

ANALYTICAL PAPER

SUSTAINABLE INTEGRATION INTO THE LABOUR MARKET



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**SUSTAINABLE INTEGRATION
INTO THE LABOUR MARKET**

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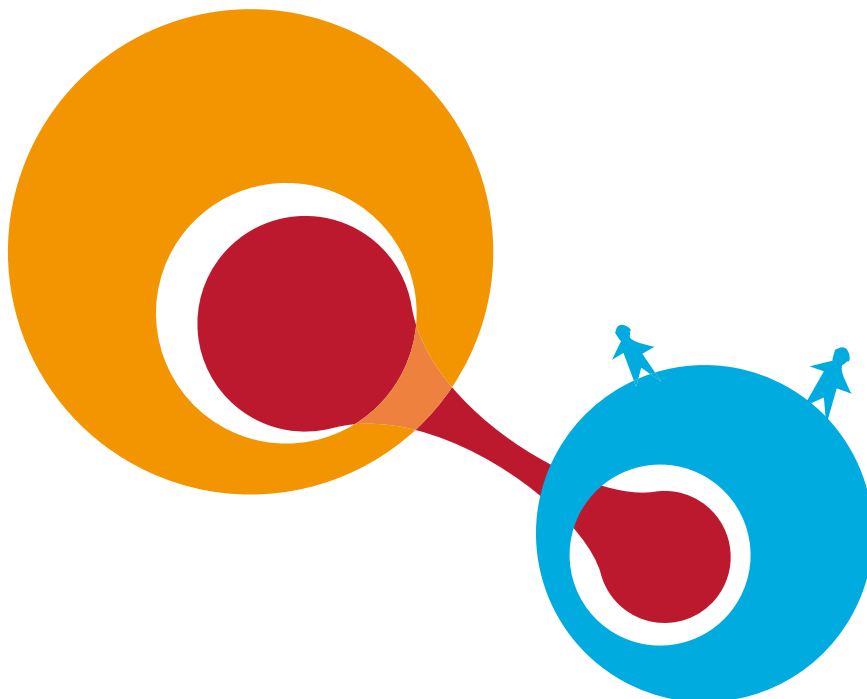
1. INTRODUCTION

Over the past three decades, as a result of changes in technology, work organisation and societal evolution, employment relations have become less stable and diverse labour market transitions have become a part of individuals' working lives. At the same time, disadvantaged groups (in particular the low skilled) face the risk of being trapped in 'low-pay no-pay' cycles. The problem of long-term unemployment affects over half of all European unemployed persons.

In order to address these problems, the PES 2020 Strategy highlights the need for Public Employment Services (PES) to act in ways that ensure the sustainable employment of jobseekers. This requires that PES adapt their approach towards integration. First, instead of simply finding placements and active measures for jobseekers, a greater emphasis needs to be placed on building a more continuous and long-term connection between job counsellors and their clients. This supports less autonomous jobseek-

ers beyond the point of re-employment. Second, PES need to build active partnerships with employers in order to develop a shared understanding of issues that unemployed jobseekers, especially those from disadvantaged groups, face after re-employment. These partnerships should also aim to make employers more aware of their options to adjust hiring policies and job design to ensure that the sustainable integration of unemployed jobseekers is consistent with meeting a firm's business needs.

There is an evolving body of evidence on the types of PES policies that work to support the sustainable employment of jobseekers. This report seeks to update the knowledge base by (i) specifically focusing on recent research evidence from the evaluation of pilots and by (ii) building on the insights gained at the PES Mutual Learning Thematic Review Workshop on 'Sustainable Integration into the Labour Market' held in November 2016.



2. THE CASE FOR SUSTAINABILITY

2.1 The broader policy context of promoting sustainable labour market integration

The PES 2020 Strategy highlights two aspects of sustainable labour market integration. The first concerns the aim of preventing a rapid return to unemployment, while the second is about supporting jobseekers in developing career management skills so that they can cope with transitions between different jobs, occupations, or sectors in the future. Sustainable activation is about finding the right balance between investing in skills development and achieving high quality matching between jobs and jobseekers on the one hand, and encouraging job search and a speedy return to the labour market on the other. Sustainable activation can then contribute to the engagement of jobseekers, employees, and employers in workforce development, and economic growth as a key strategic goal of European PES.

The overall approach of governments to tackling structural and cyclical unemployment has implications for the sustainability of jobs. These approaches tend to differ across European countries. Two aspects of government policy are especially relevant for the sustainability of employment: the extent of flexibility of jobseekers and employers within the labour market, and the level of financial security provided by the welfare regime.

Flexible labour market arrangements (e.g. no or minimal legal barriers to dismissing workers, low minimum wages, etc.) tend to induce greater job mobility. In some cases, this contributes to a lower sustainability of jobs. By contrast, generous benefit schemes with a high benefit level over a long duration may support sustainability by improving the quality of the job match, but may also lead to a rise in long-term unemployment.

Governments that endorse the flexicurity approach (and thus give equal priority to flexibility and income security) are typically less concerned with supporting job retention, but provide high quality matching services and Active Labour Market Policies (ALMP) (European Commission 2014b; Eamets et al. 2015; Eichhorst, Marx, and Wehner 2016). In this approach, benefits are generous but tied to behavioural conditions that encourage job search. Most Nordic countries follow this approach. Some governments give priority to flexibility over security, which typically implies limited employment protection. One

example is strict behavioural conditions around the receipt of benefits in the UK. In some other countries, income security takes precedence over flexibility, implying stricter employment protection legislation and a wider use of training or wage subsidies available to employees.¹ This approach was used by the German government as a response to the global financial crisis.

The PES has a key role in supporting sustainable employment in any policy context. However, the focus of PES activities may vary according to the broader approach of governments described above. First, the role of providing accurate information on vacancies and maintaining high quality job matching services is a high priority in flexible labour markets, which are typically characterised by more frequent movement between jobs and occupations as well as between labour market statuses. Second, if the government follows the flexicurity approach, the PES are typically expected to provide an extensive range of services and ALMP that facilitate labour market inclusion (European Commission 2014b).

2.2 The practical case for sustainable integration

For PES, there are three important goals: (1) to help jobseekers find gainful employment quickly, (2) to prevent the recurrence of unemployment, and (3) to ensure employers' needs and jobseekers' preferences are matched as closely as possible.

Rapid return to sustainable employment has advantages for the jobseeker, as it prevents protracted or frequent periods of unemployment or job insecurity. In turn, it runs the risk of demotivating jobseekers and eroding skills and employability. By averting the potentially negative effects of long-term unemployment, it counteracts the loss in human capital, the associated risk of poverty, the decreasing chances to develop skills on the labour market, and worsening health conditions. In turn, a good quality match between a jobseeker and an

¹ Some countries may also use pension policies to curb unemployment (i.e. reducing labour supply by easing the rules of early retirement), which was proven to be ineffective and also unsustainable (Layard, Nickell, and Jackman 2005).

employer implies higher productivity, higher wages², possibly more scope for upward job mobility, and a lower risk of job loss. Sustainable integration also facilitates more effective matching, from which employers also benefit. Decreasing the costs of excessive worker turnover and providing employees who can be more easily upskilled and integrated into work processes ultimately feeds into higher productivity. Achieving sustainable employment goes hand-in-hand with increasing the fluidity of the labour market, while the decreased search and matching frictions and lower misallocation of labour can ultimately result in productivity gains at the macro level, leading to higher economic growth.³

Moreover, sustained employment is helpful to the PES. It reduces the risk of an individual re-registering, which potentially has several (negative) implications. Re-registration will in most cases result in an increase in direct costs associated with benefit payments, as well as indirect administrative costs, such as the assessment of benefit entitlement. In addition, recurrent unemployment leads to deadweight effects, as the effort that goes into job matching and employer referrals is lost when the employment relationship dissolves. Recurrent unemployment also significantly decreases the cost-effectiveness of ALMPs. A further feature is employers 'churning' workers on hiring subsidies in the absence of adequate safeguards against system gaming – this results in no (net) employment for a programme.

2.3 Sustainable and rapid integration into the labour market

The PES toolbox for jobseekers comprises a range of measures and services that can be summarised as follows: (a) policies that increase job search incentives; (b) measures that improve individuals' productivity; (c) policies aiming to improve the individual matching process⁴. For some job seekers, some of these measures and services can imply a tradeoff between rapid return to employment and sustainable labour market integration. For

others, a rapid return to employment is a necessary precursor to sustainable integration. To understand the effects of these policies, we will briefly review the implications of job search theory, and then discuss empirical findings on the effect of these policies for sustainable employment.

2.3.1 PES policies: the theory

In job search models, the unemployed person – through a comparison of the discounted value of staying unemployed versus that of obtaining a job – assesses the payoff from job search activity and in turn decides on their optimal search intensity and minimum acceptable wage. Incentive policies may raise unemployed persons' minimum search requirements and/or increase the monitoring and enforcement of these requirements, and as a result raise the possibility of either returning swiftly to employment, or incurring a benefit sanction. These policies then make staying unemployed less attractive relative to working by (i) increasing the required level of search, which is costly to the unemployed, and (ii) decreasing the expected income of the unemployed through the possibility of receiving a sanction. Then the unemployed become less choosy (decreasing their minimum acceptable wage), leading to a higher job finding rate⁵. Therefore, job search incentive policies, by pushing jobseekers to find employment faster, can contribute to preventing spells of long-term unemployment. This is beneficial for the sustainable integration of jobseekers, since long-term unemployment can both erode jobseekers' human capital and serve as a negative signal of productivity to employers.

Encouraging unemployed jobseekers to seek work and accept job offers can induce faster return to employment. However, restrictive policies can lead to lower quality and less sustainable jobs. The issue then is whether (and for which groups of jobseekers) these jobs, often temporary, risk a more permanent occupational downgrading and are associated with bleaker prospects in the longer run. In contrast, there might be a case for accepting these lower quality jobs if they induce stepping-stone effects. More precisely, the prospects of landing a job offer for a stable, sustainable job while in temporary employment might be higher for some jobseekers than if they had 'stayed on the dole'.⁶ This can be due to (i) lower human capital depreciation during temporary employment, (ii) employers using tem-

2 The importance of good matches is underscored by the finding of (Raposo, Portugal, and Carneiro 2015); in Portugal, 38% of wage losses incurred by displaced workers are due to a loss of match-specific wage components, and not only due to downgrading of job titles or finding jobs with lower paying employers.

3 Hsieh, C.-T. and P. J. Klenow (2009) measure the impact of misallocation of labour and capital by comparing microdata on manufacturing in China, India and the US and. They show productivity gains from improving resource allocation (i.e. the quality of job matches) of around 30-6 2.30%.

4 Including services that increase individuals' information on the labour market or her own productivity.

5 This is obviously more likely if there is a relative abundance of vacancies.

6 In other words, the question is whether individuals can 'undo' the initial negative effects of restrictive policies on earnings (and job quality) by job-to-job mobility at a later stage.

porary employment as a screening device, (iii) gaining contacts in the work environment that lead to increased efficacy of informal job search.

Policies aimed at improving the productivity of jobseekers (either by re-training or on-the-job training) clearly have – according to job search theory – opposite effects relative to restrictive policies. Participation (or assignment on to such a programme) may raise the apparent value of staying unemployed if the future quality and quantity of job-offers is increased. Jobseekers may reduce their job search intensity and become more selective in the jobs they are willing to accept, leading to a lock-in effect with enhanced risks of long term unemployment and benefit dependency. However, through gains in human capital (and information) these programmes can lead to more job stability and higher wages for participants, which in turn leads to more sustainable employment.

Services such as job search assistance and career counselling, which aim to improve the individual matching process, are likely to have a positive effect on both rapid reintegration and expected income and employment stability. In formal models, counselling – by making (formal) job search more effective – increases unemployed persons' job finding rate.⁷ At the same time, with a better 'search technology', jobseekers will be able to secure more job offers, and can choose to be more selective in their search process. This implies that match quality can improve, which can lead to more sustainable employment.

2.3.2 PES policies: the empirical evidence

The empirical evidence to date is largely in line with the theoretical predictions above, and confirms that short-term re-employment vs. long-term employment stability effects may vary considerably for some measures. A recent meta-analysis (Card, Kluve, and Weber 2015) of impact estimates from over 200 econometric evaluations from around the world shows that the type of impact is different for job search incentive (threat) policies and productivity enhancing programmes, such as training. While the first type of policy produces sizeable positive short-term effects that completely disappear after one to two years, the positive impact of training programmes only appear in the medium to long run. In contrast to these policies, job search training and counselling

(Osikominu 2016), as well as intensive meetings with job counsellors (Rosholm 2014) have empirically been shown to produce large, positive short-run (re-employment) effects, and moderate, positive medium-run (employment stability) effects.

In line with the above discussion, a handful of empirical studies confirm that job search monitoring (and the associated threat of sanctions) significantly speeds up jobseekers' re-employment. However, it comes at the cost of having worse outcomes after re-employment in the form of lower wages, less job stability, and shorter work hours.⁸ The main issue then is whether jobseekers are locked into jobs of low match quality, which they have accepted in response to restrictive policies. While van den Berg and van der Klaauw (2013) find that in the flexible Dutch labour market, subsequent job mobility does reduce the negative effect of restrictive policies on long-term outcomes, in other countries jobseekers seem to be compelled to accept jobs that represent occupational downgrading, and which could lead to a loss of human capital (see (van den Berg and Vikström 2014) for Sweden and (P. Arni, Lalive, and Van Ours 2013) for Switzerland).

The latter results above also beg the question whether (and for whom) temporary jobs can serve as stepping stones to jobs of better match quality (and which might be more stable), and whether promoting return to the labour market leads to more sustainable outcomes than waiting for the 'right job'. The evidence on this issue is mixed: temporary jobs are beneficial only for specific, low-skilled groups, such as immigrants, those with low levels of education, and those who have a high probability of becoming long-term unemployed.⁹ This is particularly the case in relatively flexible labour markets when the labour market is tight, but much less so in labour markets characterised by duality. However, for more high-skilled jobseekers, working in 'low quality' jobs can act as a negative signal and lead to scarring effects, such as a long-term deterioration of career prospects. In contrast, in some cases it can act as an incentive to seek work more appropriate to their skill level.

7 There are two effects of counselling: it increases the job offer arrival rate, which increases the job finding rate; but an increase in the arrival rate also increases the reservation wage, decreasing the probability that a job offer is accepted.

8 These studies come from a handful of countries, see (Cockx and Dejemeppe 2012) for Belgium, (van den Berg and Klaauw 2006) for the Netherlands, (van den Berg and Vikström 2014) for Sweden. A series of papers have discussed job search monitoring and sanctions in Switzerland, see (P. Arni, Lalive, and Van Ours 2013), (P. Arni and Schiprowski 2015), (P. P. Arni and Schiprowski 2016).

9 See for instance: (Cockx and Picchio 2012), (Jahn and Rosholm 2014), (Mosthaf 2014), (Caliendo, Künn, and Uhlendorff 2016).

3. MEASURING SUSTAINABILITY

Monitoring the effectiveness of ALMPs as a proxy for measuring sustainable employment has a long tradition in most European PES. This is motivated by the need to assess the (relative) costs of alternative measures in PES quality management, and feeds into strategic and budget planning. In order to measure the outcome of ALMPs in terms of sustainable employment, most PES assess 'employment status six months after programme exit'. The data used for this purpose comes either from social security (unemployment insurance funds) or from jobseeker follow-up surveys.

More elaborate and precise measurement of post-placement employment durations is present or is possible in some countries in specific circumstances: in countries where a large share of services are contracted out and these outcome indicators are used for payment-by-outcomes schemes (IE and UK); where local jobcentres have considerable (financial) autonomy, and where benchmarking and performance comparisons are widespread (DK); and in countries where sustainable integrations are part of local jobcentres' performance indicators (DE). In Estonia, by exploiting the availability of up-to-date data on citizens' various outcomes from a large number of sources (and the possibility to link data in a timely manner), it is possible to have precise and prompt indicators of sustainable integration. However, it is currently only calculated and used for monitoring the effectiveness of ALMP.

In countries where unemployment and social security data can be linked, a wider variety of indicators can be used to offer a view of the sustainability of jobseeker outcomes. First, more detailed information on the number of days worked, or the number of spells of employment over an extended period after placement, can be used to infer aspects of sustainability that PES are interested in. Second, measuring match quality can be readily done using data on wages and background characteristics of jobseekers. If this data can be complemented with information on employing firms, with the help of statistical

analysis, one can disentangle where an individual is positioned in terms of the wage distribution (among persons of similar characteristics employed at similar firms). Third, the analysis of wage data over a longer period can be applied to evaluate whether PES services might have contributed to jobseekers overcoming wage losses due to job-loss, and whether they have been equipped with career management skills to advance in their workplace.

PES might also want to measure more qualitative aspects of the matching process. A focus of concern here would be, for example, whether jobseekers who found a job through referrals and their own efforts are satisfying employers' needs. This is important, since the lack of skills might be the prime reason why individuals are made redundant and are unable to stay in employment. While PES regularly carry out employer satisfaction surveys to get a handle on this issue, special surveys would need to be devised (where results are available for individual placements), with the associated risk of low response rates from employers. An alternative approach is to measure jobseekers' post-placement job satisfaction and well-being at work. However, much of what drives these outcomes is outside the scope of job counselors' influence and it is questionable whether some qualitative aspects of the matching process should be used to measure PES performance. Furthermore, on top of obvious measurement issues¹⁰, there is a more fundamental question: 'Is the aim of PES to increase jobseekers' job satisfaction, or their employability?' Jobseekers might learn relevant skills¹¹ even if their job satisfaction is not high, and this initial experience will help them move on to a job with more suitable characteristics.¹²

10 Such as, what are the relevant indicators, how to avoid substantial non-response etc.

11 As well as job experience contributing to their knowledge of own preferences, it contributes to increasing the effectiveness of their future job search.

12 For instance, (Gielen 2013) reports that 70% of job quits serve as stepping stone to a better quality job in the UK.



4. PROMOTING SUSTAINABILITY IN PERFORMANCE MANAGEMENT

It is unlikely that PES staff and external providers will work actively towards ensuring sustainable integration of their clients (jobseekers) in the absence of well-defined objectives and associated incentives. As PES (and external providers) have to work towards several goals with limited resources, it is most likely that they will put most effort into those tasks where output is quantifiable and precisely measureable, and which are part of their incentive schemes. Most PES do not include sustainable integrations in their quantified objectives, though rapid return of jobseekers is part of target setting in most PES. As stated above, there is a trade-off in some PES services between rapid and sustainable integration, current target setting, and performance management practices. This might imply that local jobcentres will pursue policies that are not conducive to sustainable integration.

How incentives in PES work have recently been analysed in the context of the UK Jobcentre Plus, where team and individual incentives were introduced between 2002 and 2004. Burgess et al. (2011) show that PES staff responded to incentives on quantitative measures, but not on qualitative aspects of their work. In other words, it seems that counsellors increased their effort on reaching targets (i) that were quantifiable and precisely measured, and where (ii) counsellors' efforts had direct effects on the target measures. (Bagaria, Petrongolo, and Reenen 2015) analyse how the different 'award points'¹³ might have affected client outcomes. 'Award points' are applied to the re-integration rates of different client groups depending on their distance from the labour market in the incentive schemes of Jobcentre Plus staff. Their findings are consistent with the notion that counsellors respond rationally to incentives. The findings show that the outflow rates for those clients where the 'reward' was higher increased significantly more than the outflow rates of clients closer to the labour market.

The discussion above points out that, in order to increase sustainable integration of jobseekers, it is important to incorporate indicators of sustainable integration into the performance management and target setting system of the PES. There are several as yet unresolved issues. First, sustainable integration falls outside of the remit of what counsellors are traditionally believed to have direct influence over. Second, given current data management setups (even in advanced PES), the time lag between the point at which counsellors exert effort and the point at which they receive feedback about the outcomes of their work can be one year, or even more. The German PES¹⁴ target setting is one example of the way in which a PES internalises the above issues. In response to criticism from the National Audit Authority that the German PES concentrated too much on quantitative aspects of its work (such as the 'integration rate into the labour market'), and less on qualitative ones, sustainable integration was introduced in 2014 as one of ten indicators measured at the local office level. Sustainable integration constitutes a very small part of the overall target setting index of local offices (only 7.5%). 'Integration rate into the labour market' and 'average duration of unemployment' still represent the two most important factors (with 24.5% and 17.5%, respectively). The inclusion of the sustainable integration rate indicator sent a strong signal, and local offices have responded by taking up policy options that are likely to be more conducive to it.

Most PES have not included sustainable integration in performance management¹⁵. Where PES use monetary incentives for their staff, they tend to be of modest value. Other factors such as the recognition of good performance, sharing good practices, and performance dialogues are found to increase performance. All these processes lead to staff at different levels of the organisation sharing the same vision of the mission and strategic objectives of

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13 The incentive policy (Job Entry Target system) explicit awarded points for job counsellors for the re-integration of different benefit claimant groups. A job counsellor was awarded 50% more points if he/she placed a person on Incapacity Benefit into a job than a long-term Job-Search Assistance beneficiary, and three times more points relative to a short-term Job-Search Assistance beneficiary.

.....
14 See Summary Report: Follow-Up Visit to the German PES: Performance Management in PES (2016) for details.

15 The notable exception is Germany, where achievements in terms of a composite indicator of performance targets (including sustainable integration) directly influence the bonus payments of local office managers.

the PES.¹⁶ In a few PES, indicators of the quality of interactions between jobseekers and job counsellors – which is presumably conducive to more sustainable integrations – are part of the performance management system. In the Estonian PES, the intensity of counselling and time spent in counselling sessions is regularly monitored by a specialist team. Furthermore, the local offices' performance targets include some aspects of quality of services for clients, and the quality of Individual Action Plans are an important aspect of this.¹⁷ Internal evaluators rate a sample of Individual Action Plans on a four-point scale on the basis of different criteria twice a year. The average score of IAPs per region and for the whole organisation is used as one of five 'quality-related' performance indicators. Well-compiled IAPs that thoroughly analyse a jobseeker's situation and provide relevant measures and quality counselling sessions support a quick and sustainable integration into the job market.

4.1 The power of monetary incentives: evidence on sustainable integration goals in outsourced services

In PES where the local offices are largely autonomous (DK), or where a significant portion of services are outsourced to private providers (IE, NL and UK), the PES gives sharp financial incentives to attempt to ensure that providers reach sustainable integration outcomes. The crucial issue in designing incentives is how to avoid creaming and parking activities by providers.

The importance of the design of incentives is underscored, for instance, in a recent study (Behaghel, Crépon, and Gurgand 2014) of an experiment of contracting out job search counselling. This experiment took place in France in 2007-2008. The contract rewarded private providers for quick and sustainable

re-employment outcomes.¹⁸ The authors show that private providers were in fact less successful in reducing the number of days spent in unemployment than the public provider¹⁹ as: (i) they did not increase exits to short-term jobs, and (ii) even though the private counselling did lead to a significant number of clients finding long-term jobs, they were less effective than the PES. The authors find evidence that this was likely due to 'parking' clients by the private provider. The large upfront payment resulted in providers trying to maximise the number of clients (irrespective of their needs or potential benefits from the programme) and offering them relatively low quality services.

The financial incentives for private providers in Ireland (in the Jobpath programme since 2015) and the UK (in the Work Programme since 2011) are structured in a similar manner to achieve sustainable outcomes. Providers receive a starting fee (upon the initial interview with the jobseeker), which amounts to as little as 7% of total fees in the UK (and was withdrawn in 2014) but is substantially higher (35%) in Ireland. Further payment is conditional on the jobseeker staying in full-time employment for three months IE or six months UK and for every subsequent quarter IE for up to one year, or every subsequent month UK for up to two years.²⁰ Both outcome-based payment schemes clearly reward providers for their clients' sustained labour market attachment.^{21 22}

16 This is in line with recent theoretical and experimental findings that 'motivated' employees' effort responds more to having a good match between their own and the employer's mission rather than to financial incentives. See (Besley and Ghatak 2005) and (Carpenter and Gong 2015).

17 The scores on performance targets also feed into local office managers' and job counsellors' bonus payments.

18 The payment structure was the following: 30% of the maximum payment is paid upfront, when the jobseeker is enrolled in the program; the remaining 70% is conditional on placement: 35% is paid if the jobseeker finds a job within six months, and the remaining 35% is paid if the worker is still employed after six months. To obtain the conditional payments, the jobseeker was to be employed on the primary labour market with an open-ended or a fixed-term contract of more than six month duration, and to work at least 110 hours/month.

19 The intensive counselling delivered by both the private provider and the PES was evaluated against the baseline service of no intensive counselling.

20 Both payment schemes contain differential pricing schemes based on the benefit categories (UK) or distance from the labour market (Ireland).

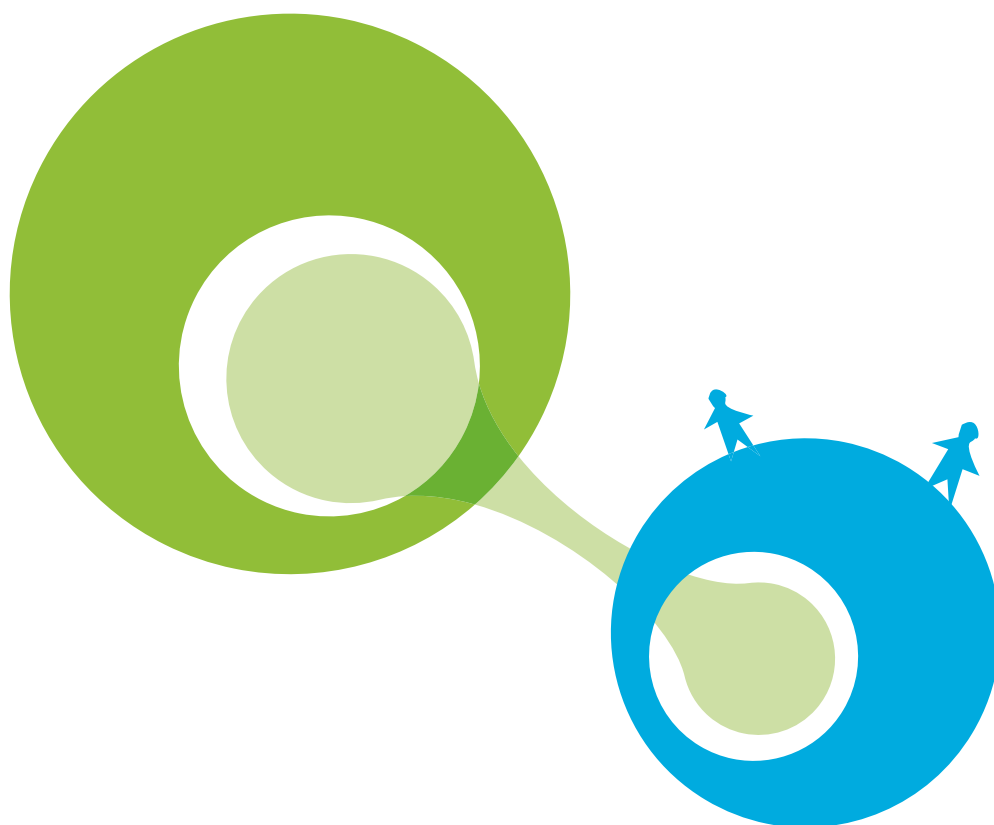
21 The Jobpath programme includes an innovative element to avoid cherry-picking: customers will be allocated either to the public or the private providers based on random draws.

22 An early report on the Work Programme by the National Audit Office found that the Work Programme was no more successful than the previous welfare-to-work programmes, but costs of provision were substantially reduced. (Finn 2016)

A reform of the financing of municipal Jobcentres in Denmark, which came into effect in 2016, also aims to promote quick and sustainable re-employment. The system of financing the costs of running Jobcentres and providing services to jobseekers combines a block grant payment, which covers administrative costs, and a separate system of refunds for social benefit payments. The recent reform incorporated a straightforward principle: the longer a benefit claimant is registered with the municipal Jobcentre, the lower the rate of reimbursement of benefit costs from the central budget.²³ Since the full funding

sequence for a claimant is only recommended if they have ceased claiming benefit for at least one year in a three-year period, the financing system does not simply encourage Jobcentres to 'push' jobseekers into rapid re-employment, but also to help them towards sustainable integration. This means that even if the jobseeker is able to find a job within a short amount of time, if their employment is not sustained for one year (for example, due to the jobseeker cycling between unemployment benefits and short-term jobs), the municipality will not be entitled to a high benefit reimbursement rate.

.....
²³ Between weeks 1 and 4 in the unemployment period the municipalities receive 80% of the benefit from central government; between weeks 5 and 26, 40%; between weeks 27 and 52, 30%; and after week 52, only 20%.



5. EFFECTIVE MATCHING TOOLS

There is growing awareness among PES that employers are not simply looking for formal qualifications and work experience in their recruitment process, but also for generic or soft skills such as adaptability, communication skills, diligence, and more. Furthermore, these skills are likely to be crucial for job retention. By adapting their job matching procedures accordingly, PES can affect not only their clients' chances of securing recruitment interviews, but also their job sustainability. In principle, the more accurate the description of jobseekers' skills and competences, the closer employers' requirements and preferences can be matched, leading to longer-lasting employment relationships. This can have knock-on effects: if employers become aware of the fact that they can better screen jobseekers via the PES matching tools, more of them could be willing to register their vacancies on PES websites, leading to more potential job offers for jobseekers.

With the development of IT solutions, increasingly sophisticated and automated jobseeker-to-vacancy matching tools can be developed by PES. Some PES are actively using these advances in technology (NL and EE), and have developed applications that send jobseekers a list of potential matches regularly. However, most PES perform matching based on formal qualifications and work experience, and might not have developed tools to channel forecasts of labour demand into their matching procedures. This creates several challenges for PES in promoting sustainable integration. First, there might be a discrepancy between what employers' are looking for when recruiting and what PES actually incorporate in their matching procedures. Employers often value generic skills, as they have to predict how the individual can fit in the organisation and these skills also influence job retention. PES' matching procedures often only incorporate formal qualifications, so these might be too 'crude' and may not contribute to encouraging 'good quality' matches. Second, by failing to guide jobseekers towards lines of work or occupations that are characterised by a growth in demand, PES are missing out on some straightforward gains in sustainable integrations. Third, most PES are yet to use assessments (usually conducted by counsellors) as a useful tool for matching and guidance.

The first issue has been identified by a number of PES, and some have started developing solutions to including generic skills in their job matching procedures. The Danish PES use an online questionnaire (Jobkompass) on soft skills, which allows jobseekers

to assess their strengths and access suggestions for job opportunities that match their profile. The voluntary online matching tool incorporates jobseekers' generic skills. The Austrian PES has revised and streamlined its matching procedure by reducing the number of job titles and introducing specific competences and qualifications, as well as generic skills that are needed for these more encompassing occupational categories. The Estonian PES is currently updating its automatic matching procedure to incorporate soft skills. As most PES currently use automated matching supplemented by face-to-face consultations with (and referrals made by) job counsellors, ascertaining jobseekers' soft skills and competences during an interview is largely dependent on counsellors' training on how to deduce them. A further current difficulty is that PES' vacancy reporting procedures for employers often only allow for hard skills requirements to be advertised.

Almost all PES collect statistics on vacancies and jobseekers, and many PES produce forecasts of labour demand based on these (sometimes at the regional level). In current practice, during face-to-face meetings counsellors discuss the possibility of adapting jobseekers' job search to focus on areas of opportunity where firms face recruitment issues. This, however, implies that job counsellors should have a good knowledge of the local labour market based either on forecasts, or by working together with employer counsellors. A second approach is to give information or feedback directly to the jobseeker on forecasts and/or current competition in occupations. The Austrian PES publishes easily accessible data on three-year forecasts about demand in detailed occupations and regions on its website. The PES in Netherlands and Denmark analyse the online CVs of jobseekers with similar competencies, report on possible areas of work and skills, and give feedback on ways to adapt job search techniques. For instance, 'CV quality cards' developed by UWV (NL) extract information on the search strategies and potential job matches of jobseekers with similar skills profiles. This is presented to jobseekers, who can see in a transparent way how skills are mapped to applications to specific types of jobs, as well as the supply and demand of different jobs. During face-to-face interviews, counsellors advise jobseekers on how they can improve their CVs by revising the job titles searched for, and eventually their job finding probability. Experimental evidence from a pilot has shown that the introduction of 'CV quality cards' have been of most benefit to jobseekers who initially had the weakest resumes. (For more information, see: European Commission 2014a).

6. PES SERVICES TO PROMOTE SUSTAINABILITY

6.1 Targeting PES Services for Jobseekers

Clearly, PES services in the form of counselling, frequent meetings, and post-placement support should be provided to those who need them the most. It seems sensible to target non-autonomous job searchers and those predicted to have a high probability of becoming long-term (or recurring) unemployed. Previous research on statistical profiling methods on job search behaviour as well as on the returns to various cognitive and non-cognitive skills in the labour market, provides some relatively well-established conclusions on these points.

First, it is clear that (on top of the well-known role that gender, age and education plays) past unemployment, benefit, and earnings histories are powerful determinants of future employment outcomes.²⁴ Given access to rich administrative data on jobseekers' labour market histories, information on the number of employers, employment spells, and their duration in the last 2-5 years can be used to target those who are predicted to have the least stable employment histories. In other words, there are significant gains to be had in analysing jobseekers labour market trajectories to assess who will likely need intensive services to achieve sustainable employment.

Second, a number of recent studies have demonstrated that jobseekers' beliefs about their job finding success (and wages), as well as their job search behaviour during the initial stage of unemployment (the number of job applications, the use of certain job search channels, their reservation wages) have an important influence on the amount of time they spend in unemployment. In practice, those who are optimistic have taken their own initiative, and those who are willing to make compromises in terms of salaries are most likely to experience only short spells of unemployment (see (Caliendo, Mahlstedt, and Mitnik, 2014), (P. Arni and Schiprowski, 2015b)). However, only a handful of European PES have incorporated self-assessment questions in terms of future job finding prospects, skills and limitations into their (self)-profiling tools in line with this finding, including Denmark and The Netherlands.

24 See for instance: (Rosholm, Svarer, and Hammer, 2004), (O'Connell, McGuinness, and Kelly, 2010), (Caliendo, Mahlstedt, and Mitnik, 2014).

Third, a number of studies have demonstrated that non-cognitive skills (or more precisely, certain personality characteristics) influence labour market outcomes (second to cognitive skills). It is important to emphasise that non-cognitive abilities play a particularly powerful role in influencing the length of unemployment for those with low formal skills (Lindqvist and Vestman, 2011), who are typically an important part of the stock clientele of PES. In particular, those who feel that they have little influence over their lives are more likely to have less belief in the likelihood of job search success, and accordingly search for jobs with a lower intensity and set lower reservation wages (Caliendo, Cobb-Clark and Uhlendorff, 2014). Certain personality characteristics, such as having high levels of neuroticism and an external locus of control, have negative consequences for job finding success, not only through job search behaviour (Caliendo, Mahlstedt and Mitnik, 2014). Thus, it might be worth trying to uncover low levels of self-efficacy for PES when considering the targeting of services.²⁵

6.2 Counselling Jobseekers

In contrast to other active measures and services, frequent meetings with caseworkers and job search counselling have been shown to lead to both quicker re-employment and more sustainable jobs. (Crepon, Dejemeppe and Gurgand, 2005) evaluated – based on French data – both job search assistance and programmes aiming to help jobseekers define what jobs would match their skills best²⁶. They found that job search assistance quickly increased re-employment and also largely increased subsequent job stability, while the other type of programme had

25 Note that the PES of Australia includes counsellors' assessment whether the client has motivation/self-esteem/self-confidence issues in their Job Seeker Classification Instrument.

26 In the job search programmes (which lasted up to 3 months) the jobseeker was assigned a personal advisor who helped him define the course of actions, teaches on job-search methods (for instance, CV writing), proposes job offers or interviews, contacts directly employers etc. In the other type of programme ('Bilan de compétences approfondi'), a personal adviser helps the individual to analyse his or her past experience, identify his or her skills and match them with a new employment project compatible with the state of the labor market. This programme lasts 20 hours on average, over a maximum period of 42 days.

a more limited and somewhat delayed positive effect on job finding rates, and also decreased unemployment recurrence.²⁷ (Behaghel, Crépon and Gurgand, 2012) also find that intensive counselling services in France significantly increased both exits to short-term jobs and jobs that lasted at least six months. This was largely due to the fact that counsellors were able to generate more job offers that corresponded to jobseekers skills and preferences, and hence more job interviews.²⁸ The intensive counselling was also conducive to strengthening jobseekers' self-confidence and job search motivation. A recent pilot of group-based counselling meetings of young, low-skilled jobseekers living in difficult neighbourhoods ('Club Jeunes Chercheurs D'emploi – Pôle Emploi.org' 2017) also reported positive results on exits to long-term jobs. Through the intervention, youth were successful in landing more interviews via counsellor contacts, the programme increased youths' job quality expectations, and it was conducive to more preparation for interviews.

Most recently (P. P. Arni, 2016) provides evidence on how an intervention, composed of more frequent counselling meetings and a job coaching programme that incorporated both self-assessment and job search assistance components, works based on a randomised control trial for older jobseekers in Switzerland. This programme was effective in increasing participants' re-employment rates and job stability, and as a result was also cost-effective. (P. P. Arni, 2016) also reports that the programme had important effects on job search behaviour: while participants did not apply for more jobs, they effectively reduced the number of search channels and reduced the minimum level of wages acceptable for them, and as a result of more effective search techniques, they landed more interviews. The programme worked through correcting jobseekers' overly positive beliefs while at the same time keeping up their motivation and self-confidence.²⁹

A series of experiments, which involved early and intensive counselling meetings (either individual or in a group format), have been conducted in Denmark. (Maiborn, Rosholm and Svarer, 2016) show that these meetings (with stronger effects for individual meetings between the job counsellor and the jobseeker) tended to increase re-employment and lead to a significant improvement in job stability, and were cost effective (especially the individual meetings). Van den Berg, Kjaersgaard and Rosholm (2012) show that individual meetings might be conducive to higher re-employment through direct vacancy referrals and through a gradual increase in jobseekers search efficiency. Blasco and Rosholm (2011) analyse how the positive effect of counselling meetings on sustainable integration comes about. They ask whether the rapid re-integration of jobseekers and this 'early' employment experience resulted in participants avoiding the potential 'stigma' of an extended unemployment spell, or the counselling lead participants landing jobs that represent better matches due to a more effective search strategy. Their evidence points to a larger role for the improvement in jobseekers' search 'technology', and they conclude that it is not necessarily the early timing of these meetings that mattered, but the quality of counselling provided.

It is now fairly well understood that frequent in-depth counselling meetings between jobseekers and their job counsellors are a very cost-effective approach. Several Member States have changed their PES service delivery to reduce caseloads for counsellors. The PES in Estonia, France, and Germany have set up caseloads of around 1:70 for those further away from the labour market. The Danish PES changed its intervention regime in 2015 towards more frequent meetings and intensive job search coaching. This means that in the first six months of unemployment, jobseekers meet their caseworkers once a month, and if the jobseeker is still unemployed after 16 months, an intensive, weekly contact regime is put in place.

6.3 Post-placement support

It is widely recognised that for certain jobseekers, not only is securing a job difficult, but holding onto one is equally challenging. In other words, integration into a workplace is an issue for some jobseekers, as they have to resolve a host of problems, and some disadvantaged jobseekers (the long-term unemployed in particular) might be ill-equipped to deal with these. Hiring might be largely due to 'hard skills' (qualifications, cognitive ability), but retaining a job may have more to do with one's 'soft skills'

27 While both types of programmes seemed more effective for individuals with previous unemployment experience than for newly unemployed, the job match defining programme was also more beneficial for younger jobseekers.

28 However, counsellors were less successful in helping jobseekers to uncover 'hidden vacancies' (non-published vacancies) which typically exist at smaller enterprises.

29 In an earlier experiment of job search counselling which was also conducive to increasing long-term employment stability, (Vuori and Vinokur, 2005) showed that the intervention had positive effects on both self-efficacy and the ability to deal with setbacks, which lead to more efficient job search on the part of participants.

(communication skills, conscientiousness) in the workplace. It is reasonable to believe that some PES clients not only need intensive support prior to finding a job, but will also benefit from their job counsellor's advice after placement. This support can be of further benefit, since employers will also profit from their new hires receiving counselling, and might therefore be more willing to hire jobseekers if they know that he or she will receive support post-placement.

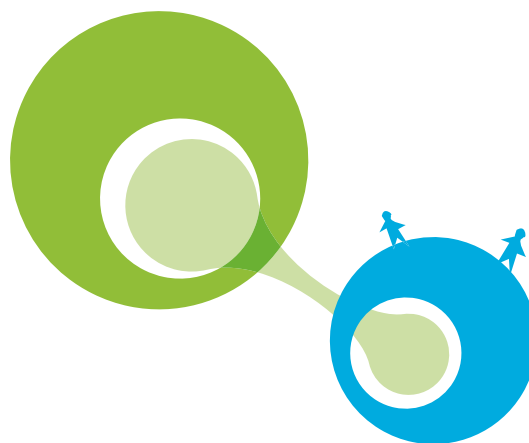
Positive evidence on these types of programmes remains somewhat limited. The Employment Retention and Advancement (ERA) projects were first piloted in the US, where single parents on welfare were offered intensive pre- and post-placement job counselling, in some cases combined with earning supplements. These projects demonstrated that counselling is only conducive to sustained employment and career advancement if it is coupled with financial incentives. Furthermore, emphasising employment stability (steady employment maintained through consistent work but not necessarily in the same job) rather than job stability was more beneficial.

The ERA approach was also piloted in the UK using a randomised control trial, where the older long-term unemployed were targeted as well as the unemployed and part-time employed lone parents. The services offered were centred around one-to-one support for up to 33 months from a personal advisor (which was delivered by Jobcentre Plus personnel) who provided guidance on job search and work-related issues, as well as on training opportunities and helped with arranging support from social services. Those who worked full-time could receive financial bonuses (for 1.5 years at most), and participants could also receive financial help for training. The evaluation (Hendra et al. 2015) followed participants for five years and yielded positive results for the long-term unemployed, but not for lone parents. This positive finding seems to re-affirm the view that a combination of post-placement counselling and work incentives can lead to higher employment even among the long-term unemployed. For this group, participants had higher employment rates and yearly earnings not only while in-programme, but for up to five years afterwards. In fact, while the programme lasted, participants found full-time jobs more quickly, but could not necessarily hold on to them longer; however, after the programme ended, job retention rates increased. Dorsett (2014) finds that the employment experience during the initial programme, as well as an increase in employability (partly due to training) lead to higher resilience for participants. Fur-

INA! 'Integration nachhalten' – German Sustainable Integration

The aim of the German follow-up support for clients of the local jobcentres is to maintain employment. This voluntary service is offered for a period of six months to those who have taken up employment liable to social security payments. The target groups for follow-up support are determined by the local jobcentres and may include, for example, long-term unemployed, low-qualified people, people with disabilities or recognised refugees. This follow-up support extends the fourth phase of the traditional German counselling model by helping in the reconciliation of work and family, supporting on-the-job training, supporting mobility aspects, working with the employer on the options to extend fixed-term employment, supporting job transitions, and arranging additional qualifications.

The nationwide pilot project tested the follow-up support provided to more than 3 000 clients of 18 jobcentres and 9 employment agencies in 2013. During the pilots, considerably more employment placements endured for customers who received post-placement support, compared to customers who had not been supported in employment. Moreover, customer surveys show a high satisfaction level with this service: more than 70% of those questioned who received post-placement counselling rated the service as good or very good after completion of their post-placement support. In addition, many local PES and jobcentres that participated in the pilots advocated for the implementation of post placement support.



thermore, as demonstrated by Greenberg, Walter and Knight (2013), the ERA programme was cost-beneficial for the long-term unemployed; for STG £1 invested in the programme, it yielded a benefit of STG £1.2 for participants (in increased income), and a benefit of STG £4 for the government (in the form of decreased welfare payments and increased tax payments).

Several European PES have recently launched or piloted programmes that include post-placement support for specific groups of jobseekers. Many of these are targeted at disadvantaged or long-term unemployed, or were incorporated in the Youth Guarantee. The most notable of these programmes was launched in 2016 in Germany, after a pilot targeting those with employment barriers yielded very positive results. In the same year, the French PES (Pôle Emploi) started a pilot of a short, three-month post-placement programme for jobseekers with low education. The providers in the UK Work Programme (for long-term unemployed) also offer in-work support services to facilitate sustainable employment and job progression. This service includes regular contact with the client after placement to check progress and offer additional support on personal or practical challenges (e.g. related to the job, transport or childcare, crisis intervention), as well as on training needs.

6.4 Working with employers to promote sustainable integration

To ensure sustainable integration of jobseekers it is of the utmost importance for PES to strengthen their active partnerships with employers. Traditionally, PES' toolbox of services and co-operation with employers was limited to vacancy collection and referrals, as well as agreements concerning wage subsidies³⁰ and apprenticeship schemes. While these services are still considered the primary tools for employers and have been widely discussed and fairly well understood, we will primarily review here more novel ways of employer engagement.

A clearly beneficial strategy for PES to help individuals making transitions is to engage with employers in cases where they experience economic difficulties, in order to moderate job shedding for firms and to prevent unemployment for employees. While in most European countries employers are only required to notify PES in case of collective dismissals, some mechanisms exist to help employees laid off due

to redundancies. At the employer level, most PES offer services to prevent downsizing, as exemplified by the Austrian PES' flexibility coaching. This service, implemented from 2005 to 2013, aimed to improve companies' flexibility to deal with structural changes, fluctuations in demand and upcoming redundancies in order to secure and increase employment. After initial contact, the so called 'flex-ability team' commissioned by the Austrian PES analysed the current circumstances of the company, identified the main problems and tasks, and involved relevant actors at the company level (e.g. management, board, employees). Then the private consultants from the 'flex-ability team' developed a 'flexibility strategy', which was followed up by actual flexibility coaching. Services targeted at employees who are given advance notice of redundancy are used in only a few countries and primarily involve coaching. In Finland, the 'change security' model guarantees 5-10 days of paid leave to look for a new job and to participate in re-employment coaching for (former) employees who had open-ended contracts and were dismissed due to economic reasons. In Croatia, a 'mobile team' (consisting of a labour market advisor, a legal advisor and a psychologist) is deployed to companies downsizing to help employees to search for a new job while they are still employed.

Keeping regular and direct contact with employers with the objective of identifying vacancies is the first step towards engaging firms to hire otherwise hard-to-place clients. In Germany, many jobcentres started to introduce teams, which contact employers with the explicit aim to acquire vacancies for low-skilled and/or inexperienced jobseekers. A recent evaluation of a randomised control trial conducted in France pointed to the benefits of keeping direct contact with employers (Aventur et al. 2016). A renewed service of the French PES consisting of contacting firms with the aim of identifying vacancies, an offer of free services, and also promoting harder-to-place jobseekers showed remarkable results. This programme not only leads to an increased number of vacancy postings to PES, but also significantly increases hires in open-ended contracts from the pool of registered unemployed. Furthermore, while a part of this increase in hiring was due to a substitution of fixed-term contracts with open-ended contracts (likely to be conducive to an increased sustainability of employment for PES clients), it also represented net employment creation as well as increasing the composition of new hires towards slightly less employable jobseekers.

Several countries use the strategy of offering some free services for firms in order to make PES' job matching process more effective. The aim is to

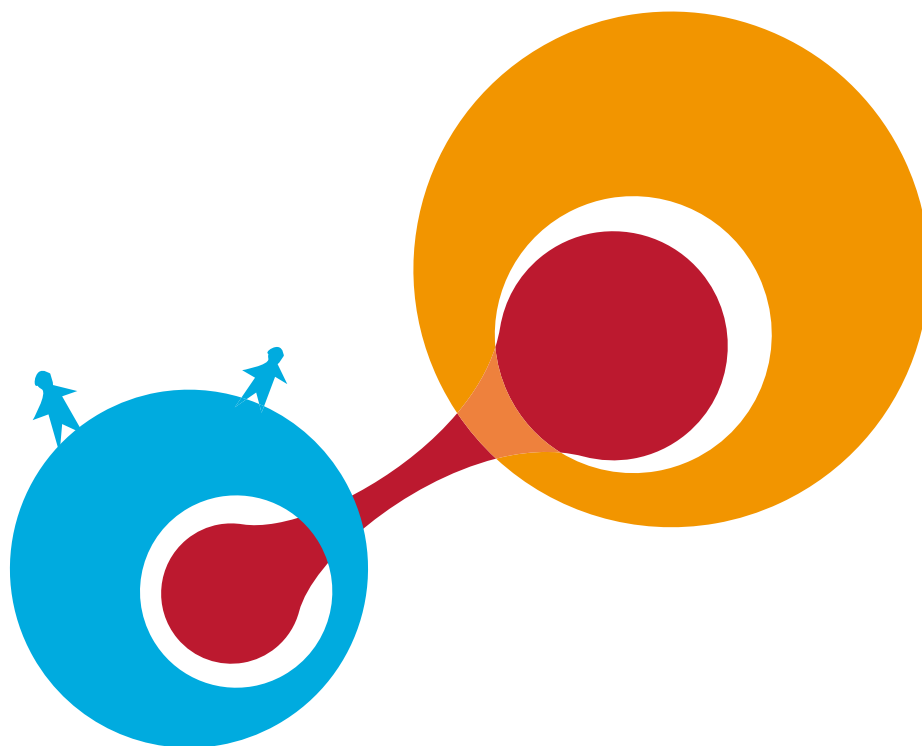
³⁰ On the design of effective hiring subsidies for youth, see for instance Bördös, Csillag and Scharle, 2015.

encourage employers to consider jobseekers who might normally be less employable based on their CVs alone. In the UK, the employer engagement strategy aims to promote the employment of job-ready long-term unemployed by providing an increased level of support to employers in exchange for the employer's agreement to consider interviewing candidates referred to them by the PES. Employment services might undertake aspects of the HR process for an employer, e.g. aspects of recruitment administration, issuing and sifting application forms. They will then select candidates for the employer to interview partly from one group of clients whose CVs suggest that they provide a very good match based upon their employment record, and partly from another group of clients who PES advisors have worked with and believe to be good candidates well suited for the vacancy, but whose paper records are not strong. Thus, this strategy is one tool for preventing long-term unemployment for disadvantaged jobseekers by facilitating access to interviews through employer engagement.

The French PES developed a job simulation recruitment process where jobseekers take part in exercises to measure their abilities. The simulation exercises are meant to simulate conditions that jobseekers may face in real work situations. The

objective of this exercise is twofold. On the one hand, it aims to help employers who face difficulties in their recruitment, which may be partly due to the fact that their proposed job requirements did not reflect the actual skills needed to perform the work. On the other hand, by providing a way for jobseekers to demonstrate their ability to perform tasks, it helps them to find employment based on their actual abilities rather than their professional experience (or formal qualifications).³¹ In Slovenia, the 'Career Challenge' projects aim to increase contact with employers and to make employers aware of jobseekers who have the relevant skills but, based on their CVs, are less likely to find employment. The project consists of publishing vacancies, organising sessions for employers where they can present the vacancies, checking CVs and organising interviews with candidates, reviewing the skills of candidates with a psychologist, or assessing the practical skills of candidates, and consulting with employers on the results. Additionally, all the candidates not chosen for the position then enter the process of career guidance.

³¹ French PES has reported that this practice is also effective for workers with a migration background who might still be developing their language skills.



7. CONCLUSIONS

Sustainable integration into the labour market is a clear policy priority for European countries, leading to more optimal outcomes for individuals and employers, enhancing labour market efficiency, and ultimately increasing productivity. As PES strive to play a conducting role in the labour market, it is imperative to put sustainability on their agenda and enhance their tools and services to this end.

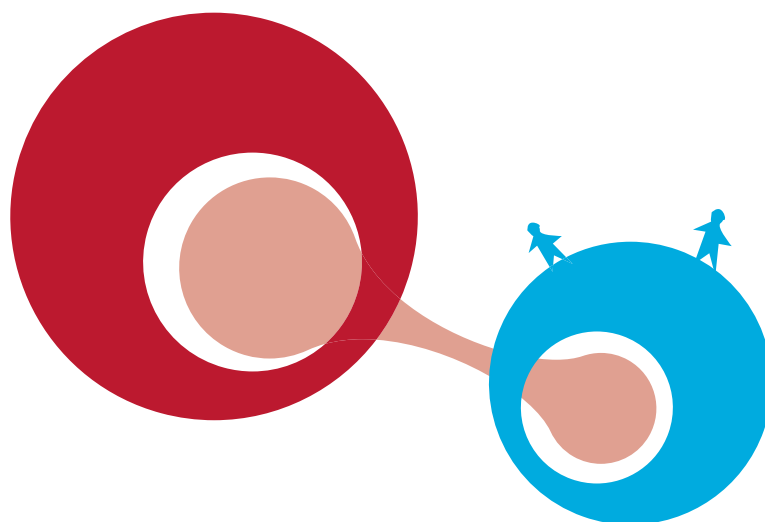
First, all PES need to define measurable performance indicators for sustainable integration and filter it through their performance management systems in order to have a common understanding of this objective at all levels of the PES organisation. In view of the range of data now accessible for PES, measurement of sustainable employment seems less problematic, though data protection concerns remain an issue. There is more to be done, however, on how targets for sustainability impact day-to-day work at lower levels of PES organisations, given that (a) the time-lag between job counsellors' effort and results on indicators can be substantial and (b) sustainable integration is an area where PES mostly have an indirect role.

Second, it is clear that PES should strive to have a better understanding of how to assess generic, or soft, skills on top of jobseekers formal qualifications and work experience, and how labour market trajectories determine jobseekers' job search behaviour and success. Furthermore, PES need to measure these skills and attributes in an operationally meaningful way. This is important in several respects. These need to be included in PES (automatic) job matching tools to achieve 'better matches' between

jobseekers and employers. It is also needed in order to have targeting of intensive services to those jobseekers who are less autonomous in their job search and who might face the risk of long-term unemployment or falling into continuous short-term employment and unemployment cycles.

Third, there is growing evidence that a judicious mix of job search and career counselling services and enhanced job search incentives can lead to rapid and sustainable re-employment. The most cost effective way of ensuring this is for jobseekers to have frequent and quality meetings with their job counsellors. There are some questions remaining in this respect: (i) does this approach work for jobseekers relatively far away from the labour market?; (ii) are there some individuals that job counsellors should 'push' for rapid return to the labour market, even if this is in the first instance into temporary jobs?; (iii) and should counselling continue after the jobseeker has found employment in order to coach them through the initial difficulties encountered in the workplace?

Fourth, PES should seek to build active partnerships with employers to enhance sustainable integration. This is important for several reasons: (i) it is imperative that PES gain a deeper understanding of employers' current and future skills needs, in particular what generic (or soft) skills employers find important both for recruiting and retention; (ii) through active partnerships PES can strive to find placement opportunities for those jobseekers whose qualifications and job histories might be weaker; (iii) post-placement job coaching needs to be delivered in a non-intrusive way that enhances employers' work processes.



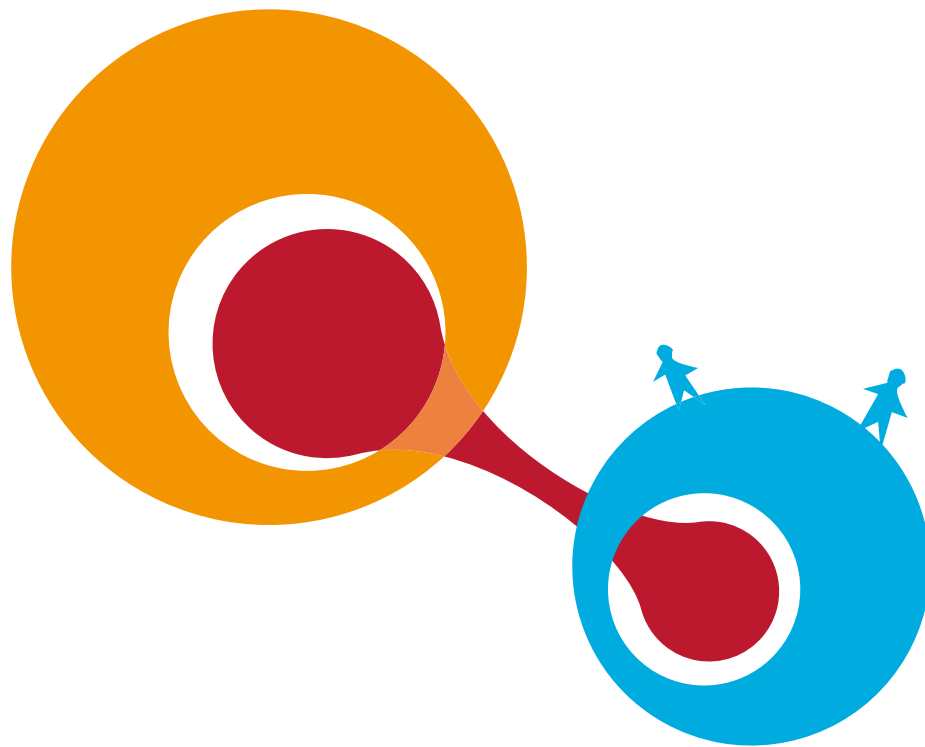
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