



## **The Employment Committee**

*Indicators Group working group on the Long Term Unemployed*

# **Indicator Framework for Monitoring the Council Recommendation on the integration of the long-term unemployed into the labour market**

*Revision of February 2018*

## A. Introduction

In February 2016, the Council adopted the Commission's proposal for a Recommendation on the integration of the long-term unemployed into the labour market<sup>1</sup>, hereafter referred to as the "LTU Recommendation".

The LTU Recommendation calls on Member States to:

- Encourage the registration of jobseekers with an employment service, in particular through improved provision of information on the support available.
- Provide personalised guidance to those concerned through employment services and other partners supporting labour-market integration.
- Offer a job-integration agreement to all registered long-term unemployed persons not covered by the Youth Guarantee at the very latest when they have reached 18 months of unemployment.
- Encourage and develop partnerships between employers, social partners, employment services, government authorities, social services and education and training providers to provide services that better meet the needs of enterprises and registered long-term unemployed persons.

In this context, **long-term unemployed (LTU)** refers to persons who have been unemployed for at least 12 months while **registered** refers to being registered as unemployed with the Public Employment Services (PES).

A **job-integration agreement (JIA)** is a written agreement between a registered long-term unemployed person and a single point of contact, which has the objective of facilitating that person's transition into employment on the labour market. Such agreements should define the individual's job goals, their obligations and corresponding deadlines. It should also detail a package of individualised measures available at national, regional or local level (such as those associated with the labour market integration, education, training and social support), offered to the individual by the service provider(s) to support them to overcome specific obstacles to employment. The JIA should be regularly monitored and, if necessary, adapted to improve the person's chances of transition into employment.

A registered long-term unemployed person (registered LTU) who has been provided with a job-integration agreement is known as a **JIA user**.

The Employment Committee (EMCO) has the mandate to monitor the implementation of the LTU recommendation, in close cooperation with the Social Protection Committee (SPC), through the

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<sup>1</sup> Council Recommendation of 15 February 2016 on the integration of the long-term unemployed into the labour market (2016/C 67/01): <http://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX:32016H0220%2801%29&qid=1456753373365>

multilateral surveillance within the framework of the European Semester and the Joint Assessment Framework. This monitoring should follow up on the extent to which registered LTU make use of JIAs, take up employment, and whether their integration into the labour market is sustainable. The European Network of PES should also contribute to this monitoring.

The Indicator Framework adopted to monitor the implementation of the LTU Recommendation at EU level comprises indicators at three levels:

1. **Aggregate monitoring:** Macroeconomic indicators monitoring the general labour market situation and living conditions of LTU in the EU and providing an indirect means of assessing the impact of the LTU recommendation.
2. **Direct monitoring:** Implementation indicators monitoring the delivery of services to implement the LTU Recommendation, focusing on the extent to which LTU are provided with JIAs and their transition into employment.
3. **Follow-up monitoring:** Follow-up indicators monitoring the sustainability of JIA outcomes (i.e. labour market integration) and the effectiveness of the JIA in the longer-term.

Each level of monitoring includes an overall indicator to measure the achievement of the objectives of the LTU recommendation, as well as supplementary and context indicators to provide additional information on the progress and impact of its implementation.

The data collection and reporting will take place on an annual basis for each level.

The indicators to monitor the LTU Recommendation will be integrated into the Joint Assessment Framework (JAF) through the creation of a new module devoted to the monitoring of the implementation and results of the LTU Recommendation. The module will feature indicators under each of the three levels of monitoring. In addition, the JAF Policy area on Active Labour Market Policies (PA3) will be revised to reflect the agreed indicators at the macroeconomic level of monitoring.

### **The development of the Indicator Framework**

The first version of the Indicator Framework for Monitoring the Recommendation on the integration of the long-term unemployed into the labour market was endorsed by EPSCO in October 2016. This revision takes account of lessons learnt from the first full data collection undertaken in 2017 (reference year 2016).

## B. Indicators for monitoring the implementation of the LTU Recommendation

### Data sources and definitions

Indicators at the aggregate level will be based primarily on data from existing sources that are harmonised at EU level: EU Labour Force Survey (EU-LFS)<sup>2</sup>, the EU Survey on Income and Living Conditions (EU-SILC)<sup>3</sup> and the EU Labour Market Policies database (LMP)<sup>4</sup>. A number of context indicators for direct and follow-up levels will also use these sources as well as the PES Bench learning data collection<sup>5</sup> and the European Commission's Tax and benefits database<sup>6</sup>.

The overall, supplementary and some context indicators for direct and follow-up monitoring require administrative data following individual pathways of LTU, much of which was not previously collected at EU level. A new LTU administrative data collection has been developed accordingly and the methodological manual for this collection constitutes an annex to this document. National implementation of the LTU Recommendation is likely to differ, but for monitoring purposes it is important that common definitions are applied. Member States are urged to ensure that data provided in the administrative data collection comply with the definitions provided in the methodological manual.

For two key concepts, however, there are some differences between the data sources that should be taken into account when assessing the implementation of the LTU Recommendation and its impact:

**Age group:** The LTU Recommendation aims to cover “all long-term unemployed not already covered by the Youth Guarantee” (YG), which effectively means LTU aged 25+ or 30+, depending on whether countries have applied the extended definition of youth or not. Direct and follow-up monitoring indicators based on administrative data collection cover LTU aged 25-64, except in countries applying the extended YG definition, where data cover 30-64. Data from LFS, EU-SILC and the EC Tax and Benefits database cover the age group 25-64. LMP data cover participants aged 25 or more.

**LTU:** The number of LTU derived from EU-LFS and EU-SILC do not correspond directly due to differences in how a respondent's activity status is recorded. In EU-SILC the activity status is based on a self-assessment by the interviewees and may not be entirely consistent with the ILO definition of unemployment applied in the EU-LFS - i.e. out of work (not even 1 hour in the reference week), currently available for work, and actively seeking work. Although the numbers resulting from the two definitions are broadly similar in most Member States, there can be significant differences, with the EU-SILC definition usually resulting in a higher number of LTU. Further, the number of registered

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<sup>2</sup> <http://ec.europa.eu/eurostat/web/lfs>

<sup>3</sup> <http://ec.europa.eu/eurostat/web/income-and-living-conditions/overview>

<sup>4</sup> <http://ec.europa.eu/social/main.jsp?catId=1143&intPageId=3227&langId=en>

<sup>5</sup> <http://ec.europa.eu/social/BlobServlet?docId=18857&langId=en>

<sup>6</sup> [https://ec.europa.eu/info/business-economy-euro/indicators-statistics/economic-databases/tax-and-benefits-indicators-database\\_en](https://ec.europa.eu/info/business-economy-euro/indicators-statistics/economic-databases/tax-and-benefits-indicators-database_en)

LTU (administrative data) are often substantially different from the numbers of LTU reported in the EU-LFS (survey data). The criteria to be registered as unemployed are usually broadly similar to the ILO criteria but vary across countries and some criteria may be relaxed. For example, in several countries it is possible to be registered as unemployed whilst having a small part-time job that is below a certain threshold of hours/income. Consequently, when the EU-LFS asks LTU whether or not they are registered with the public employment service the starting population is different so that the numbers reported to be registered will also differ.

## 1. Aggregate monitoring: macroeconomic indicators

Macroeconomic indicators are based primarily on data from EU-LFS but also on data from EU-SILC and LMP, and are intended to monitor the general labour market situation and living conditions of LTU in the EU. They represent an indirect means of assessing the impact of the LTU Recommendation.

The indicators presented below describe the context for implementation of the LTU Recommendation in each Member State and their evolution through time can provide an indication of its possible impact. These general indicators are complemented by the direct and follow-up indicators in order to separately assess the impact of policy measures from the general economic developments.

Aggregate monitoring of the implementation of the LTU Recommendation includes:

- **Overall indicator: long-term unemployment rate** of people aged 25-64 – i.e. the percentage of the active population aged 25-64 that is LTU.
- **Supplementary indicators:** these complement the overall indicator by providing information on the contribution of LTU to total unemployment, breakdowns of the overall indicator by age, educational attainment and gender and other complementary information on LTU such as their participation in activation measures, labour market transitions and the extent of poverty and material deprivation.
- **Context indicators:** these aim to measure the longer-term effects of the implementation of the LTU Recommendation.

### List of indicators at the Aggregate level of monitoring:

Indicator type	Indicator	Data source
Overall	<b>Long-term unemployment rate (25-64) (%)</b> Number of LTU aged 25-64 / Active population aged 25-64	EU-LFS
Supplementary	<b>Share of unemployed who are long-term unemployed (25-64) (%)</b> Number of LTU aged 25-64 / Number of unemployed aged 25-64	EU-LFS
	<b>Long-term unemployment rate (25-64) (%) by gender, age and educational attainment</b> Number of LTU aged 25-64 / Active population aged 25-64 ⇒ Data should be broken down by gender, age (25-54, 55-64), and educational attainment (low, medium, high) <sup>7</sup>	EU-LFS

<sup>7</sup> The level of educational attainment is based on the ISCED 2011 classification as used in LFS. Low level corresponds to ISCED 0-2 (less than primary, primary and lower secondary education), medium level to ISCED 3-4 (upper secondary and post-secondary non-tertiary education), and high level to ISCED 5 or above (tertiary education).

	<p><b>Activation rate of registered LTU (25 or over) (%)</b></p> <p>Stock of participants aged 25+ in regular activation measures (LMP categories 2-7) that were previously registered LTU / Stock of registered LTU aged 25+ plus the stock of participants in regular activation measures aged 25+ that were previously registered LTU and whose unemployment spell is broken by participation in a regular activation measure.</p>	LMP
	<p><b>Transition rate to employment for LTU<sup>8</sup> (25-64) (%) by age, gender and educational attainment</b></p> <p>Average of 4 quarterly transitions each calculated as:  Number of persons employed in the reference quarter and LTU in the previous quarter / Number of LTU in the previous quarter  ⇒ Data should be broken down by age (25-54, 55-64), gender and educational attainment (low, medium, high)<sup>7</sup></p>	EU-LFS
	<p><b>Share of LTU registered with public employment services (25-64) (%) by gender</b></p> <p>Number of registered LTU aged 25-64<sup>9</sup> / Number of LTU aged 25-64  ⇒ Data should be broken down by gender</p>	EU-LFS
	<p><b>At-risk-of-poverty rate for LTU (25-64) (%)</b></p> <p>Number of LTU aged 25-64 with an equivalised disposable income (after social transfers) below the at-risk-of-poverty threshold<sup>10</sup> / Number of LTU aged 25-64</p>	EU-SILC
	<p><b>Material deprivation rate of LTU (25-64) (%)</b></p> <p>Number of LTU aged 25-64 who are materially deprived<sup>11</sup> / Number of LTU aged 25-64</p>	EU SILC

<sup>8</sup> Transition rates quantify flows between different labour market statuses in consecutive quarters – i.e. proportion of people in situation X in one quarter who are in situation Y in the subsequent quarter. The annual figures to be used are the averages of four quarterly transition rates. Note that the data are experimental statistics produced by Eurostat.

<sup>9</sup> In EU-LFS, registered LTU = LTU for whom variable REGISTER = 1 or 2 (i.e. registered with a public employment service with or without receiving benefits/assistance)

<sup>10</sup> The at-risk-of-poverty threshold is set at 60% of the national median equivalised disposable income after social transfers (see [http://ec.europa.eu/eurostat/statistics-explained/index.php/Glossary:At-risk-of-poverty\\_rate](http://ec.europa.eu/eurostat/statistics-explained/index.php/Glossary:At-risk-of-poverty_rate)). The equivalised disposable income is the total income of a household, after tax and other deductions, that is available for spending or saving, divided by the number of household members converted into equalised adults; household members are equalised or made equivalent by weighting each according to their age, using the so-called modified OECD equivalence scale (see [http://ec.europa.eu/eurostat/statistics-explained/index.php/Glossary:Equivalised\\_disposable\\_income](http://ec.europa.eu/eurostat/statistics-explained/index.php/Glossary:Equivalised_disposable_income)).

<sup>11</sup> The definition of material deprivation is based on the inability to afford a selection of items that are considered to be necessary or desirable. Persons who cannot afford to pay for at least three out of nine of such items are considered to be materially deprived (see [http://ec.europa.eu/eurostat/statistics-explained/index.php/Glossary:Material\\_deprivation](http://ec.europa.eu/eurostat/statistics-explained/index.php/Glossary:Material_deprivation)).

<b>Context</b>	<p><b>Long-term unemployment rate (25-64) (%) by duration of unemployment</b></p> <p>Number of LTU aged 25-64 / Active population aged 25-64</p> <p>⇒ Data should be broken down by duration of unemployment (&lt;18 months, &gt;=18 months)</p>	EU-LFS
	<p><b>Transition rate to inactivity for LTU<sup>8</sup> (25-64) (%) by age, gender and educational attainment</b></p> <p>Average of 4 quarterly transitions each calculated as:</p> <p>Number of persons inactive in the reference quarter and LTU in the previous quarter / Number of LTU in the previous quarter</p> <p>⇒ Data should be broken down by age (25-54, 55-64), gender and educational attainment (low, medium, high)<sup>7</sup></p>	EU-LFS
	<p><b>Non-transition rate of LTU<sup>8</sup> (25-64) (%) by age, gender and educational attainment</b></p> <p>Average of 4 quarterly transitions each calculated as:</p> <p>Number of persons LTU in the reference quarter and LTU in the previous quarter / Number of LTU in the previous quarter</p> <p>⇒ Data should be broken down by age (25-54, 55-64), gender and educational attainment (low, medium, high)<sup>7</sup></p>	EU-LFS
	<p><b>Participation of LTU in education and training (25-64) (%)</b></p> <p>LTU aged 25-64 involved in education and training in the last 4 weeks / LTU aged 25-64</p>	EU-LFS
	<p><b>In-work poverty rate (25-64) (%)</b></p> <p>Persons aged 25-64 in employment with an equivalised disposable income (after social transfers) below the at-risk-of-poverty threshold<sup>10</sup> / Persons aged 25-64 in employment</p>	EU-SILC
	<p><b>Housing cost overburden rate among LTU (25-64) (%)</b></p> <p>Number of LTU aged 25-64 living in households where the total housing costs represent more than 40% of disposable income / Number of LTU aged 25-64</p>	EU-SILC
	<p><b>Unmet need for medical care of LTU (25-64) (%)</b></p> <p>Number of LTU aged 25-64 reporting they needed examination or treatment for a specific type of health care, but did not receive it or seek it / Number of LTU aged 25-64</p>	EU-SILC



	<b>Use of formal childcare for children less than 3 by LTU (25-64) (%)</b> LTU aged 25-64 who use formal childcare for more than 30hrs a week for children less than 3 years old / LTU aged 25-64 with children less than 3 years old	EU-SILC
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## 2. Direct monitoring of the implementation of the LTU Recommendation

The indicators outlined in the previous section, whilst useful and important, provide an indirect means of monitoring the effects of the LTU Recommendation. Thus, they need to be complemented by indicators that measure the actual implementation of the LTU Recommendation in each country and the labour market transitions that result from this intervention. Direct monitoring largely relies on a dedicated LTU administrative data collection following individual pathways for LTU. The associated indicators measure the use of job-integration agreements and the extent to which registered LTU regain employment.

Direct monitoring of the implementation of the LTU Recommendation includes:

- **Overall indicator: use of JIAs among LTU registered for at least 18 months.**
- **Supplementary indicators:** these complement the overall indicator by providing additional information on the use of JIAs among LTU registered for less than 18 months and the rate of transition into employment for JIA users (i.e. registered LTU having a JIA).
- **Context indicators:** these indicators provide additional information on the use of JIA amongst all LTU, the share of LTU unemployed for less than 18 months, the participation of LTU in employment incentive measures, transitions into employment within 6 and 12 months of unemployment, and the relative importance of social benefits received by LTU.

### List of indicators at the Direct level of monitoring:

Indicator type	Indicator	Data source
Overall	<p><b>Use of JIAs among LTU registered for at least 18 months (%) (25-64)<sup>12</sup></b></p> <p>Average annual stock of JIA users aged 25-64 unemployed for at least 18 months / Average annual stock of registered LTU aged 25-64 unemployed for at least 18 months</p>	Administrative data collection
Supplementary	<p><b>Use of JIAs among LTU registered for less than 18 months (%) (25-64)<sup>12</sup></b></p> <p>Average annual stock of JIA users aged 25-64 unemployed for less than 18 months / Average annual stock of registered LTU aged 25-64 unemployed for less than 18 months</p>	Administrative data collection

<sup>12</sup> 30-64 in countries where the YG has been extended to the age group 15 to 29.

	<p><b>Rate of transition into employment for LTU with a JIA (%), broken down by gender, age, and educational attainment (25-64)<sup>12</sup></b></p> <p>Number of JIA users aged 25-64 who exited to employment / Total number of JIA users aged 25-64<sup>13</sup></p> <p>⇒ Data should be broken down by gender, age (25-55, 55-64) and level of educational attainment (low, medium, high) <sup>14</sup></p>	Administrative data collection
<b>Context</b>	<p><b>Use of JIAs amongst LTU (%) (25-64)<sup>12</sup></b></p> <p>Average annual stock of JIA users aged 25-64 / Average annual stock of registered LTU aged 25-64</p>	Administrative data collection
	<p><b>Share of LTU registered for less than 18 months (%) (25-64)<sup>12</sup></b></p> <p>Number of registered LTU aged 25-64 unemployed for less than 18 months / Number of registered LTU aged 25-64</p>	EU-LFS
	<p><b>Activation rate of LTU (25 or over) (%), (LMP category 4 – Employment incentives)</b></p> <p>Stock of participants aged 25+ in employment incentive measures (LMP category 4) that were previously registered LTU / Stock of registered LTU aged 25+ plus the stock of participants in employment incentive measures (LMP category 4) aged 25+ that were previously registered LTU and whose unemployment spell is broken by participation in a regular activation measure.</p>	LMP
	<p><b>Transition from unemployment to employment within 6 and 12 months (25-64) broken down by gender, age, and educational attainment (%)</b></p> <p>Number of registered unemployed moving into employment within 6/12 months of unemployment / Number of registered unemployed moving into employment</p> <p>⇒ Data should be broken down by gender, age (25-55, 55-64) and education attainment (low, medium, high) <sup>14</sup></p>	PES Bench learning

<sup>13</sup> Total number of JIA users (i.e. registered LTU with a JIA) is a derived variable calculated as the sum of collected data on as the initial stock of JIA users and JIA entrants (i.e. new JIA users) in the year. See methodological manual.

<sup>14</sup> The level of educational attainment is based on the ISCED 2011 classification as used in LFS. Low level corresponds to ISCED 0-2 (less than primary, primary and lower secondary education), medium level to ISCED 3-4 (upper secondary and post-secondary non-tertiary education), and high level to ISCED 5 or above (tertiary education).

	<p><b>Net replacement rates for LTU (%)</b>  Net income of an unemployed person* receiving unemployment benefits, housing benefits and social assistance / Income earned previously in the job before becoming unemployed</p> <p>*Reference population is persons who are single, have been unemployed for 13 months and previously earned the average worker's wage.</p>	European Commission Tax and Benefits database
	<p><b>Share of LTU receiving any benefits (%) (25-64)</b>  Number of LTU aged 25-64 receiving benefits / Number of LTU aged 25-64</p>	EU-SILC
	<p><b>Share of social benefits in total disposable income of LTU (%) (25-64)</b>  Net income from social benefits received by LTU aged 25-64 / Total net income received by LTU aged 25-64.</p>	EU-SILC

### 3. Follow-up of individuals having signed an integration agreement

Follow-up indicators are needed to show whether sustainable labour market outcomes for LTU are achieved as a result of the implementation of the LTU Recommendation. These indicators will contribute to the monitoring of the effectiveness of the JIA in helping to integrate LTU into the labour market in the longer-term.

The indicators focus on registered LTU who have received a JIA (i.e. JIA users) and consider the labour market status of individuals 6 or 12 months after (1) a JIA user exits unemployment into employment or (2) a registered LTU receives a JIA.

Follow-up monitoring of the implementation of the LTU Recommendation includes:

- **Overall indicator:** the **proportion of JIA users who exited to employment that are in employment 12 months later**. This indicator aims to measure the sustainability of JIA outcomes.
- **Supplementary indicator:** this complements the overall indicator by providing additional information on the share of JIA users who remain unemployed 12 months after they received the JIA. This provides an indication of the (in)effectiveness of the JIAs.
- **Context indicators:** these indicators provide additional information on the proportion of JIA users who took up employment and are in employment 6 months afterwards, and on the demand for labour.

#### List of indicators at the Follow-up level of monitoring:

Indicator type	Indicator	Data source
Overall	<b>JIA users in employment 12 months after exiting to employment (%) (25-64)<sup>15</sup></b> Number of JIA users aged 25-64 who exited to employment and are in employment 12 months later / Number JIA users who exited to employment.	Administrative data collection
Supplementary	<b>JIA users still unemployed 12 months after receiving a JIA (%) (25-64)<sup>15</sup></b> Number of JIA users aged 25-64 unemployed continuously for 12 months after receiving a JIA / Number of JIA users aged 25-64	Administrative data collection

<sup>15</sup> 30-64 in countries where the YG has been extended to the age group 15 to 29.

<b>Context</b>	<b>JIA users in employment 6 months after exiting to employment (%) (25-64) <sup>15</sup></b> Number of JIA users aged 25-64 who exited to employment and are in employment 12 months later / Number JIA users who exited to employment.	Administrative data collection
	<b>Hiring rates by gender for LTU, by duration of unemployment (%)</b>	EU-LFS
	<b>Vacancy rate (%)</b> Number of job vacancies / (Number of occupied posts + Number of job vacancies)	EU-LFS