

## Table J. Public expenditure and participant stocks in labour market programmes

### The scope and comparability of data on labour market programmes

Data in Table J are based mainly on information about individual labour market programmes which appears in state budgets and the accounts and annual reports of bodies which implement the programmes. Although such sources are to some extent supplemented with surveys of local practice and adjustments made for the purpose of cross-country comparability, the data as presented here remain influenced by national institutional arrangements and reporting standards. Users should note the following general issues of scope and comparability, and consult the table footnotes and other detailed sources of information, to determine the suitability of the data for a particular purpose.

#### General principles of scope and coverage

Table J classifies most individual programmes into Categories 2 *Training*, 3 and 4 *Job rotation and sharing* and *Employment incentives*, 5 *Supported employment and rehabilitation*, 6 *Direct job creation*, 7 *Start-up incentives*, 8 *Out-of-work income maintenance and support* and 9 *Early retirement*. Categories 2 to 9 include labour market programmes that are "targeted".

The criterion of targeting *includes* these types of action (training, start-up incentives, etc.) when targeted on the unemployed. Measures targeted on some closely-related groups (people who are inactive but would like to work, and employed people who are at known risk of involuntary job loss) are also included, and in countries where unemployment is often not compensated or registered, targeting on poverty or disadvantage associated with broadly-defined underemployment may be considered comparable. Also included are apprenticeship support for young adults who have been unable to find an apprenticeship through the usual channels, temporary subsidies for hiring people from age groups or regions where unemployment is concentrated (but not permanent subsidies for the employment of such people) and early retirement benefits which require the employer to replace the retiree with an unemployed person, which promote the restructuring of a particular industrial sector or enterprise, or are restricted to formerly-unemployed people.

The targeting criterion *excludes* training that is generally available to employed adults (Subcategory 2.2 *Workplace training* should not be understood to include such training) and apprenticeship programmes that are generally available to young adults; in-work benefits or payroll tax reductions available for all employees whose earnings fall below a threshold; lifetime sheltered work for the disabled (which is considered to act outside the open labour market); measures promoting local enterprise and business start-ups which do not create jobs specifically for the target groups; income-replacement benefits which are not conditional on labour market participation, such as most lone-parent and disability benefits; and early retirement benefits that are conditional only on age and/or contribution record.

Expenditure on Category 1, named *Public Employment Service (PES) and administration* in OECD data, can differ greatly from expenditure in Category 1 reported by Eurostat because OECD data in principle represent spending on a certain set of functions rather than spending by country-specific organisations. Category 1 includes placement and related services for employers and the employed as well as the unemployed, including similar services delivered by private providers but with public financing, and any administration costs of the active and passive programmes in Categories 2 to 9 that are not already included in those categories. The *implementation* costs of measures in Categories 2 to 7, such as the salaries of training instructors and the cost of training centres, should be counted in those categories while related costs of central organisation, supervision and overhead support which are not easily attributable to a specific measure are included in Category 1. Administration includes central management, regional and local offices, IT systems and national websites, buildings and maintenance, publication and advertising, and other items which are typically associated with the placement function and the programmes in Categories 2 to 9. But the administration costs which relate to measures outside the scope of the database, such as training for employed people, the promotion of business start-ups, work permits and labour and health inspection, should be excluded.

Spending reported in Category 1 does not include income support paid to participants in placement or related measures (though it includes some reimbursements, e.g. of travel-to-interview expenses). In principle, spending reported in the "active" Categories 2 to 7 includes income support payments to participants (including those in Category 5, Supported employment and rehabilitation). Category 8 *Out-of-work income maintenance and support* excludes the income support payments that are included in Categories 2 to 7. Spending in Categories 8 and 9 does not include any administration costs of the benefits.

### **Coverage and comparability issues arising for particular programme categories**

*Category 1 PES and administration.* It is often not possible in practice to exclude certain spending by PES organisations on activities that are outside the scope of the database, or include certain spending on activities inside its scope. Benefit administration costs may be overestimated or underestimated in countries where unemployment benefits are jointly administered with other social security benefits. The cost of collecting unemployment insurance contributions is not included when they are collected jointly with other social security contributions and/or income tax. The administration costs of income support payments to participants in Categories 2 to 7 are often included in Category 1. Subcategories 1.1 (Placement and related services) and 1.2 (Benefit administration) include only expenditure that has been separately identified: in some cases the budgets of the main PES organisations can be wholly allocated across these subcategories while in other cases part (e.g. non-staff costs) or most of the budget is not allocated in this way, so the comparability of data for these two subcategories is very limited.

*Category 2.4 Special support for apprenticeship.* In several countries, relatively untargeted measures are included: notes to the table identify some instances. Data should not be treated as comparable.

*Category 4 Employment incentives.* Subcategory 4.1 *Recruitment incentives* includes measures which are payable for a limited period only and Subcategory 4.2 *Employment maintenance incentives* includes only measures to tackle specific cases of restructuring or other economic difficulties. General and indefinite-duration subsidies for particular types of employment are thus excluded. In some countries, over a half and in a few more about a third of the spending in this category consists of income maintenance and support payments to formerly unemployed individuals who have taken up part-time or full-time employment, which can closely resemble unemployment benefits (included in Category 8) paid to beneficiaries who have low earnings from part-time or intermittent work. Some countries in this category report high spending on broad employer hiring subsidies which are not directly targeted on unemployment: the table notes some instances. Data should be interpreted with caution.

*Category 5 Supported employment and rehabilitation.* To the extent that disabled persons participate in regular measures (such as those in Categories 2 and 4), spending on employment services for the disabled does not necessarily appear in this category. In Subcategory 5.1 *Supported employment*, uneven implementation of the principle that lifetime sheltered work is excluded probably affects the spending levels reported. In several countries that report high spending in Subcategory 5.2 *Rehabilitation*, income support (rehabilitation benefit) is a large proportion of the total.

*Category 8 Out of work income maintenance and support.* This includes unemployment insurance and unemployment assistance benefits, *i.e.* assistance benefits which are formally targeted on the unemployed. However the majority of countries also have a social assistance (or minimum income) benefit that is non-categorised, *i.e.* some recipients are required to be available for work while other recipients are exempted from this requirement on grounds of incapacity or caring responsibilities. Spending on these social assistance benefits is included in Denmark (which has a reporting system that identifies the unemployed recipients of social assistance) and the Netherlands (where all assistance benefit spending, including payments to inactive recipients, is included), but it is omitted in other countries with this type of benefit. For this and other reasons, the data permit only very approximate comparisons of benefit generosity or the benefit coverage of unemployment as defined in labour force surveys.

*Category 9 Early retirement.* In most countries where significant spending is reported, it relates to schemes which allow older workers on unemployment benefit to transfer to a similar benefit (albeit with a different name) where work availability requirements do not apply. However several other countries which

allow workers above a certain age on unemployment benefit to continue receiving it with exemption from work availability requirements, and through to retirement, report the corresponding expenditure in Category 8.

### **Income support payments within "active" spending**

A large proportion of "active" spending takes the form of income support payments to participants in active measures. In number of EU countries which fully report the type of spending in the annual publication Eurostat, *Labour Market Policy Expenditure and Participants*, spending on measures in Category 2 *Training* (except for apprenticeships) consists of mainly of the Eurostat type "transfers to individuals", *i.e.* mainly income support payments to participants. Transfers to individuals may also be a major component of spending in Categories 3 to 6, depending on national programmes. Most measures in Category 7 *Start-up incentives* take the form of continued payment of unemployment benefit during the start-up of a business. Moreover spending of the Eurostat type "transfers to employers", which is reported particularly in Category 4 *Employment incentives* and Category 6 *Job creation*, is in large part further transferred to participants in these measures in the form of wages. Total "active" spending is fairly typically distributed across transfers to individuals, transfers to employers and transfer to service providers (which correspond approximately to the national accounts concept of final consumption expenditure) in a ratio of about 40: 25: 35.

The payment of training allowances can facilitate participation by unemployed individuals who lack entitlement to unemployment benefits (e.g. unemployed workers with a limited employment record in insurance systems, and spouses of the employed in assistance systems). Where training allowances are paid by training institutions, it is natural to report their cost as expenditure on training. For consistency, the 2006 revision of Eurostat guidelines calls for unemployment benefits paid to participants in measures (Categories 2 to 7) to be counted as part of the spending on those measures. In Norway, administrative records identify such unemployment benefit payments, which are then reported here as part of the cost of active measures but in at least four non-Eurostat countries – Australia, Czech Republic, Japan, New Zealand – participants in many training and some job-creation measures continue to receive unemployment benefit or a similar payment that is counted in Category 8 *Out of work income maintenance and support*. This factor limits the cross-country comparability of "active" and "passive" spending aggregates. It may also be noted that in some countries (including Australia, Denmark, Germany, the Netherlands and Norway, as reported in Hasselpflug, S., 2005, "Availability criteria in 25 countries"; [www.fm.dk](http://www.fm.dk)) participants in active measures are required to continue active job search as a condition for their income support so they do still have in a substantive sense the status of unemployment benefit recipients, at least part-time. Detailed definitional guidelines that take this into account have not been established.

Broad "activation", "reintegration" or "rehabilitation" programmes - which deliver intensive counselling and job-search assistance, and make referrals to training and similar services - are difficult to classify, but in some cases they are included in Categories 2 or 5. However in the Netherlands and the United Kingdom, the spending data in these categories refer to the cost of the services delivered but not the income support payments to participants (which appear in Category 8, or may be omitted in the case of disability benefits); in Denmark and Sweden the data refer to income support payments to participants but not the costs of the services delivered to them (which are reported elsewhere, for example in Category 1).

### **Other comparability issues**

*Programmes involving part-time participation.* To be included in Categories 2 to 7, measures should be supervised and constitute a full-time or significant part-time activity of participants during a significant period of time. However, programmes that are relatively cheap in terms of services delivered may be included and then appear with high total spending because income support payments to participants are included.

*Further issues affecting reported expenditure.* In some countries (e.g. Denmark) net income support payments received by individuals are significantly below the gross amounts reported, because the gross amounts are subject to deduction of income tax and/or social security contributions at rates similar to those

applying to wages and salaries. In many other countries this is not the case. In some countries the main unemployment benefit is often supplemented by payments of social assistance benefit or housing benefit, and these supplements may or may not be included. Depending on national administrative arrangements, health and pension insurance contributions on behalf of unemployment benefit recipients may or may not be included. These factors will often influence the spending reported for active as well as passive programmes.

*Other spending.* Coverage of spending by regional and local governments, and coverage of employment services such as employment-oriented personal counselling for social assistance beneficiaries, may be incomplete.

*Accuracy thresholds.* For some detailed programmes, no data is available or the available data are known to incorrectly include or exclude certain items of expenditure. As a rough guideline, missing-data issues that result in suspected errors of less than about 10% in subcategory spending totals are ignored, and suspected errors or omissions up to about 20% are corrected if possible but otherwise are tolerated. Larger suspected errors may be tolerated when a user note identifying the issue is given, or may lead to subcategory and category totals being reported as missing. This guideline is relevant for OECD Category 1, where the available data rarely have exactly the appropriate coverage. But no particular accuracy threshold applies as regards items omitted from Subcategories 1.1 and 1.2 which by definition include only separately-identified spending.

*Documentation.* For EU countries, Eurostat *Labour Market Policy Qualitative Reports* (which were published in 2001, and updates can be generated from the underlying database) provide a succinct description of most of the individual labour market programmes. For some other countries, qualitative information about the programmes for which data are reported can be found on websites in English or French. But for some countries, qualitative data is not easily accessible, or the data supplied refer to broad programme areas which cannot easily be matched with the available qualitative information. In such cases the OECD Secretariat's capacity to identify, note or correct potential issues of data coverage and comparability is limited.

## **Participant stock data**

Most of the issues noted above remain relevant for data on participant stocks, along with the following further points.

*Part-time programmes.* Participants stocks are high relative to programme expenditure for measures that involve low subsidy rates or less than full-time participation (e.g. a hiring subsidy of 20% of the wage for 3 years, rather than 60% of the wage for 1 year; training with participation 2 days a week for 5 months, rather than 5 days a week for 2 months). Although participant numbers tend to be high for low-intensity programmes, below some threshold low-intensity programmes might be omitted from the database or classified to Category 1: this factor can make the participant data totals erratic. In Category 1, since there is no lower limit on the intensity of the interventions that are included and low-intensity interventions (e.g. short interviews) often continue during participation in specialised interventions (e.g. Job Clubs), participant totals are not reported.

*Double counting within categories.* Double counting can arise more easily in participant data than in spending data. For example, when training services are reported as one programme and allowances paid to participants in training are reported as a second programme - which occurs in several countries - the spending data can be added but the summing of participant data would involve double counting (as compared to the treatment in many other countries). Adjustment for known cases of double-counting are included at the level of category totals with the result that these are sometimes less than the sum of subcategory totals.

*Unemployment benefits paid to participants.* Revised guidelines (Eurostat, 2006) in principle eliminate double counting between participants in passive programmes (Category 8) and active programmes

(Categories 2-7). However participant numbers should not be added across these categories, because some double-counting will be present particularly in non-Eurostat countries.

### **Further references**

General definitional guidelines are given in Eurostat (2006), *Labour Market Database Methodology*. For EU countries, individual programme data are provided in annual publications *Labour Market Policy Expenditure and Participants* (<http://epp.eurostat.cec.eu.int>). For similar OECD data according to an earlier classification, 1985 to 2002, see the *Employment Outlook* 1988, Chapter 3 (presentation) and 2004, Table H for the last data published in the series ([www.oecd.org/els/employment/outlook](http://www.oecd.org/els/employment/outlook) - previous issues). For further discussion see Grubb (2007), "The OECD and Eurostat databases on Labour Market Programmes and directions for future work" in *Labour Market Policy Seminar (10th October 2006 – Brussels)* ([http://epp.eurostat.ec.europa.eu/cache/ITY\\_OFFPUB/KS-RA-07-004/EN/KS-RA-07-004-EN-N\\_PRINT\\_VERSION.pdf](http://epp.eurostat.ec.europa.eu/cache/ITY_OFFPUB/KS-RA-07-004/EN/KS-RA-07-004-EN-N_PRINT_VERSION.pdf)).

The current data series can be accessed online at [www.oecd.org/els/statistics](http://www.oecd.org/els/statistics) > Database on Labour Force Statistics. For Eurostat countries, the online database incorporates certain data items drawn from the OECD's earlier (1985-2002) data series particularly for Category 1.