsidy).

According to the Eurostat Labour Market Policy (LMP) database, countries spending the highest amount on employment incentives per person wanting to work in 2010 include Luxembourg, Belgium, Sweden and Denmark. However, some countries have increased their expenditure per person wanting to work significantly in the context of the economic crisis, in particular if they departed from a very low level: this was the case in Estonia (+3000%), Slovenia (+800%), Slovakia (+350%), Poland (+260%), Norway (+116%) and Greece (+83%). On the other side a range of countries reduced expenditure, as e.g. in...
The use of wage subsidies or wage cost subsidies is widely acknowledged as having an overall positive employment impact if it is well targeted to disadvantaged groups. But results are more mixed for the group of unemployed as a whole. Thus, a strand of earlier evaluation studies indicate that wage subsidies can be expected to be positive at least in the short-run (Kluve 2006, OECD 2005), while others are more critical. A large number of evaluation studies assessing employment incentives focusing on firm behaviour find large deadweight and substitution effects. Evaluation of job subsidies in Australia, Belgium, Ireland and the Netherlands estimate combined deadweight and substitution effects around 90%, which could, however, be reduced to 70-80% through right targeting and monitoring (Martin and Grubb 2001). In general terms, the aggregate employment impact of wage subsidies depends on the elasticity of demand, the extent of deadweight losses, substitution and job displacement effects, the registration effect which translates in an increase in labour force participation, the overall level of unemployment and employer attitudes towards the target groups (Junankar 2012).

Wage subsidies for disadvantaged groups should theoretically work better, as they serve to overcome a temporarily lower productivity, although effectiveness is reduced in a context of high unemployment. In this case deadweight effects and substitution effects are less likely to be generated. Evaluation studies of wage subsidies in Hungary, where they are explicitly targeted at long-term unemployed, found that they had a positive impact, in particular for men with secondary-vocational education. Similarly positive impacts on the long-term unemployed could be found in the Netherlands, at least in the short-term (European Employment Observatory 2012). Evidence reported by Meager and Evans (1998) for the UK and the Netherlands “suggests that subsidies targeted at the most disadvantaged groups for whom other measures have proved ineffective (e.g. very long-term unemployed who have been out of work for two or more years) can make a difference to their re-employment.” A further positive effect found in New Members States and Eastern European transition economies may consist in reducing informality (Kuddo 2009).

In the light of very high unemployment and long-term unemployment in some countries, the question arises whether these measures should be run on a large scale. It is argued that the above reported positive effects might be linked to the usually relatively low scales of these programmes. Deadweight and displacement effects are likely to be much higher when wage subsidy programmes are run on a significant scale (Maeger and Evans 1998).

The OECD (2010) recommends in the context of young people that, even in the absence of large positive effects on overall job creation, wage subsidies should be well-targeted to help unemployed individuals to keep in contact with the world of work, thereby maintaining and enhancing their motivation and skills. The success of such programmes strongly depends on how they are combined with individual coaching and employer involvement as the examples from Sweden and Germany reveal (Liebig 2009). A trial programme in Sweden which combined intensive counselling, wage subsidy and follow-up was found to have positive employment effects (as reported by Liebig 2009). In the Netherlands, a tax measure that exempts employers from paying premiums for workers under the age of 23 who have a low-income job has had positive evaluation results (Bekker 2011). Overall, it seems that the effectiveness of wage subsidies for young people depends on the concrete design of the subsidy, on the extent to which it is targeted and to the extent to which it is combined with other measures (such as follow-up) in order to minimise deadweight and substitution effects (Duell, Vogler-Ludwig 2011).

### 3.2.3 Direct Job creation measures, public works

Objectives of job creation measures may relate to demand-side or supply-side strategies or combine both:
- Create employment opportunities for those who cannot find a job on the regular labour market (expand labour demand)
- Serve to test the willingness to work
- Maintain or improve employability
- Promote social integration
- Implement the mutual obligation principle and the workfare philosophy

Direct job creation schemes can be based on employment contracts, wage subsidy schemes or they can function as in-work benefit schemes without an employment contract (e.g. municipal activation work programmes in Slovakia, so-called “One-Euro-Jobs” scheme in Germany, which both target disadvantaged and long-term unemployed groups). They have in common that the work should be “additional”.

As a response to the recent economic crisis a number of countries have extended expenditures per jobseeker for job creation measures; strong increases can be recorded in Hungary, Latvia, and to a lesser (but still important) extent in Slovenia and Portugal. Expenditures of the PES decreased in a range of countries including Germany, Spain, Italy, Ireland, Romania, Bulgaria and Slovakia (Eurostat, LMP database for 2008 and 2010).

Evaluation results about the impact of these schemes are mixed. In Slovakia poor results are reported from the municipal activation work programmes. Negative impacts were also reported in the case of Hungary (European Employment Observatory 2012).

Recent labor market reforms in Germany have introduced a new type of wage cost subsidy for additionally created jobs with a social or ecological utility. They are legally not based on an employment contract. The measure is designed for means-tested Unemployment Benefit II recipients. In December 2010, about a sixth of ALMP participants had a one-euro-job. Since 2011, referrals to this kind of measure have been reduced as a result of the negative evaluation results (substitution and deadweight effects, distorting competition and missing additionality in many cases, little learning effects, missing specific guidance).

Evaluation from Austria on an in-work benefit Scheme called ‘Kombilohn’ (combination wage) indicates that this instrument, used as a stand-alone measure, was not sufficiently effective to integrate long-term unemployment (Lechner and Wetzel 2012).

Evaluation evidence on job creation programmes in a range of countries shows mixed or even a negative impact, in particular with regard to large scale job creation measures (e.g. relief work in Sweden, community work programmes in the UK in the 1980s, and past large scale wage-subsidy based job creation measures in Germany and similar experiences in France; see Meager and Evans 1998). A serious problem of stigmatization is generated in case that skilled or high-skilled unemployed are referred to this type of measure. Often also other problems can be recorded such as low prestige of the work (Kuddo 2012). Bulgaria launched a massive public works programme in 2002 covering the most disadvantaged and hardest-to-place groups, but evaluation results showed insignificant or even negative employment impacts, despite the fact that these programmes have improved work discipline, habits and qualifications (Kuddo 2009). Moreover, employers reported that productivity was low and additional investments in monitoring and firm-level supervision were necessary.

On the positive side, evaluations indicate that public works can help the more-disadvantaged groups as a poverty or safety net programme (Kuddo 2009). Furthermore, job creation programmes might have a positive impact on the motivation of participants. Comparisons carried out with the New Deal in the United Kingdom stressed the importance of the four month Gateway programme, where individually tailored plan for improving the jobseeker’s availability are set up, as well as the involvement of private employers (see an overview in Martyn, 2007). Also previous evaluation studies carried out in Austria, Ireland and the Netherlands record significant positive impacts (Meager and Evans, 1998).
Despite the contradicting evaluation results, a few issues emerge which are likely to increase the effectiveness of job creation measures (Meager and Evans, 1998):

- A working environment close to that of the regular labour market;
- Combinations of job creation schemes with periods of training for the participants;
- Integrated approaches, dealing with the other social and family problems the jobseeker might face;
- Smaller scale schemes tend to be more effective with regard to the quality of the job offered and displacement effects.

Furthermore, job creation programmes are carried out in combination with training programmes in the context of so-called “intermediate labour markets” and/or are implemented in the third sector may yield positive results (Walther and Pohl 2005 referring to Austria, Denmark and Italy; Meager and Evans 1998, European Employment Observatory 2012 for Austria).

3.3 How to organise efficiently the implementation of ALMPs?

It is widely acknowledged that early identification and early intervention are key elements to improve the effectiveness of the activation measures. As has been argued above, preventing the unemployed from moving to stigmatising long-term unemployment should be an essential aspect of the activation strategy. There are a number of instruments that intend to identify groups at risk of becoming long-term unemployed, speed-up the labour market integration process and improve referral to the “right” ALMP.

Profiling methods are designed to classify jobseekers according to the type of measures and intensity of activation they need. This usually happens at an early stage of the unemployment period. Profiling rests on the assessment made by the PES counsellor and/or through statistical tools. There are indications that statistical profiling tools can be quite efficient, although many of them have been adjusted or abandoned in Europe (Weber 2011). Although it is recognised that profiling is a useful instrument in order to assess the risk of becoming long-term unemployed, it may not suffice to identify what the appropriate activation measure would be (as reported on the basis of a literature review by Meager and Evans 1998).

To give an example, in Ireland a Probability of Exit profiling model was developed. When registering at the PES the unemployed has to fill out a profile questionnaire. According to the results exit from unemployment probabilities are calculated and jobseekers classified into three broad groups. Individuals with a low exit probability as well as those registered for more than 12 months will receive intensive individualised support and may be directed to particular work experience or training programmes (European Employment Observatory 2012). Similar approaches can be found in other countries.

The drawing-up of Individual Action Plans (IAP) intends to speed-up the activation process and to better focus measures. Individual Action Plans (IAP) are in general written documents signed by the PES and the jobseeker which, based on evaluation of personal circumstances, abilities and the professional skills of the individual, determine the type and scope of assistance required by PES and actions to be taken. In some countries IAPs are drawn-up for all unemployed after a defined length of unemployment, while others use this instrument only for specific target groups such as youth and older workers (Duell, Vogler-Ludwig, 2011, Tubb 2012). In some countries intensive interviews to draw-up and follow-up IAPs are more frequent for youth (e.g. in Belgium, Finland, OECD 2007). In general terms there is a tendency to shorten the length of the unemployment spell by IAPs.

The strictness of job search requirements may also help to prevent long-term unemployment, as it obliges jobseekers to accept jobs they would otherwise refuse in some cases.
For long-term unemployed with multiple employment barriers integrated approaches are necessary (Lechner and Wetzel 2012). Case management is most useful in this respect and further activities such as outreach activities are advisable.

The effectiveness of integration strategies for low-skilled youth is increased by the implementation of individualised and person-centred approaches, departing not only from an encompassing overview of the range of individual problems and labour market barriers but also from the identification of individual strengths. Case management, the drawing-up of individual action plans and mentorship are widely recognised as good practice in this context. A number of countries have increased early and intensive activation of disadvantaged youth in order to increase the effectiveness of activation. A close follow-up during participation in labour market programmes and a follow-up once the youth have found an employment are likely to improve the sustainability impacts.

There is evidence that a reasonable caseload is an important factor for the effective delivery of services. A pilot project in German labor offices showed that an improvement of caseload (1:70 per case worker) has helped to reduce unemployment duration. Similar results were observed also in the case of the Netherlands (Konle-Seidl 2011). Caseload is ideally lower for caseworkers servicing hard-to-place jobseekers. An interesting practice is reported from France as the new roadmap of the PES 2012-2014 focuses on hard-to-place unemployed and it is foreseen to give them a more intensive support. PES staff will be increased to meet these new challenges (European Employment Observatory 2012).

In a number of countries either one-stop-shops models have been implemented over the past decade or inter-institutional cooperation has been improved. An interesting example is the case of Finland, where Labor Force Service Centers (LAFOS) for the hard-to-place unemployed were set up in the mid 2000s, jointly staffed by municipalities who are in charge of processing social assistance and means-tested unemployment assistance and the Public Employment Services. The LAFOS offer multi-professional services, including services from nurses, doctors, psychologists, debt advisors, social workers, training advisors and employment advisors. Most often employment opportunities in the so-called intermediate labour market are proposed, which aim to prepare disadvantaged groups to take up employment in the open labor market, but the LAFOS can use all Public Employment Services schemes (Duell et al. 2009).

In addition, partnerships with specialised private and public service providers can be useful in order to better serve people with individual social or psychological problems, if no specialised staff is available at the PES. E.g. in the case of the UK long-term individuals or those at risk of becoming long-term unemployed such as the disabled, drug users and ex-offenders are referred to private or voluntary organisations (Tubb 2012). The difficulty with outsourcing services for very disadvantaged groups is the definition of the desired result and the basis of remuneration for the services provided.

4 CONCLUSIONS

The difficulty in drawing general conclusions and recommendations from the experience of different countries in tackling long-term unemployment consists in the different definitions of the objectives the programmes should achieve, the differences in implementation conditions including the institutional setting, differences in methodological design, and most importantly differences in the overall economic climate and labour market conditions. Results differ by type of target group. As a general rule, the more the target group is difficult to place the less positive the employment results will be. Nevertheless, evaluation studies show that some measures such as targeted small-scale wage subsidies work well for disadvantaged groups (although not necessarily for the most difficult to place), as they have less deadweight effects. Impacts depend largely on the economic climate.
Nevertheless, there are some general aspects coming out from the different evaluations that show in which way ALMPs can effectively tackle long-term unemployment and contribute to increase labour market efficiency:

- ALMPs can help to reduce the skills mismatch, if training courses are well targeted and tailored, taking specific demand for skills into account;
- More costly training schemes can be effective (Meager and Evans 1998);
- Wage subsidies can be effective if they are well targeted and run as small-scale programmes. Efficiency might be increased if specific socio-pedagogic guidance is offered to employers in particular in times of high unemployment as wage subsidies might be less attractive for employers;
- Job creation measures need to be well designed and need to incorporate training in order to show some effectiveness. Experiences with social enterprises have shown positive results for hard-to-place jobseekers;
- Early intervention and early action can help to reduce the long-term social costs of long-term unemployment;
- Individualised approaches can increase the matching efficiency;
- Guidance and follow-up of target groups who are very distant from the labour market and facing multiple employment barriers is needed;
- Integrated approaches and institutional cooperation are important for those groups who face multiple employment barriers (see also conclusions in the executive summary);
- Schemes which provide experience close to working life tend to be more effective;
- Special placement efforts are among the most effective measures (Meager and Evans 1998).

The potential impact of supply-sided instruments is reduced by the overall high unemployment and weak labour demand, as competition with short-term unemployed and job changers becomes rougher. A recent study of the OECD measuring the impact of ALMPs has shown that ALMPs reduce both the level of long-term unemployment and the response of long-term unemployment to actual unemployment. But one needs to be cautious while drawing conclusions from these findings, as the authors note “... the estimated impact of ALMP could also only reflect that active labour market policies just break unemployment spells” (Guichard and Rusticelli 2010).

In the context of high unemployment, wage subsidies and direct job creation schemes may be offering de facto a rotation of jobs among unemployed. Furthermore, in some labour market segments permanent jobs are substituted by temporary jobs subsidised by the PES. This has the disadvantage that it decreases the number of permanent jobs but has the advantage to offer employment spells to people who might be at danger to remain unemployed.

ALMPs should be regarded as an investment in times of crisis: investing in the labour force so that they are employable when labour demand is growing again and avoiding high social costs of long-term unemployment. Meager and Evans (1998), Kudo (2009) and Junankar (2012) argue for considering distributional and social objectives in evaluation ALMPs rather than a sole focus on generating extra income and employment.
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