

G20



G20 Task Force on Employment

Activation Strategies for Stronger and More
Inclusive Labour Markets in G20 Countries:
Key Policy Challenges and Good Practices

Prepared by the
Organisation for Economic Co-operation and Development

OECD, July 2013

2013

ACKNOWLEDGEMENTS

This report has been prepared by the OECD at the request of the G20 Task Force on Employment co-chaired by Mr. Aleksey Vovchenko (Russian Federation) and Ms. Margaret Kidd (Australia). The report benefited from discussion and information contributed by all G20 countries at meetings of the Task Force on Employment in Moscow (21-22 February, 2013) and Saint Petersburg (2-5 June, 2013).

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Executive Summary

The global financial crisis has reinforced the need for activation policies to make labour markets more inclusive. This means providing the unemployed and other groups at the margins of the labour market with the support, incentives and skills and training they need to move into employment. It also means providing better opportunities for workers in low-paid, insecure jobs to move into more stable, rewarding and productive jobs. This is fully recognised by the G20 Leaders who, at their Summit in Los Cabos in 2012, reaffirmed the commitment to put quality jobs at the heart of the recovery. In particular, they emphasised the need to promote policies that generate employment for youth and other vulnerable groups.

Why activation is needed

In many advanced G20 countries, the immediate short-term challenge is to tackle the often sharp increase in unemployment following the global financial and economic crisis. At the same time, policies must tackle the long-standing structural obstacles that are keeping many youth, women, people with disabilities and low-skilled workers out of work or under-employed. In the context of rapid population ageing, successfully engaging these groups in the labour market is crucial, not only for improving their own well-being, but also for strengthening overall economic growth, equality and social cohesion.

The emerging G20 economies have generally weathered the crisis better, without a major increase in open unemployment. But, in these countries, there are worrying underlying labour market and social concerns associated with widespread underemployment and the low quality of many jobs and, more generally, with the way the benefits of growth (or the costs of downturns) are distributed. In some of them with relatively young populations, the policy challenge is to reap the productive potential of the “demographic

dividend” in order to support growth and poverty reduction.

Taking a strategic approach to activation

While the challenge of giving groups with weak labour market attachment the opportunity to access productive and rewarding jobs is common to all G20 countries, the barriers faced differ across groups, and the extent of these barriers varies across countries, as do policy options. This spells a critical role for activation policies in G20 countries, irrespective of the reason behind low labour utilisation.

Activation should seek to support and incentivise job search and job finding; as well as productive participation in society and self-sufficiency by reducing dependency on public support. In pursuit of these goals, policy makers can draw on a wide range of tools including income support measures, financial incentives and active labour market programmes. The success of activation strategies rests on the careful co-ordination of these sets of measures, and exploiting synergies and complementarities between them. This is particularly important given that many G20 governments are facing large fiscal imbalances that constrain the range of policy options available to them.

On the institutional setting side, there are important complementarities between activation policies and social protection measures. In higher-income G20 countries with well developed social protection systems in place, the need for, and effectiveness of, active labour market policies will depend on the strength of the work incentives embedded in existing income support measures. In the emerging economies, where extending the scope of social protection provisions is a key priority, activation policies have to ensure that income support measures remain well targeted and fiscally sustainable. Activation policies are also best seen not as substitutes for, but as complements to, employment-friendly provisions in areas such as

labour market regulation, child care provision, education systems, and taxation.

The responsiveness and effectiveness of activation policies have, in many countries, been improved by overarching institutional reforms. Various lines of policy actions can be considered: one option includes the merging of employment assistance with benefit administration services (UK, *JobCentre Plus*); a second line of policy action can be directed at creating a separate institution charged with co-ordinating the delivery of labour market and support programmes (US, *Workforce Investment Boards*); setting up an integrated social assistance information system represents another policy option (Turkey, İŞKUR). The effectiveness of these initiatives can further be improved through careful performance management (as in Australia and Saudi Arabia), particularly where services are being outsourced.

Being responsive to client needs

In light of the above, the implementation of well-targeted measures to improve labour market outcomes for particular groups is likely to be more effective if they are part of a coherent institutional framework that takes into account the linkages between different labour market and social policies. As a matter of priority:

- *Poor households and recipients of welfare benefits* require broad and integrated packages of support, services and incentives as well as a delivery model that can successfully bring these services to the families that need them. Conditional cash transfers can link benefit receipt to a broad range of integration measures and programmes to address structural and long-term poverty (*Oportunidades* in Mexico; *Bolsa Família* in Brazil; *Chile Solidario*). Where comprehensive social protection systems remain lacking, public work schemes (such as the case with the *Mahatma Gandhi National Rural Employment Guarantee* in India; the *Community Work Programme* in South Africa; and *construction of village infrastructure* in Indonesia) have an
- important role to play as emergency safety nets. China has several public employment projects targeted to particular groups at higher risk of poverty, such as men over 50 years old.
- *The long-term unemployed* require measures to remedy obstacles to finding paid work based on skills acquisition and work experience (e.g. *Work Programme* in the UK; *Work Experience Phase* in Australia), combined with intensive and specific case management and interventions, such as the individualised action plans and employment service centres in Japan.
- For the *disabled*, policies should focus on their remaining capacity for work, rather than their incapacity, and on preventing permanent withdrawal from the labour market (as in the UK *Pathways to Work programme*).
- For *older workers*, policies should be designed to allow for greater choice in work and retirement decisions (including part-time employment), and to facilitate employment and employability at an older age (e.g. the *Perspective 50plus* in Germany; *Targeted Initiative for Older Workers* in Canada).
- For *youth*, short-run measures targeted on the low-skilled are required, such as subsidies (*Youth Contract* in the United Kingdom; *Zérocharges Jeunes* in France, tax incentives in Italy) and work experience on infrastructure projects or in the private sector (*Jóvenes Constructores de la Comunidad* in Mexico; or *Programa Jóvenes con Futuro* in Argentina; internships in SMEs in the Republic of Korea). In the medium- to longer-run, better and more attractive options are required in many countries for combining study and work experience and for participating in vocational education and training (as in Germany, Australia or China). For the hardest to help, intensive second-chance programmes may be needed (e.g. US *Job Corps*; *Employment Generation and Marketing Mission* in India). The promotion of *Youth Guarantees* is also a policy option (as in the EU, where countries are encouraged to put in place measures to ensure that young people up to the age of 25 receive a good quality offer of employment,

continued education, an apprenticeship or a traineeship within four months of leaving school or becoming unemployed).

- For *women*, opportunities to work, and to return to work after child-related breaks need to be strengthened. In higher-income and emerging G20 economies alike, a range of measures can be used to address the needs of working women, including adjustments in the tax systems, in out-of-work transfers, in childcare support and in parental-leave provisions. In emerging economies, basic social protection measures can assist women in accessing earnings opportunities (e.g. *Child Support Grant* in South Africa). The promotion of gender-equal employment opportunities can also be reflected in the regulation (*Employment Promotion Law* in China). Affordable and high quality childcare (Rio de Janeiro public day care programme) and parental leave policies (*Dad and Partner Day* in Australia) also play an important role in supporting female labour force participation in all G20 countries.
- For *informal workers* stuck in low-productivity, low-pay jobs, further extensions of social safety nets may be required (e.g. China's rural pension scheme), but in combination with financial incentives for employers to declare employment and greater efforts to strengthen tax and labour inspections. In many countries, overly strict employment protection may also contribute to make employers more reluctant to formalise employment relations.

Learning from experience: the need for evaluation

To be fully effective, activation policy needs to be properly evaluated. This is a key to both decide which measures should be expanded, adapted or ended, and which intervention might work best if employed as a package in combination with other measures. This report takes stock of the many evaluation studies available of activation policies. Yet several knowledge gaps remain. Most evaluation results are from a relatively small number of economies with a longer activation “tradition” and conclusions may not be easily

transferrable to other country contexts. Evaluations also usually focus on short-term outcomes and results on the longer-term impacts of policies are scant. Importantly, evaluations often encompass a very limited set of outcomes and measures of policy success (e.g., employment among the target group) without quantifying the general effectiveness of programmes or providing information on the distributional effects of policies. Finally, there is arguably a need to move from “what works” to “why does it work or not work”, e.g., by setting up evaluation studies in a way that analyses a range of different policy configurations.

The G20 can continue to play a pivotal role in supporting activation policies, going forward

There is no one-size-fits-all approach to activation. Activation policies depend on the economic context as well as on the institutional setting and the administrative capacity. Each country must therefore implement a careful balancing act between general, less expensive, measures (such as job search assistance) that help those who are job ready, and more intensive, but more expensive, measures targeted at groups at risk of becoming disconnected from the labour market or most in need. When building up the capacity for activation policies from a small base, measures should be highly targeted at first, with successive extension thereafter, in line with available resources.

Going forward, the potential for policy dialogue and for sharing experiences are of utmost importance in the field of activation policies, insofar as there are no easy solutions to challenges. The G20 process can play a pivotal role in this context, in helping countries set and review their policies on a path of incremental improvements to provide better support to different groups facing labour market barriers and in sharing knowledge about good practices. Systematic reviews to identify cost-effective policies or packages of policies can make an important contribution to this objective.

What is activation?

Activation is the combination of policy tools that provide support and incentives for: *i*) job search and job finding; *ii*) productive and rewarding participation in society; and *iii*) self-sufficiency and independence from public support.

Activation strategies frequently include policies that are explicitly targeted towards encouraging and helping recipients of public support find employment. But they also include, more broadly, targeted measures that strengthen the employability and earnings capacities of low-income or low-productivity workers, whether or not they receive any public income transfer. These latter measures include, for example, conditional cash transfers (CCTs) to provide incentives for participation in education, health care or community programmes. CCTs go beyond typical active labour market programmes and are particularly relevant in countries that do not operate comprehensive social protection systems for individuals with labour market problems.

Policy makers can choose from a broad menu of policy tools depending on the target group and the labour market conditions and administrative capacity, including:

- Employment services and programmes that **enhance the capabilities** of jobseekers and other activation “clients” (e.g. job search assistance, career advice and training programmes);
- Measures that **extend the set of job opportunities that jobseekers can access** (e.g. targeted wage subsidies, public works programmes, direct job creation and financing for business start-ups); and
- Provisions that **strengthen the motivation for taking up existing earnings opportunities** (e.g. job search requirements and related sanctions, in-work benefits); **or for participating in programmes that strengthen**

people’s earnings capacity (e.g. programme participation requirements, CCTs).

Effective activation strategies entail a mix between rights and responsibilities, with a set of “mutual obligations” for both the individuals concerned, and for the institutions that seek to improve employment outcomes. The appropriate balance between rights and responsibilities will vary by country, target population group, and policy objective. Activation typically features financial or non-financial support, and a combination of behavioural requirements, such as active job search or participation in programmes that strengthen people’s productivity or work capacity.

The attraction of a “rights and responsibilities” approach is twofold. It can increase people’s employment chances and earnings capacities, and it can improve the targeting of social protection spending at the same time. Those benefiting from job search assistance, training or other active labour market programmes should be in a better position to overcome employment barriers and improve their labour market prospects. At the same time, activation measures can boost incentives to look for and accept employment. Such incentives are better-suited for some groups than for others, but they do serve an important role in a social protection system geared towards harnessing, rather than replacing, people’s own capacity to maintain or regain self-sufficiency. By making financial support measures conditional upon people’s efforts to regain self-sufficiency, activation channels support those who are taking active steps to overcome their labour market problems. As a result, income support measures and labour market programmes can be targeted more tightly on the intended recipients. If well designed, such targeting can, in turn, create the necessary fiscal space, and possibly the political support needed, to ensure adequate support for individuals and families who need it most.

While the possibility of benefit sanctions in case of non-compliance can be an important design element, the primary overarching objective of activation is not to curtail benefit provision, but to improve labour market attachment and earnings prospects. More generally, it is important to strike the right balance between providing income support and encouraging adaptability and self-sufficiency. Given growing fiscal pressures and poverty risks, the stakes are especially high in the context of the current crisis. In general, there is less of a case for exerting strong pressure on jobless people to search for a job when macro-economic or local economic conditions are temporarily depressed. But there is also a risk that weak labour markets and a lack of job search activity reinforce each other. In countries where unemployment benefit programmes are relatively generous, job search incentives and spending on activation programmes should be kept at an adequate level to minimise the risk of deteriorating work incentives and long-term unemployment.

Why is activation needed?

Effective activation policies can help harness the productive potential of each country's population and contribute to economic growth and the sustainability of its social protection system. However, the challenges facing activation policies, and the types of policies that are required, will depend on each country's labour market situation and the degree to which its potentially available labour resources are mobilised. Generally, there are both short- and long-run reasons why countries need an effective activation policy.

Responding to short-run challenges

One reason for growing interest in activation policies lies in difficult labour market conditions that many G20 countries continue to face six years since the onset of the global financial and economic crisis, with deteriorating social conditions for the most vulnerable groups. Improving labour market

conditions is largely dependent upon a broad and sustained economic recovery. However, a key challenge for social and labour market policy is to facilitate employment and earnings growth that benefit low-income groups in particular. Activation policies are one of the tools that can help to achieve better labour market outcomes for these groups.

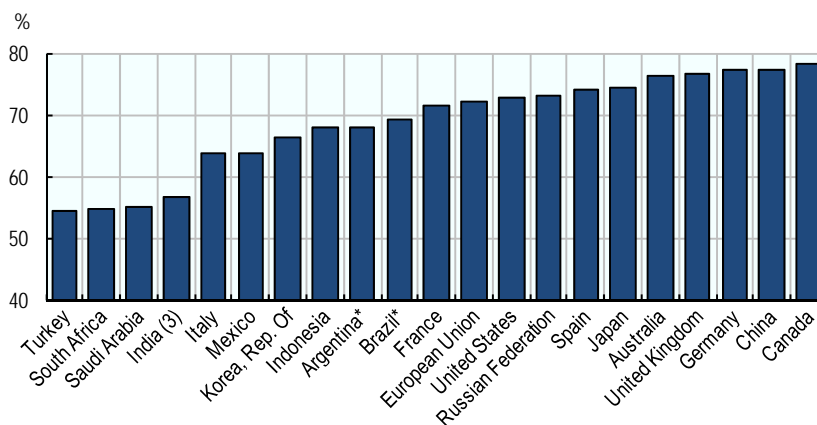
Labour market conditions vary significantly across the G20 countries. One key differentiating factor is the overall share of people of working age who are in the labour market. In 2012, India, Saudi Arabia, South Africa and Turkey had participation rates of about 55%, while Australia, Canada, China, Germany and the United Kingdom, all had participation rates above 75% (**Figure 1**).¹

Unemployment is another important factor behind the underutilisation of labour resources. In several G20 countries, the global financial and economic crisis led to large increases in unemployment (**Figure 2**). In most cases, employment growth in the recovery has been insufficient so far to unwind this increase and activation policies have a key role to play in ensuring that the crisis-induced rise in unemployment is not transformed into higher structural unemployment and permanent exclusion from the labour market.

Even in countries that have weathered the global economic crisis better, without a major increase in unemployment, there are underlying tensions in the labour market, largely associated with the effective mobilisation of some particular groups of workers. Youth, women and older workers are clearly three such groups, with their labour utilisation being well below potential (**Figure 3**). In all G20 countries employment rates for these groups are significantly below the employment rates of prime-age men (aged between 25 and 54 years) but with significant difference across countries. In some of them, the overall employment rate is high because a high proportion of all groups are working whether youth, women or older workers. In other countries the opposite is the case.

Figure 1. Labour force participation rate in G20 countries

Percentage of the population aged 15-64¹, latest values²



Countries are shown by ascending order of the latest value of the participation rate.

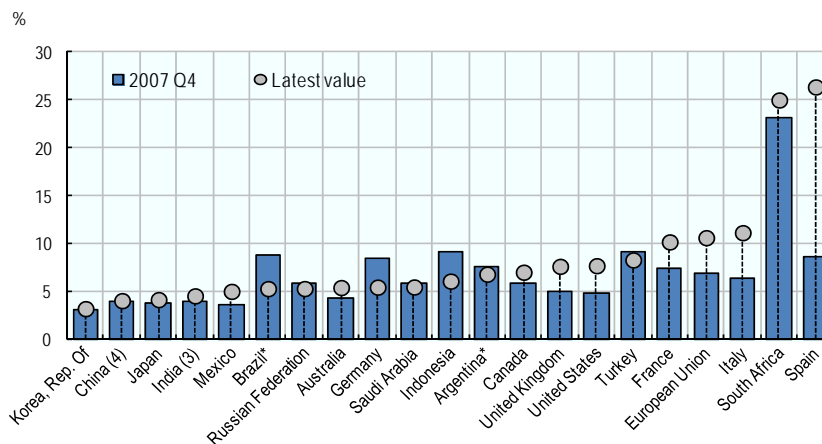
*: Selected urban areas.

- Persons aged 15 and over for Indonesia.
- 2010 for China; 2009/10 for India; 2012 for the Russian Federation; 2012 Q3 for Indonesia; 2012 Q4 for Argentina, Brazil, the European Union, France, Germany, Italy, Mexico, Saudi Arabia, Turkey and the United Kingdom; 2013 Q1 for Australia, Canada, Japan, Korea, South Africa, Spain and the United States.
- Annual estimate based on the current weekly activity status.

Source: OECD calculations based on the OECD Short-term Labour Market Statistics and OECD Labour Force Statistics Databases, ILO, Short-Term Indicators of the Labour Market and Census data (based on 10% sample of households) for China.

Figure 2. Unemployment rate in G20 countries

Percentage of labour force (persons aged 15 and over)¹, 2007 Q4 and latest values²



Countries are shown by ascending order of the latest value of the unemployment rate.

*: Selected urban areas.

- Persons aged 15-72 for the Russian Federation and 15-64 for South Africa.
- 2007-11 for China; 2008/09-2011/12 for India; 2008 Q3-2012 Q3 for Indonesia; 2007 Q4-2012 Q4 for Argentina, Brazil, the European Union, France, Germany, Italy, Mexico, the Russian Federation, Saudi Arabia, Turkey and the United Kingdom; 2007 Q4-2013 Q1 for Australia, Canada, Japan, Korea, Spain and the United States; and 2008 Q1-2013 Q1 for South Africa.
- Annual estimated persons/person-days (in million) based on the current weekly activity status.
- Annual unemployment data refer to registered unemployment in urban areas only.

Source: OECD Short-Term labour Market Statistics Database and ILO Short-Term Indicators of the Labour Market.

Groups with weak labour market attachment face a range of barriers in finding and retaining productive and rewarding jobs. While tackling these barriers requires well-targeted policy measures, the fact that there are also considerable overlapping issues across groups, suggests the need for addressing their challenges as part of a comprehensive activation strategy that takes into account the potential for complementarities and possible mutually-reinforcing spill-over effects between different policies. In addition, even where the quantity of jobs is not the primary challenge, more should be done to improve durably the quality of jobs available and more generally the way the benefits of growth (and the costs of business cycle fluctuations) are distributed. Indeed, even before the global financial and economic crisis, income inequality had been rising in advanced G20 countries, and remained at very high levels or was further increasing in many emerging G20 countries (with the notable exceptions of Brazil, Mexico and Turkey), despite often strong economic growth (OECD, 2011a). Thus, a number of countries are facing the immediate challenge of dealing with the economic and social outcomes of the crisis. Yet, while promoting stronger employment growth is essential, broader measures to tackle structural problems relating to the activation of particular workforce groups, or the poor quality of the jobs available to them, are also required.

A number of specific programmes can contribute to making labour markets and family incomes more resilient to economic shocks and macroeconomic downturns. Activation policies cannot prevent economic downturns or other shocks, but they can make them less damaging and long-lasting, as well as reduce their longer-term effects. Policies can be effective at supporting labour demand, at providing emergency relief for families without work, and at preparing people for new jobs created in the recovery.

- *Targeted hiring subsidies, can help maintain labour demand for disadvantaged groups even in bad times.* During the recent global downturn, a number

of G20 countries also made extensive use of short-term working scheme, in order to prevent mass layoffs and to smooth a necessary reallocation of jobs from declining to growing sectors in the economy.

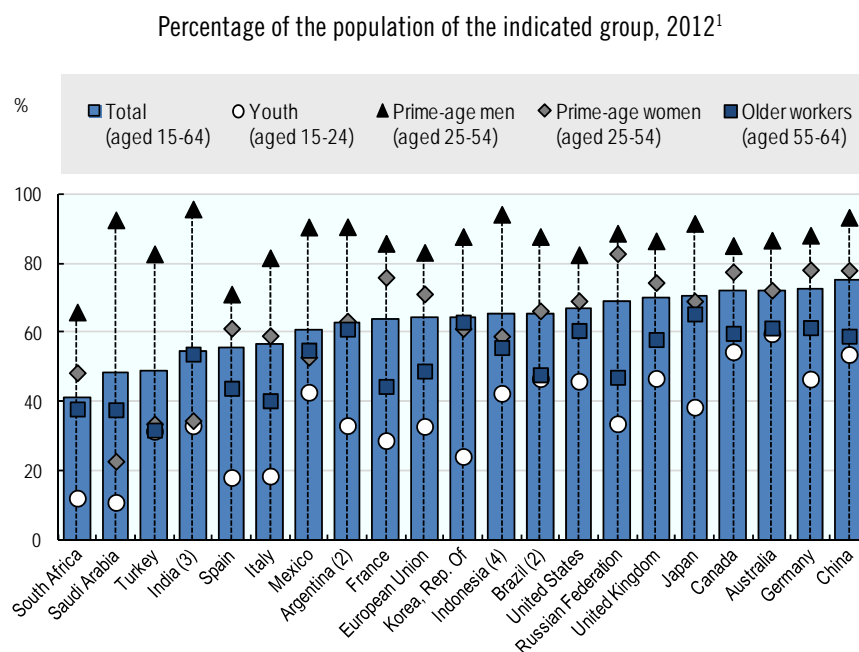
- *Public works programmes can be effective as an emergency measure, especially when well developed social protection measures are not in place and financial support is needed to help the most vulnerable groups.* Depending on how they are implemented, these programmes may also contribute to the development of needed infrastructure.
- *Training programmes can be more effective in bad times, as taking part in training activities is less costly in terms of displacing job search activities when there are fewer job opportunities.*
- *In-work benefits can help to support family incomes and a job-rich recovery once labour demand starts to pick up.*

Strengthening labour market participation in the long-run

A number of demographic and economic longer-term trends also point to a central role for activation policies. In emerging economies with younger populations, a long-term challenge is to ensure that the productive potential of a “demographic dividend” is realised and can contribute to stronger growth and reduced poverty. In these countries, poor labour market integration of a large number of young people would create significant costs for individuals and for the productive capacity of the economy as a whole.

Moreover, as the emerging G20 economies continue on a path of industrialisation and urbanisation, the responsibility for social welfare will further shift from families and firms onto the public sector, increasing pressure to widen insurance programmes, including health care, pensions, unemployment and long-term care. The

Figure 3. Employment rates by gender and age groups in G20 countries



Countries are shown by ascending order of the total employment rate.

1. 2009 for Saudi Arabia; 2010 for China; 2009/10 for India; and 2012 Q1 for Indonesia.
2. Selected urban areas only.
3. Annual estimated persons/person-days (in million) based on the current weekly activity status.
4. Older workers refer to person aged 55 and over and total to persons aged 15 and over.

Source: OECD calculations based on the OECD Short-term Labour Market Statistics and OECD Labour Force Statistics Databases, ILO, Short-Term Indicators of the Labour Markets and Census data (based on 10% sample of households) for China.

expansion of these social programmes will need to be adequately funded.

Unlike the emerging economies, the higher-income G20 countries currently have among the highest proportions worldwide of the total population aged 65 or older. Rapid population ageing makes active labour market participation of working age individuals a necessary (if not sufficient) contributor to strategies that seek to make social protection systems fiscally and socially sustainable. At the same time, a division between standard and non-standard forms of employment, and the well-documented related trend towards growing income inequality in many countries, signal a new and additional role for activation policies in facilitating advancement to better-quality jobs and avoiding low-wage/low-productivity traps.

Taken together, these prospects underscore that the crucial policy challenge of strengthening the mobilisation of all human resources available is common to all countries. This must be a key policy objective for achieving better long-term economic and social outcomes for all.

What policy designs work for specific groups? Insights from selected G20 country experiences

There is no unique formula for effective activation that can be applied across countries and care is needed when identifying “best practices”. There are many reasons why measures which at first sight appear similar in two countries may not be equally effective. By carefully considering the target groups of activation measures, as well as economic and institutional contexts in which they operate, it is possible, however, to distil policy

lessons from specific reform experiences. These lessons can provide useful guidance for countries where the “framework conditions” for such programmes may be relatively similar.

This section illustrates experiences from activation measures targeted at specific groups:

- 1) Poor households;
- 2) The long-term unemployed;
- 3) Youth; and
- 4) Women.

It also discusses individuals with disability, older workers, as well as workers in the informal sector. It is important to stress that these groups are neither homogeneous, nor completely similar across countries. At the same time, there can be significant overlaps between the groups (many long-term unemployed are poor, for instance) and policies need to be adapted to the specific characteristics of labour market conditions in each country.

The objective of this section is not to provide a comprehensive survey of activation measures in place in G20 countries but to identify key policy challenges and lessons through selected country examples. It should also be noted that the most recent initiatives are generally not discussed in detail as evidence about their effectiveness does not yet exist.

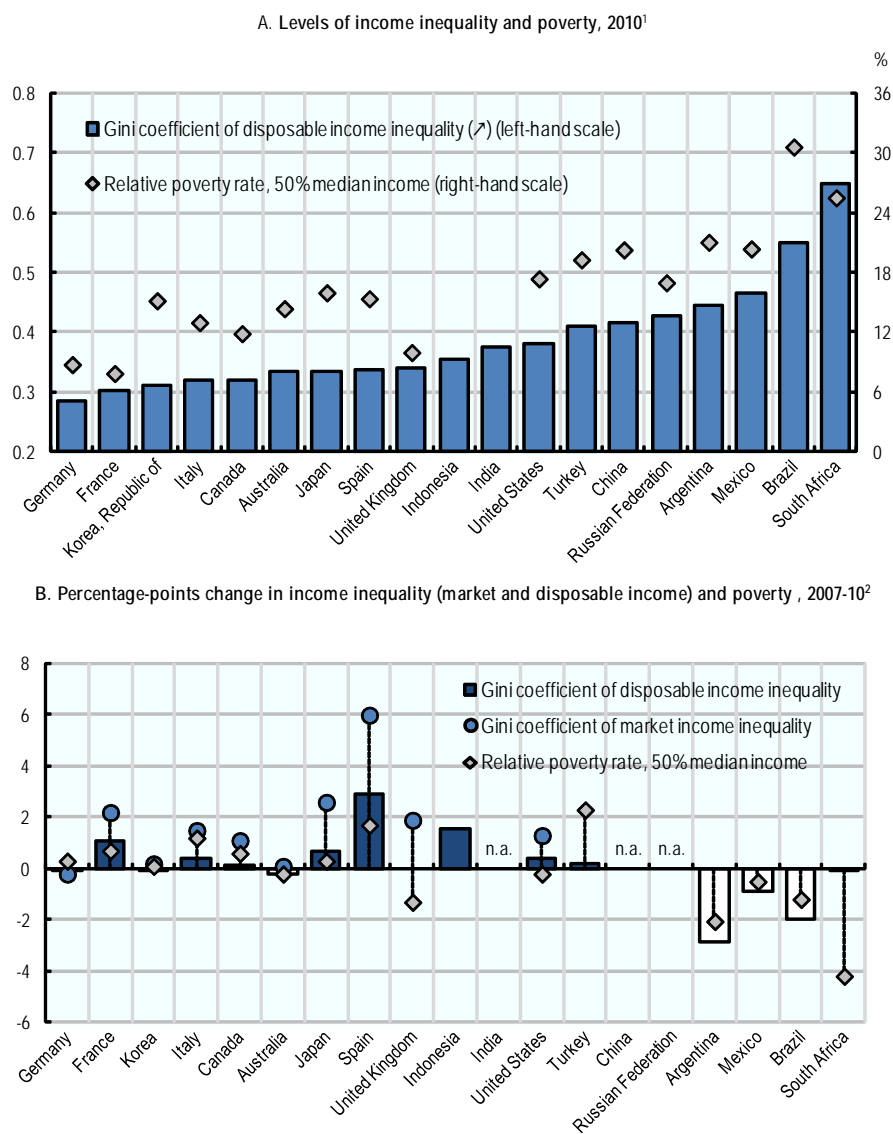
Targeting activation to poor households and recipients of “welfare” benefits

Low labour market participation for certain groups is a key driver of high and often rising income inequality. Even in 2007, when the unemployment rate in the advanced G20 countries was at a record low and two-thirds of the working-age population was in employment, access

to productive employment remained difficult for many individuals in these groups. While some managed to find employment, these were often low-productivity jobs with limited career prospects that did not lift them permanently out of low pay and poverty. Workers in these jobs often work few hours or only for part of the year. At the same time, sharp increases in pay occurred for many workers at the top end of the distribution, leading to a widening of wage gaps in both the advanced G20 countries as well as many emerging G20 countries (**Figure 4**). As a result, while access to employment improved in many countries prior to the crisis, this was often associated with a greater segmentation of the labour market resources made available for social protection programmes within the stimulus packages cushioned the falls in incomes at the bottom of the distribution, leading to some easing in inequality.

But more recently, high and persistent countries, as well as ongoing fiscal consolidation in a number of G20 countries, have widened income gaps, and many long-term unemployed are exhausting their rights to unemployment insurance and have to rely, at best, on less generous social assistance benefits (OECD, 2013b). High levels of inequality tend to be associated with weak social mobility and this not only affects social cohesion but also hinder long-term economic growth. It can also severely undermine confidence in government and institutions. Restoring employment and earnings at the bottom of the distribution is therefore an urgent challenge. Activation programmes aimed primarily at poor families differ substantially between advanced and emerging economies, both in scope and in characteristics. However, independent of country context, one common finding is that programmes for the poor should offer integrated packages of support, services and incentives that account for the diversity of poor families, and their multiple barriers to accessing earnings opportunities.

Figure 4. Income inequality in G20 countries



n.a.: Not available.

Note: Countries are ranked in increasing order of the Gini coefficient of income inequality. Data refer to the distribution of household disposable income in cash across people, with each person being attributed the income of the household where they live adjusted for household size.

Gini coefficients are based on equivalised incomes for OECD countries and per capita incomes for all EEs except India and Indonesia for which per capita consumption was used.

1. 2005 for China and India; 2008 for Brazil, the Russian Federation and South Africa; 2009 for Japan and Turkey; and 2011 for the Republic of Korea. No data available on poverty rate for India and Indonesia.
2. 2005-08 for Brazil and South Africa; 2005-10 for Indonesia; 2006-09 for Japan; 2007-09 for Turkey; 2007-11 for the Republic of Korea; and 2008-10 for Australia, Germany, Italy and Mexico.

Source: Computations based on OECD Income Distribution Database (www.oecd.org/social/income-distribution-database.htm), OECD-EU Database on Emerging Economies, World Bank Development Indicators Database and Socio-Economic Database for Latin America and the Caribbean (CEDLAS and The World Bank).

The economic crisis has added urgency to the need to address inequality. In the early phases of the crisis, the fall in capital incomes affected the well-off, while social security systems and the additional.

In advanced countries, efforts to target activation principles to poor families have typically focused on recipients of minimum income benefits and related government transfers of “last resort”. There are, however, only a limited number of comprehensive evaluations of broader welfare-to-work packages targeted at recipients of these transfers. In addition, most evaluations do not analyse effects on poverty rates and related indicators, even though income effects are of crucial importance when considering reforms of income safety nets. Many of the evaluation results for activation measures focus entirely on the effects on employment and beneficiary status. While these are clearly important, concerns about the current and future well-being of poor households suggest that a broader set of outcome measures is desirable.

The well-studied **US** welfare reform, implemented in 1996, is one exception where evaluations have considered a range of policy measures and outcomes. The reform focused on a minimum income transfer that is mainly received by lone parents (Temporary Assistance for Needy Families, TANF, replacing the previous programme AFDC). But it was complemented by a number of important parallel changes, including increased funds for in-work benefits and stricter eligibility criteria for Food Stamps, a broader benefit of “last resort”. The new TANF provisions gave state governments more autonomy over welfare delivery, while benefit claimants had to meet stricter behavioural requirements, including a work requirement. In line with the programme’s focus on providing temporary support, benefit receipt was subject to a 5-year (life-time limit).

Because of the way federal funding is allocated to US states, some of the positive employment effects found in evaluations may be attributed to a virtuous cycle of declining beneficiary numbers,

lower spending on out-of-work benefits, and a resulting increase in funds available for work-related support (see **Box 1**). But since this mechanism is essentially pro-cyclical, and works in the opposite direction during extended downturns, many commentators in the United States emphasise the importance of a strong economy for making welfare-to-work measures effective (e.g. Blank, 2003).

A second main conclusion is that work-first measures are good at increasing employment and reducing benefit dependency. But they are less effective at boosting family incomes (essentially, the earnings people make are often not much higher than the benefits they would otherwise receive).

Work-support measures, including targeted in-work benefits such as the US Earned Income Tax Credit, in turn, have a more modest effect on employment but are effective at boosting incomes and reducing poverty (Immerovoll and Pearson, 2009). In combination, the two types of measures strengthen employment and improve the income position of those finding employment. But concerns remain for those who do not.

In emerging economies without comprehensive social protection systems, public works or “workfare” programmes, such as the *Mabatma Gandbi National Rural Employment Guarantee* in **India** or *Trabajar* and *Plan Jefes y Jefas de Hogar* in **Argentina**, can provide essential and well-targeted emergency safety nets (Grosh et al., 2008). **China** has several public employment projects, which target particular groups at higher risk of poverty, such as men over 50 years old.

In contrast to wage subsidies or public job creation programmes, public works measures tend to be designed primarily as an income safety-net (for instance, the benefit is not a “wage”, and its level is not or only loosely linked with the quantity or intensity of work performed).

Box 1. Balancing strict behavioural requirements with in-work support: Welfare reform in the United States

In a considerable number of US states, bringing down the number of benefit recipients has been a major objective associated with reforming welfare benefits – and one which has been reinforced by the formula used for allocating federal TANF contributions to states, which rewards ‘caseload’ reductions. This objective is, for instance, reflected in the use of so-called ‘diversion payments’ (lump-sum payments on condition that people do not apply for the regular benefit during a specified period), as used in more than half of the states.

Consequently, a number of studies in the United States have paid particular attention to the effect of welfare-to-work measures on the number of recipients of Temporary Assistance for Needy Families (TANF). Reciprocity statistics are an incomplete measure of success as they say nothing about the well-being of individuals who successfully found employment, of those remaining on benefit, or of those with neither work nor benefits. Yet, reduced reliance on public income support does represent a positive outcome if other indicators show no deterioration (and if other benefits do not substitute for the one in question). Most US studies suggest that, overall, the number of people receiving TANF (or its predecessor AFDC) declined by 60% between 1994 and the early 2000s, with about a third of this impact directly attributed to the introduction of “work-first” measures (Besharov, 2008).

Importantly, however, cuts in spending on a particular benefit do not necessarily translate into lower overall spending. Despite a significant decline in TANF expenditures, per-capita spending on total means-tested support (including the Earned Income Tax Credit, EITC) almost doubled between 1990 and 2004, suggesting that substitution between different types of support is important and that work-support measures, such as the EITC as well as extended availability of public support for child care and health insurance, are essential ingredients of packages aiming to reduce reliance on out-of-work benefits (Moffitt, 2008, Figure 1).

There is evidence that earnings and employment of low-income lone parents (the principal target group of the US reform) increased as a result of stepping up welfare-to-work measures. But, at the same time, the more rigorous eligibility requirements, and the resulting narrowing of the group entitled to benefits, meant that average household incomes rose by less or not at all (Cancian et al., 2003). About one third of women leaving TANF were not in employment (Acs and Loprest, 2004). And even for those finding employment, the effect on earnings was not necessarily bigger than the loss in benefit incomes. In his review article, Moffitt (2008, p. 24) notes that “if ‘making work pay’ means ensuring that earnings of a woman are greater off welfare than her benefits on welfare, the evidence does not indicate a very strong effect of that kind, if any.”

Another set of studies shows that incomes rose and poverty fell but mainly among those who did not enter welfare rather than among leavers (Grogger and Karoly, 2005). This is again indicative of an important role for work-support measures. Acs and Loprest (2004) find that Food Stamps were received by up to 70% of former TANF recipient families, and that 20% of TANF leavers were in receipt of Supplemental Security Income (SSI, a disability-related transfer for low-income households).

Source: Immervoll (2012).

The main attraction of public works programmes is a self-targeting mechanism that helps direct support to those who need it most, while helping to build socially useful infrastructure or services. By setting the remuneration for publicly organised work opportunities at an appropriate level, and by allocating programme funds based on local poverty statistics, these programmes can ensure that the most needy population groups participate.

In Argentina’s *Trabajar* programme, around 80% of households were from the poorest quintile, and 60% from the poorest decile (Jalan and Ravallion, 1999). In Indonesia, workfare schemes that relied on self-targeting were much more likely to reach households affected by the Asian financial crisis than programmes using direct forms of administrative targeting (Pritchett et al., 2002).

More recently, **Indonesia** has set up a temporary job creation programme through the construction of village infrastructure in 360 regencies/municipalities, including rural road construction, village street paving, village bridge rehabilitation, irrigation channel normalisation. In 2012, more than 90 000 unemployed found temporary work through the scheme. Similarly, in an attempt to boost economic activity and create jobs, **Argentina** has recently introduced the Argentina Credit Programme (ProCreAr), the aim of which is to offer 100 000 loans to low-income families to build new homes or improve existing ones. It is estimated that the credits will benefit up to 400 000 people, and those with lower incomes will pay back the loan at a lower interest rate over a longer period. As part of the application process for the loans, applicants must provide proof that blue-prints have been officialised and that a construction company or independent worker have been contracted.

In developing and emerging economies, public works programmes serve a role as income support programmes. The long-term employment effect is not necessarily central and, indeed, evaluations have shown that public works programmes may not improve the long-term employment chances of participants. However, a number of countries have recently strengthened the longer-term employment and earnings outcomes of these programmes, by linking them to training or other active measures. For example, the *Jefes* programme implemented in **Argentina** following the 2001 financial crisis, required beneficiaries to also participate in complementary activities, such as adult education, training or participation in community services projects, for up to 20 hours per week. In **South Africa**, the government launched a nationwide programme, the *Expanded Public Works Programme* in 2004 as part of a broad strategy to reduce poverty and unemployment, notably among the large number of jobless people who have never worked. Work placements in government and state-owned enterprises were accompanied by training and

offering formal accreditation of skills as a stepping stone towards better jobs, although in later phases of the scheme, more emphasis was placed on employment generation than on training provision (OECD, 2010c). More recently (2010), **South Africa** has also rolled out *The Community Work Programme* (CWP). The programme provides an employment safety net by giving unemployed and under-employed a minimum number of regular days of work, typically two days a week or eight days a month (i.e. 100 days a year). The CWP uses community participation to identify ‘useful work’ and priorities.

Because of substantial risks of displacing regular employment, public works measures tend to work best if implemented on a temporary basis, and if programme design and roll-out is informed by good quality labour market data. Since 2006, the Mahatma Gandhi National Rural Employment Guarantee (MGNREGA) provides for 100 days of (unskilled manual) work per year and per household at the statutory minimum wage (Dutta et al., 2012). It is the largest anti-poverty programme in **India**. The programme had 43.9 million beneficiaries in 2012-13, and it now provides employment to 25% of India’s rural households. To ensure that funds are used on labour-intensive projects, at least 60% of total expenditures have to be spent on wages of unskilled workers. In large-scale programmes such as this, an important challenge is the provision of accountability measures and safeguards against the possible misuse of funds. A related challenge is ensuring effective co-ordination across government bodies and institutions implementing the programme, especially when public works programmes need to be implemented quickly in the context of an acute crisis or disasters, such as flooding or a severe drought. For instance, the Indian Employment Guarantee provides for active involvement of village assemblies in the selection of work projects in order to align the selection of projects with local labour markets and infrastructure needs.

Activation Strategies for Stronger and More Inclusive Labour Markets:

Recently, countries have emphasised activation and the promotion of longer-term employment and earnings prospects based on a range of services and supports that go far beyond traditional ALMPs, and aim at improving livelihoods of beneficiaries more broadly. For instance, conditional cash transfers (CCTs) can link benefit receipt to active co-operation with social or case workers and participation in a broad range of integration measures and programmes (including psycho-social support, regular health check ups, literacy or “life-skill” training, or micro-finance services).

While public works programmes can provide effective relief for those suffering sudden income shocks, CCTs are primarily instruments for addressing long-term, structural poverty. Also unlike public works programmes, CCTs use explicit targeting provisions to reach the poor population (often in the form of “proxy means tests” that assign households a poverty score based on a number of easily observable characteristics, such as family size, housing arrangements and other assets). CCTs, such as *Oportunidades* in **Mexico**, *Bolsa Família* in **Brazil** and the cash benefit provided as part of the highly targeted *Chile Solidario* programme (see **Box 2**), are increasingly used not in isolation, but as an element that tie together various elements of “activating” social protection and public support measures. In 2011, **Argentina** introduced the new Universal Birth Allowance (*Asignación Universal por Embarazo* - AUE) as an extension of the Universal Child Allowance for unemployed women, those whose families are unemployed, as well as those on low incomes, such as informal workers, domestic workers, and small businesses and individuals classified as small contributors. The AUE provides a monthly cash allowance, subject to health and school attendance checks.

The experience with CCTs shows that they have been effective in increasing the use of education and health services. In addition, the money transfers directly alleviate the severity of poverty among the targeted populations. However,

much of the impact of CCTs on structural poverty depends on the effectiveness of the programmes and services that benefit claimants need to participate in. Typically, CCT programmes will require a set of complementary actions, in terms of adapting and strengthening the supply of relevant employment and social services. In addition, transfer conditions need to be designed very carefully, for instance to ensure that children are targeted at the right time in the life cycle.

Box 2. Activation and social protection for the poorest

***Bolsa Família* (Brazil)**

Bolsa Família is the largest conditional cash transfer (CCT) programme in the world. It was set up under the Lula administration in 2003 by bringing together four existing federal schemes to boost school attendance, improve maternal nutrition, fight child labour and provide a cooking gas subsidy. The programme targets two groups on the basis of self-declared income: the very poor and the poor. Both groups are eligible for monthly payments for each child below the age of 15 up to a maximum of five children, as well as payments for adolescents aged 16 and 17, up to a maximum of two. The very poor also receive a flat payment regardless of household composition and, recently, a new payment was introduced to ensure that no family would be left with a per capita income below the extreme poverty line.

The aim of the programme is to reduce short-term poverty, but also long-term poverty by conditioning the cash transfer on participation in education and health programmes. Such conditions are actually intended to encourage beneficiaries to take up their rights to free education and health care, and non-compliance is seen as evidence of some kind of obstacle to accessing the service, rather than unwillingness to comply (Fiszbein and Schady, 2009). Consequently, benefit is temporarily suspended only after three warning notices and the possible visit of a social worker.

Bolsa Família has generally had positive effects on education outcomes (attendance, retention, study time, grade progression). However, the selection method has been criticised on the grounds that it can lead to selection distortions such as patronage and leakage. It also leads to high inclusion errors compared, for example, with the Mexican CCT programme (see below). In addition, the capacity of *Bolsa Família* to fulfil its objectives is limited by the country's ability to meet the demand for social policies. The poor quality of education available to disadvantaged children (Soares et al., 2007) and the lack of access to a set of public services (Paes Souza and Pacheco Santos, 2009) reduce the capacity of the programme to break the inter-generational transmission of poverty.

Finally, the effect of *Bolsa Família* on the labour supply of recipients is ambiguous, both theoretically and empirically. Some research has found positive effects on parental labour supply (Chitolina, 2012; Ferro and Nicolella, 2007 for urban mothers; Mattos, Maia and Marques, 2010 for men on the extensive, but not the intensive, margin; Ribas and Soares, 2011 for participation of household additional workers in rural areas); other papers find no (or insignificant) effects (Tavares, 2008; Foguel and Barros, 2010); others still find a negative impact (Ferro and Nicolella, 2007 for rural mothers and urban fathers; Pedrozo Junior, 2010; and Ribas and Soares, 2011 for the formal sector in urban areas). The effect on formality is equally ambiguous (Holanda Barbosa and Corseuil, 2011; and Holanda Barbosa and Corseuil, 2013).

***Oportunidades* (Mexico)**

Mexico has a well-targeted conditional cash transfer programme, *Oportunidades*, that has been widely emulated internationally. It helps the poor invest in the human capital of their children and has been very successful (Parker et al., 2008). Over time, its coverage has increased and it has helped to increase secondary school enrolment rates, particularly benefitting girls. In addition, by leading to an increase in health visits, it has entailed a decline of both child morbidity and maternal mortality.

However, more could be done to expand its coverage. The programme still excludes many vulnerable and moderately poor households. The size of the cash transfers is also small. Taken together, *Oportunidades* and *Programa para Adultos Mayores*, a component of *Oportunidades* for older individuals, amount to only 13% of household income for those in the poorest income quintile.

***Chile Solidario* (Chile)**

Chile Solidario is a large-scale, but highly targeted, initiative aimed at modifying the living conditions of households in extreme poverty (the poorest 5-6% of the population). It is recognised as an innovative and comprehensive program for tackling extreme poverty and is based on three premises:

Box 2. **Activation and social protection for the poorest** (*cont.*)

1. That the poorest families are excluded from economic growth and from the social policy network itself;
2. That a range of public benefits and programmes can provide assistance and support that families need to overcome extreme poverty;
3. That a “bridge” consisting of information, contacts and commitments is needed to connect families in extreme poverty with the public network and with the labour market.

The programme provides tailored support to beneficiaries through social workers in the form of diagnostics of the main barriers, customised action plans to overcome them, and referrals by social workers to appropriate support measures. The cash transfer in *Chile Solidario* is temporary and is conditioned on participation in the programme and on working actively with the social worker. Benefits are declining during the first 24 months, falling from USD 26 per month to USD 14. After that, beneficiaries receive an exit grant equivalent to USD 13.5 per month for three years. Given its relatively small size the benefit is mainly meant to motivate families to participate in the programme.

Chile Solidario guarantees its beneficiaries access to the range of social programmes available in education, housing, health, training, and employment, including monetary subsidies. To facilitate this link, each beneficiary family receives personalised support for a period of two years. This involves monitoring the fulfilment of a range of minimum objectives associated with the accumulation of human capital, social capital and psycho-social skills.

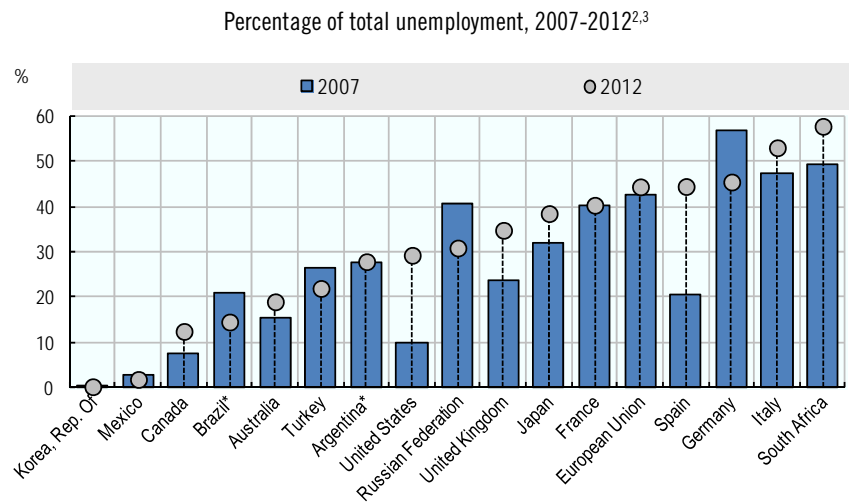
Although *Chile Solidario* has been successful at reaching the poorest households and connecting them with available services, the impact on measured poverty and, especially, on employment has been small. This is in part due to the target group, which is likely to face substantial and often multiple labour market difficulties. But it also highlights the potential benefits of complementing social activation programmes with stronger employment-related support, e.g. by strengthening institutions such as the public employment services. The experience exemplifies both the challenges of activation programmes targeting the poor, and the promise of innovative measures and sustained policy commitments that tackle poverty in an integrated manner.

Sources: OECD (2009), *OECD Reviews of Labour Market and Social Policies: Chile*; OECD (2012), *OECD Economic Surveys: Chile*. OECD (2011), *Divided We Stand: Why Inequality Keeps Rising*; OECD (2013d), *Investing in Youth: Brazil*; OECD (2013), *OECD Economic Surveys: Mexico*.

Tackling long spells of unemployment and the risk of exclusion

One short-term challenge facing many G20 countries is that the crisis has led to high and increasingly persistent levels of unemployment with the associated rise in the share of long-term unemployment — defined as an unemployment spell of 12 months or more. **Figure 5** shows that

among the G20 countries for which data are available, the incidence of long-term unemployment increased most sharply in Spain and in the United States, where the share of long term unemployed tripled to reach a historical high in early 2011, before easing slightly in the United States (while it is still on the rise in many EU countries).

Figure 5. Evolution of the incidence of long-term unemployment¹ in G20 countries

Countries are shown by ascending order of the incidence of long-term unemployment in 2012.

*: Selected urban areas for Argentina and Brazil.

1. Persons unemployed for one year or more.

2. 2008-12 for Argentina and South Africa.

Source: OECD Labour Force Statistics Database and OECD estimates based on the national labour force surveys (for Argentina and Brazil).

In previous recessions, the rise in long-term unemployment was in many advanced countries the main channel through which what was originally a cyclical increase in unemployment turned into higher structural unemployment rates – a problem far more difficult to tackle. In addition to lowering potential output growth via the resulting loss of human capital, there are also substantial social costs related to prolonged spells of unemployment as they increase the risk of permanent labour market marginalisation and a loss of self-worth and motivation. Long-term unemployment is also associated with heightened risks of poverty, health problems and school failure for children of the affected individuals.

Compared with those with short spells of joblessness, many long-term unemployed face particular labour market difficulties. Many of them lack adequate labour market skills or relevant work experience. Moreover, the experience of long-lasting unemployment may lead to demoralisation and discouragement, reducing job search intensity and motivation to work. Both factors justify specific interventions targeted at the long-term

unemployed although their nature may differ. The former provides a case for targeted active labour market programmes that can remedy obstacles to finding paid work in the form of insufficient or obsolete skills and lack of relevant work experience. The latter favours intensifying certain types of intervention in the unemployment spell, possibly in combination with reinforced job search incentives.

Intensifying specific case management interventions after a minimum period of unemployment may both help to overcome obstacles to effective job search or problems related to effort and motivation. The intensification of case management may take the form of introducing or increasing the frequency of regular face-to-face interviews, the development of individual action plans, the strengthening of reporting requirements in relation to job search, and expanding the obligation to accept suitable job offers. However, these instruments are usually deployed within the first year of the unemployment spell.

In the **United Kingdom** and a number of other countries, jobseekers are able to restrict their job search to work in their normal occupation, or refuse work that does not correspond to their skills (the exact concept differs by country) for the first three months of their unemployment spell, but after three months any job is considered suitable, subject to standard safeguard clauses (which concern ability to perform the job, and regular work conditions).

For the long-term unemployed with multiple labour market problems, intensified face-to-face interviews or job search reporting requirements may not help and may risk reinforcing demoralisation. Active labour market programmes such as training, subsidised work in the private sector or direct public sector job creation, in principle, can help remedying obstacles to finding employment related to the lack of adequate labour market skills and recent relevant work experience. Targeting such policies on the long-term unemployed makes sense from a cost-benefit perspective since the need for remedial measures is larger among this groups and the role of lock-in (reductions in employment in the very short-term because programme participants spend less time actively looking for a job – Card, Kluge and Weber, 2010) and deadweight effects is likely to be smaller given their lower probability of finding work. However, participation in vocational training with good job prospects is not always possible so that disadvantaged client groups are also referred to remedial and foundation training with lesser labour market prospects. To the extent that ALMPs targeted at the long-term unemployed involve an element of obligation, they may also encourage job search.

- Since 2011, unemployment claimants in the **United Kingdom** enter the *Work Programme* (WP) after nine months if aged 18 to 25, or a year if older. Under the WP the task of getting the long-term unemployed into work is outsourced to a range of public, private and third-sector organisations. Employment service providers are paid on the basis of employment outcomes, and they can require clients to participate in a range of

full-time activities (ALMPs), but they are not obliged to create places for them according to a specified schedule.

- The *Hiring Incentives to Restore Employment* (HIRE) Act of 2010 in the **United States** provided a temporary payroll tax credit to employers recruiting workers who have been unemployed or underemployed during the 60 days prior to starting work. However, the hiring subsidy was not very generous (up to USD 1 000 per worker) and expired before private job creation had become self-sustaining (operational from February to December of 2010).²
- A *Youth Wage Subsidy Experiment* for **South Africa** represents a pilot programme that offers wage subsidies for youth unemployment. While the subsidy is not specifically targeted at the long-term unemployed, unemployment tends to be predominantly long-term in South Africa, including for youth which account for over two thirds of overall unemployment. The idea behind the subsidy is to overcome the information asymmetry on the part of employers who tend to use experience as an indicator of ability, thereby excluding many able youth from employment. The target population of the study consists of a random sample of 4 000 unemployed youth aged 20-24 in three provinces in South Africa split into treatment and control groups.
- In **Australia**, after one year of unemployment claimants of unemployment benefits are required to complete “Work Experience Activities”. For those with a full-time participation requirement aged 21-39, the requirement is for 100 hours of part-time study, 130 hours of part-time work, 240 hours of voluntary work or similar, or 390 hours of participation (equivalent to 30 hours per fortnight for 6 months) in a work experience programme, such as Work for the Dole. These activities are implemented by the claimant’s employment service provider, within a framework of continued efforts at placement, as provider funding and performance rating continues to depend on the resulting market employment outcomes.

Maintaining an appropriate balance between providing income support to persons unable to find a job and preserving incentives for job search and work is also important. To the extent that the long-term unemployed tend to have lower potential productivity and earnings than more recent job losers some decline in the unemployment insurance benefit schedule with benefit duration may be appropriate. Unemployment insurance benefits are also limited to a maximum duration, after which unemployment jobseekers fall back to unemployment assistance or social assistance benefits which tend to be lower, but are explicitly designed to mitigate poverty risks rather than maintain pre-displacement consumption patterns. There are several OECD countries that operate declining unemployment insurance benefit schedules, while in nearly all countries with unemployment insurance benefits, these are time-limited.

Germany promoted the transition back to employment among the long-term unemployed by reducing the maximum duration of unemployment insurance benefits to one year and introducing a system of unemployment assistance for the long-term unemployed (Harz IV). Whether long-term unemployed persons are eligible for unemployment assistance benefits depends on their savings, life insurance and the income of spouses/partners. To receive payments, a claimant must agree to a contract subject to public law. This contract outlines what they are required to do to improve their job situation, and what the state is obliged to do to help. Despite a considerable reduction in short- and long-term unemployment, the Harz reforms have been criticised for forcing many individuals into low-paid and part-time jobs. Indeed, unemployment benefit recipients in Germany are allowed few valid reasons for refusing job offers. A number of them end up in “mini-jobs” which are poorly paid (limited to EUR 400 per month) and exempt from social contributions and

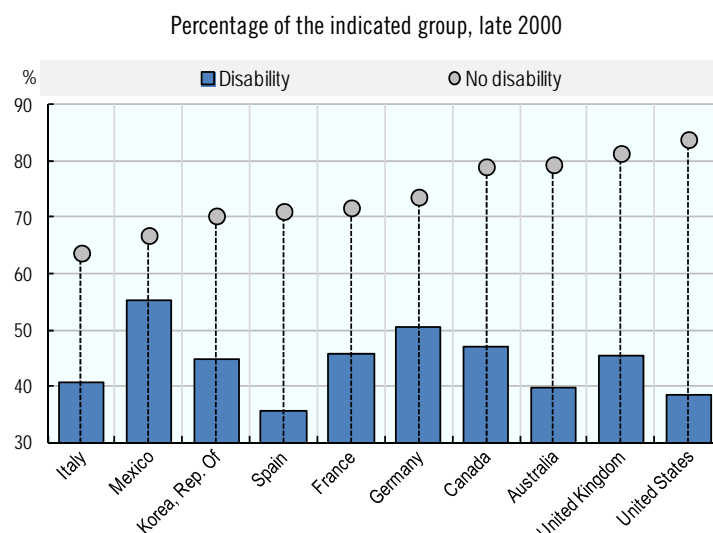
taxes for the employee, resulting in reduced social entitlements.

There are number of issues that need to be considered when designing targeted interventions at the long-term unemployed. First, to what extent should targeted interventions be applied uniformly across the unemployed once a minimum period has passed or should interventions be individualised to take account of differences in the nature and severity of labour market difficulties. Arguments in favour of uniform rules are that: they may be considered more equitable since all persons face the same rights and obligations; they are easier to administer and implement; and they may have stronger motivational effects if obligations are known in advance. To an extent, the principles of uniform rules and individualisation can be combined by creating an obligation to participate in an ALMP but providing individual choice, subject to negotiation with the employment counselor, over the type of ALMP. Second, there is a need for balance between interventions early in the unemployment spell and those that target only long-term unemployment. This means that resources used to target the long-term unemployed should not come at the expense of those available to recent job losers, but should be seen as additional measures to address the specific problems related to long-term unemployment.

Disability and activation

People with disability have consistently lower employment rates which in many countries – including Australia, Spain, the United Kingdom and the United States – are only half the rate for people without disability (Figure 6). People with disability have also seen less increase in employment rates in the decade before the crisis (OECD, 2010b). It is therefore important to take action to encourage greater retention and hiring of people with disabilities.

Figure 6. Employment rates of disabled people in selected G20 countries



Countries are shown by ascending order of employment rates of persons not disabled.

Source: EU-SILC 2007 (wave 4) and ECHP 1995 (Wave 2), except: Australia: SDAC (Survey of Disability and Carers) 2003 and 1998; Canada: PALS (Participation and Activity Limitation Survey) 2006; Korea: National Survey on Persons with Disabilities, 2005 and 1995; Mexico: ENES (National Survey of Employment), 2004 and 1996; United Kingdom: LFS 2006 and 1998; United States: SIPP (Survey of Income and Program Participation) 2008 and 1996.

One key challenge is that, in countries with more well-developed social protection systems, there is a risk that some of the long-term unemployed transfer via “inactive” benefits into permanent withdrawal from the labour market. In the past, rising long-term unemployment has translated into a sharp increase in the use of disability benefits; as a result, in many G20 countries today more people rely on disability benefit than on unemployment benefit. In many cases this means putting people with productive capacity on a benefit from which there is limited or no return to the labour market, even when the economy picks up again.

This is why transforming disability benefit into an active programme – with obligations for the employee but also the state agencies and the employers – will be essential for improving employment rates of people with disability. This is a big challenge for most countries given that typically some 95% of total disability spending is mere benefit payment whereas in unemployment programmes, the active employment-oriented

component accounts for one-third of total programme spending. Preliminary findings from the current crisis indeed suggest that reforming disability benefits towards an employment-oriented system can go a long way in preventing rising inactivity. Countries like the United Kingdom, for example, which has started structural reform of its disability system in the mid-2000s, did not see an increase in the disability caseload recently. In sharp contrast, the disability caseload continued to increase sharply in recent years in the United States, which has so far shied away from reforming its disability programme.

Older workers

In the more advanced G20 economies, long-term unemployment for older workers has often meant a one-way street to early exit from the labour market, often encouraged by formal and informal early retirement schemes. In the context of rapid population ageing in many G20 countries, this represents an increasing unsustainable waste of human resources.

Therefore, it is important to put in place activation policies that support and encourage people to continue working at an older age.

Policies should be designed to allow for greater choice in work and retirement decisions and to facilitate employment and employability at an older age. In particular, following the crisis and a rise in unemployment among older people in many countries, it is important to implement an efficient activation strategy to make a return to work a realistic alternative for older jobseekers. Public and private employment services should be encouraged to give the older unemployed greater access to labour market measures such as job search assistance and training.

In several G20 countries it was decided to have first a mainstreaming strategy (measures that apply to all jobseekers irrespective of age) and second, to design well-targeted schemes only for the most vulnerable groups among the older unemployed. While many older jobseekers manage well with the standard employment assistance given to everyone, some vulnerable groups may need extensive and tailored assistance to move back to work. Some country examples of more focused assistance are provided in **Box 3**.

For emerging economies, as multigenerational family structures are becoming less common, reflecting urbanisation paths and economic modernisation, dropping out of employment early is associated to particularly elevated risks of poverty for the affected workers. It is thus important that policies focus on cost-effective measures to support labour market outcomes of older workers and to help those who are in unemployment in their transition to a new job. As part of this, social welfare programmes should be better targeted to those who are most at risk of falling into poverty, including with the support of mechanisms of in-work benefits. Given the often large informal sector, it is more difficult to use

taxes for redistribution purposes and therefore greater focus should be placed on activation strategies conditioning benefits to active participation in work-first programmes.

Much can also be learnt from the policy mistakes that more advanced countries have made in the past. These included the setting up of pension schemes that have not proved to be financially sustainable in the long run as benefits were overly generous and retirement ages were not linked to changes in life expectancy. In addition, early retirement schemes (including *de facto* or “informal” schemes such as disability and unemployment benefits with relaxed eligibility criteria for older workers) were put in place in many countries following the recessions of the 1970s and 1980s in the misguided belief that this would help youth get into the labour market. This led to permanent exits from the labour market of older workers, an ever earlier age of effective retirement and no improvement in youth employment. It also proved to be very costly for public finances. These policy mistakes have been subsequently followed in most of the countries concerned by substantial and often painful pension reform as well as a closing down of publicly financed early retirement schemes or a tightening of access to these schemes.

In all countries, a comprehensive activation strategy for older workers requires a combination of rewarding work at an older age, removing disincentives on the side of employers to hiring and retaining older workers and improving the employability of older workers. This last objective also means taking action at earlier stages in workers’ careers to improve working conditions and access to training opportunities. There is also in many countries a scope for reconsidering excessively seniority-based wage structures, which make it expensive for the employers to retain older workers.

Box 3. Measures targeted on the most vulnerable groups among older workers

Services for mature age workers in Australia

Since July 2010, jobseekers aged 45 and over have access to the Experience+ Career Advice service, which provides the following services:

- Career Advice: free professional career advice and a resumé (CV) appraisal service;
- Experience+ Training—training grants of AUD 4 950 for upskilling mature age workers to become mentors, or supervisors of apprentices and trainees;
- On-the-Job Support: training and support for mature age workers whose jobs may be at risk due to a health condition, injury or disability;
- Job Transition Support: training and support to help mature age workers move from a physically demanding role into a less physically demanding role, and help for retrenched workers.

Targeted Initiative for Older Workers in Canada

The Targeted Initiative for Older Workers (TIOW) introduced in 2006 assists unemployed older workers (normally aged 55-64) in small vulnerable communities (cities or towns with a population of 250 000 or less) affected by significant downsizing, closures or high unemployment, through programmes aimed at reintegrating them into employment, or improving their employability. The TIOW supports the tailoring of projects to the needs and learning styles of participants, provides for screening and selection of participants, and offers a suite of employment assistance and employability improvement measures, including peer support and targeted skills training.

The 2010 Formative Evaluation of the TIOW showed that 75% of participants found employment during or after participation in the initiative and 80% felt more employable as a result of project activities. All provinces and territories are currently participating in the initiative. As of October 2011, the programme has undertaken 331 projects reaching over 16 000 participants.

The programme *Perspective 50plus* in Germany

In 2005, when the first call for proposals was made, 62 regional pacts received financial support and assistance from the Federal Ministry of Labour and Social Affairs. Now in its third phase (2011-2015), the number has grown to 78, covering 96% of Germany.

Target group: long-term, low and semi-skilled unemployed persons above the age of 50.

Objectives: re-integrate older long-term unemployed into the labour market; raise public awareness of demographic change and the role of older workers; and change the attitudes of employers and enterprises.

Programme design and innovative content:

- Regional employment pacts to ensure involvement of all appropriate regional and local actors;
- A cross-sector approach including labour market, employment, social and health policies;
- The pacts use a wide range of tools, including profiling, assessments and special training measures, internships in companies, placement activities, wage subsidies for enterprises and publicity campaigns to raise awareness of challenges of demographic change;
- Objectives set in annual target agreements between the Federal, Länder and local levels;
- Agreements implemented *via* the local job centres working with a range of partners such as municipalities, the federal PES and training providers.

Box 3. Measures targeted on the most vulnerable groups among older workers (cont.)

Structure of the programme:

- The “free-to-use” budget and simplification of administrative rules are a success factor;
- The regional pacts have the opportunity to adapt the programme to their regional and local needs. However, if particular concepts prove to be unsuccessful, funding can be reduced or withdrawn.

Effects and outcomes:

- In the first and second phases (2005-2010), almost 130 000 older long-term unemployed were integrated into regular jobs;
- Targets to prevent long-term unemployment have helped avoid “creaming” of jobseekers, i.e. only focusing on those unemployed with the best prospects for finding work;
- It creates growing recognition of the needs of older long-term unemployed people and a shift in awareness of the value of older workers.
- Job centres have learnt from the experience of participating in the programme and adapted their day-to-day operations.

The programme is currently being evaluated for its qualitative and quantitative impact.

Giving youth a chance in the labour market

Poor labour market outcomes for youth, and especially for the most vulnerable groups among them (e.g. early school leavers, children of migrants, etc.), are of long-standing concern in all countries. The crisis has exacerbated these problems in a number of countries as young people have been hard hit by job losses and many school leavers are finding it very hard to gain access to productive and rewarding jobs.

Joblessness encountered early in working lives can persistently affect youth career paths and future earnings prospects (so called “scarring effects”). Youth not in employment, education or training (the so-called “NEETs”) are most at risk of scarring effects. The share of this group in the total youth population ranges in the G20 area from 10% or less in Canada, Germany and Japan to more than 25% in India, South Africa and Turkey (Figure 7). However, many emerging economies have seen considerable falls in their NEET rates between 2007 and 2012(Q4) (Turkey, China, Saudi Arabia, Brazil), while European countries (France, the United Kingdom, and Italy and Spain in particular), Australia and the United Kingdom have seen increases.

Inactive youth not engaged in learning make up the largest share in most countries for which the NEET rate can be split into its key components (**Figure 7**). Some inactive youth may have chosen to withdraw from the labour market – notably, young women engaged in child bearing and rearing. But for many young people inactivity is the result of discouragement and marginalisation, which may reflect the accumulation of multiple disadvantages such as the lack of qualifications, health issues and poverty and other forms of social exclusion. Evidence from the United States and some European countries suggests that NEET status can be very persistent (Quintini and Manfredi, 2009; and OECD, 2010a).

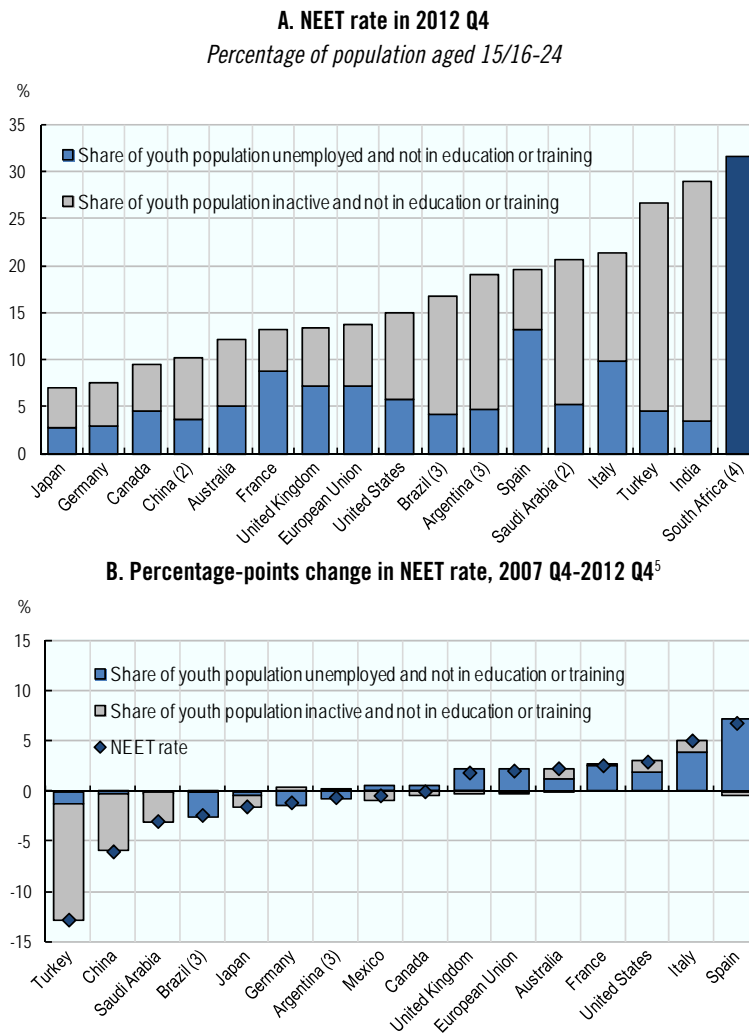
Youth may face two types of challenges when they enter the labour market: a lack of skills and a lack of experience. Successful labour market programmes address these two challenges using targeted and intensive programmes, often accompanied with support in other areas such as counselling, housing and mobility. These programmes have been discussed in some length in previous reports to the G20 on youth employment policies.³

Apprenticeship programmes provide one way to strengthen employment opportunities during the school-to-work transition, and investments in these programmes have taken centre stage in a number of G20 countries' policy packages to deal with the impact of the recession. Moreover, the 2012 labour reform in **Italy** included new provisions to promote apprenticeships as a pathway from school to work. Apprenticeship programmes link work experience to formal vocational education, and are often associated with lower labour costs for employers who welcome and train the young. Their success⁴ is hardly surprising, as intensive skills training in conjunction with employment subsidies in the private sector, is the most efficient way to eventually ensure a transition to sustainable, non-assisted employment. Germany and Australia (but also Austria and Switzerland) have developed this strategy on a large scale.⁵ **Spain** has recently approved legislation which aims at gradually introducing a dual system by promoting collaboration between firms and vocational training schools. However, international experience suggests that giving access to the most disadvantaged youth — often high-school drop outs who lack basic skills and often also the motivation to succeed in this type of intensive programme — can be challenging:

- In **Germany** the newly launched *Education Chain Initiative* aims to assist those students who currently find difficulties in transiting from school to the vocational education and training system. The objective is to replace isolated transition measures with structured support for students at risk. Following a national screening procedure at 7th grade, two strategies are envisaged: inside schools to support students in acquiring core basic skills; and outside schools where a coach supports young people in their transition to vocational programmes. These pre-apprenticeship support strategies typically target disadvantaged students.
 - In the **European Union**, the promotion of *Youth Guarantees* — itself part of a more comprehensive employment package introduced in early 2013 — encourages EU countries to put in place measures to ensure that young people up to the age of 25 receive a good quality offer of employment, continued education, an apprenticeship or a traineeship within four months of leaving school or becoming unemployed.
 - In **Australia** a nationally agreed policy on “user choice” funding for apprenticeships and traineeships is operated by the states and territories. Under this policy the employer and the apprentice/trainee can choose the training institution and the form of training delivery. States and territories implement the policy in a number of different ways. Some states define which apprenticeships or traineeships are eligible for user choice funding, primarily as a strategy for rationing places and ensuring quality of provision.
- In **China**, the annual number of university graduates has been increasing very fast. In 2003, there were about 2 million college and university graduates. This number has jumped to close to 7 million in 2012. In this context, since 2008 the government encourages college and university graduates to take jobs in public administration and public services at the community level of urban and rural areas. Once a college graduate has worked for a two-year period at the community level, she/he is offered the opportunity to become a public servant. Graduates are also encouraged to take jobs at small and medium-sized enterprises and private companies.
- In **Hong Kong, China**, since September 2009, a youth pre-employment training Programme (YPTEP) has been integrated with a work experience programme (YWETS) to provide comprehensive support to young school-leavers aged 15 to 24 with educational attainment at sub-degree level or below. This programme is a close substitute to



Figure 7. Youth neither in employment nor in education or training (NEET), 2012 fourth quarter¹



Countries are shown by ascending order of the NEET rate.

1. 2009/10 for India, 2010 for China, 2011 Q4 for Saudi Arabia, March 2013 for Australia and 2013 Q1 for Canada and the United States.
2. NEET rate may include some unemployed people who are in education.
3. Selected urban areas only.
4. No breakdowns by activity status available.
5. 2005-10 for China; 2009/10 only for India; 2007 Q3-2011 Q3 for Saudi Arabia; March 2007-March 2013 for Australia; and 2007 Q1-2013 Q1 for Canada, Mexico, New Zealand and the United States.

Source: OECD estimates based on national labour force surveys.

apprenticeships for disadvantaged youth: under the revamped programme, trainees can enrol on a year-round basis and are entitled to a full range of coordinated and customised training and employment support services, including pre-employment training, on-the-job training of six to 12 months, along with a training allowance of USD 2 000 per trainee during the period of on-the-job training.

- In **Canada**, the federal government established the *Apprenticeship Incentive Grant* in 2007 to help cover part of tuition, tool and travel costs. This grant is paid after students finish their first or second year to create a financial incentive to complete the programme. This type of support can be key in helping the most disadvantaged youth to succeed in apprenticeship.



- In the **Russian Federation**, employers offering apprenticeships are entitled to partial reimbursement of the labour costs associated with both the trainees and the trainer, i.e. the senior employee who is responsible for providing training to the apprentice.

Subsidies can also be effective in countries where the cost of labour is a barrier for low-skilled young people looking for a job, but they need to be carefully targeted to avoid deadweight effects. Numerous studies converge on the potential detrimental role of labour costs, notably among the low-paid, on employment probabilities for youth.⁶ As a general rule, the studies on the demand for labour estimate that a 1% increase in the cost of labour reduces the employment of the less-qualified, who make up a large proportion of young people, by 1% (Cahuc and Carcillo, 2012). One solution, in countries that potentially face this type of difficulty, is to allow a reduced minimum wage for young people in comparison to adults (e.g. Australia, the United Kingdom)⁷. Another strategy is to subsidise employment or hiring in the private sector for low-skilled or low-wage young workers. These subsidies can improve the odds of employment even after they are exhausted, because they help build valuable work experience.⁸ They can be particularly useful during the downturns as well⁹, and have been widely used across the G20 in the wake of the economic and financial crisis.

- In the **United Kingdom**, one major intervention component of the new *Youth Contract* is a subsidy of up to GBP 2 275 for youth aged 18 to 24 year recruited through the public employment service. Case workers play a central role in targeting the aid towards disadvantaged youth for which it plays essential part in the recruitment process. Similar subsidies were also part of the former New Deal for Young People demonstrated they could increase the chances to be employed at the end of programme by 20%.¹⁰
- In **France**, where the cost of a 20-year-old worker at the level of minimum wage is one of the highest amongst the OECD countries, a

programme topped up existing social contribution cuts on low-wages for young people recruited in 2012 (*zérocharges jeunes*) to compensate all of employers taxes on wages. This subsidy was highest at the level of the minimum and decreasing with wage.

- **Mexico** enacted in 2011 a new programme, *Programa de Primer Empleo* to stimulate formal employment; the programme offers an additional income tax deduction limited to three years for firms that create new jobs for workers who previously did not belong to the formal sector.

For teenagers and young adults who have dropped out of school and with other social problems making it hard for them to find employment, long-duration, comprehensive and intensive programmes may be necessary to help them get back to the labour market, but they need to be flexible enough to adapt to individual circumstances. Such interventions typically include a mix of formal education, coaching/mentoring, and non-cognitive activities (behavioural, socialisation), over periods close to one year. They might also offer internships or favour contacts with potential employers. This mix and the tailored approach often contribute to their success, and which distinguishes them from formal education (or even second chance programmes which are aimed only at ensuring youth acquire basic foundation skills). Hence, they are typically costly in human resources¹¹ and must be targeted on the most disadvantaged.

- In the **United States** the best known of these programmes is the *Job Corps*, which was founded in the 1960s and aims, in a very targeted and proactive way, to help young people who have not completed secondary education (Schochet et al, 2008). The aim is that youth gain a certified qualification and a real chance of finding employment after a whole year of training. Above all, the young people are guided and offered board. Participants fare better in terms of access to employment and wages, they are less likely to commit crimes, and require less training later. Besides its intensive and targeted nature, the

success of this policy is a result of its management method, which accentuates the obtaining of tangible results within each centre (Heckman, 2000).

- **France** has also been developing this type of scheme for several years, with the network of 70 second chance schools (*Écoles de la Deuxième Chance* – E2C) and since 2005, with the creation of *Établissements publics d'insertion de la défense* (State training centers EPIDE, 20 centres). Via programmes of around one year, these two networks offer educational refresher courses for young people who dropped out of school, including non-cognitive, behavioural training.
- In **India**, the Employment Generation & Marketing Mission (EGMM), which was established in 2005 by the *Andhra Pradesh Rural Poverty Reduction Program* (APRPRP), aims at training disadvantaged youth, either unemployed or under-employed, coming from poor households in rural regions of India where youth unemployment can reach high levels. Training opportunities are linked to local employers' needs and job opportunities. The programme also involves placement and post-placement support. Close to 200 000 youth aged 18 to 28 have enrolled in this programme. The programme proved to increase income and the quality of life of participants and their families altogether.¹²
- In **South Africa's** *National Rural Youth Services Corps*, poor rural youth join the programme for a period of two years, during which they receive theoretical and practical training. The programme is expected to create 10 000 jobs (per year) in 3 300 rural wards of the country.

Work experience programmes can be useful to strengthen skills and hence raise future employability but they also need to be flexible enough to match individual circumstances. Another condition of success is to target youth with no or little work experience, and who would not find jobs otherwise – although worker profiling would help target such interventions, in practice this may be beyond the current capacity of many emerging economies. In such cases, a simple

rule, such as being out of work for a given period of time, may have to be used instead.

Work experience on infrastructure projects or in the private sector should typically be preferred to general public jobs. In general, offering employment opportunities in the public/not-for-profit sectors has no significant impact on the likelihood of holding a non-subsidised job in the private sector in the future,¹³ even though they can be useful under some circumstance, notably in very depressed labour markets and when the acquired skills can be used in the private sector.

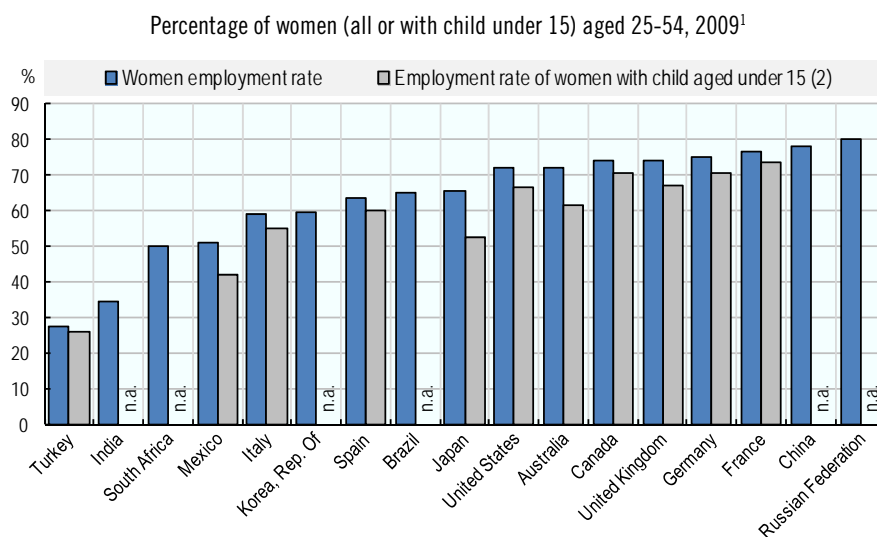
- In **Mexico**, *Jóvenes Constructores de la Comunidad A.C.*, a civil non-for-profit organisation, offers youth training in trades and non-cognitive skills, but also construction skills while doing work to rehabilitate public spaces that transform their own communities. For instance, in the Federal District they rehabilitate buildings catalogued as a national heritage for their historical value; in Chiapas the programme was implemented to ameliorate the problems left by hurricane Stan, that affected a vast part of the state. The participants are aged between 15 and 29 years, are not working and not studying at the time of their participation in the project, and usually have only a basic level of education. They work in small teams, with their teachers and instructors, a factor often identified as key to foster motivation and develop social skills.¹⁴
- In the **United Kingdom**, the *Work Programme*, which replaced the *Flexible New Deal* on June 2011, offers youth aged 18-25 after nine months of unemployment (even three months if the person is younger than 18 and not in education or training) work oriented support, including counselling, work experience in the private sector and community work. The management is outsourced to a range of public sector and private sector organisations and associations under contract with the administration, who have substantial leeway in adapting the offers to individual circumstances. Youth receive income support from the public employment service while working and

employers bear no costs (if some additional costs are involved for employers they can be also covered by the programme). Work experience is up to 12 weeks between 25 to 30 hours a week. Case workers play a crucial role in targeting this type of programme towards low-skilled youth.

- **Germany** operated a pilot programme in high unemployment cities between 2007 and 2009. The programme offered solutions in partnership with a temporary work agency to disadvantaged youth without lower secondary

school degree, without vocational training degree and/or without labour market experience. Following individual profiling and skills assessments, the programme combined individual coaching, classroom training, and work experience via temporary agency work in three steps. The full program was designed to last 12 months. Elhert et al. (2012) find sizable positive effects of the programme on participant's employment chances six months after the end of the programme (+40% for those participating for at least six months). The effect is smaller but still substantial 18 months after the programme has finished.

Figure 8. Employment rates of women with young children and overall employment rates of women in selected G20 countries



Countries are shown by ascending order of the women employment rate.

n.a.: Not available.

1. 2001 for Canada, 2005 for Japan and the United States, and 2010 for China and India.

2. Children under 16 for Canada, Japan and the United States; Children (dependant) under 25 for Turkey.

Source: OECD estimates based on national labour force surveys.

- In **China**, the government has finalised in 2010 a new training plan which aims to help more than 10 million middle/high-school graduates to better match their vocational skills to the needs of the business sector. As part of this, a special allowance will be allocated to domestic migrant workers so that they can improve their skills and in some cases even obtain certificates through taking training courses. If successfully implemented the beneficial effects of the programme should be visible in expanded job

creation, thanks to its capacity to reduce bottlenecks caused by problems of skill shortages.

Promoting gender equality in employment, entrepreneurship and education

In most G20 countries, young women now attain higher education levels than men, yet female

labour utilisation is still well below potential (Figure 8).

Women essentially face three types of challenges in the labour market: *i*) difficulties to join or return to work due to family responsibilities; *ii*) lower employability due to shorter or interrupted work experience, notably after family-related career breaks; and *iii*) various forms of wage and employment discrimination, as well as social norms which still put most care and household responsibilities on women. Active policies can help tackle the first two of these challenges. Indeed, high out-of-work benefits, costly or inaccessible child care services, as well as poor parental leave provision, can mean that women cannot “afford” going back to work. The policy objectives are not only to offer women solutions for child care or the education of small children, but also to create incentives to resume employment after periods of inactivity and linking income support to services. In addition, policy should encourage men to do more in terms of unpaid household work to simultaneously generate greater gender equality and a more efficient use of human capital.

A few countries have taken important steps in recent years to implement legislation and/or raise awareness to improve gender equality in the workplace. **Turkey** is bringing its legislation in line with that of the EU’s, and training has been provided and brochures distributed to raise awareness and improve gender mainstreaming. **Mexico** certifies businesses and other organisations who conform with the *Norma Mexicana para la Igualdad Laboral entre Mujeres y Hombres* (Mexican Norm for gender equality in employment) which was published in 2009 and updated in 2012.

Making transfers (in many instances benefits paid to single parents) conditional on work or job search is likely to have a strong impact in countries where safety nets cover a substantial part of the population.

- In the **United States**, a number of important “welfare-to-work” reforms have largely focused on lone parents (see **Box 1**).
- **Australia** promoted part-time work through generous benefit tapers, and from 2003 significantly increased lone-parent participation in employment services and labour market programmes (OECD, 2013a). However, efforts to improve work incentives and access to employment and training programmes and related services had more impact when work availability and job search requirements were introduced. This was mainly in 2006 and 2007 in Australia (now applying to lone parents with a child aged 6 or over). Similar changes were introduced progressively from 2008 to 2012 in the **United Kingdom** (now applying to lone parents with a child aged 5 or over) and in a number of other OECD countries with a positive impact on women’s earnings and employment.¹⁵
- For couple families, both **Australia** and the **United Kingdom** have also tightened access to means-tested benefits by requiring active job search not only by the main benefit claimant, but also by potential second earners in the family, who are mostly women. This individualisation of benefits strengthens job search and work incentives for non-working spouses. However, when children are present in the household, these requirements may only be effective insofar as they are combined with access to affordable child care.
- Since the enforcement of the *Employment Promotion Law* in 2008, increasing emphasis has been put by **China** on the objective of promoting more equal employment opportunities between genders. Further to prohibiting anti-discrimination practices, various initiatives have been undertaken by the government to expand employment channels with a higher potential to strengthen female employment. These includes the development of community services, the promotion of women’s self-employment and their entrepreneurship through community training, consulting, business guidance and some subsidised credits. Employment services

such as the *Spring Breeze Action and Employment Service Week* are focussed on women.

- According to different estimates there are at least 600 000 and maybe up to a million single mother households in **Japan**. The exceptionally high employment rate of Japanese lone parents, at 85%, is probably related to relatively strict conditions for accessing social assistance: prior to granting out-of-work benefits, municipal welfare offices tend to rigorously evaluate lone parents' capacity to work. Only a small proportion of lone parents therefore receive social assistance benefit (93 000 in 2006). By contrast, another means-tested benefit, the child-rearing allowance, is received by a much larger number of women. The construction of this income support benefit is relatively employment-friendly as it can be combined with income from work, and also provides preferential access to places in day care centres, at heavily subsidised rates for mothers on low incomes.

In countries with well-developed social protection systems, attention is often focused on limiting possible work disincentives associated with social protection programmes. This is not necessarily a focus in emerging economies, where the large numbers of households with very low incomes mean that basic social protection measures play an enabling role and can assist women in accessing earnings opportunities. In **South Africa**, the *Child Support Grant* (CSG) is a transfer paid to care givers (mostly women). An evaluation of a benefit extension in 2008 suggests that benefit receipt is associated with improved labour market outcomes for mothers in poor households and reduced child labour (OECD, 2011c). This may suggest that CSG receipt helps overcome liquidity constraints for mothers in poor households and hence enables them to engage in active job search and in employment.

A wealth of evidence shows that supporting access to affordable and good quality child care facilitates female labour force participation and also improves children's future opportunities, especially

among disadvantaged groups (OECD, 2011b). Both of these effects are crucial for promoting equality of opportunities and tackling socio-economic inequalities (OECD, 2012a; Blau et al. 2007; Gelbach, 2002). Recent evidence on the positive impact of child care in emerging and middle-income countries has contributed to the growing interest in child care and pre-school support as a central element of active social and employment policies. In **Mexico**, child care services have been strongly expanded since 2007 with the *Programa de Estancias Infantiles para Apoyar a Madres Trabajadoras* – a federal day care programme for working mothers which provides large subsidies (covering about 90% of child care costs) for community and home-based day care. In 2011, there were 10 000 registered day centres taking care of a total of 300 000 children (SEDESOL, 2011). The programme offers both demand- and supply-side incentives: grants for individuals and civil society organisations to facilitate setting up and running child care institutions, as well as targeted subsidies to low-income mothers who enrol their children. In addition to facilitating employment of low-income mothers targeted by the subsidies, the programme had generated around 45 000 paid jobs for providers and their assistants, most of whom are also women (OECD, 2012a). Similarly, recent studies of a large-scale extension (plus 175 000 slots) of preschool capacity in **Argentina** showed positive outcomes in terms of mothers' labour force participation and child development (Belinski and Galiani, 2007; and Berlinski, et al., 2009).

Child care programmes can provide an essential contact point and a gateway for delivering support and services targeted at children and mothers. In **Brazil**, the *Rio de Janeiro public day care programme* offers integrated social, health and educational services for children aged 0-3 living in low-income neighbourhoods. Crucially, the programme features the active involvement by parents as a way of improving knowledge about good parenting practices. Barros *et al.* (2011) find that access to the programme increased maternal

employment by more than one fourth (from 36% to 46%).

Parental leave policies enable parents to combine work and family responsibilities by facilitating a return to employment after family-related career breaks. They also provide incentives for women to invest in education and obtain work experience at an early stage, with a view to gaining a foothold in the labour market. However the maximum duration for these leaves should be limited in order to avoid long periods of inactivity which could make it difficult to re-enter employment and lead to permanent labour market withdrawal. This is why, in the **Russian Federation**, the government provides professional training for women on leave to care for a child under the age of 3. In 2011, 26 200 women were provided professional training, retraining and advanced training, of which 15 700 returned to work.

Likewise, fathers should be enabled and encouraged to take such leaves in order to reduce gender inequalities and discrimination in the labour market. Some countries dramatically reformed their parental leaves to increase the participation of fathers. For instance, in **Australia**, the paid parental leave scheme was changed in 2013 to include a *Dad and Partner Pay* for up to two weeks (in addition to the existing Parental Leave Pay for 18 weeks for the primary carer), paid at the rate of the national minimum wage. Specific child-related leave provisions for fathers have also been introduced in a number of emerging economies, e.g. paternity leave in **Argentina, Brazil and Hong Kong, China**.

While efforts have been made in most G20 countries to implement work-family reconciliation policies (including child care, child benefits, parental leave entitlements and flexible work arrangements), much more remains to be done in many of them to extend the scope and coverage of such measures.

Finally, entrepreneurship can also play an important role in creating (formal) jobs for women.

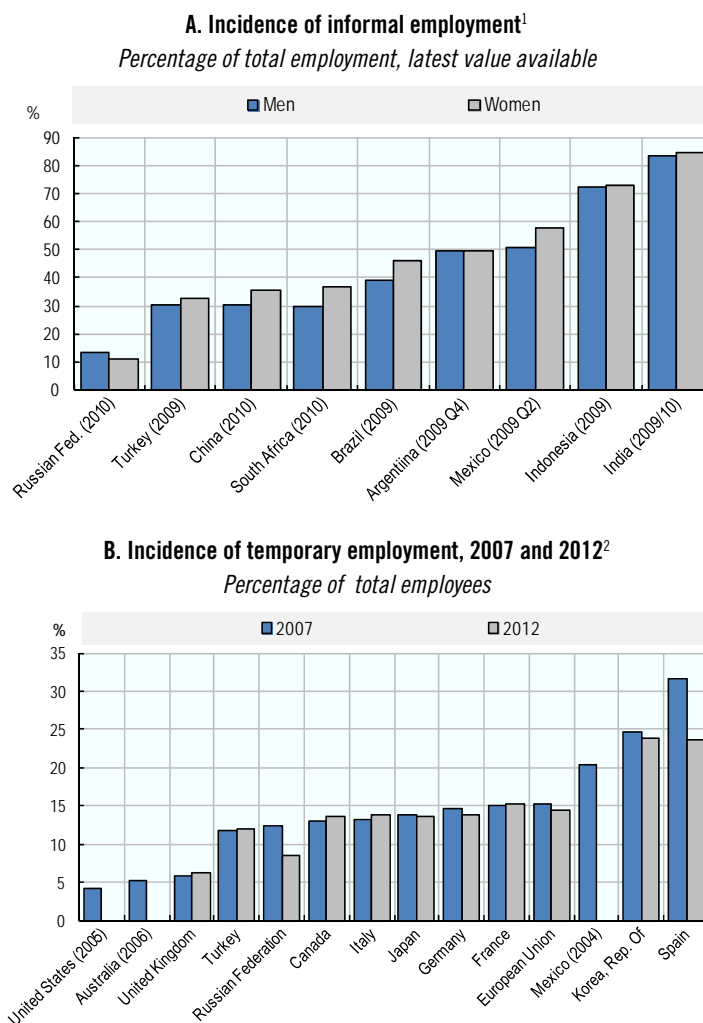
Women tend to be under-represented among entrepreneurs in the formal sector, with proportions of women-owned SMEs often stuck at around 30%, but even lower in some countries (e.g. India, Mexico and South Africa – IFC, 2011). Governments can foster female entrepreneurship: through policies that reduce barriers, such as administrative burdens on firms and excessive regulatory restrictions; by supporting the development and implementation of awareness campaigns, training programmes, mentoring, coaching, and support networks; and by ensuring equal access to finance, including micro finance programmes.

Complementary policies to support the transition from informal work to formal employment

In several G20 countries, unemployment is a situation that many workers cannot afford to remain in for any length of time. This is because the coverage of unemployment benefits is limited and overall household incomes are low. Often, the choice is between a declared job and work in the informal economy. Even in countries with better developed systems of social protection, informal employment may represent a common choice for certain groups in the workforce.

In spite of the strong economic performance in many emerging market countries both before and after the global crisis, the share of informal employment remains sizeable in several countries (Figure 9, panel A). There is considerable variation in the types of informal jobs. An important part of the informal sector, for instance, comprises self-employed workers in the agricultural and service sector. While some may choose not to be salaried employees because they have more flexibility, the large majority are trapped into low-productivity and low-paid jobs with limited or no social protection. In G20 countries, where the overall rate of informal employment is lower, other forms of low-paid or unstable jobs can be common. Temporary and low-paid work is often concentrated in certain sectors, like construction and personal services.

Figure 9. Informal and temporary employment in G20 economies



Countries are shown by ascending order of the incidence of informal employment among men in Panel A and by the incidence of temporary employment in 2012 in Panel B.

* Selected urban areas.

1. Data for the Russian Federation corresponds only to persons employed in the informal sector.

2. 2011 for the Republic of Korea.

Source: ILO Statistical update on employment in the informal economy, June 2012 and OECD Labour Force Statistics Database.

Activation policies that combine support and incentives for taking up formal employment can play a role in facilitating transitions into more stable and higher productivity jobs. As part of an activation agenda, this includes extending social safety nets, particularly unemployment benefits, to better cover low-paid workers. In combination with activation measures, out-of-work benefits enable jobseekers to maintain their work capacity

while looking for and preparing for formal sector work. But co-ordinated action across a number of fronts is necessary to reduce informal employment in countries where it is a problem. This includes making greater efforts to assess taxes and social security contributions (and applying sanctions to recalcitrant employers); moderating employment regulations where they are overly strict; as well as

reviewing tax burdens and non-wage labour costs on low-paid jobs.

In several emerging economies, attempts have been made to bring more marginal workers into the formal sector through legislation and labour market reforms. **Argentina** has attempted to provide domestic workers with similar rights to those enjoyed by workers in other sectors (Law 26.844) and to increase their formal registration. In addition, Law 26.727 has sought to regulate and protect certain aspects of work in the agricultural sector and broaden the labour rights of agricultural workers. Agricultural and domestic workers have also been the target of formalisation efforts in **Mexico**. For instance, the decree enacting the Labour Law Reform adds new types of contracts for seasonal workers, providing them with access to social security and other benefits.

Employers have a financial incentive not to declare employment – or to under-declare employee compensation – when profit taxes are lower, or are more easily evaded, than labour taxes. By contrast, setting taxes on labour lower than taxes on profits, combined with good enforcement of profit taxes, creates an incentive for employers to deduct as much labour income as possible from gross revenues – thereby encouraging employers to declare the true wages and salaries of their employees. Taxes on distributed corporate profits remain low relative to taxes on labour in a number of countries.

This relationship also suggests that the structure of social security contributions and taxes on low-wage employment should be reassessed in countries where there is a high incidence of informal employment. For example, some contributions paid by the employees are capped in **Mexico**, thus generating a regressive pattern of labour taxes. **Turkey** has recently attempted to reduce informal employment of women in the handicrafts industry through reduced social security contributions, which would gradually be increased up to the normal rate over a period of

15 years. A shift to progressive labour taxes (i.e. a system which taxes high-wage workers at a higher rate than their low-wage counterparts) may help support demand for low-skilled labour in the formal sector. However, low-wage workers should not be exempted from participation in social insurance schemes. One of the strongest motives workers can have to work in the formal sector is precisely to acquire entitlements to these benefits. As discussed above, expanding the effective coverage of low-wage workers by these programmes would also serve social goals.

Greater efforts to strengthen tax and labour inspections are also needed, since undeclared work among employees is to some extent explained by the weak tax assessment regime for small businesses and the self-employed. Enforcement can be strengthened by reinforcing tax inspection services and improving information exchange among the various government departments concerned. For example, **Korea** has recently put considerable effort in linking together the social security files. Two additional ways to strengthen employers' incentives to properly declare labour earnings (which otherwise will be taxed as net profit) are to: *i*) make value added the relevant tax base; and *ii*) focus the tax collection strategy on upgrading business record-keeping and accounts, rather than on the detection of work relationship.

Since under-declaration of wages is often difficult without the collaboration of the workers, another strategy for encouraging the transition to salaried employment is to reinforce workers' incentives to work in compliance with the tax and regulatory system. As was previously mentioned, a key policy lever here is to make participation in social insurance schemes sufficiently attractive to workers. A complication with pursuing this strategy is that formal employment of the head of household suffices to provide an entire family with access to certain benefits, such as health insurance. This reduces the incentive of other earners within the family to declare their activity. By contrast, unemployment benefit entitlements are largely

based on individual employment status and may thus reduce incentives for undeclared work, particularly when combined with proper controls ensuring that those receiving such benefits do not also engage in undeclared work.

Strengthening policy coherence for inclusive activation strategies: A review of cross-cutting issues

Assessing the role that key aspects of activation policies play in the G20 countries is made particularly complex by the fact that the menu of available policy options and the number of client groups are very large, while domestic circumstances and priorities vary significantly across G20 countries. In this context, useful policy insights to support the policy reform agenda of G20 countries in the matter of activation can be drawn from the below outlined policy framework in six cross-cutting areas:

- 1) Building stronger institutions;
- 2) Exploiting complementarities;
- 3) Targeting activation at the groups most in need;
- 4) Tailoring activation to clients' needs;
- 5) Getting the most out of available resources and institutional capacity; and
- 6) Learning from experience.

By pursuing a holistic activation approach centred on these six areas, there is considerable scope to improve the composition of activation policies in G20 countries, making them better tailored to their needs.

Building stronger institutions

Appropriate institutions are crucial for effective activation and institutional reforms have been a critical component of activation strategies in a number of G20 countries. The main objective of these reforms has been to strengthen the links

and coordination between the provision of different types of public transfers with re-employment services. Reforms have included organisational mergers or co-location of services that combine employment assistance with benefit administration. A stronger emphasis on labour market re-integration for beneficiaries of a broader range of working-age transfers, such as disability, minimum income or lone parent benefits, can make these programmes arguably more similar to unemployment benefits. Countries operating multiple layers of working-age benefits may then wish to integrate employment-related services for recipients of the different benefits. An advantage of integration is the economies of scale and scope that can be reaped.

To improve coherence between different labour market programmes and support measures, some countries have created a separate institution charged with co-ordinating the delivery of programmes. An example is the Workforce Investment Boards (WIB) in the **United States** established in the late 1990s. Local WIBs oversee the operations of facilities called *One-Stop Career Centers* providing a broad range of employment services, while state WIBs offer broad policy guidance and operations infrastructure. A trend to provide 'one-stop shops' or 'single gateways' for different benefit recipients and jobseekers exists across advanced countries aiming to simplify access to support services and, possibly, to exploit synergies between institutions. Prior to 2002, employment services and benefits (except for unemployment benefits) for working-age people in the United Kingdom were delivered through two separate agencies. After the merger into *Jobcentre Plus*, this new agency provided a single point of delivery for cash benefits and activation services for about 4.5 million working-age benefit claimants. Likewise, after a PES reform implemented in France in 2009, benefit administration as well as support and guidance for the unemployed are now delivered through one single institution, the *Pôle Emploi*.

A pre-requisite for the effective co-ordination of activation institutions and services is an alignment of objectives and incentives of the different actors, as well as the sharing and integration of client information. Unified information systems can bring together essential data from a broad range of administrative data sources, allowing caseworkers to base activation approaches and benefit award decisions on the full range of available information. **Turkey** has recently developed an integrated social assistance information system that is linked to relevant health and schooling records of claimant families, as well as to the public employment agency (İŞKUR). The objective of this initiative is to support more detailed profiling of target populations, and to customise activation strategies and service delivery.

Furthermore, the effectiveness of services can be improved through performance management. For employment services, performance is often measured in terms of job placements and longer-term employment outcomes. However the targets for these outcomes are often set – at the national, regional or local office levels – by *ad hoc* methods such as negotiation or incremental improvements on the previous year's performance. **Australia**, by contrast, rates local employment office performance in terms of outcomes with statistical adjustments for jobseeker and local labour market characteristics (OECD, 2013c). This encourages a robust measurement of relevant information, helps to identify factors influencing performance, and generates accurate and objective ratings of local office performance that can be used for informing further policy reforms, and for assigning resources and articulating institutional incentives. Recently, performance management tools have also been introduced in a number of other G20 countries. For instance, contracts with local employment offices in **Saudi Arabia** (*Taqat* Recruitment Offices) are designed to reward not only job entry but also subsequent job stability.

Better exploiting policy complementarities

Activation policies do not operate in isolation. First, there are important links between the various activation policies themselves. For instance, the provision of active labour market programmes such as training or employment counselling can be complemented with financial incentives for participating in them. The success of an overall activation strategy therefore rests on the careful coordination of the various tools and exploiting synergies between them.

Second, activation and social protection measures can complement each other. This is not to say that all financial support needs to be tied to activation measures, and not all activation measures need to focus on benefit recipients. But there are important synergies between income or in-kind support on the one hand (“passive policies”) and activation measures (“active policies”) on the other. Typically, incentives that operate through existing social protection measures (such as bonus payments or different forms of sanction) can facilitate participation in activation-related programmes. Likewise, a system of effective income support payments makes it much easier to target training, job search assistance or related active labour market support. Such targeting can, in turn, create the fiscal space and the political support that is needed to ensure adequate support for families who need it most.

One consequence of complementarities between activation and social protection measures is that policy adjustments in one area often signal a need for reviewing provisions in the other. For instance, to maintain a balance between rights and responsibilities, extensions of unemployment benefit durations may need to be accompanied by measures to maintain the activation approach for a growing number of benefit recipients (e.g. by increasing funds for public employment services and other institutions providing services for this group). Maintaining a balance between rights and responsibilities can be a major challenge when

changing labour market conditions require a rapid policy response. In general, changing benefit provisions is much easier and quicker than, say, changing staffing levels or intake procedures at the public employment service. Historical patterns show that spending on ALMPs per person declines significantly as job losses mount in an economic downturn. Only very few countries (Denmark, Switzerland) have measures in place that automatically adjust ALMP resources to reflect growing need when unemployment goes up.

Third, although activation can make social protection systems more effective and provide an essential “lubricant” for labour markets, it is, however, not the principal engine behind job creation, and it cannot undo a lack of labour demand when the economy is weak. In general, activation policies can be expected to work best if they are embedded in a consistent overarching policy framework that facilitates job creation and dynamic labour markets.

These are important considerations behind the wide-ranging reforms of labour laws recently introduced by **France, Italy, Mexico and Spain** (as well as a number of other EU countries). Such reforms cover a range of measures relating to adjustments in working hours, the use of temporary and open-ended contracts, requirements to terminate contracts, and lowering of taxes on labour below a defined threshold. The new initiatives have generally attempted to address several pre-existing policy challenges, which, while long-lasting, have been made more pressing by the advent of the global financial and economic crisis. This includes measures to introduce a greater degree of workforce adaptability for firms, while reducing labour market segmentation and providing improved protection for workers in atypical contracts.¹⁶ These examples highlight the importance of broad policies focussed on achieving equitable as well as growth-friendly labour market regulation and institutions that promote quality employment.

Furthermore, a comprehensive labour market reform approach would also include longer-term investment-type policies (e.g. skills, education) as well as adequate social safety nets, including access to health programmes, to ensure that basic needs of all family members are met. Policies that allow working-age members with labour market difficulties to maintain and develop their work capacity are also a key. In a significant step, **China** has recently expanded a new rural pension scheme piloted in 2009 and the pilot social pension insurance for urban residents launched in 2011. An estimated 250 million beneficiaries have been added since 2009.

In other words, activation policies are best seen not as substitutes for, but as complements to, employment-friendly provisions in areas such as labour market regulation, education systems and taxation. Indeed, over the last few years, G20 countries have, in addition to a range of activation policies, implemented a spate of broad policy reforms covering a range of measures relating to adjustments in working hours, the use of temporary and open-ended contracts, requirements to terminate contracts, and lowering of taxes on wages below a defined threshold.

Targeting activation at the groups most in need

In principle, all working-age individuals with no or limited labour market attachment can benefit from well-designed activation policies. But in practice, governments face trade-offs between policy effectiveness and broad coverage. This is especially the case when the group of potential policy clients is large (e.g. if unemployment, inactivity or informality rates are very high), or when worsening economic conditions lead to a quick rise in the number of people with labour market difficulties. In these cases, attempts to provide a full range of activation measures to everybody could overwhelm relevant policy institutions, such as employment services.¹⁷ Prioritising between different types of measures,

and careful targeting, becomes crucial when a rapid expansion of institutional capacity is not possible.

Likewise, when countries are building up the capacity for activation policies from a small base, the extension of coverage should ideally be modest at first (e.g. limited to narrowly-defined groups, such as newly registered jobseekers or benefit claimants, and/or geographic regions). Programme designs can subsequently be adapted to account for lessons learned from pilot programmes, and coverage can be broadened in line with the expansion of administrative and operational resources.

More generally, some groups with labour market problems are harder to serve than others, and appropriate targeting is widely seen as a key driver for the effectiveness and efficiency of activation policy. This requires good quality information on people's characteristics and barriers. For instance, some of the CCT programmes make extensive use of "proxy means tests" which combine information on a large number of easily observable client characteristics (whether the dwelling has a roof or running water, how many household members are present, etc.) in order to arrive at an overall score of poverty or "neediness". In turn, this score can be used for targeting and prioritising certain groups.

A crucial decision concerns the question of whether limited resources should prioritise groups that are relatively close to the labour market (who have the best chances of making a successful transition into good quality employment), or whether policy should focus on the most disadvantaged, such as those facing multiple employment barriers (who arguably have the greatest need for support). Importantly, targeting also has a time dimension ("getting the right support to the right people at the right time"). Different sequences of incentives and labour market interventions may be effective for different types of client.

However, as activation policy provisions mature in scope and capacity, they should avoid designs that exacerbate existing labour market divisions and segmentation. For instance, instead of partitioning the out-of-work population into "employable" and "non-employable" individuals at the outset, an increasing number of countries are now emphasising remaining work capacity in order to articulate an expectations that everybody with some work capacity should be encouraged and supported to participate in the labour market (see section on disability and activation). Likewise, too narrow a focus of activation policies on recipients of unemployment insurance benefits can aggravate a segmentation of labour markets into "insiders" or "good jobs" (those covered by unemployment benefit provisions) on the one hand and, on the other, "outsiders" in informal, temporary or low-productivity jobs with no benefit coverage and little chance of accessing employment services that are attached to these benefits.

Tailoring activation to clients' needs

An equally important concern of targeting efficiency is that those unable to achieve self-sufficiency in the short-term should not be left without adequate support. In terms of beneficiaries' responsibilities, the notion that public support ought to be linked to behavioural requirements is more controversial when applied to individuals who are faced with multiple, or particularly serious, challenges to finding paid work or becoming self-sufficient. Concerns about those potentially 'falling through the cracks' become more acute if people fail to live up to their responsibilities, not because they are unwilling but because they are unable to comply. Sanctioning these groups does reduce benefit expenditures, but it makes little sense from a redistribution point of view, and may compromise their capacity to prepare for and access future earnings opportunities. Policymakers would likely be concerned if sanctions for failing to comply with work requirements are frequently applied to individuals who are in fact not ready for work.

Children, who are directly affected by benefit cuts, but can do little to avoid them, are a group of particular concern.

Activation strategies that are customised to meet clients' needs tend to be both fairer and more effective. But a solid understanding of clients' circumstances is key. Ensuring support for people who are not job-ready can be tackled from two sides. First, they can be given an opportunity to participate in programmes aiming to overcome employment barriers, and participation in these support programmes can be a pre-condition for financial support. Second, behavioural obligations, and the sanctions that back them up, should take account of individual circumstances. This requires a solid understanding of the situation of those targeted by activation measures. For instance, youth activation policies may need to employ very different behavioural requirements or a different weighting of interventions (e.g. "work first" programmes or improvement of basic work-related skills, rather than long-lasting vocational training). For clients with special needs or multiple employment barriers, such as out-of-work lone parents or persons with disabilities, customising and tailoring to individual circumstances is especially crucial for support to be effective.

The household context shapes people's labour market barriers and opportunities, but existing programmes can still be very much individual-based. This is notably the case for insurance benefits, but can also be the case for recipients of other benefits (including family-based means-tested benefits) or, importantly, for activation clients not receiving any benefit. For instance, family circumstances may not be taken into account in relevant procedures and programmes of the Public Employment Services (PES). Financial incentives built into benefit systems (such as earnings disregards or in-work benefits) may be designed around one earner per family, without providing additional incentives for second earners (and often even damaging them). Ignoring the family context is likely to reduce

programme effectiveness since it leads to interventions that are not tailored to the family situation, and may ignore the scope for activating family members other than the main breadwinner or benefit claimant. The associated costs in terms of reduced policy effectiveness are likely to be sizeable. As evidenced from the experience of both OECD and lower-income countries, certain activation initiatives work particularly well for second earners, who are mostly women.

Getting the most out of available resources and institutional capacity

Providing customised packages of client support and obligations requires detailed information and adequate staff and other resources. Statistical profiling approaches can help exploit available information but they are no substitute for intensive and face-to-face contact with individuals requiring support. Such contact is especially important in more difficult cases where clients face severe or multiple barriers to social or economic participation. For instance, in the **United Kingdom**, new jobseekers and their advisers set up a Jobseeker's Agreement, which sets out in detail the actions they will undertake to find work (e.g. how many companies they will telephone each week, whether they will use newspapers and magazines to find vacancies, and so on) and any agreed restrictions on the type of work sought (e.g. maximum journey time to a potential employer). Receipt of Jobseeker's Allowance is conditional on such individual action plans and compliance with them. Individual case management and intensive client interaction can be one way of ensuring an adequate choice and sequencing of interventions and support programmes. But this type of service delivery can be resource intensive, and may require substantial investments in institutions and administrative capacity. Enforcing behavioural requirements, monitoring job search and programme participation, and guiding individuals to appropriate services requires a significant commitment of staff resources and, hence, public

expenditures to provide the necessary service capacity. In countries where this capacity exists, public employment services, in conjunction with benefit administrations, have a central role in co-ordinating and implementing activation policies. In different contexts, social workers or community caseworkers can monitor mutual obligation principles and help people to access relevant services.

Decentralising or “outsourcing” employment services or service delivery is one way to potentially make service delivery more responsive to people’s circumstances. But there are risks, and devolving responsibilities is no substitute for a strong policy framework and adequate resources. Many countries have recently decentralised various aspects of labour market policy (OECD, 2003; 2013c). Involvement of the private sector through a combination of contracting out and outcome-related remuneration is one strategy that has been employed in an attempt to make activation approaches more tailored to local labour markets. Decentralisation of benefit administration and service delivery can present a tool to make support packages more adaptable to local labour markets and the reasons for clients’ employment difficulties. Compared with a highly centralised administrative structure, regional or local providers and institutions are likely to be in a better position to build valuable links with local actors such as employers, community groups or support networks. But while decentralisation should encourage policy innovation and greater dissemination of “what works”, it can be difficult in practice: *a*) to get decentralised administrations to invest in the necessary data collection and rigorous evaluations; and *b*) to have relevant evaluation results readily shared with other jurisdictions. Likewise, delegating both budgetary and operational responsibilities to the regional or local level can in principle strengthen institutional incentives, resulting in a better correspondence between budgetary expenditures, the choice and duration of re-integration services offered and the success at tackling employment difficulties. But

complex institutional and delivery landscapes also create scope for diverging objectives and interests and misaligned incentives.

A number of emerging economies have adopted innovative service delivery models that account for the often multi-dimensional nature of people’s employment barriers, the limited reach or capacity of institutions, and a lack of well-defined contact points with clients. While countries with significant institutional and administrative capacity have aimed reforms at making it easier for activation clients to seek out the support they need, an alternative approach is to “bring activation to the client” in a pro-active manner. Such an approach is needed, for example, when few people claim formal benefits and it is therefore not feasible to use the benefit claiming process as a vehicle for assessing people’s employment barriers and connecting them to relevant services. In a set of prominent reforms, Chile revamped its social protection system in 2002 with a focus on ensuring that the poorest have access to a range of existing services. *Chile Solidario* has given social workers at the community level a central role in the social and employment activation strategy. They inform, counsel, and encourage programme participants to access tailored packages of employment and wider social integration programmes (such as help with regularising documents that may be a prerequisite for programme participation or formal employment). About 10% of the total cost of *Chile Solidario* finances activities of social workers, reflecting their centrality in targeting, delivering and personalising the activation approach to meet the needs of specific families.

Learning from experience: The need for more systematic evaluation

Systematic evaluations are needed in order to decide which policies should be expanded, adapted or ended, and which policy measures might work best if employed as a package in combination with other measures. While existing studies provide important insights, several knowledge gaps can

make it difficult to use these findings for informing policy in practice. Most existing evaluation results are from a relatively small number of economies with a longer activation “tradition” (such as France, Germany, or Northern Europe and countries), and conclusions may not be easily transferrable to other country contexts. Evaluations also usually focus on short-term outcomes and results on the longer-term impacts of policies are scant. Importantly, evaluations often focus on a very limited set of outcomes as measures of policy success (e.g. employment among the target group) without quantifying the general cost-effectiveness of programmes or providing information on the distributional effects of policies (e.g. if strict sanctions increase employment and poverty at the same time). Finally, there is arguably a need to move from “what works” to “why does it work or not work”, e.g. by setting up evaluation studies in a way that analyses a range of different policy configurations. Analysing incremental policy changes can also be informative for deciding whether – starting from an existing configuration – a move in one particular direction is likely to improve or worsen outcomes. The G20 process can play a pivotal role in helping countries set their policies on a path of incremental improvements to support better activation policies and in shaping knowledge about good practices.

Notes

1. For a comparative review of recent employment and labour market developments across G20 countries, see the statistical note prepared by the ILO and the OECD, ILO-OECD (2013a). See also (OECD, 2013a).
2. For further details, see <http://hireact.org>.
3. See for example OECD (2012c), OECD (2012d), and OECD and ILO (2011).
4. See Eichhorst et al. (2012) for an overview of worldwide vocational training systems.
5. In Germany for example, 60% of young people undertake a vocational programme at upper secondary level.
6. Abowd et al. (1997), Kramarz and Philippon (2001), and Neumark and Wascher (2008).
7. Out of 25 OECD countries which have a statutory minimum wage, about half (13) have a sub-minimum wage for youth (generally below 20 years of age). On average, the sub-minimum wage for youth aged 17 is set at 71% of the adult minimum wage.
8. See Card and Kluve (2010) and Kluve (2010).
9. See Neumark (2013) regarding the use of hiring credits in the United States during recessions.
10. See Van Reenen (2003).
11. The average costs per participant are around USD 16 500 for the Job Corps in the United States.
12. Shenoy, M., S. Lakhey and P. Shah (2013), *India – Creating jobs for rural youth in Andhra Pradesh*. *South Asia: rural livelihoods*, The people sector series, No. 2; note No. 4, Washington DC; World Bank. <http://documents.worldbank.org/curated/en/2013/04/17658927/india-creating-jobs-rural-youth-andhra-pradesh>.
13. Card and Kluve (2010) and Sianesi (2008) for Sweden.

14. www.youthinsociety.human.cornell.edu.

15. For instance, in Norway, lone parents with a youngest child older than three and receiving benefits were required either to work part-time, enrol in education or a labour market programme, or register with the public employment service and be actively involved in job search. This reform was already introduced in 1998 and the age limit was subsequently lowered from three to one. The benefit was also time-limited. By 2001, the 1998 reform had resulted in higher earnings among lone mothers with young children aged between three and nine, as well as positive impacts on their participation in education (Mogstad and Pronzato, 2012).

16. For a discussion of these measures, see ILO-OECD (2013b), a report prepared by the ILO and the OECD at the request of the G20 Task Force on Employment providing an overview of additional policies and measures applied by G20 countries since 2010 in seven areas highlighted in the conclusions adopted by the G20 Labour and Employment Ministers at their meetings in Washington, DC (April 2010), Paris (September 2011) and Guadalajara (May 2012).

17. For instance, in Korea the number of job seekers using the PES increased almost ten-fold from 1997 to 1998. Korea has rapidly increased the number of PES counsellors in response, and vocational training programs for the unemployed were provided to eight times as many people in 1998 as in 1997 (Betcherman et al., 2000).

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