European Network of Public Employment Services

Activation of the Inactive: PES initiative to support the activation of inactive groups

Thematic Paper

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1. Introduction

The EU-2020 employment strategy aims to achieve a 75% employment rate for the population aged 20-64. The 'Europe 2020’ growth strategy is in part a response to the threat to economic growth and the welfare state over the coming decades due to the ageing population and the decreasing share of the working-age among the population as a whole. While several Member States have already reached the employment target and have even recorded employment rates above 80%, such as Sweden, Germany and the Czech Republic, other countries, such as Greece, Italy, Croatia, Spain, Belgium and France, are still struggling to reach the target.

In the context of the rapidly ageing population and in view of current and future labour shortages, it has become increasingly important to activate specific sub-groups of the economically inactive population (those neither employed nor unemployed) to ensure a sufficient labour supply, secure the financial stability of social security systems and to promote social inclusion and a more inclusive labour market.

Box 1: Definition of 'inactive'

According to the International Labour Organisation (ILO) definition, a person is economically inactive if he or she is not part of the labour force, meaning that the person is neither employed nor unemployed. Specifically, it refers to persons who are not working and are not seeking work (over the last 4 weeks) or available for work (within 2 weeks). In Europe, data on the inactive population is based on the European Labour Force Survey (EU-LFS). The inactive population is a very broad category and can include, for example, students, pensioners and homemakers, provided they are not in employment or registered as unemployed. This thematic paper applies the ILO definition of the working-age population (aged 15-64) while acknowledging its limitations and recognising, particularly from a policy perspective, the potential challenges in disaggregating the inactive population from other groups such as the long-term unemployed or underemployed.

The economically inactive have a varying degree of attachment to the labour market meaning that they also have a varying potential for activation. European Labour Force (EU-LFS) survey data on the ‘willingness to work’ as well as national research confirm that a significant share of the inactive population wants to work and is potentially available for work. Most individuals with an illness or disability have significant capacity to engage in productive work. Women may have exited the labour market to care for a child or other relative but would like to re-enter paid employment if opportunities were available. With the right incentives and individual support, older workers may prefer work to early retirement.

As the inactive population is not a traditional target group for Public Employment Services (PES), the European PES Network is interested in gaining new insights and to learn about good practices and expertise to activate the inactive population willing to work. A Thematic Review Workshop (TRW) on 14 and 15 January 2020 in Riga brought together PES representatives from Belgium (VDAB), Croatia, Czech Republic, Germany, Greece, Estonia, Iceland, Italy, Latvia, Lithuania, Poland, Portugal and Spain to exchange experiences on the ‘Activation of the Inactive’. The TRW took place under the Work Programme of the European Network of Public Employment Services and was hosted by the Latvian PES and co-hosted by the Flemish PES (VDAB).

This thematic paper is based on an input paper drafted in preparation for the event. It draws upon information provided in the questionnaire circulated among participating PES and inputs and contributions at the workshop including key findings and conclusions.
The document is structured as follows:

- It first provides an overview of the size and composition of the economically inactive population across EU Member States and explores the main institutional and individual barriers that people outside the labour market must face in taking up employment.
- It then focuses on sub-groups of the inactive population central to current policy discussions and reports on the approaches of the participating PES to support the activation of the following target groups:
  - People with health problems and disabilities;
  - Socially excluded and vulnerable groups such as young people, who are inactive NEETS (not-in-education-or-training) or homeless people;
  - Women with caregiver responsibilities and women with a migration background.
- Finally, it summarises the main findings of the workshop.

2. Background: Overview of the size and composition of the economically inactive

2.1 Who are the economically inactive?

Harmonised data from the EU-LFS provides an overview of the scale of inactivity in the EU-28. The majority (80%) of the non-employed population aged 15-64 are considered inactive and only about 20% are unemployed. In 2018, the inactivity rate at EU-28 level was 26.3%. Largely due to the increased participation of women and higher employment rates among older workers, the number of economically inactive persons has decreased since the beginning of this century. Despite this continuing downward trend, inactivity is still widespread in many EU countries.

As shown in Figure 1, on average almost one in four working-age people are inactive. The extent of inactivity varies considerably across EU Member States. It is twice as common to be inactive in Italy (34%) as in Sweden (17%). The inactivity rate in the other 26 countries is between these two positions. However, Croatia, Romania, Greece and Belgium also record inactivity rates above 30%.

Figure 1: Non-employment (inactivity and unemployment), 2018
Percentage of working-age population (aged 15-64)

Profiles of the economically inactive population are diverse and differ across Member States. Inactivity rates vary considerably in all countries depending on gender, age,
origin, educational attainment and work experience. The likelihood of staying out of the labour market is more than three times greater for those with low educational attainment than for those with high educational attainment. This relationship between education and inactivity applies irrespective of gender and age (Eurostat 2018).

Regardless of the national labour market situation, the rate of transition from inactivity to employment is usually low, which indicates there are structural barriers. However, in Member States where the inactivity rate has remained quite stable, the reasons for inactivity have often changed. In Belgium, for example, the size of the inactive population remained nearly stable between 2007 and 2017. However, the share of the inactive reporting sick or with disabilities increased from 16% in 2007 to 30% in 2017, while those in retirement decreased (Country report Belgium, EC 2019a).

2.2 Main reasons for inactivity

Using the ILO concept of the labour force, the inactive (neither employed nor unemployed) include people who are mainly in education or training (35% of the inactive), retired (14%) or suffering from illness or disability (16%). It also includes those who are looking after children or incapacitated adults, or have other family and caring responsibilities (17%), as well as those who are discouraged and think no work is available. Overall, the discouraged sub-group is quite small, only representing 4% of all inactive persons. However, in Italy, Portugal, Croatia and Latvia, discouraged workers remain relatively significant, with a share of more than 10% of all inactive persons.

Excluding persons in education or full-time training and those inactive for ‘other reasons’¹, the three main categories of inactivity in the European Labour Force Survey are (i) family and caring responsibilities, (ii) illness and disability, and (iii) early retirement, accounting for nearly half of all inactive persons in the EU-28. Based on EU-LFS data, Figure 2 presents an overview of the country-level differences of inactive groups excluding those in full-time education and training.

However, it should be noted that there are limitations on the international comparability of self-reported information in the EU-LFS. For example, inactivity due to disability may relate to country-specific definitions and particular institutional features. Hence, some people may identify themselves as retired if they receive a pension, or as disabled if they receive a disability benefit. It is noteworthy that in countries with high inactivity rates due to disability, such as the Nordic countries, (early) retirement is relatively insignificant, indicating substitution effects within the social benefit system².

2.3 Country-specific patterns of inactivity

An analysis of the inactive population (excluding those in full-time education and training) in Figure 2 shows that the inactive are a particularly large group in Poland, Croatia, Hungary, Slovakia, Ireland, Malta, Slovakia and Slovenia. In some countries, several sub-groups are above the respective EU average while in other countries (Germany, Latvia and Sweden) no group is larger than ‘at or above the EU average’.

¹ These groups are not considered in our analysis because they are not priority groups for activation. ‘Other inactive’ may include students who have finished education but who have not yet actively begun to seek employment. The European Labour Force Survey (EU-LFS) only collects the main reason for inactivity although other reasons might exist.

² When people in different countries state that they are inactive due to illness or disability it is quite difficult to disaggregate the (partial) inability to work due to physical or mental illness from national disability policies favouring the ‘medicalisation’ of labour market problems (Konle-Seidl/Rhein, 2018).
Taking into account the employment gaps of specific sub-groups (OECD 2018a) Figure 2 gives the following results:

- **Inactivity due to disability** is particularly common in the Nordic countries (Denmark, Norway) but the employment gap of disabled people compared to prime-age men is highest in Hungary (70%) followed by Slovakia and Poland. It is also high in Ireland (60%), the Netherlands and Belgium (52%). While some of the employment gap can be clearly attributed to the lower educational attainment of the population with disabilities, the remaining gap is difficult to account for, as the underlying causes cannot be directly measured.

- **Homemakers** with family and caring responsibilities represent a large group in many countries, including Malta, Cyprus, Ireland, Italy and Poland. Mothers (aged 25-54) with young children have particularly high inactivity and low employment rates, although the situation varies widely from country to country as a result of
different policies concerning the reconciliation of paid work with family life, including the cost of childcare when re-entering the labour market.

- (Early) retirement as the main reason for inactivity still prevails in Croatia, Slovenia and Austria.
- In 2016, for all EU countries, inactive NEETs account for 6.2% of young people aged 15-24. The inactive NEET rate varies considerably, exceeding 10% in three Member States (Bulgaria, Italy and Romania) (EC 2017b).
- The sub-group of discouraged workers, who think no work is available, remains comparatively high in Italy, Portugal, Croatia and Latvia.
- In a longer-term context, migrants (non-natives) are generally more likely to be inactive in all age groups than their native peers. While activity rates for mobile EU citizens aged 20-64 are, on EU28 average, even higher than for native citizens, the activity gap for non-EU born and native-born was 9 percentage points in 2018.
- Women with a migration background born outside the EU record a 20 percentage point lower activity rate than men born outside the EU. Refugee women have the lowest activity rates in all Member States. Bringing refugee women into employment is thus a particularly significant challenge in all Member States.

2.4 Activation potential

The stated reasons for inactivity in the EU-LFS do not necessarily imply that the individuals concerned cannot or do not want to work. The economically inactive have a varying degree of attachment to the labour market meaning they also have a varying activation potential. The EU-LFS asks respondents who are inactive whether they would like to work an hour or more per week even though they are not actively seeking work. 'Willingness to work' is prevalent among a considerable section of the inactive population. When 'willingness to work' is used as a proxy for activation potential, EU-LFS data suggests that about one in five of the inactive population are in principle interested in working (see Figure A1 in the Annex). This potential is higher in Ireland, Italy, Austria and Denmark with one in four willing to work3.

In absolute terms, prime age women (aged 25 to 49) represent the largest number in the inactive 'willing to work' group. Their reported willingness to work is high (32%). In particular, qualified women re-entering the labour market after an extended family break are a promising group for activation. The second largest group at EU-28 level are prime-age men who are inactive due to health problems or disabilities. By contrast, inactive older workers (aged 55-64) are on average less interested in seeking (full-time) employment, which makes them the least promising target for PES efforts (Eurostat 2019).

2.5 Institutional activation barriers

Differences across countries in the size and composition of the inactive population indicate that at national level there are different challenges and possibilities to activate the inactive. Often, inactivity is the outcome of choices and processes shaped by labour-market conditions, societal values, individual circumstances and the legal framework

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3 Studies based on detailed analysis of national LFS data confirm the willingness to work of different inactive sub-groups. In Austria, for example, 52% of inactive people with health problems or disabilities as reasons for inactivity say that they would like to work. In Estonia, 63% of recipients of incapacity benefits state that they would like to work. Among the NEET population, 42% of all inactive NEETs in Austria report that they are not looking for a job, but would like to have one. In France, 64% of inactive women with at least one child under three would like to work (Eurofound 2017).
regarding social security systems. The distinct patterns of inactivity at national level illustrated in Figure 2 above indicate that idiosyncratic institutional settings impact the extent of labour market integration of different social groups.

The different sets of policies in each Member State (e.g. pension regulations, the availability and cost of child care services, availability of parental leave and flexible work arrangements, conditionality of benefit receipt, income tax systems) may or may not provide incentives for the labour force participation of inactive groups. Conditionality of benefit receipt determines, for example, to what extent people are expected or required to work. They also determine how financially attractive work is and to what extent employment conditions can be adapted to provide a suitable work environment. Weak incentives to look for or accept a job can arise when there are only limited income gains from taking up a job or working, because net wages are low or because generous out-of-work benefits are withdrawn as people start to work. In addition, people may decide to limit their work because they have access to other income sources (e.g. spouses of well-paid primary earners).

The extent of disincentives to work varies from country to country according to

- Early retirement regulations;
- Generosity and access to social benefits, i.e. sickness or disability benefits;
- Lack of and/or high cost of childcare and long-term care services, and/or high marginal tax rates for secondary earners.

A lack of childcare is a strong disincentive for mothers with small children in Bulgaria, the Czech Republic, Greece, Poland and Slovakia. In these countries the low participation rate of children under three years in formal childcare is considered critical. In Ireland, Poland and the Netherlands, high childcare-related costs constrain the labour market participation of mothers with small children. In the case of Belgium, Germany and Denmark, there are economic disincentives for women to work more hours because of the high effective marginal tax rate for secondary earner, which constitutes an 'inactivity trap' and prevents women from (fully) engaging in labour market activities (European Commission 2017a).

Several Member States have reformed social security legislation to transform an inactive benefit (e.g. disability benefit) into an active benefit (e.g. unemployment benefit). The resulting activation of employable people of working age previously in receipt of disability, early retirement, single-parent allowances or other 'inactive' minimum income benefits mainly occurred in countries with high levels of benefit coverage and with a strong growth of non-employment benefit caseloads (e.g. disability benefits in the Nordic countries, the Netherlands or the UK)⁴. The transfer from non-employment benefits to unemployment benefits resulted in an increase in client groups for the PES.

### 2.6 Individual activation barriers

Besides country-specific institutional barriers, there are a set of common obstacles facing the inactive population at the individual level. These common activation barriers include:

- Low employability due to low educational attainment and/or lack of work experience;
- Health problems or disability;

⁴ The Dutch Disability Insurance reforms in the 2000s, for example, aimed at stimulating work resumption rates of those with temporary and less-severe impairments. While these reforms decreased disability benefit enrolment rates dramatically, they probably only slightly enhanced the work continuation of male individuals (not female) with poor health. The difficulty of bringing disabled workers back to work is explained by the high incidence of mental illness among the disabled who are still mainly awarded a disability pension (Konig/Lindeboom 2015).
- High level of social exclusion.
These barriers often interact. People with health problems and disabilities are among the main groups that face multiple barriers in finding employment. Illness or disability is the second most important reason for the inactivity of older workers aged 55-64 (EC 2018). Among inactive people with low educational attainment, it is particularly common to have no work experience or to have childcare responsibilities. Many inactive people who provide elderly care are also frequently limited by chronic health problems or disability. Hence, disadvantaged or vulnerable groups (individuals with disabilities and poor health, with immigrant background, ethnic minorities and individuals with low formal education) are overrepresented among the inactive population.
There are substantial variations in country profiles of the inactive\(^5\) stemming from the extent and type of barriers in each Member State. Data from the European Quality of Life Survey (EQLS) suggest that in some countries (e.g. Cyprus, Greece and Malta) five out of six barriers (low educational attainment, health problems or disability, at risk of depression, elderly care and childcare commitments, and a high social exclusion index) are particularly common. In other countries (e.g. Austria, Denmark, Finland, Netherlands, Germany) inactive people are not particularly likely to face any of the six barriers (Eurofound 2017).

3. The role of PES in activating the inactive
The PES mandate to activate specific groups among the inactive population very much depends on national policy priorities. Activating (all groups of) the inactive is usually not a policy goal of Member States, although Belgium is the exception\(^6\). The policy focus is usually directed at specific groups who are underrepresented in the labour market. These groups are mostly addressed by action plans (e.g. for youth or immigrants) or specific programmes (e.g. national programmes for older workers).

It is particularly challenging for service providers, including PES, to activate the untapped employment potential of distinct groups that face very different combinations of employment barriers. While PES are the main institutions in charge of activating the unemployed, the inactive population is not their traditional target group. The economically inactive are usually not registered with PES and therefore are not ordinarily PES clients\(^7\). They are often not eligible or actively targeted by many of the PES activation schemes.

PES activation measures often need to be based on outreach, particularly when the participation of inactive people is voluntary. One of the most common challenges faced by PES is the difficulty in locating and reaching out to the inactive population (EC 2018). In practice, outreach options depend partly on whether the PES already has a relationship to inactive persons in the target group. For example, if inactive persons receive welfare, parental leave, early retirement or disability benefits through the PES, or other state institutions, identification of and communication with inactive persons may be

\(^5\) A detailed analysis of national patterns of inactivity would highlight the country specificities of the challenges involved in activating the inactive. Such an all-encompassing study is, however, beyond the scale of this thematic paper. For example, the ‘faces of joblessness’ methodology, developed by the OECD in cooperation with the World Bank and the European Commission, uses such an all-encompassing approach (Fernandez et al., 2016).

\(^6\) In Belgium, increasing the labour force participation of the inactive is seen as a major policy challenge (https://ec.europa.eu/info/publications/2019-european-semester-country-reports_en).

\(^7\) Criteria for registering jobseekers differ across the EU. In some Member States, registered jobseekers may include individuals who are inactive or already employed. Registration with the PES is usually a pre-requisite for access to active labour market measures and job search support. Consequently, registration rates impact strongly on the ability of PES to reach out to the inactive population.
facilitated through these existing relationships\(^8\). Outreach often also depends on the cooperation with other organisation such as NGOs, women’s and migrant organisations or other specialised social services.

PES measures and services targeting the inactive population may build on the positive and effective elements of labour market activation programmes for the unemployed but must take into account the specific challenges, needs and preferences that the economically inactive face.

Coordination of services and management of information flows are often a challenging aspect of activation measures. Poor coordination seems to be a major issue in several countries (Eurofound 2017). In addition, service provision must manage the attitudes and perceptions of employers. Employers often use inactivity as an indicator of lack of motivation and other undesirable personal traits.

**4. PES approaches to activate the inactive**

**4.1 Inactive groups targeted by participating PES**

Prior to the TRW in Riga, participants were asked to specify which groups of the inactive population are targeted by their PES. The relative importance of inactive sub-groups among participating PES is shown in Table 1.

**Table 1: Relevance of inactive sub-groups among participating PES**

<table>
<thead>
<tr>
<th>Sub-groups of inactive</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Inactive NEETS</td>
<td>83</td>
</tr>
<tr>
<td>People with health problems and disabilities</td>
<td>58</td>
</tr>
<tr>
<td>Women with care commitments</td>
<td>58</td>
</tr>
<tr>
<td>Older workers (long-term unemployed or inactive)</td>
<td>50</td>
</tr>
<tr>
<td>Migrants/refugees</td>
<td>42</td>
</tr>
<tr>
<td>Other socially excluded</td>
<td>33</td>
</tr>
</tbody>
</table>

Source: Pre-event survey among participating PES (N=12), 2019

As shown in Table 1, inactive NEETs are still a priority target group of PES in most countries. In response to the Youth Guarantee Programme of the European Commission launched in 2012, most Member States have increased their efforts using all relevant policy levers to combat youth inactivity\(^9\). Youth Guarantee measures have been far reaching in several Member States (e.g. in Portugal or Latvia), contributing to lower youth unemployment and NEET rates. At EU-level, the current NEET rate (10.9%) is back to its pre-crisis level. There are, however, still large differences across countries and very high rates in some countries, particularly among immigrant youth (Eurostat 2019).

\(^8\) A number of outreach activities can be found in a study commissioned by the European PES Network (EC 2018, Table 4-3, 78).

\(^9\) There is an extensive literature on outreach to inactive youth and activation of NEETs including PES practices. Particular good or promising practices on the NEET issue have been highlighted in many documents and are therefore not further discussed in this paper. Most documents and evaluation reports on NEETs are collected in the Youth Guarantee Knowledge Centre: [https://ec.europa.eu/social/main.jsp?catId=13278&langId=en](https://ec.europa.eu/social/main.jsp?catId=13278&langId=en)
Specialised care for vulnerable youth

Member States such as Spain are therefore increasing their efforts to support particularly difficult-to-reach groups among the NEET population, such as young immigrant refugees, young people with physical disabilities or young Roma. Due to persistent high youth unemployment as well as high premature school dropout rates, the Spanish government has recently adopted an ‘Action Plan for Youth Employment’ (2019-2021) which builds, inter alia, on stronger collaboration with a range of stakeholders. A wide network of partnerships coordinated by the national PES (SEPE), established in 2017 to implement the Youth Guarantee Programme, is used to facilitate outreach to the difficult-to-reach groups mentioned above. The Action Plan includes a considerable investment in hiring additional youth mediators and guidance counsellors as part of a network of 3,000 youth information offices across the country. In this context, the Spanish Red Cross helps young refugees to register for the Youth Guarantee Programme. The Spanish National Organisation for Blind Persons (ONCE) helps young people with physical disabilities to do the same. The ‘Gitano’ Foundation, an NGO working for the citizenship rights and full inclusion of Roma persons, reaches out on behalf of the Youth Guarantee Programme to young Roma.

Older workers are more often long-term unemployed

Half of the participating PES provide services for older workers, mainly to the long-term unemployed and sometimes to inactive older workers. Activity rates among older workers have been rising over the past decade mainly due to pension reforms. With national differences in pace and composition, the closing of early retirement options and curtailed alternative paths to withdrawal from the labour market have contributed to declining inactivity rates among older workers (Konle-Seidl 2017). At the same time, older workers have become a growing clientele for PES as the rate of long-term unemployment among older workers has increased. Insights into challenges and good practices to bring (long-term) unemployed older workers back to work have already been highlighted in several documents and past workshops, and so they were not discussed further at this workshop.10

The following sub-groups were selected for further discussion at the workshop:

- People with health problems and disabilities;
- Socially excluded and particularly vulnerable groups;
- Women with care commitments and women with a migration background.

4.2 People with health problems and disabilities

Health problems are a key driver of inactivity and activating people with health problems and disabilities is a pressing issue for the majority of participating PES (see Table 1). To foster the labour market participation of disabled people, in the past, Member States have implemented a variety of policies such as anti-discrimination legislation, quotas to encourage the hiring of disabled job-seekers, greater provision of supported and subsidised employment, earlier vocational rehabilitation and a streamlined institutional set-up. Encouraging recipients of sickness and disability benefits to become more active in their efforts to seek work has also involved financial incentives compensating for lower

10 The toolkit ‘PES and older workers’ provides insights into challenges and good practices to bring unemployed older workers back to work (EC 2012). Promising practices are also highlighted in the PES knowledge database, such as ‘Still Active’ targeted at unemployed older workers in Poland. Nonetheless, given the persistent high long-term unemployment rates among older workers, there will be an increasing need for innovative employment promotion strategies for older (long-term) unemployed workers supported with the necessary resources.
earnings than previously, job-search support requiring contact with employment services and participation in rehabilitation programmes before granting a disability benefit.

However, rehabilitation services have remained underdeveloped, underfunded or underused in many countries. Spending on rehabilitation measures is very limited, except in the Nordic countries, France and Germany. Rehabilitation services in these countries are administered or signposted by the PES. Reviews of existing policies suggest that early intervention is important for people on sick leave or on other welfare benefits (OECD 2010, OECD 2015). However, the evidence about return-to-work policies is fragmented. Evaluation studies often focus on individual schemes, which are mostly linked to particular institutional environments. It is thus not easy to generalise from their results (Jones 2016).11

Against this background, representatives from the Flemish PES (VDAB) and from the Estonian PES presented promising approaches. Belgium and Estonia are both countries with an increasing share of inactive people due to health problems. Activating people with health problems is therefore high on the political reform agenda in both countries (EC 2019a).

The starting point of the Flemish approach is the belief that effective disability policies require coordination and extensive cooperation. To this purpose, all actors (PES, insurance funds, municipalities, rehabilitation centres, hospital departments, patient organisations, employers) are brought together in committees at regional level. VDAB is just one actor, although an important one, in such an ‘eco-system’. According to VDAB, a key lesson from the Flemish example is that investing in cooperation with all stakeholders pays off. Using a common language and vision (‘focusing on ability instead of disability’) is often a first important step to build real cooperation based on a person-oriented and multi-dimensional approach. In the view of VDAB, one of the main impediments to activate sick people is the benefit system. Sickness benefits in Belgium are paid without any time limit and therefore do not particularly ‘motivate’ people to return to work.

In contrast to Belgium, the starting point of activation measures in Estonia consists in strengthening the link between benefit receipt and labour market participation for people with reduced work ability. The Estonian PES is a key actor in implementing the ‘work ability reform’. To support the reform, the PES changed its service model by extending their active measures and by reforming employment counselling. There are now three types of employment counsellors: job mediation counsellors, case managers, and disability employment counsellors. The workload has decreased and each disability counsellor is responsible for not more than 100 clients (see box 2).

The work ability reform is considered successful as in the three years since its launch it has led to an increase in the number of people with long-term health problems and disabilities registered with the PES. It has also led to an increase in the number of sick people in work. Nearly every second jobseeker (44%) now finds a job within 12 months after registration.12

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11 The German case is illustrative in this respect. Within the comprehensive German vocational rehabilitation system, further training measures commissioned by the PES have shown a positive impact on the re-integration of persons with health limitations (Reims/Tophoven 2018). However, the German example might be difficult to apply in countries where rehabilitation services have remained underdeveloped and underfunded.

12 Further information on the work ability reform in Estonia can be accessed here: https://ec.europa.eu/social/BlobServlet?docId=21923&langId=en
Box 2: Work ability reform in Estonia (2016)

**From disability to work ability**

**Fundamental changes**
- A work ability assessment focusing on what people can do, rather than on their limitations;
- Work ability benefit – a flat rate amount with earnings-related reductions;
- Activation – anyone at least partially able to work is required to be active and either work, study or look for a job with the help of the local PES office;
- Employment counselling and social welfare measures were broadened and extended.

**PES as a key actor supports the implementation of the reform by:**
- A new service model with disability counsellors and chief consultants;
- Lower workload and more time allocated for counselling;
- Providing a range of new measures (e.g. work-related rehabilitation, peer counselling, supported employment).

**Main levers**
- Changes in social security legislation ('conditionality');
- Mind shift ('focusing on ability instead of disability') among all actors (employers, doctors, patient organisations and society in general);
- Specialised PES staff and adequate staff and IT resources, timely delivery on promises.

**Remaining challenges**
- Existing skill gaps among the target group;
- Quality of work offers (income, sustainability);
- Limited availability of social services.

*Source: Author’s compilation based on the Estonian PES presentation at the workshop*

4.3 **Socially excluded and other particularly vulnerable groups**

In order to support the goal of promoting the active inclusion of all citizens, particularly the most disadvantaged, several Member States have adopted action plans to promote the active inclusion of vulnerable groups, specifically youth, homeless people, victims of domestic violence and refugees.

**Outreach to victims of domestic violence and homeless people**

As part of the ‘Action Plan on Preventing and Combating Violence against Women and Domestic Violence’ (2018-2021), the Portuguese PES (IEFP) is responsible for implementing measures to empower victims, particularly through their integration into active labour market programmes (ALMPs) or employment. The PES does so by giving priority to domestic violence victims when it comes to registration, access to job offers, and integration into training or active employment measures. The PES seeks to create a safe environment for the victims of violence by holding meetings with them in a private environment and by assigning a caseworker as a fixed contact person in each local office.

The PES also has a major role in preventing homelessness and in supporting the social and professional reintegration of homeless people. However, only 20% of this target group register with the PES. Homeless people are assisted with an individual action plan and a personal caseworker liaises with the authorities responsible for initiating the
intervention in the first place. However, the PES faces serious limitations when preparing these vulnerable groups for labour market integration. Labour market support for homeless people as well as for victims of domestic violence is often constrained by a variety of more fundamental problems such as health and emotional problems, frequent changes of address, lack of social skills and difficulties in complying with timetables and rules. Often, PES can only usefully act after other institutions have resolved such problems.

*Joining forces for effectively activating welfare recipients*

In the past, activation of the unemployed has involved changes in administrative arrangements in order to coordinate the provision of unemployment and other out-of-work benefits more closely with the employment services so as to increase the responsiveness and effectiveness of activation policies. For example, Germany, France and the Netherlands have created ‘one-stop shops’ by merging employment services with the administration of welfare benefits (Clasen/Clegg (eds.) 2011). In other Member States, a more effective cooperation between benefit and employment services remains a challenge. The Latvian PES emphasised the need for a more effective cooperation between social services and the PES to activate disadvantaged social assistance recipients. In Latvia, municipalities are responsible for social assistance ('welfare') and the PES is in charge of activating recipients. The labour market integration of welfare recipients has been hampered in the past because benefit recipients could play off the PES and the social service against each other. There were no consequences in terms of welfare benefits for non-compliance with PES demands. A regional PES branch recently set up a pilot project to develop a joint approach to their common clients. The pilot aims to share information via a common database and to align individual action plans. The most disadvantaged sub-groups among welfare recipients such as single parents are offered temporary subsidised employment under the public work scheme. Apart from this cooperation with municipal social services, the PES actively promotes the involvement of NGOs in PES services, for example with social mentors.

### 4.4 Women with caregiver responsibilities

For the majority of participating PES, women with care commitments are a relevant target group (see Table 1). As mentioned above, economically inactive working-age women present an important unused potential for the labour market. Mobilising this potential is usually a joint responsibility of several institutions, including the PES, regional and local authorities and the social partners.

Some but not all Member States have introduced targeted measures to encourage *women with young children* to re-enter the labour market. These measures include work-life balance policies such as gender-balanced family-related leave, flexible working arrangements and formal care services, as well as policies to limit the economic disincentives for women to work (EC 2017a). A range of services is provided to inactive women. A substantial share of the target group already has a relationship with PES or to another governmental body, as they are recipients of social benefits, or mandatory social contributions. The most commonly used outreach strategy is to refer clients within or between public institutions. Information leaflets, posters, websites or phone assistance are practices used to spread information about existing services (EC 2018).

Measures often explicitly target the transition from childcare and family responsibilities. Numerous local European Social Fund (ESF) projects aim to compensate for skills obsolescence during maternity or parental leave. A second type of measure aims at providing financial incentives for re-entry into employment, through subsidised childcare or other services. A review of PES measures shows that several PES offer special employment counselling combined in some cases with training to women wanting to return to work after a career break. In Austria and Germany (*Perspective - return to*
work) or in the Czech Republic (Helping new mothers back into work) (EC 2018), such programmes have existed for several years.

The example presented at the workshop focused on re-entry counselling provided by the German PES (BA-Bundesagentur für Arbeit) for women wanting to return to work after an extended family break. The approach consists of three phases: activation, accompaniment and consolidation. Although considered a promising strategy, the counselling programme will be discontinued and in the future integrated in the new division of lifelong career guidance at BA.

The rules governing joint income taxation for married couples or those in a partnership are a major limitation on BA activities to motivate women to use their full potential. The tax system has strong disincentive effects on secondary earners and is the main reason why women only take up small part-time jobs, or ‘mini-jobs’ instead of regular part- or full-time employment. In the European context, disincentives effects for secondary earners are particularly high in Belgium and Germany (Bick et al., 2018).

4.5 Women with a migration background (including refugee women)

Women with a migration background born outside the EU record on average a 20 percentage point lower activity rate than non-EU born men (OECD 2018b). This concerns both women who have resided in the country for many years (e.g. women from Morocco or Turkey) and refugee women who have recently arrived. Refugee women perform worse in all European labour markets and have the lowest activity rates in all Member States. Therefore, bringing refugee women into employment is a particularly significant challenge, especially in Member States with high refugee inflow rates in recent years (Austria, Belgium, Netherlands, Germany, Denmark and Sweden).

Gender employment gaps endure across time even in Member States that are long-standing destination countries for immigrants such as Sweden. This may relate to traditional gender roles, lack of provision of gender-sensitive integration measures and delayed access to formal networks. Nonetheless, understanding the interaction of influences upon integration outcomes requires further investigation (Cheung and Phillimore 2017)\(^ {13} \).

Although the aim of increasing labour force participation of foreign-born women is a priority for integration policy in several countries, specific programmes are scarce. There are only a few ESF programmes such as ‘Mirjam’ (From empowerment to employment: job-related support for refugee women) in Sweden or the German programme ‘Stark im Beruf’ (‘Strong at work’). A more recent programme, set up by the German PES is Perf-W (Perspectives for female refugees) specifically targeting refugee women. There is no evaluation of this specific programme so far but experience indicates that some issues are particularly relevant. For example, because refugee women often lack contact with the host society, outreach is particularly important and is associated with a strong improvement in labour market outcomes. Mentorship can be a way to provide such contacts (OECD 2018b).

\(^ {13} \) Data from the German refugee survey show, for example, that the probability of being gainfully employed is highest for those who have completed integration and labour market programmes (31%) and lowest for those who have not yet participated or are currently participating (16%). Although refugee women particularly benefit from participating in these programmes, their labour market participation lags behind. Differences in employment rates between refugee men and refugee women appear not to be solely due to family structures, as only 6% of refugee women without children in the household compared to 30% of refugee men without children in the household are working (IAB Brief Report 3/2019).
The Flemish PES (VDAB) commissioned an in-depth study on the specific barriers women with a migration background face. One of the main barriers identified in the study are household responsibilities and (perceived) discrimination of women wearing a headscarf. Three quarters of migrant women interviewed, of whom 54% were first generation immigrants, did not have a job, nor received social benefits. The vast majority were in a partnership. A major conclusion of the study is that in order to activate this group a range of barriers, such as lack of motivation and self-esteem, lack of experience, competences and opportunities for job search, must first be addressed.

5. Summary of key issues

This section summarises the most important findings and key conclusions of the workshop clustered according to the main topics discussed at the event.

5.1 How far should PES get involved?

The experiences presented at the workshop made clear that individual PES can take a variety of practical steps to activate distinct sub-groups among the inactive, often because of the different national systems in which they operate and the scope of their mandates.

Participating PES agreed that extending PES core services to the inactive is important but there are a number of challenges starting with conceptualising and framing the tasks to be included in PES agenda, and then considering how to improve PES capacity to address the needs of particularly vulnerable groups. More resources, specialised training for counsellors and new methodologies are required. In this context, it was highlighted that when PES are given increased responsibilities to serve more groups of formerly inactive, it is not necessarily associated with more resources. While some PES have less problems to extend their budget to include non-traditional groups, other PES still struggle with budget restrictions. For example, in Poland, there is no strategy and consequently no legal guidance on funding for extending services to non-traditional PES customer groups.

The existence of distinct sub-groups requires very different and multiple types of support and hence cooperation with other institutions. A key issue raised during the workshop was how much should be carried out by PES and how much by others given that many of the non-economically active are not yet able or ready to (re-)enter the labour market.

The workshop clearly highlighted the country differences in mandates to serve more groups of formerly inactive. In most countries, PES are usually just one partner in an ‘eco-system’ that includes a variety of services and organisations to support the inactive. In a few countries where the activation of (all groups of) inactive has become a priority in labour market policy, as is recently the case in Belgium, PES have been given a leading role. This has advantages in terms of resources and the relative importance allocated to the PES. A leading role, however, also brings the risk of overburdening the PES with tasks for which it is not prepared. The Estonian case is instructive in this respect, where the PES has taken over the work ability assessment of disabled people from social security organisations. A leading role can also entail the risk that partners take on a more passive role. This has been the case in Belgium where VDAB has been given the lead role in a steering committee of 14 organisations involved in a project on the activation of women with a migration background with the consequence that the other partners have reduced their commitment.

5.2 Aligning social protection schemes with PES activation efforts

PES actions are strongly influenced by the local context. A clear insight from the workshop is that activation cannot ignore the role and impact of social protection schemes and their provisions. There are important complementarities between PES activation efforts and social protection measures. Benefit reforms are a pre-
condition for effective activation, as convincingly shown by examples from Belgium, Estonia and Latvia. A generous benefit system, such as the unlimited sickness allowance in Belgium, has proved a barrier for the effective activation of people with health problems and disabilities. In Latvia, PES activation programmes for welfare benefit recipients are hampered because the requirement to engage in supported job search could not be enforced due to different administrative responsibilities for benefits and services. Latvia now will implement a collaborative model with municipalities to overcome this kind of barrier. In contrast, PES activation programmes in Estonia for people with reduced work ability were able to build positively on the reform which made the receipt of a new work ability benefit conditional on participation in the labour market. PES actions can also be supported by regulations allowing people with reduced work capacity to combine income from work with income from sickness or disability benefits while gradually increasing the number of hours worked.

In the presentations and discussions at the workshop, it became evident that motivation based on economic incentives plays a key role in activating target groups with low or no attachment to the labour market. In case contexts where conditions are discouraging work motivation, PES have to use non-economic levers. In order to increase the motivation of secondary earners facing high marginal tax rates, for example, it is crucial to emphasise other benefits of work, such as personal development or social contacts. To motivate women with a migration background who are neither economically active nor receiving social benefits, it may be important to build on their existing experience and skills, which can also be of use in paid work, such as volunteering in different associations or care for others apart from their own children.

5.3 Managing cooperation

Since most inactive groups are not registered with the PES and thus not known to them, the outreach to inactive and difficult-to-reach groups depends on close partnerships with a variety of public and private stakeholders. Given that many economically inactive people are not yet able or ready to (re-)enter the labour market, support from other institutions is clearly required. Therefore, communication and cooperation is a crucial feature of the actions undertaken by the PES vis-a-vis different target groups, including NGOs.

There was consensus among participating PES that cooperation with other stakeholders is the only way PES can hope to be successful, as some barriers cannot realistically be addressed by PES. However, it is crucial that associated problems are resolved in order to achieve eventual labour market integration. A person-based approach for a young vulnerable person, for example, requires a variety of services from a variety of service providers. The Spanish example is an impressive example: the government has entrusted the national PES (SEPE) to manage cooperation by coordinating a network of more than 30 organisations to implement the current action plan for youth employment. This Spanish example also shows that integrating services in a way that works for clients is challenging and requires time.

Experiences from Belgium suggest that investing in cooperation pays off. In the case of people with health problems and disabilities, effective cooperation in an ‘eco-system for the client’ starts with using a ‘common language and vision’ among the various stakeholders. From the discussions at the workshop, it became clear that the activation of people with health problems and disabilities requires a general mind shift by focusing on a person’s remaining capacity for work rather than their incapacity. Such a mind shift is necessary not just among employers but also among doctors, patient organisations and society in general; and even in the PES themselves so they are considered credible as organisations providing services for inclusiveness.
Easily accessible information systems and **joint databases** are needed to support the effective management of cooperation. Workshop participants demonstrated great interest in innovative ways to outreach to young people, for example by using electronic data systems about the activity status of young people. The example of a joint database of the PES and the education system allowing case managers to contact young people in danger of school dropout also triggered a lively discussion on data protection.

The presentations at the workshop indicate that **coordination among stakeholders has improved** in recent years in several Member States, mainly due to work undertaken in the context of the implementation of the Youth Guarantee Programme. Further activation work can build on these improvements in terms of communication, exchange of experiences and structures.

### 5.4 New ways to reach out to employers

Another question raised at the workshop was how to reach out to employers and familiarise them with the potential of jobseekers. It was highlighted that in the case of people with health problems and disabilities, it is important for PES to address the image, ideas and stereotypes that employers have about this sub-group. To change perceptions, some PES organise fairs where employers can meet disabled people or job coaches. A promising approach to employers is practised, for example, in Ghent (Belgium) where meetings are organised with 10 employers and 10 job coaches with CVs from disabled people to try and match them. Other ways to familiarise employers with the potential of jobseekers from this sub-group include seminars for employers organised by PES employer advisers, and on-the-job learning.

**Linking inclusion and innovation** may be a promising basis for sustainable PES integration efforts. An inspiring way to combine inclusion and innovation is to put the business case and employers’ needs at the core of an employer outreach strategy. Based on the insight that staff diversity is conducive, if not a condition for, an innovative business culture, the Flemish PES (VDAB) is promoting an ‘inclusive employer’ strategy. Its [#ZeroExclusion](#) approach is primarily directed at companies practicing a culture of innovation based on a diverse workforce. In this setting, companies are ambassadors of inclusive workplaces and the role of PES is to bring companies together and promote the exchange of ideas and experiences. For employers to be convinced, the PES itself has to take inclusion in its own organisation seriously.

### 6. Conclusions

In many Member States, PES have increasingly been involved in activating non-traditional client groups to make labour markets more inclusive (‘activation for inclusion’) and to mobilise the unused potential of underrepresented groups in the labour market. In doing so, the PES mandate varies across countries ranging from acting as just a partner in an ‘eco-system’ of stakeholders to taking on a leading role in organising support for distinct target groups.

Work on inclusiveness, however, often has a long way to go. The presentations and discussions at the workshop recommend carefully sequenced activation and (pre-)employment support measures, as well as coordination across policy domains and institutions. PES often choose to combine an individually-tailored approach with targeting group-specific barriers. This strategy has been described as ‘zoom into certain groups first, and then address individual barriers’. Learning about both group-based and individual barriers and how to tackle them is a pre-condition for paving the way to activation and inclusion.

There are clear limitations on PES capacity to tackle the employment barriers of the economically inactive as policy levers are often institutionally determined, such as high
tax rates for secondary earners or social security provisions and, therefore, outside the competence of PES. Motivating the distinct target groups thus remains a challenge.

However, PES can address the stereotypes and images held by employers and the public about specific target groups, such as people with disabilities or women wearing headscarves or with a migration background. Campaigning is essential to change the mind-set of the public and employers alike; and even in the PES itself so as to be credible as an inclusive service provider.

Despite important differences regarding the framework conditions and capacity of the participating PES, there was ample room for exchange and practical learning during the workshop. There was useful learning about strategies for the outreach of inactive young people and other groups. Participants also learnt about innovative ways of working with employers and about specialised training for disability counsellors, which are good practices that could be transferred to their own organisations.

References

Authors


Institutional authors

Organisation for Economic Co-operation and Development Publications


Activation of the Inactive


**European Union Publications**


Annex

Figure A1: Inactive persons wanting to work but not searching, 2018
Percentage of the inactive population, aged 15-64

Source: Eurostat
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