



The Social Protection Committee

SPPM THEMATIC REVIEWS ON THE 2013 SOCIAL TRENDS TO WATCH

The role of activating and enabling benefits and services for reducing long-term exclusion from the labour market¹

¹ SPC (2015). Social Europe: Aiming for inclusive growth. Annual report of the Social Protection Committee on the social situation in the European Union. <http://ec.europa.eu/social/main.jsp?catId=738&langId=en&pubId=7744&visible=0>

1. Introduction

Unemployment and long-term unemployment have been some of the more immediate and tangible impacts of the economic crisis. While the share of (quasi-) jobless households has stabilised in some countries in 2013 (AT, MT, HU, and HR) and has improved in some others (CZ, PL, FR, DE, and RO), it remains a major issue in the countries mostly affected by the crisis (EL, IE, ES, LT, PT, BG). Long-term unemployment is often times related to prolonged economic recessions as well as structural challenges. It puts pressure on social protection systems in terms of income support for longer periods of time, use of different benefit schemes to address the challenge as well as the design of safety nets which are capable of having a strong activating element and manage to provide the services necessary to guarantee the long-term unemployed opportunities to be integrated back in the labour market.

The situation of the long-term unemployed and the jobless households, i.e. those furthest away from the labour market, is at the core of the interrelation between **activation policies and access to services, effectiveness of social protection schemes and the tax and benefit system** and is directly influenced by general labour market conditions.

The Social Investment package² adopted by the Commission in February 2013 has most recently emphasized the need for well-targeted, comprehensive and enabling active inclusion strategies which include both income support and access to services. The investment approach can be used in containing the rise of long-term unemployment and jobless households by placing the right emphasis on the **prevention** dimension. For those already in long-term unemployment, a comprehensive approach that combines activation with income support and enabling services based on **individual contracts** can be a solution.

The Employment package³ calls for supporting job creation (through lowering labour tax, wage subsidies, etc.), increased investment in skills, and a series of labour market reforms (such as anticipating restructuring, life-long learning, ALMPs) that would facilitate return to the labour market including for the long-term unemployed.

Long-term labour market exclusion was identified by the SPC as one of the social trends to watch for 2013 and as such was chosen as a subject to a thematic review in the course of the second half of 2014⁴. In its Communication on the social dimension of the EMU from 2 October 2013, the Commission gives strong priority to the exchange of best practices and policy learning which should be scaled up in the framework of the OMC. While the issues related to how to address the

² <http://ec.europa.eu/social/main.jsp?langId=en&catId=1044&newsId=1807&furtherNews=yes>

³ Towards a job-rich recovery COM/2012/0173 final

⁴ SPC (2014) Social Europe: Many ways, one objective. Annual report of the Social Protection Committee on the social situation in the European Union (2013)

challenges of the long-term excluded from the labour market and their effective and sustainable re-integration into the labour market are very broad, it is proposed that this thematic review focuses on the **social protection perspective**, and in particular on **the role of activating and enabling benefits and services in reducing long-term labour market exclusion**. This review will therefore contribute to mutual learning on the **modernisation of social protection systems**, a priority area for reform identified in the 2015 Annual Growth Survey⁵, looking at specific ways to **effectively and efficiently** address long-term labour market exclusion.

2. Recent trends

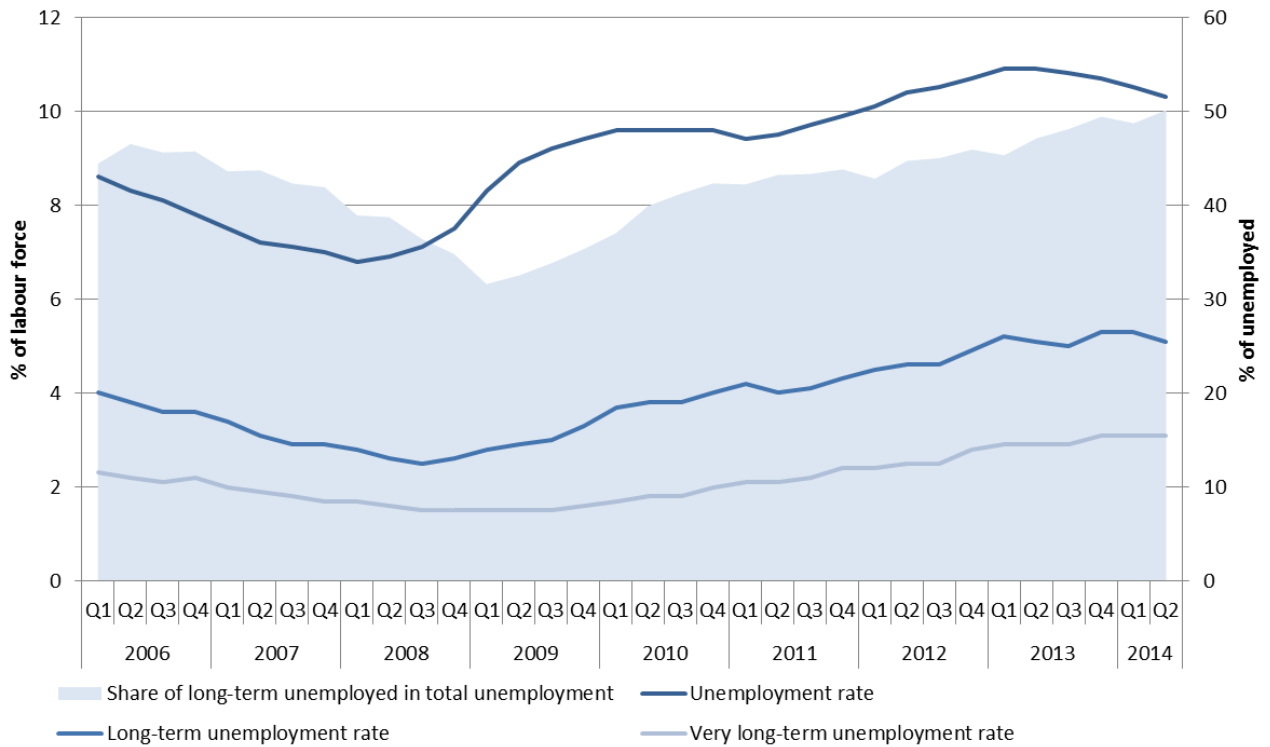
For the purposes of this note long-term labour market exclusion is examined through developments in the long-term unemployment, share of population living in (quasi-) jobless households, the at-risk of poverty rate for the population living in (quasi-) jobless households (all these three SPPM indicators) and inactivity rates.

2.1. Long-term unemployment

Around 12.4 million people have been unemployed for at least one year. In the second quarter of 2014, long-term unemployment in the EU remains at the same level as in the second quarter of 2013, i.e. 5.1% of the labour force (-0.1 pp compared to the first quarter of 2013). It is more than double, however, of the lowest point of the examined period (2.5% in the third quarter of 2008). The very long-term unemployment rate (people in unemployment for at least two consecutive years) also remained stable over the quarter (at 3.1% of the labour force, an increase of 0.2 pp on the second quarter of 2013). The very long-term unemployment thus represented around 60% of total long-term unemployment (Figure 1).

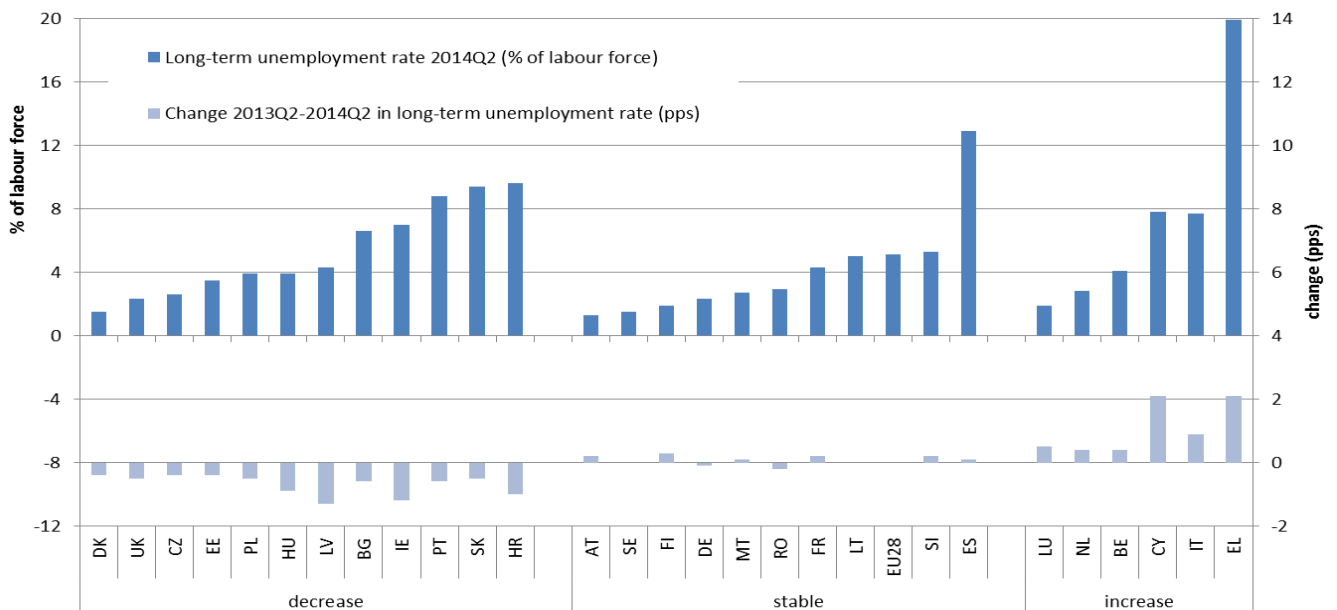
⁵ Annual Growth Survey 2015, COM(2014) 902 final

Figure 1. Unemployment rate and long-term unemployment indicators in EU-28



Long-term unemployment rates appear to have stabilised in the majority of EU Member States but continue to increase in countries where they are already high, such as Greece, Spain, Italy and Cyprus (see Figure 2). In the year to the second quarter of 2014, Cyprus and Greece saw the largest increase (+2.1 pp), while long-term unemployment rates are at historically high levels in Greece (19.9%) and Spain (12.9%). In contrast, long-term unemployment fell the most in Latvia (-1.3 pp), Ireland (-1.2 pp) and Croatia (-1.0 pp).

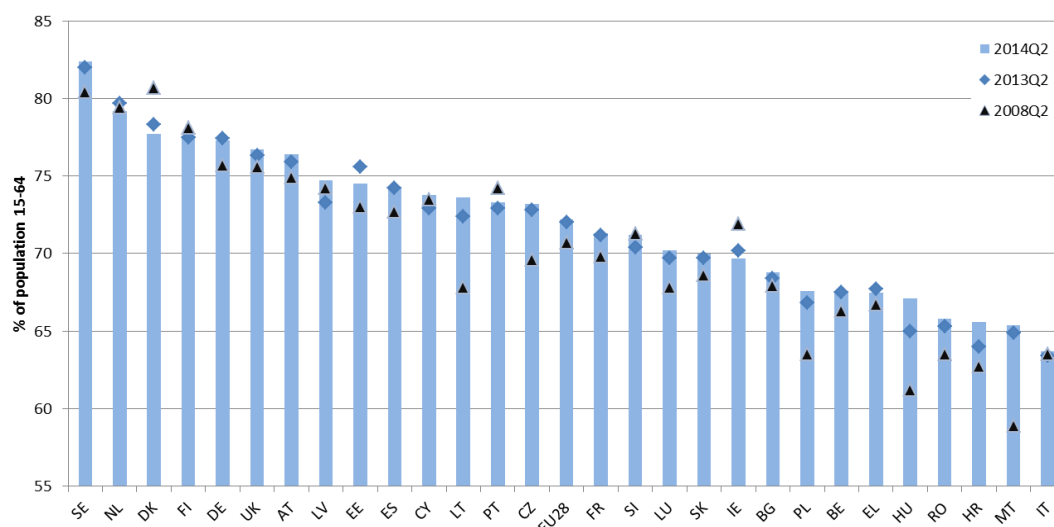
Figure 2. Levels and changes in long-term unemployment rates 2013 – 2014 in EU 28



In the first quarter of 2014, the activity rate in the EU stood at 72.1% for the 15 to 64 year-old population, representing a total of 242.5 million people (see Figure 3). This represents an increase of 0.5 pp over the year from the first quarter of 2013 and of 1.8 pp since the first quarter of 2008. Over the year to the first quarter of 2014, the activity rate remained stable in most Member States, with significant increases seen in Croatia (+6.9 pp), Hungary (+2.4 pp) and Luxembourg (+1.8 pp). Only Estonia and Denmark, both countries with activity rates well above the EU average, recorded significant decreases (around 1.0 pp). In terms of gender differences, while on average there are more men (5.2%) than women (5.1%) affected by long-term unemployment, there are significant country differences (with high female long-term unemployment rates in IT and EL).

In Italy, Romania and Malta the activity rate remains low and significantly below that of other Member States. It is interesting to note that the low overall activity rates in these three countries are associated with low female activity rates - the lowest activity rates in the EU.

Figure 3. Activity rate in the EU-28 Member States – 2008-2014



A recent World Bank – European Commission report⁶ examined trends in labour market exclusion in six EU member States (Bulgaria, Estonia, Greece, Hungary, Lithuania, and Romania). During the examined period (2007-2011), the total out-of-work population has increased in five of the six countries studied. Estonia and Lithuania had the greatest increase in the out-of-work population (all the inactive population), both increasing 33 percent from 2007 to 2011. In Greece this group increased almost 26 percent, by more than 550,000 people. Hungary had a small increase in the out-of-work population (25,000), but had the highest share of out-of-work in 2008 and second highest in 2011 (37 and 38 percent respectively). Only in Romania did the out-of-work population decrease (2.5 percent or 106,000), but it remains a large share of the total working-age population (31.2 percent).

⁶ Ramya Sundaram, Ulrich Hoerning, at co. (2014). Portraits of labour market exclusion, The World Bank.

The characteristics of the profiles of out-of-work population vary from country to country. Based on the EU-SILC survey for 2011, in Estonia, Bulgaria, and Greece seven groups of out-of-work individuals could be identified, while in Lithuania and Romania eight groups distinctive groups emerge, and in Hungary ten. Nevertheless, there are some general groups that can be identified in all six countries. Clusters of middle-aged unemployed, long-term unemployed, retirees, disabled, **inactive women or mothers**, NEETs (young people not in employment, education or training) and young unemployed are present in every country. The size, share and profile characteristics are different, reflecting the demographics and labour market of a particular country. The needs for support in getting back to the labour market also vary according to the individual's characteristics.

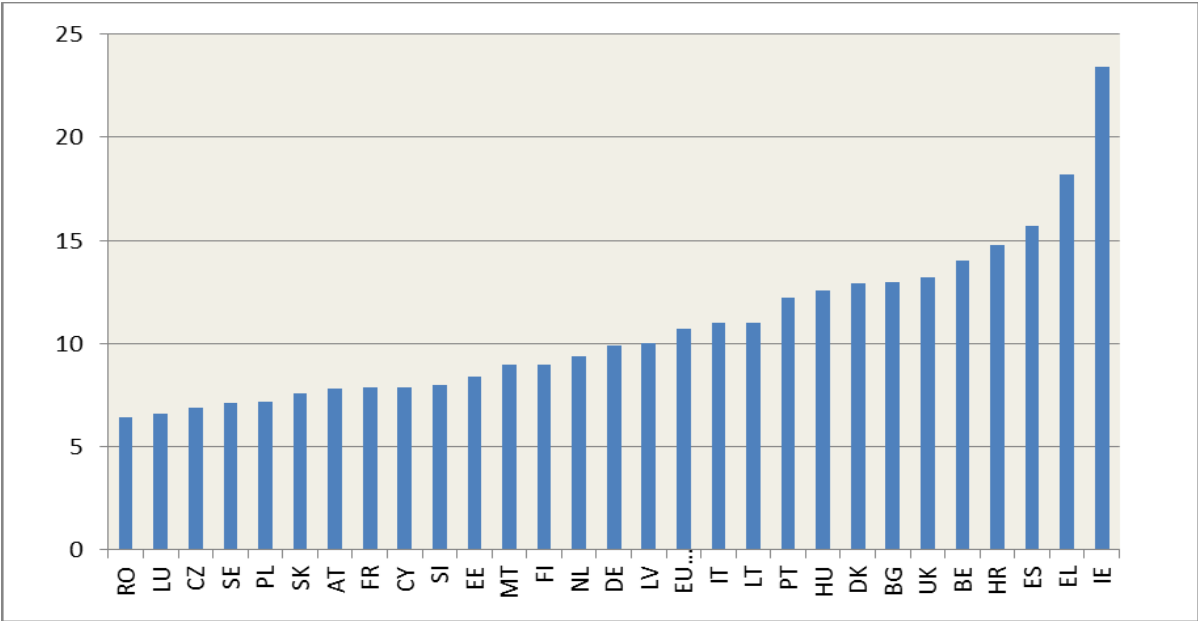
The high share and number of long-term unemployed is another worrisome issue in all the countries analysed. Across the clusters of unemployed, the share of individuals in long-term unemployment in all countries has grown. In addition, in Lithuania, Estonia, Hungary, and Romania long-term unemployed accounted for 12 to 28 percent of the out-of-work population. It is also worth noting that in some Member States, either for structural reasons or as a consequence of the crisis, a significant share of long-term unemployed does not correspond to the "traditional" low skilled profiles.

2.2 Jobless households

In 2013, around 10.7% (40 million) of Europeans lived in (quasi-)jobless households (i.e. in households with very low work intensity).⁷ This share has been increasing in the past years at the EU level. Differences range from 23.4% (IE) to 6.4% (RO) (Figure 4). Countries such as EL and ES have faced particularly drastic increases between 2008 and 2013. In EL, the percentage of population living in (quasi-)jobless households increased from 7.5% to 18.2%. In ES, the rate more than doubled from 6.6% to 15.7%.

⁷ People living in (quasi-)jobless households (i.e. with very low work intensity) are people aged 0-59 living in households where the adults work less than 20% of their total work potential during the past year.

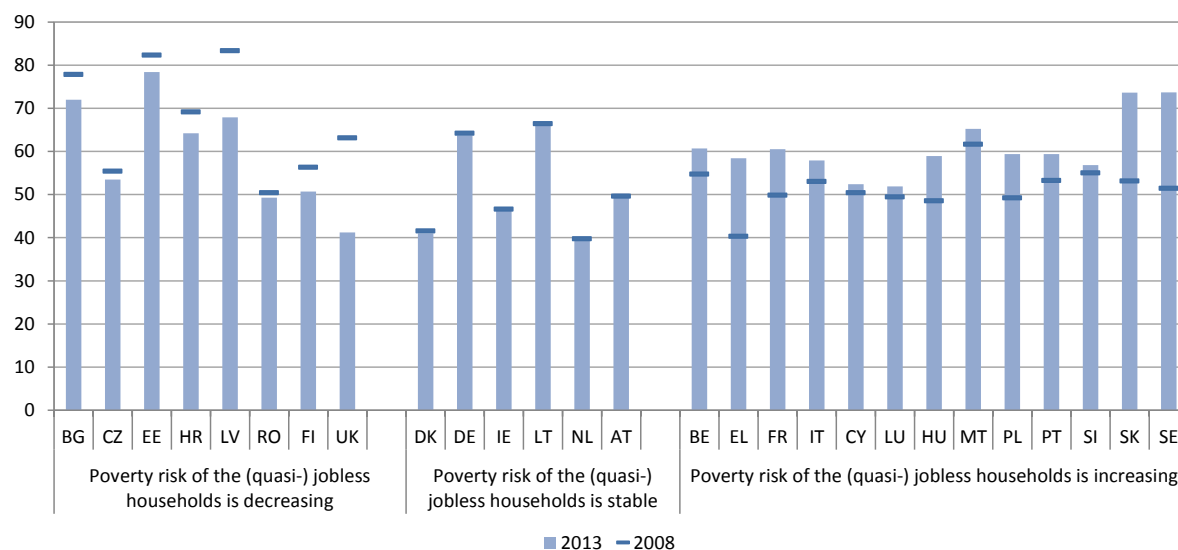
Figure 4. Population living in (quasi-)jobless households (i.e. very low work intensity households) (age 0-59), 2013



Source: Eurostat (EU-SILC); Note: 2012 data has been used for IE.

Approximately 13 million people live in low work intensity households and are at risk of poverty. When comparing with 2008 (Figure 5), the latest data shows that worsening trends are observed in almost half of the Member States. Real improvements (from high levels) are observed in several MS (BG, EE, HR, LV, FI, UK) but it is important to consider that this is a measure of the income situation of the ones further away from the labour market while their living conditions (e.g. material deprivation) might show a more attenuated picture.

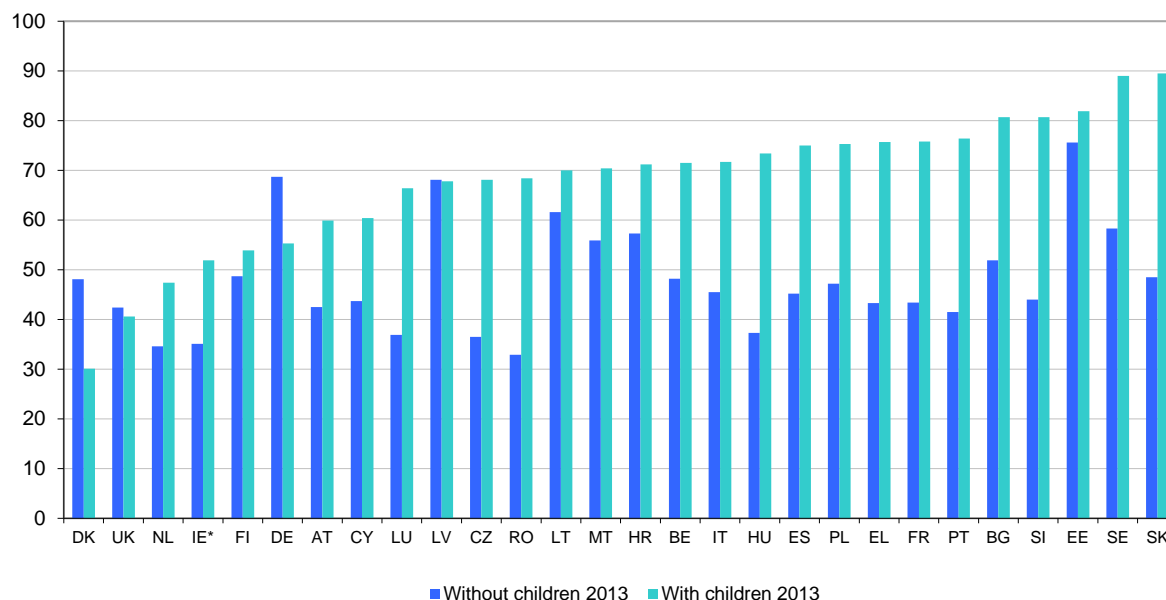
Figure 5. Evolution of the at-risk-of-poverty rate of (quasi-) jobless households (0-59), 2008 and 2013



Source: Eurostat (EU-SILC); 2012 data has been used for IE, and 2010 instead of 2008 for HR

In comparing the poverty risk of jobless households for households with and without children (see Figure 6), the overall trend is that (quasi-) jobless households with children have a much higher poverty risk with SK, SI, HU, RO, PT, EL, FR, CZ and SE where the difference is largest (between 30-41 pp). DK, DE and to a lesser extent UK and LV, are the only Member States where (quasi-) jobless households with dependent children are more protected from poverty risk. Single people and single parents in particular represent a larger share of those living in jobless and poor households

Figure 6. At-risk-of-poverty rate for the (quasi-) jobless by household type, 2013 or latest available year



Source: Eurostat (EU-SILC); 2012 data has been used for IE.

European Commission analysis (2014) shows that those living in jobless and at risk of poverty households **tend more often to be women than men** (53% vs 47%). There are slightly more young people and elderly. Middle age adults (aged 25-50) account for 57% of those living in (quasi-) jobless and poor households, and 62% of the whole population. Those with a low education level tend also to be more represented among those living in (quasi-) jobless households at risk of poverty (44%) while representing only 22% of the total 18-59 population. There are slightly more migrants (14%) compared with the total 18-59 population of migrants (9%). With regards to their activity status, most are mainly unemployed (41%) with the remainder being shared between students aged over 25 (11%), retired but younger than 60 (3%), disabled (13%) and adults fulfilling domestic tasks (15%).

3. Policies, best practices and evidence-based responses

Some of the main barriers to labour market integration of people on long-term unemployment include:

- Low level/lack of qualifications; outdated qualifications not matching labour market requirements, with a risk of skills obsolescence increasing with the length of unemployment
- Low motivation and resignation after prolonged periods of unemployment and low employability due to lack of work habits; limited knowledge of job search techniques
- Disincentives to work (e.g. linked with tax-benefit systems)

- Barriers affecting the capacity to find work: poor public transport, lack of child care facilities, health issues
- Lack of 'life skills' resulting from socialisation in a disadvantaged family or neighbourhood and/or from school drop-outs and failures in one's career

In order to overcome these barriers, social protection systems need to be modernised and provide a combination of well-designed adequate income support (minimum income, housing benefit...) which does not result in unemployment/inactivity traps, quality enabling services (childcare, elderly care, transport problems, debt-counselling, health issues...) and activating measures. Early and preventative support should also be provided to those at risk of becoming long-term unemployed.

Tackling these barriers calls for a comprehensive approach to labour market integration (e.g. access to child-care, public transport or health counselling). There is evidence⁸ that well-designed policies can make a difference when it comes to transitioning out of unemployment. Participation in training and ALMPs by unemployed persons improves their transition rates out of unemployment. However, participation in training is currently limited in many Member States, particularly among low and medium skilled workers. Another finding is the positive effect of being registered with the public employment service, particularly when receiving unemployment benefits.

As the focus of this background paper is on the social protection perspective, and more specifically, on the **role of activating and enabling benefits and services**, the following section will look at the role of unemployment benefits and minimum income schemes and their link to activation, as well as, at the role of other enabling benefits and services. Finally it will examine the importance of comprehensive policy responses and individualised services.

3.1 The role of unemployment benefits

Besides activation measures there is a need to provide income support for individuals and households that have lost their jobs and incomes. **Unemployment benefits** (both contributory and non-contributory) act as a cushion to sudden income losses. In this respect, unemployment benefits are vital to keep households on a lifeline and avoid loss of human capital.

A recent assessment of the unemployment benefit systems in the EU⁹ reveals some interesting dynamics on the structure and nature of unemployment benefit systems. Within the EU, there are groups of countries with relatively homogenous benefit systems. **Nordic and Continental** countries are characterised by relatively generous unemployment benefit systems both in terms of entitlement conditions and income support per unemployed. In both groups, activation and active labour market policies have a prominent role, with job search conditionality being strong especially in Nordic countries. In **Anglo-Saxon countries**, unemployment insurance benefits are relatively

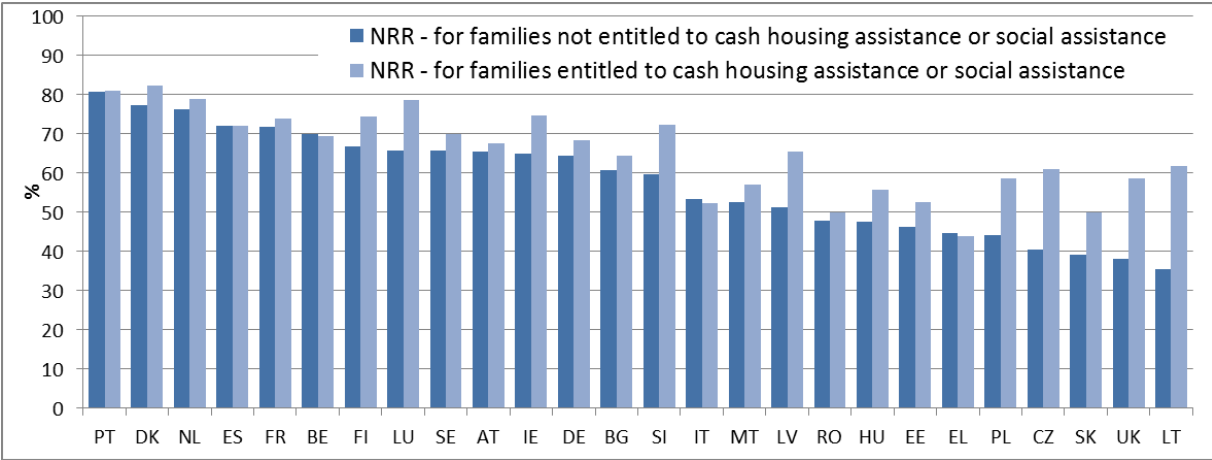
⁸ European Commission (2012). Employment and social developments in Europe 2012.

⁹ Stovichek, K. and Turrini, A. (2012). *Benchmarking unemployment benefit systems*. European Commission, Economic Papers 454.

modest, while unemployment assistance plays a major role. Monitoring of job-search activity is strict whilst active labour market policies play a less important role. In Southern countries, access to unemployment insurance is strict and benefit generosity varies widely depending on age and contribution period. Finally, **Central and Eastern** countries tend to exhibit a tight unemployment benefit system both in terms of benefit support per unemployed and benefit coverage. Although replacement rates at the beginning of the unemployment spell can be high in some cases, benefits drop sharply over the unemployment spell. Strict conditions on job search and availability often apply.

The overall generosity of unemployment benefit systems exhibits a high degree of variation across EU countries. In most Member States the theoretical adequacy of unemployment benefits, as measured by the net replacement rates, is improved by the presence of the children in the household and decreases with unemployment spells. The net replacement for families not entitled to cash housing assistance or social assistance ranges from below 40% in CZ, LT, SK and the UK to over 75% in DK, NL and PT. The provision of cash housing assistance or social assistance improves the net replacements rates significantly in some Member States, especially in CZ, LV, and the UK (Figure 7).

Figure 7. Net replacements of unemployment benefits for families entitled versus not entitled to cash housing assistance or social assistance, 2010



Source: European Commission (2014, forthcoming); DG EMPL calculations based on OECD-EC tax-benefit model

3.2 The role of minimum income schemes

Minimum income schemes (MI) provide cash benefits to ensure a minimum standard of living for individuals (and their dependants) that have either no other means of financial support, or whose resources fall short of a given level, despite including contributory cash benefits and support from other family members. MI schemes are considered as ‘schemes of last resort.’ They provide a safety net to protect people from destitution if they are not eligible for social insurance benefits, or

are no longer entitled to such benefits. **They play an even more important role in a crisis**, when the rise in unemployment has already had an impact on social assistance schemes.¹⁰

Almost all EU countries have some form of MI scheme at national level. Member States that do not have one, such as Italy, have some sort of scheme at regional or local level. These are generally conceived as a short-term form of assistance, though in most Member States, they are not formally time-limited. They are means-tested and funded through the tax system (i.e. non-contributory). They are intended mainly for people out of work, but some Member States (CY, DE, LT, FR, PT, RO, SI, SE and IE) have extended their scope to provide in-work income support.

In most Member States, MI schemes are designed at national level, while delivery is delegated to the local authorities.¹¹ An examination of various national definitions¹² shows that most Member States use a **statutory minimum level of income**, fixed by the (national, regional, local) legislator or government. Further classifications are possible along territorial arrangements, type of benefits (cash vs. in-kind), and existence of top-ups (or income tapers). Minimum income benefits in general are adjusted periodically.¹³ In none of the Member States is the minimum income level linked to national minimum wage.

The design of MI schemes varies widely among Member States. In terms of **comprehensiveness** (i.e. the extent to which MI schemes are non-categorical, thus applying to those on low incomes in general, rather than to specific subgroups), four 'broad' groups of countries can be distinguished.¹⁴

- **Group 1 (AT, BE, CY, CZ, DE, DK, FI, NL, PT, RO, SI, SE)** is characterised by relatively simple and comprehensive MI schemes, generally open to those without sufficient means to live in dignity.
- **Group 2 is smaller (EE, HU, LT, LV, PL, SK).** It has simple and non-categorical¹⁵ MI schemes accompanied by more restricted eligibility conditions.

¹⁰ Social assistance (SA) schemes represent the broader category including MI benefits together with other types of benefits such as housing benefits, child benefits and unemployment assistance benefits.

¹¹ In a few Member States, like Austria and Hungary, responsibility for policy decisions on SA benefit levels and eligibility conditions is partly delegated to regional/local governments.

¹² MISSOC Analysis (2011). *Guaranteed Minimum Resources*, MISSOC Secretariat for the European Commission, Contract nr. VC/2010/1131.

¹³ Most Member States do automatic adjustments following changes in the consumer price index (in some countries an increase will only take place if the consumer index is raised by a certain percentage (CZ, LU, BE)). Some Member States will only adjust at irregular intervals after a decision by the government (LT, EE), while in other countries this will depend on the available budgetary resources (BG, LV). However, the periodicity of adjustment varies from every 6 months (SI, NL), to each year (almost all Member States), up to once every 3 years (PL), or at irregular intervals (LT, EE). Source: MISSOC Analysis 2011.

¹⁴ Frazer H. and E. Marlier (2009) 'Minimum income schemes across EU Member States. Synthesis Report'.

¹⁵ Access to categorical benefits is restricted based on some personal characteristics (single, with children, etc.) non-categorical benefits are benefits with no restriction based on personal characteristics. .

- **Group 3 (ES, FR,¹⁶ IE, MT, UK¹⁷)** is characterised by a complex set of different and often categorical schemes that sometimes overlap but generally cover most of those with insufficient means.
- Finally, there is a small group of countries with limited, partial or piecemeal arrangements only covering narrow categories of people (BG, IT, EL).

Eligibility conditions (commonly related to age, nationality, residence, lack of financial resources and availability for work) vary significantly. In some Member States, where there are only piecemeal and categorical schemes, there are **people on very low incomes that do not have access to any form of MI scheme.**

Over the past years many Member States have **tightened eligibility conditions.**¹⁸ Conditionality has generally been increased and **availability for work** has usually been more tightly enforced for those are fit to work. There are often sanctions if beneficiaries fail to comply with the requirement that they must be available for work. Sanctions may lead to reductions in benefits, and to the loss of the right to SA benefits in more extreme cases. There is also a trend towards a stronger link between income support through MI schemes and **activation measures** including vocational training, job search assistance, and counselling.

MI schemes are of unlimited duration in all Member States. They are granted for as long as a person is in need of support, and need is monitored by regular checks that beneficiaries do indeed fulfil eligibility conditions. National MI schemes differ as regards the duration for which benefits are available after each application, so the frequency with which a claimant has to reapply varies. For example, in FR the Revenu de solidarité active (RSA) has to be renewed after three months, in BG, SI and LV after six months, while in PT, the period is 12 months.¹⁹

Considering overall income support, it should be noted that in some Member States, MI claimants also receive **additional assistance for specific needs**, such as housing benefits, contributions to fuel costs and means-tested child benefits. Though not formally classified as 'guaranteed MI benefits' these do contribute to the level of income that is actually guaranteed to people supported by MI schemes.

The theoretical adequacy of social assistance can be measured by the net income of people on social assistance relative to the poverty threshold (Figure 8). Countries differ substantially in terms of the minimum safety nets they provide to workless households, even relative to the at-risk-of-

¹⁶ This has improved with the introduction of the Revenu de solidarité active in 2009.

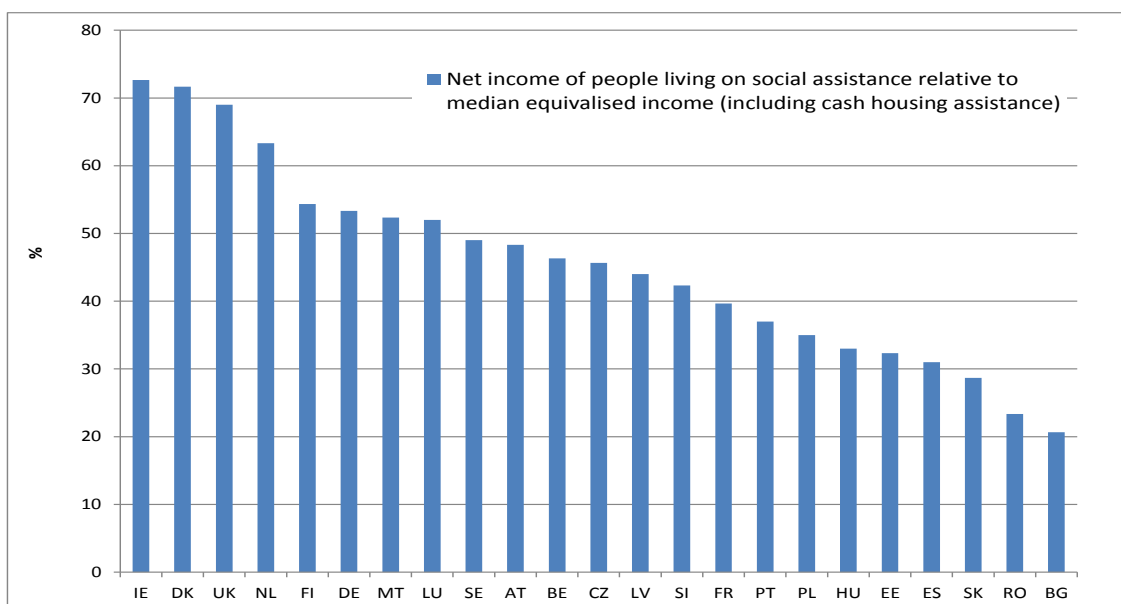
¹⁷ Although some of this complexity is being addressed in the UK by the gradual introduction of Universal Credit.

¹⁸ A follow-up survey, conducted in autumn 2011 and spring 2012, on the implementation of the active inclusion strategies at national level (based on pre-filled questionnaires complemented by MS information) found that more countries have implemented stricter eligibility criteria for minimum income (CZ, FR HU, PT, RO, UK) compared to those that relaxed eligibility (MT, LT) in the examined period (2008-2012).

¹⁹ MISSOC database for 2011.

poverty threshold, which depends on the living standards within each country. Only a few countries provide households with a minimum income and related benefits (for example housing) that are sufficient to lift them close to, or above, the 60% median income threshold, and this is true only for some family types.

Figure 8. Net income of people living on social assistance relative to median income, 2010



Source: OECD-EC tax-benefit model

3.3 The link between activation and income support

Active labour market policies help ensure that unemployment and social assistance benefit recipients and other jobseekers have a better chance of finding employment than they would otherwise have. Key features of such policies²⁰ are to establish and enforce work-availability and mutual obligation requirements, meaning that benefit recipients are expected to engage in active job search and improve their employability in exchange for receiving efficient employment services and benefit payment. By improving skills, they are better able to return to "reduce the risk of long term marginalization from the labour market." (Gallie and Paugam 2000). Overall, the **effective integration of activation policies and unemployment benefit systems** are seen as crucial in containing the potential disincentive effects of benefits²¹.

Measures to **increase access to and intensity of employment** are widespread, particularly in response to the economic and financial crisis. These measures usually fall under the broad category of **active labour market policies (ALMPs)**. Shared characteristics of ALMPs in Member

²⁰ See www.oecd.org/els/employment/almpp

²¹ This is confirmed by various macro-econometric evaluation studies that found evidence for interactions between activation policies and other policies, for instance that spending on activation policies mitigates the impact on higher unemployment benefits in rising unemployment (Bassaninin and Duval 2006).

States are **profiling, job counselling, educational training and (re-)qualification.**²² **Subsidised employment, public work programmes, short-term paid employment, traineeships and voluntary work** are among ways of reintegrating people into work. While all Member States have policies for the unemployed and job seekers generally, the degree to which these target those who are furthest from the labour market (e.g. social assistance recipients) varies substantially. However, some Member States (BE, DE, AT, FI, LU, PL, SI) specifically target these recipients by means of separate programmes.

Among the unemployed and recipients of social assistance and activation policies, Member States often identify different sub-targets for ALPMs, among which **young and older workers, low-skilled and long-term unemployed, migrants and people with disabilities.** For example, IE targets older workers, while the UK targets young people within the Jobseeker's Allowance scheme. DK and SE have separate schemes for older workers and young unemployed people. Measures currently in place in DE, SK, SI and ES tend to focus on the long-term unemployed. An overwhelming majority of Member States²³ **link the right to income support to the willingness to work and a minimum commitment to seeking a job, vocational or occupational training.** In SK, proving one's willingness to work and to accept a suitable job is only compulsory when applying for the highest level of income support benefit.²⁴

The conditions under which job seekers have to accept a job offer varies across Member States. In CZ and DE, job seekers are required to accept *any* job, even if it is short-term, or a mismatch with their skills. In LV, EE, SK, MT and NL²⁵, job seekers are obliged to accept *suitable* work only (subject to the relevant authority's assessment).

'Reluctant behaviours or attitudes' such as refusing a job offer or refusing to take part in ALMPs are generally penalised by sanctions. These vary, and include withdrawal of benefits and grants (e.g. in EE, SI, LT, CZ, EE), withdrawal of benefits (e.g. BG, CY, HU), suspension of benefits (e.g. LT, DK) or lowering the level of benefits (LV, IE).

If a job seeker is unable to find work, most Member States offer **vocational or occupational training.** Some also provide various counselling services which can cover advice to manage debt or addiction or psychological support (DE) during drug or alcohol rehabilitation (MT). In SI, job seekers may have to sign a contract with the Social Work Centre to take part in social and/or health programmes (SI). In other countries such as LU, an 'integration allowance' is available only if job seekers take part in an 'integration activity'. In NL, a young person who is not in employment

²² For a classification by type of action see Eurostat (2010). Labour market policy — expenditure and participants.

²³ MISSOC Analysis (2011). *Guaranteed Minimum Resources*, MISSOC Secretariat for the European Commission, Contract nr. VC/2010/1131, Page 17.

²⁴ MISSOC Analysis (2011).

²⁵ In the NL any job will have to be accepted after 12 months of unemployment.

or education (NEET) has the right to request a job or an offer of a place in education from the local municipality.²⁶

If occupational or vocational training is not successful, some public administrations provide **(mandatory) measures to ensure activation** (RO, BG, NL, LV, HU). This may mean compulsory involvement in **public works**²⁷ (e.g. providing social services, cleaning). This dimension should in many cases be complemented in order to improve job seekers' prospects of finding work, to avoid locking them into such schemes (LV, HU).²⁸

Back-to-work benefits (such as gradual phasing out of income support, tax allowances and in-work benefits) and **earnings disregards** (income that is disregarded when it comes to assessing tax liability) complement ALMPs in making it more attractive to take a job. Taxing labour income is a prominent element of every Member State's tax policy. So it is important to understand the underlying relationship between taxation and labour supply. Evidence suggests that **secondary earners** are much more responsive to wages (and thus taxes) than primary earners. If the tax burden is too high, **secondary earners might decide they are better off not working, or (more rarely), working fewer hours.**²⁹ Disincentives can also stem from joint taxation.

3.4 The role of enabling services in reducing labour market barriers

Active labour market services, aimed at increasing employability and attractiveness on the labour market, are essential for providing opportunities for employment. However, these services are often not enough to overcome remaining non-work related barriers to employment and job seeking activities, e.g. access to child-care, public transport and health counselling. Pairing both active labour market services with **enabling support services** increase possibilities and decrease obstacles to gaining and taking up employment. Provision of these services to long-term unemployed should be combined with access to benefits or social assistance to ensure basic financial support. Connection between support given by service providers and participation in the offered services is strengthened, with all parties being linked by mutual obligations to the fulfilment of the contract.

A key success factor is strengthened cooperation and coordination between all relevant actors (such as PES, authorities managing cash benefits and related support services, social partners,

²⁶ The recently adopted Youth Employment Package aims to tackle the phenomenon of NEET at Member State level. For more information see: COM(2012) 727 final.

²⁷ European Commission (2013). Public works – does it work? Issue paper prepared by DG EMPL, unit E5.

²⁸ Commission Staff Working Documents, Assessment of the 2012 national reform programme and convergence programme for Hungary and Latvia, SWD(2012) 317 final, SWD(2012) 320 final.

²⁹ In the US, for every 10% reduction in after-tax wages, primary earners work about 1% fewer hours, for an elasticity of labour supply with respect to after-tax wages of 0.1. Secondary earners are much more responsive to wages (and thus taxes), with elasticities of labour supply with respect to after-tax wages estimated to range from 0.5 to 1. Source: Gruber (2011) Public finance and public policy, Third edition, Worth Publishers, pp. 628.

private employment services, social welfare centres, NGOs, municipalities, training and education providers). This is because the jobless households and long-term unemployed have various barriers (e.g. care needs, income support, reskilling, counselling support, employment opportunities) which are addressed by a variety of actors.

While there is no overarching indicator on access to enabling services, there is information on access on four main service areas: early childhood education and care (ECEC), life-long learning, housing, and healthcare (see

Figure 9 below). The overall picture on access to services is rather mixed. On the one hand, the Scandinavian and Western European countries are characterized by relatively high access to services (with some notable exceptions such as Austria in case of ECEC or France in life-long learning³⁰). On the other end of the spectrum are the Member States from Eastern Europe that are characterized by low access across the board.

³⁰ Although caution is needed with the figure for life-long learning as after a break in the time series in 2013 the figure for life-long learning for France in 2013 is much higher (17.7% in 2013).

Figure 9. Indicators on access to enabling services (2010)

	Enabling services			
	Early childcare - factor	Life-long learning	Lack of adequate housing	Unmet need for care
DK	2.8	31.6	52.8	3.7
FI	1.5	20.7	20.8	3.4
NL	0.8	16.3	29.1	0.8
SE	1.2	23.5	42.4	4.1
FR	0.9	5.0	26.1	5.9
BE	0.5	7.0	28.9	2.3
AT	-0.9	14.3	32.2	2.0
DE	-0.3	7.2	32.1	4.0
SI	0.7	15.6	34.7	0.2
IE	0.0	6.4	16.4	2.3
UK	0.0	18.6	37.9	2.0
ES	0.5	12.0	26.5	0.4
PT	0.7	7.7	20.7	3.7
CY	-0.1	7.1	12.7	7.8
CZ	-1.2	8.1	45.9	1.0
IT	-0.2	8.4	35.2	7.2
MT	-0.8	9.2	9.9	1.5
EE	-0.1	9.5	41.5	6.3
HU	-0.8	2.8	53.2	2.8
LV	-0.4	4.7	50.5	23.7
PL	-1.2	5.8	48.6	7.5
BG	-0.9	1.6	39.1	22.7
EL	-0.9	3.4	55.4	5.6
LT	-0.6	5.0	44.7	1.4
RO	-0.8	2.1	54.0	7.5
SK	-1.1	5.0	46.9	2.0
LU	0.5	12.3	27.6	1.7
	SILC	LFS	SILC	SILC

Description of the set of indicators used to describe access to services.

Labour market oriented services	
Childcare up until 3 years old — factor (Eurostat, EU-LFS)	The analysis resulted in one factor (Chronbach= 0.88) on: Use of childcare for younger than 3 years old Average hours spent in formal childcare
Life-long learning and education — average (Eurostat, EU-LFS)	The average of the sub-indicators: Participation in education and training of low, medium and high educated aged 25–64
Other services	
Health care (Eurostat, EU-SILC)	Unmet demand for medical and dental care (18–44)
Housing services — average (Eurostat, EU-SILC)	The average of the sub-indicators: Housing cost overburden rate among the at-risk-of-poverty population (18–64) Overcrowding rate among at-risk-of-poverty population (18–64)

Source: *Employment and Social Developments (2013)*

Note: Figures refer to the year 2010.

Example of Member States' efforts in supporting social welfare services: the case of Estonia

In order to guarantee the quality and purposefulness of rehabilitation service, Estonia is splitting the service into two components: vocational rehabilitation and social rehabilitation. Such division enables to offer better-targeted services that result in higher effectiveness. Persons with partial capability of work receive rehabilitation services that are linked with their (possible) employment. Estonia also continues to implement a counselling services project for people with multiple problems and their family members. The target is people whose income is below or who are at risk of falling below absolute poverty line, who are recipients of subsistence benefit and have some additional problems (for example care burden, low social skills, low educational attainment, health problems, debts, insufficient social skills, etc.) that can be obstacles to participate in the labour market or may have difficulties with everyday coping are entitled to the services. In 2013, 45% of people who participated in the project maintained their job or started working and 27% started participating in active labour market measures. The project has significantly improved the use of the case management method in local governments. Based on the positive experience so far, the project will widen the scope of services that are offered in counselling centres, including specific experts (lawyers, clinical psychologists, psychiatrist and social pedagogues) in the network that delivers counselling services.

3.5 The need for a comprehensive policy approach targeted to individual needs

The assessment of the active inclusion strategies³¹ at national level highlights the importance of a **comprehensive policy response** to the rising unemployment and the resulting poverty, as well as of an **early intervention** for those at risk of becoming unemployed. The assessment clearly shows that Member States with robust social protection systems characterised by adequate income support, high coverage of unemployment and social assistance, access to enabling services, and strong activation policies have weathered much better the crisis. The provision of such comprehensive policy response might be favoured by the use of individualised integration contracts, the coordination of employment and social services, and/or the setting-up of one-stop shops.

The particular case of jobless households and long term unemployed, which often times combine a number of disadvantages, is a good example of the need for comprehensive measures to address the problem. It is important to contrast the social isolation and reach out to these families in order to connect them to the community. To these aim social services and particularly family centres offer good opportunity of (first) contact. Support for improving parenting and life capacities can be a first step to improve employability, as it has a direct effect on self-esteem and

³¹ **European Commission** Communication of 20 February 2013 *Towards Social Investment for Growth and Cohesion – including implementing the European Social Fund 2014-2020, CSWD 39 final.*

therefore on attitude. Often times these households are households with dependent children. IN relation to this, a recent review of activation policies in OECD countries (Martin 2014) finds that activation measures have been most effective for unemployment benefit recipients and also for recipients of sole-parent benefits when assistance is provided with child care.

Support for the labour market integration of the unemployed should be tailored around the **individuals' needs** and offer options which meet their skills and interests and avoid placing individuals into predetermined employment pathways. A correct assessment of skills and placement into different streams (e.g. through profiling) could allow to better tailor these services. Unemployed individuals must be transparently informed and aware of each step concerning their reinsertion path in order to improve their sense of ownership.

4. Results of the thematic in-depth review

The second thematic review of the 2014 SPPM 'trends to watch' focused on long-term exclusion from the labour market and the role of activating and enabling benefits and services for addressing it. The participating countries (DK, LT, BG and IE) outlined different challenges and policy approaches in addressing long-term unemployment. These conclusions draw on the results from this review.

Long-term unemployed people form a heterogeneous group with specific and different obstacles such as health concerns, difficulty in reconciling work and family life, social problems, or lack of skills. Understanding the profile of the target population is crucial to effectively implement policies and support their re-integration into the labour market. Measures to fight LTU need to take a **comprehensive approach tailored around individual needs** to be effective, including targeted activation, adequate income support and enabling services. Profiling can help to develop better targeted measures. Early intervention and preventative support to those at risk of becoming long-term unemployed is also important.

The potential of education and up-skilling in bringing people back into jobs differs in relation to the profile of the target population, their educational background, their potential and the concrete labour market situation. Skill mismatches cannot always be reduced. In some cases, there is no sufficient labour demand even for the highly skilled and educated long-term unemployed. Not all job seekers should be dealt with in the same way; one has to look at specific characteristics and see how these are best addressed. Specific groups need more attention and are often not sufficiently covered by the services of the public employment and other job search services. For example, the activation measures and training offers often do not suit the specific labour market needs of LTU with high education levels.

Both the individual and the household perspective need to be taken into consideration. In fact, jobless households are often confronted with a combination of multiple social problems. Better investigation and monitoring of the dynamics of jobless households and the way households enter and exit joblessness is needed. Single parents form another fragile group on the labour market, especially if coming from a low education and socially disadvantaged background. People with

disabilities, having a right to be integrated into the labour market, provide additional challenges for public employment services. Activation measures for people living in rural / remote areas are often underdeveloped; targeted investment is needed to compensate their difficulties in accessing the labour market.

Flexible approaches, in which people are supported to take up work also for a limited number of hours per week, depending to their capacities, can be a stepping stone to more complete labour market integration. For such an approach to work, it is crucial to motivate people to work gradually more hours and increase labour market participation. An active role by employers is also necessary. First experiences show that employers might indeed be willing to use and interested in such flexible approaches.

The design of the level and duration of benefits, contributory-based unemployment benefits, minimum income as well as related benefits, should ensure an adequate income while at the same time avoiding unemployment or inactivity traps. Reforms also need to ensure an adequate transition between unemployment benefits and minimum income schemes and an effective coverage. Supporting reintegration into the labour market requires linking these benefits to activating and enabling services. Reforms to tax and benefit systems can encourage employment by removing financial disincentives and ensuring smooth transitions into the labour market. Provide additional incentives for people to accept work such as receiving social benefits during the first months of employment in addition to their pay can help transition and cover initial extra costs in taking up work.

Systems should avoid having an excessive number of people permanently on assistance schemes and help to increase the returns on investment in continuous activation measures. This can include also targeted support for persons in vulnerable situations and / or those with care duties allowing them more flexibility between employment gains and access to benefits. There is potential value added of customised packages for services and ensuring a proper implementation of a "rights and obligation" approach in receiving benefits. Experience in some Member State shows that reducing the maximum duration of unemployment benefits can bring people quicker into employment, but the effects in long-term labour market integration require close monitoring. It is key that those who remain unemployed keep enrolled in active labour market schemes. This requires a closer cooperation between employment and social services.

Activation measures/ enabling services need to be timely, effective and efficient; for this monitoring and evaluation is key. The efficiency and effectiveness of public employment services and social services as well as the individual role, responsibility and workload of case handlers/employment promoters are a crucial factor. Also the cooperation and coordination between employment and social services to provide a more integrated support to long-term unemployed often needs improvement. Good practice examples are dedicated teams at local level, composed of different services and discussing individual cases, can ensure better coordinated support. A 'one-stop shop' approach can simplify and streamline the service and

improve take-up. Depending on the governance structure, empowering the municipal/local authorities can strengthen the offer and effectiveness of activation measures.