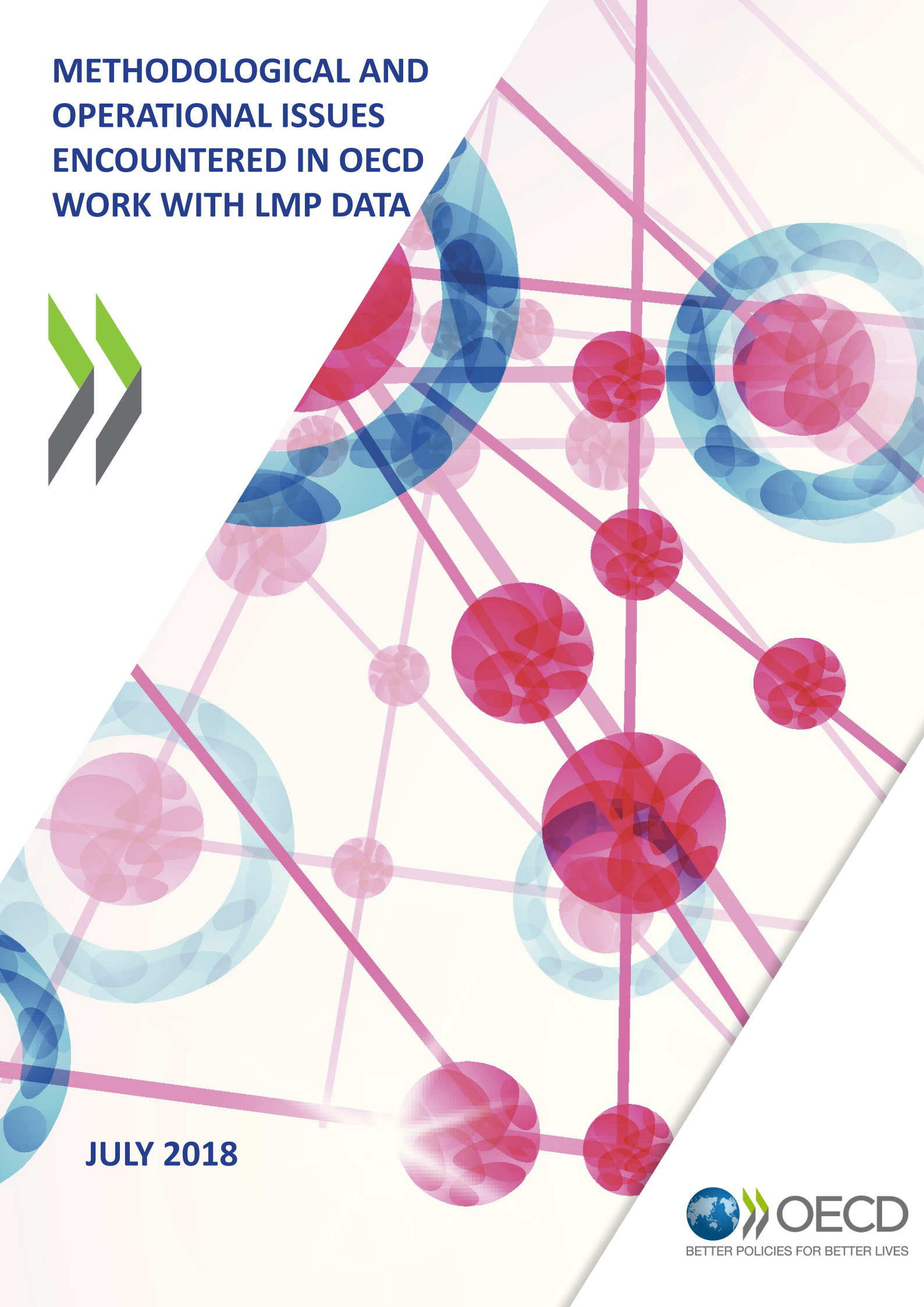
METHODOLOGICAL AND OPERATIONAL ISSUES ENCOUNTERED IN OECD WORK WITH LMP DATA



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Foreword

Labour market policy (LMP) statistics cover public interventions in the labour market to promote its efficient functioning and correct disequilibria. LMP interventions are distinguished from other general employment policy in that they act selectively to favour particular groups in the labour market. Three main target groups are recognised: unemployed, employed at risk and inactive.

Data on public expenditure and participants in LMP interventions are collected from administrative sources annually for European Union (EU) and OECD non-EU countries, with limited exceptions. The information is extremely important for policy analysis. Policy evaluation will consider the LMP interventions' size (number of participants), target groups, the duration of participation, and costs, along with other features that influence their impact. It is important to ensure high quality and cross-country comparability. However, the LMP data currently available still have some significant limitations, despite improvements in the methodology over time.

In this context, this project of a methodological nature is based on a review of OECD experiences with the management of LMP data. Over the years, a wide range of individual-country data problems have been detected or queried in relation to the data provided to the OECD by non-EU countries, and in some cases the OECD has queried features in the Eurostat data for EU countries. The project aims to support improvements in LMP data collection/reporting in the areas of i) the classification of interventions across the categories in the database, better reporting of the interventions already included, and coverage of some that are currently omitted; ii) user notes to clarify the interpretation of individual data items; and iii) possible clarification, modification and extension of the general definitions of data categories and the variables reported (e.g. expenditure and participant numbers). This first paper also discusses the general objectives of the database construction effort, and operational issues including the identification and naming of interventions, and communication with data users.

The work on this project was carried out by David Grubb (working in the Skills and Employability Division of the Directorate for Employment, Labour and Social Affairs at the time of drafting), under the leadership of Mark Keese (Head of the Skills and Employability Division). Editorial assistance was provided by Katerina Kodlova and Kristine Langenbucher. Comments were provided by Mark Keese.

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Executive Summary

This paper is based on a review of OECD experiences with the management of Labour Market Policy (LMP) data over the last decade. Data on public expenditure and participants in LMP interventions are collected annually from administrative sources for EU and OECD non-EU countries, with limited exceptions. The data for EU countries are complemented by qualitative reports which describe the national interventions, their aims, their main target groups and the responsible institutions, etc. The qualitative and quantitative information are both important for policy analysis. However, the LMP data currently available still have some significant limitations, despite improvements in the methodology over time.

Against this background, this paper:

- discusses the general objectives of the database construction effort, which include both the provision of information about individual national labour market programmes, and the estimation of data aggregates that are internationally comparable. The paper highlights the problem that two interventions will not necessarily have similar impact unless they match on multiple dimensions at the same time. For example, a programme for unemployed youth might be effective, while a programme with the same detailed design but targeted on the long-term unemployed is ineffective.
- identifies various issues for the database methodology: definitions of the categories and the main variables reported, and further items coded in EU data, e.g. the responsible institution and the type of expenditure. It is recognised that refinements and additions to the current methodology have to be aligned with what is feasible. However, national correspondents and the international database manager will often appreciate clarifications of the principles even if they cannot immediately be applied.
- considers operational issues including the identification and naming of interventions and understanding the national data situation. While some data quality issues are detected when working with the database alone, an in-depth country labour market policy review will often enhance understanding and provide a more-complete overview, allowing the identification of errors and potential improvements in the country's LMP data.
- discusses some issues of communication with data users, covering the LMP database accessibility, complexity, comprehensibility, and risks of misinterpretation.

The paper concludes that a key factor hampering international comparisons of LMPs is their multidimensional nature. The largest training, employment incentive or job creation programme in one country may have a near counterpart in only a few other countries, or even none. The data do a fair job in terms of documenting different characteristics of the interventions, but characteristics not covered in the standard statistical reporting framework can be equally important.

Introduction

This report is based on a review of OECD experiences with the management of **Labour Market Policy** (LMP) data over the last decade. A wide range of individual-country data problems have been detected or queried in relation to the data provided to OECD by non-EU countries, and in some cases the OECD has queried features in the Eurostat data for EU countries.

The methods of treating problems and the outcomes vary. In some cases the national delegate agrees there is a problem and is willing and able to provide a full solution. However, the delegate may not have access to adequate information, or may not agree with the proposed statistical treatment. There may be a situation where more than one statistical treatment seems possible and the database methodology (i.e. the formal statement of statistical definitions and methods, most recently Eurostat, 2013 for Eurostat data) does not provide clear guidance, or where a direct and literal application of the methodology seems to give misleading results, so that there is a case (appealing to broader underlying principles) for a different treatment.

In some cases, queries arise not in the process of validating the data for individual interventions at the time of initial processing, but from users of the data and their difficulties in interpreting it. Not surprisingly, when reported expenditure overall or in a particular database category is unusually high or low, analysts writing country reports tend to notice and highlight this. There is a risk that outlier observations reflect errors in data reporting. But they may also reflect an interaction, not expected by most data users, between specific features of the database methodology and a national intervention (e.g. when a large stock of benefit recipients is reported but this includes individuals benefiting only from the payment of their social insurance contributions). This can highlight a need to provide better information for users, although this may be difficult because users in some sense expect the data to report a few simple things and have little time to check what they mean precisely and in more detail.

Against this background, this article in a first section discusses the general objectives of the database construction effort. A second section identifies various issues in areas of the database methodology: scope and coverage, definitions of the reported categories and data breakdowns into categories. A third section considers operational issues including the identification and naming of interventions and understanding the national data situation (e.g. whether data are taken from budgets or based on individual records from ground-level implementation) and communication with national correspondents. A fourth section discusses some issues of communication with data users, and an Annex summarises a recently-published examination and assessment of the quality of LMP data by social policy researchers, with some reactions.

1. General objective and mission of the database construction effort

1.1. Information about national LMP interventions vs. the comparability of cross-country and time-series aggregates

In the abstract, economists would like the LMP database to provide simple summary information about national labour market programmes and also generate aggregate data that are internationally comparable. This latter objective runs into the problem that programmes are only approximately comparable when they match on multiple dimensions at the same time: a particular training programme in Finland might be a close match for a similar programme in France, but not a close match for any programme in 30 other countries. To adjust national data exactly to the basis of an international definition could involve months of accounting work, for example to document what proportions of the reported participants and the reported expenditure fall outside the international definition. After such a data adjustment process, national experts would not recognise the data for individual national programmes or have time to understand the necessarily complex adjustments that apply the international definition to them. Also, international experts would notice that the national expenditure aggregates are comparable in the sense that they identify expenditure on interventions in database scope (in terms of target group and broad type of action, e.g. Category 2 *Training*) but these interventions remain highly non-comparable in other dimensions.

Examples of these other dimensions include the more detailed type of training action, ranging from classroom and workshop vocational training in one country, to work experience (with some training content) in the public sector in another, and subsidies for private sector hires of workers on a training contract, a country-specific form of contract, in a third country. Training may be targeted on different groups, e.g. the long-term unemployed in one country, and unemployed youth who have not completed secondary education in another country. In one country the main training measures may provide a training allowance with participation mainly by people not on unemployment benefit, while in another country no training allowance is paid but most participants are on unemployment benefit. For participants on unemployment benefit, participation may be mainly voluntary in some cases, and mainly compulsory in others (e.g. public sector work experience, with some training content, may be reported in Category 2). The likely impact of a labour market training programme probably depends more on all these other dimensions than on how much expenditure, exactly, falls into Category 2 of the LMP database.

This background suggests although the comparability of data for "total expenditure on (labour market) training" should be one important objective, it should not be the only one. At each step of database construction, compromises have to be made. The objective of providing fast access to a range of national information about individual labour market programmes, and ensuring that the information is accurate and relevant to understanding how the individual programmes affect participants and the labour market, should have a high weight.

1.2. Principles of coverage that can conflict with the comparability objective for aggregate data

Most features of the official database methodology (Eurostat, 2013) enhance the comparability of data aggregates. Two key examples are the methodology's insistence that:

- the database should include, except in the case of placement-related services, only targeted measures: "LMP interventions are distinguished from other general employment policy interventions in that they act selectively to favour particular groups in the labour market" (p. 5)
- when unemployment benefits are paid to participants in a measure where "the activities undertaken are not job-search related, are supervised and constitute a full-time or significant part-time activity of participants during a significant period of time" (§ 7), "the amount of unemployment benefit paid to these participants should be included as part of the expenditure for that measure" (§ 189), because in this case the unemployment benefits act like the training allowances or wages paid to participants in measures in other countries.

Nevertheless, some features of the formal methodology appear to conflict with the objective of data comparability:

> *Under a heading of "specific national targeting" (§ 14) "...it is recognised that there may be particular circumstances in which a government provides special assistance to promote the employment of groups that do not necessarily comply with the target groups identified above. For example, in order to counteract concentrations of unemployment in particular groups (e.g. young people) or regions, there may be interventions that provide support for employers taking on persons from these groups, irrespective of their previous status. Since such measures support a particular group considered as disadvantaged in the national labour market, they are also included in the database." (§ 15).*

The inclusion of measures for groups that are "considered as disadvantaged" by the government in one country, when the same groups may not be "considered as disadvantaged" by the government in another country, could result in substantively identical policies being reported differently. It even implies that, for example, a country could increase social insurance contribution rates for older workers for one reason (e.g. to reflect their higher health costs), and also reduce taxes on them specifically because they are considered as disadvantaged in the national labour market, and then report the reduction as LMP expenditure. (In practice, database management has tended to limited the number of interventions included based only on "considered as disadvantaged" arguments.)

The concept of "special" assistance is central to the coverage of Category 2.4 *Special support for apprenticeship*. This definition is liable to include education and related services for apprentices, in countries where public funding of these services is not widely available (i.e. is restricted to a disadvantaged subgroup of all apprentices), and exclude comparable expenditure in countries that provide unrestricted access to such services, where the support for apprentices is not "special". This data feature could seem incomprehensible to users, and invalidate comparative analysis using the data.

- According to a recent revision of the methodology, social insurance contributions that are deducted from net unemployment benefit payments, and social insurance

contributions "re-routed" from the unemployment benefit fund to other (health, pension) insurance funds for the unemployed person, are to be included in reported expenditure. Yet credited contributions, where no social contributions are made but the contribution record of the individual (e.g. their health and pension contribution record) is updated as if the relevant amounts had been paid are not to be included (EMPL/A4/LMPEG/07/16, Labour Market Policies Expert Group 06/11/2016). The exclusion of credited contributions facilitates data reporting (since the value of credited contributions could only be reported on an estimated basis), but it detracts from international comparability of the expenditure data, since two countries providing the same *de facto* benefit entitlements will report different levels of expenditure.

Although international comparability of the main aggregates should not be the only objective of the methodology and data collection, the features that tend to actively detract from comparability should be kept to a minimum. Background research to identify such features, assess their impact on data comparability, and advise users accordingly would be appropriate.

In the above instances, the methodology makes some concessions in the direction of accepting national data or national concepts, without fully adjusting the data for international comparability. In a spirit of compromise this may be reasonable, partly because these limitations on comparability are identifiable and have perhaps less impact overall than general/broader limitations (e.g. the exclusion of general employment policy interventions and universal services and entitlements affecting the welfare of the unemployed).

2. Database scope and the classification of interventions

Some problems encountered in LMP database management could in principle be resolved through refinements and additions to the database methodology. Eurostat (2013), (together with a few revisions agreed subsequently) is a formal statement of the database scope and the classification of interventions, and definitions of the variables to be reported for each intervention. Refinements and additions to the current methodology have to be roughly in step with what is feasible to collect at least for some countries. At the same time, the national correspondent and international database manager often will often appreciate clarifications of the principles even if they cannot immediately be applied.

2.1. The targeting criterion

Except for interventions with a Category 1 type of action and some exceptions recognised under the heading of "special" assistance, interventions are only in scope for the database if they are targeted on one of three groups:

> *"Unemployed – persons usually without work, available for work and actively seeking work. Persons considered as registered unemployed according to national definitions are always included here even if they do not fulfil all three of these criteria.*
>
> *Employed at risk – persons currently in work but at risk of involuntary job loss due to the economic circumstances of the employer, restructuring, or similar.*
>
> *Inactive – persons currently not part of the labour force (in the sense that they are not employed or unemployed according to the definition above) but who would like to enter the labour market and are disadvantaged in some way." (Eurostat, 2013, § 17-19)*

Interventions targeted on inactive persons can usually be seen as in scope, because participation by inactive persons is usually voluntary, voluntary participation implies that participants want to work, and participants who want work but have not yet found it can be seen as disadvantaged. By contrast, interventions targeted on employed workers are usually not in scope, since usually only a small proportion of all employees have an "at risk of involuntary job loss" status notified to the Public Employment Service (PES), or otherwise registered in administrative records.

In practice, some difficulties arise in applying the targeting criterion.

Unemployed participants in schemes that also include employed and inactive workers. In the case of DK-24 *Early retirement pay, from unemployment*, the Qualitative Report explains that "Voluntary early retirement is for both employed and unemployed people, but only the people from unemployment are included in the LMP database." The early retirement scheme provides an entitlement to early retirement benefits based on contribution history regardless of whether the applicant is employed or unemployed. It is

not clear why the benefits for unemployed participants should be included in the case of DK-24, when they are not included for the vast majority of other schemes that provide benefits to both the unemployed and other workers. The explanation is perhaps that the Danish voluntary early retirement payment (VERP) scheme is *de facto* linked to the Unemployment Insurance (UI) scheme, and VERP payments *de facto* act like an extension of unemployment benefit with exemption from job-search requirements, for older workers (which other countries report in Category 8 *Out of work income maintenance and support* or Category 9 *Early retirement*). This suggests a principle that that the LMP data can sometimes follow advice from national experts that a scheme is considered to act in a particular way: in the case of DK-24 the advice was no doubt that it acts as early retirement for labour market reasons (for workers who enter it from unemployment).

Some countries provide free vocational training, and subsidies towards tuition fees and/or living expenses, that is not generally restricted or is only partly restricted to LMP target groups. In Australia, the states, which manage the main public training institutions, to varying degrees reduce tuition fees for unemployed workers. The national authorities allow unemployed workers to retain benefit during participation in vocational training in some cases, perhaps for a limited period; unemployed workers who engage in longer-term training will often receive an education grant (Austudy, for workers aged 25 or over) rather than unemployment benefit, which might be seen as acting like training allowances paid in other countries. In the United States, workers participating in vocational training may be entitled to Pell Grants, based on their annual taxable income (along with various other factors) rather than their employment status. These countries have, in practice, quite high levels of *de facto* participation in vocational training by unemployed adults but this participation and the public expenditure supporting it is mainly unreported, due partly to data limitations and partly to the absence of a description in the methodology of what should be reported.

The LMP data arguably should reflect the importance of the vocational training mechanism for labour market adjustment, and public support for it, in such countries. The LMP data could aim to include public support for training (payments covering tuition costs and/or living expenses) when the individual a) retains unemployment benefits, with exemption from (or a reduction of) job-search requirements, due to participation in the training; or b) entered the training from unemployment (according to administrative records and/or survey data), and the training has labour market content (in terms of the field of study, e.g. restaurant chef training vs. home cooking classes; or the participant's stated objectives, i.e. labour market advancement vs. personal).

Other schemes not strictly targeted on the registered unemployed. In EU countries, in-scope training (Category 2) measures often can be identified as those where a participant who is registered unemployed ceases to be counted as registered unemployed (§7). *Employment incentives* (Category 4), *Supported employment and Rehabilitation* (Category 5) and *Direct job creation* (Category 6) are typically restricted to relatively disadvantaged target groups (unemployed long-term, as proven by registration record; social assistance claimants; people on disability benefit or with registered disabled status) with little risk that non-disadvantaged participants will be incorrectly included.

In the area of Category 7 *Start-up incentives*, governments often provide general (untargeted) subsidies, tax breaks or services, e.g. business premises at concessionary rates. Start-up assistance could suffer from the paradox that a provision available for all start-ups is out of scope (because it is not targeted) resulting in the reporting of zero LMP

expenditure, whereas the same provision when it is only available for start-ups by the unemployed (or perhaps start-ups creating jobs for the unemployed) is targeted and therefore, in scope. In Eurostat data for the most recent year available, 15 of the 19 OECD-EU countries with non-zero expenditure in Category 7 identify 98% to 100% of the expenditure as "Transfers to individuals". In most cases, this means that the measure allows unemployment benefit recipients to receive continuing payments of that benefit during the start-up phase of their new business. There are a few exceptions to this generalisation:

- In Spain, the transfers to individuals consist partly of reductions in social security contributions (ES-25 *Reduction of social contributions to promote self-employment and social enterprises*) and direct grants to local entrepreneurs funded by municipalities and the ESF (ES-80 *Promotion of self-employment and local development (measure ES-21 municipalities)*), and although the target group is reported at one point to be "Registered unemployed" the detailed text describes a range of target groups and detailed actions.
- In Belgium, exceptionally, 42% of Category 7 expenditure is reported as transfers to service providers. For example, BE-163 *Support structures for self-employed (WR)* offers jobseekers free coaching and monitoring, testing of the project before launching on the market, and accommodation while confirming the economic viability of the project.

These exceptions represent only a small proportion of reported Category 7 expenditure. Category 7 seems to generally include unemployment benefits paid during the start-up phase of the business (or sometimes, as a capital sum) and generally exclude support for business start-ups that is used by (but not targeted on) the unemployed.

The LMP database generally excludes measures that are targeted on an entire demographic group such as older workers in the Netherlands (www.inspires-research.eu/innovativesocialpolicy/51-Employer-incentives-to-employ-and-retain-older-workers) or a particular type of employment such as low-skilled domestic work in Belgium (www.eurofound.europa.eu/observatories/emcc/case-studies/tackling-undeclared-work-in-europe/services-vouchers-belgium). However, in Spain, expenditure in Category 4.1 *Recruitment incentives* was until 2004 mainly incentives for the hiring with a permanent contract of workers already employed on some type of temporary contract. From 2005, only one measure at national level, ES-11 *Incentives for open ended employment contracts*, has been reported. The qualitative report describes ES-11 as targeted on the unemployed, but also mentioning other groups, and listing both "Registered Unemployed" and "Employed (All)" as target groups. Since Spain's decentralisation of active LMPs in the early 2000s, targeting practices may have become ambiguous. Regions might register employed workers just briefly as unemployed, if that qualifies them for the subsidy which is nationally-funded. Further description, based on documentation of ground-level practices, would be desirable to clarify the status of expenditure in ES-11.

In Denmark, expenditure on DK-21 *Flex jobs, including flex jobs for the self-employed* has increased to an extremely high level, over 0.5% of GDP, and over half the level of expenditure on unemployment insurance and unemployment assistance benefits combined. The database methodology allows the inclusion, in Category 5.1 *Supported employment*, of permanent wage subsidies for the employment of workers with permanently reduced working capacity. With high expenditure and population coverage, the measure DK-21 may act rather like a mix of other types of permanent subsidy,

e.g. a permanent subsidy for hiring the long-term unemployed; a subsidy for the employment of older workers with low educational attainment; and a tax credit paid to employed workers with low earnings. These other types of permanent subsidy are out of scope for the LMP database.

2.2. The coverage of Category 1

Eurostat (2013) defines Category 1 as follows:

> *"Labour market services (category 1) are all services and activities undertaken by the PES together with services provided by other public agencies or any other bodies contracted under public finance, which facilitate the integration of unemployed and other jobseekers in the labour market or which assist employers in recruiting and selecting staff."*

Here:

> *"PES should be understood to refer to the national employment service (and regional/local equivalents) together with any other publicly funded bodies whose main responsibility is to facilitate the integration of unemployed and other jobseekers in the labour market." (§ 36 and 37)*

This definition makes the coverage of Category 1 highly non-comparable, since the national "public employment service" (where this has an unambiguous interpretation) in some countries but not others is responsible for unemployment benefit administration and other tasks that (according to the methodology except for §36 itself) lie outside the scope of the LMP database. This definition was adopted as a device for reducing the risk that the first subcategory, Category 1.1 *Client Services* would be underreported, and with the intention that only Category 1.1 expenditure would be compared across countries, excluding from comparisons Categories 1.2.1. *Administration of LMP measures*, 1.2.2. *Administration of LMP supports*, and 1.2.3. *Other services / activities*.

In the OECD view, Categories 1.2.1 and 1.2.2 should be included because the administration cost of measures and supports is part of their total cost. When administration costs are excluded, a country that spends more on high-quality information technology (IT), improving the vacancy data, suitable accommodation for local offices and competent senior management, etc. and less on front-line counsellors and job clubs, will reportedly spend less in total. However, a euro spent on administration (in Categories 1.2.1 and 1.2.2) should be assumed to be a rational choice by management, contributing to organisational objectives as much as a euro spent on frontline or face-to-face services (in Category 1.1). A further perspective is that the remit given by the government to the PES includes monitoring and controlling access to benefits through job-search monitoring or similar, and not only job-search assistance. Also, unemployment and related labour market outcomes depend on both these dimensions.

The focus on Category 1.1 *Client Services* is understandable in that services reported here can have identifiable participants, allowing participant totals and breakdowns (e.g. by sex, age, and duration of unemployment) similar to those collected for Categories 2 to 9. However, PES resources are often used largely for services at counsellor discretion, referrals to vacancies, contacts with employers, etc. Category 1 usually includes some interventions that follow a fixed template and schedule - allowing meaningful reporting of participant inflow (or stock) data – but they often represent only a fraction of total expenditure on placement-related activities. Some administration functions have

identifiable costs but not identifiable participants. There is a good case that an LMP database should include the administration costs of Category 2-9 interventions when these are identifiable (reporting the administration costs of Category 2-7 measures in Category 1 only if they cannot be allocated to the individual measures), not limited in principle to costs arising in any particular institution (which can make the data unnecessarily non-comparable as between countries that have a similar structure of substantive expenditure, but different institutional architectures).

Two specific queries about the coverage of Category 1 can be mentioned:

- It is not specified in the methodology whether expenditure on adult vocational guidance services (when these have public-funding) should be included in Category 1.1. Viewing adult vocational guidance as step in constructing an individual action plan, or a more protracted but ultimately effective job-matching technique, it seems that it should be included. At the same time, adult vocational guidance services may not be well targeted on a disadvantaged group, being used by already-employed individuals considering a new career. A related issue is whether youth career guidance is included in Category 1.1: these services may be funded and managed by the ministry of education in some countries and by the ministry of labour in another. To ensure that these services are treated consistently, first step would be to check for the existence of services integrated with or separate from the main PES body and which countries currently include them in the LMP data.
- In some countries, industry bodies receive subsidies to provide labour market information, match and co-ordinate demand and supply for industry-related training, or organise employment-related measures responding to industry restructuring (e.g. AT-18 *Employment Foundations*). It may be helpful to clarify that information and matching services implemented by private sector bodies can appear in Category 1 when they are publicly-funded. Only the implementation of labour market training should be reported in Category 2.

2.3. The coverage of Categories 2 to 7

Many issues could be discussed under this heading, but some important ones are:

The classification of expenditure by type of action is often misleading. Some measures reported in Category 2 could be reported in Category 1 (DK- 40 *Guidance and upgrading* and broad integration programmes in some other countries have been reported partly in both categories), in Category 6 (Switzerland reports its measure *Programmes d'emplois temporaires* in Category 2, because it is seen as providing work experience with elements of training, and not "creating" jobs), or perhaps in Category 4 (e.g. when recruitment incentives are paid to local governments as employers, but the activity is described as job training).

Certain text in the methodology calling for continuing unemployment benefits to be reported in Category 4.1 seems unworkable. The text in question is:

> *"Measures encouraging unemployed people to take up a part-time job with continuing unemployment benefits for the hours/days not worked, should be considered as an employment incentive and therefore included in category 4.1 rather than in category 8." (Eurostat, 2013, § 76)*

National correspondents would need a specification of how they should distinguish between continuing unemployment benefits paid for the hours/days not worked while working in a part-time job, and full unemployment benefits that are only briefly interrupted by days (or weeks) in full-time work. The current text could be interpreted as saying that that in any month where at least one hour of work is performed and benefits are unaffected, or are reduced by less than 100% of the amount earned, the whole amount of benefit paid is to be reported in Category 4.1. It is not clear that the text means that but it is not clear what else it may mean. Switzerland reports continuing unemployment benefits received by part-time workers in Category 4.1, perhaps based on §76, but few if any EU countries do so.

The treatment of activities below the threshold of intensity that represents "significant part-time activity" is nowhere specified. The methodology includes:

> *"Measures refer to labour market interventions where the main activity of participants is other than job-search related and where participation usually results in a change in labour market status. An activity that does not result in a change of labour market status may still be considered as a measure if the intervention fulfils the following criteria:*
>
> *the activities undertaken are not job-search related, are supervised and constitute a full-time or significant part-time activity of participants during a significant period of time, and*
>
> *the aim is to improve the vocational qualifications of participants; or*
>
> *the intervention provides incentives to take-up or to provide employment (including self-employment)." (Eurostat, 2013, § 7)*

This "significant part-time activity" threshold is important because when participation in an activity reaches this level of intensity, the participants' unemployment benefits are transferred out of Category 8 and instead reported in Categories 2 to 7. When participation falls short of this level of intensity, unemployment benefits continue to be reported in Category 8. In many cases, the unemployment benefits paid to participants in an activity (transfers to individuals) will cost more than the subsidies for short-hours subsidized work or training services (expenditure of the type "transfers to employers" or "transfers to service providers") that result in the participants (and therefore, also their unemployment benefits) being reported in Categories 2 to 7.

Since public expenditure on an activity below the intensity threshold for a "significant part-time activity" is not to be reported in Categories 2 to 7, the options are to either report this expenditure in Category 1 or treat it as out of scope. One measure that might be concerned is AT-7 *Promotion of occupational mobility - course cost and course related cost* and AT-8 *Promotion of occupational mobility - living allowance*. The course and related costs have averaged about EUR 1500 per participant-year, possibly consistent with participation of only a few hours per week. This is only about 1/8 of expenditure on the corresponding living allowance or 1/10 of the average unemployment insurance benefit payment.

The treatment of rehabilitation benefits – benefits that require beneficiaries to participate in work preparation measures, but not to be immediately available for work – is not specified. If they are included in Category 8, at times when the beneficiary is participating in a Category 2 to 7 measure they should be reported as part of the expenditure on this measure, in line with the treatment of other benefits. However,

in some countries the main *de facto* permanent disability benefit is in principle conditional on participation in work preparation measures as requested by the authorities (it is also often in principle not a permanent benefit but rather a temporary benefit with the possibility of repeated extensions). The database should not report such *de facto* permanent disability benefits in Category 8, but there is a case for including them in Categories 2 to 7 at the times when the recipient is participating in a measure, because other forms of income support paid to participants (e.g. a subsistence allowance or unemployment benefits paid to participants in training) are included in Categories 2 to 7.

The impact of participation on future benefit entitlements is not included. In number of European countries, at certain times, participation in a measure has been associated with the payment or crediting of contributions to a future unemployment benefit entitlement. In the 1990s, in Finland participation in a six-month subsidised job renewed entitlement to unemployment insurance, and in Sweden participation in training for 6 months renewed entitlement. Since most participants were already long-term unemployed, they frequently used much of their renewed entitlement, and the renewals cost far more in terms of future unemployment insurance benefit payments than 6 months of unemployment insurance benefit contributions. An LMP database that does not document this feature of a Category 2 to 7 measure will in relevant cases nowhere mention the main way that it influences labour market outcomes. Putting a monetary value on the renewal of benefit entitlements would be technically difficult, but this example illustrates how some critical features of labour market programmes – widely recognised by experts – are not included in the conceptual framework of the LMP database. Separate documentation of such features is needed. It might take the form of metadata or "satellite" documentation, coordinated in some way with the LMP database, but country reviews may remain the best format for the documentation of relatively exceptional policies.

2.4. The coverage of Categories 8 and 9

Under other headings of this report a number of issues for the coverage of Categories 8 and 9 have been mentioned: The reader is referred to discussions of:

- The data non-comparability arising from the decision to include paid and re-rerouted social insurance contributions in reported Category 8 expenditure, but exclude credited contributions.
- The need for clarification or removal/replacement of the text in Eurostat (2013) §76, regarding continuing unemployment benefits for hours/days not worked.
- The treatment of rehabilitation benefits in Categories 2 to 7 and Category 8.
- The enforcement of the "significant part-time activity" threshold for measures, so as to avoid situations where participation in an activity for only a few hours per week results in participants' unemployment benefits (which normally are reported in Category 8) being reported in Categories 2 to 7.

The non-reporting of interventions in Category 8.5 Bankruptcy compensation. Over a third of the EU countries that report LMP data identify no intervention in this category, but a search of national sources for these countries often identifies such an intervention:

- In France, the *Association pour la Gestion du régime de garantie des créances des Salariés* (AGS) in recent years has paid out over 2 billion EUR (part of which is recovered from bankruptcy proceedings :

www.ags-garantie-salaires.org/files/ags-theme/ags/fichiers/Fichiers%202017/AGS_RA_2016_web.pdf)

- Slovenia provides a wage guarantee in case of insolvency (e.g. see www.eurofound.europa.eu/fr/observatories/emcc/erm/legislation/slovenia-wage-guarantee-in-case-of-insolvency).
- Among the non-EU countries, in Canada the Wage Earner Protection Program (WEPP) has reimbursed workers for wages unpaid due to bankruptcies of the employer since mid-2008 (e.g. see www.canada.ca/en/employment-social-development/services/labour-standards/reports/review-wepp.html).

This suggests that an intervention of this type exists in a large proportion of the countries which are not currently reporting one in their LMP data.

The non-inclusion of social assistance benefits by many countries is also already discussed by the author elsewhere. The definition of what should be reported, and the operational difficulties involved in getting appropriate figures estimated and reported, are significant challenges for database management. But conversely, where social assistance benefits are not included in a country's LMP data and qualitative report, the LMP data and QR give a much less complete summary and overview of national labour market policies.

One important dimension of this problem is that social assistance benefits in many countries are managed and funded at the regional and/or municipal level. In these cases, participant numbers and expenditure for social assistance are sometimes rather low, but they can also reach a significant fraction of the numbers for a moderately generous national unemployment insurance scheme (e.g. in Canada and Switzerland). Omitting them does affect the validity of Category 8 aggregates, in international comparison.

Also, where expenditure on social assistance funded at the regional and/or municipal level is relatively low, this does not mean that it has little impact on labour market outcomes. Local authorities, conscious that each euro spent on social assistance represents a euro not available for their other budget lines, often devise and enforce effective activation strategies and/or limit benefit entitlements and coverage, with a large impact on labour market and social outcomes - as compared with national social assistance schemes with weaker implementation of activation measures and higher caseloads. It is not expected that the LMP database should document the policies that limit benefit coverage and activate recipients in detail, but does seem preferable that the social assistance expenditure and participant numbers should be reported. Although the OECD Social Expenditure (SOCX) database usually reports social assistance expenditure somewhere (perhaps under the headings "Other social policy areas" "Cash benefits" "Income maintenance"), information about the definition and coverage of the data reported in SOCX can be relatively sketchy. Reporting in the LMP framework, distinguishing unemployment cases of social assistance from disability cases of social assistance (and cases exempt from availability for work requirements for certain other reasons), would do much to clarify the role played by social assistance in labour market policy.

2.5. Expenditure and participant aggregates and breakdowns

The author is not aware of major problem areas in the methodology regarding the definitions of total expenditure on an intervention and the total number of participants in the intervention.

In principle, a wide range of expenditure types (e.g. reduced social contributions, and not only direct payments) are to be included. One exception is the non-inclusion of social insurance contributions credited to the accounts of unemployment benefit recipients, which are likely to have the same economic impact as the direct payment of their social insurance contributions. But this lapse from the ideal of cross-country data comparability arises for many types of public expenditure: a national total figure for government expenditure will typically not include "tax expenditures", although public accounts often provide some estimates for them.

The methodology addresses some issues in the definition of participant stocks, e.g. a start-up incentive paid as a lump-sum "normally obliges the recipient to maintain his/her self-employed activity for a minimum period. This period of activity should be considered as the duration of the intervention and stock therefore refers to the number of persons at any one time who have received the lump-sum payment and have been self-employed for less than the prescribed minimum period" (§ 248). Difficulties arise in reporting practice, but not usually because the methodology is unclear in principle.

Data for total participant inflows can be far from comparable because, in particular, the annual total number of inflows to and outflows from unemployment depends strongly on the treatment of breaks in the unemployment spell. In Australia, a long-term unemployment beneficiary who works for up to 25 weeks and then returns to unemployment can retain their long-term beneficiary status; throughout the 2000s approximately 170 000 people, more than a quarter of the total, had been unemployed for more than three years (OECD, 2012). If each return to unemployment, after a day or perhaps a month of employment, was counted as a new inflow to unemployment benefit, the number of inflows reported could be several times higher and the average duration of unemployment benefits spells several times lower. The methodology in principle addresses this problem, stating as the "recommended treatment of breaks in the unemployment spell" that "a temporary break in participation of more than 28 days should be treated as an exit at the beginning of the break and a new start at the end of the break", although it recognises that "at the present time several countries are unable to apply this rule due to national procedures that cannot easily be modified." (Eurostat, 2013, §203, Box 3). Similar issues arise for participation in long-term training measures: for example, a training course that leads to professional certification may be interrupted by temporary dropout, childbirth, periods in work, etc.; returns to the course after more than 28 days of non-attendance would often not be reported as new starts.

The breakdown of expenditure by direct recipient, i.e. transfers to individuals, transfers to employers and transfers to service providers is an area where the methodology does seem ambiguous. In Category 1, the vast majority of expenditure is reported as "transfers to service providers" and correctly represents final expenditure on LMP services. But a small proportion of the expenditure in Category 1 is "transfers to individuals", which are reimbursements of travel to interview costs and similar, involving final expenditure on services.

In Categories 2 to 7, "transfers to individuals" may be reimbursements of expenditure on services (e.g. commuting to the training centre or tuition fees), not only covering general living expenses. "Transfers to employers" may be spent by the employer partly on wages but also partly on training services (e.g. in the case of a work experience programme where the employer has to deliver some training). Funds could be transferred several times, with the employer the direct recipient at one stage, and the participant being reimbursed by the employer for the cost of tuition fees. The methodology is implemented

with some implicit rules about which stage of the transfers are considered: for example, when there is a transfer from government to the PES, used by the PES to implement measures which pay a training allowance, the training allowance is not (usually) reported as a transfer to service providers. However, in the absence of more detailed guidelines and enforcement of them, which would be difficult, the expenditure component "transfers to service providers" cannot safely be interpreted as final expenditure on services such as (for training measures) instructors' salaries and training premises and equipment, or (for job-creation measures) supervisors' salaries, business premises and equipment. Final expenditure on LMP services is a much larger proportion of "active" LMP expenditure in some countries than in others, and it would be useful to have statistics illustrating the difference.

In some cases, administrative sources fail to record the transactions where service providers are paid, for example:

- In non-EU countries, transfers to individuals engaged in labour market training may be expected to approximately cover their tuition fees, but without a requirement on the recipients to report their actual expenditure on tuition fees, and therefore final expenditure on training services does not appear anywhere in administrative records. Such situations are probably relatively infrequent in Europe.
- In countries where the national or federal government transfers funds to regional or municipal governments for them to implement LMP measures, the information fed back from the lower levels of government can be obscure and lacking in relevant detail.

3. Operational issues

3.1. The identification and definition of interventions

Decisions about how many separate LMP interventions to report, and the coverage of different reported interventions and the names given to them, are taken at the start of the data reporting process. In the early years of data reporting by a given country, it may be relatively easy to aggregate several reported interventions into one, or request further information so that a certain intervention can be split into components. Doing this well, early on, might provide the basis for fruitful discussion and cooperation with national authorities.

In some cases information identifying a programme, its detailed action and its target group or groups is clear, e.g. if employers are legally entitled to a hiring subsidy when hiring a person who is long-term registered unemployed. But in other cases, the idea that a reported training "programme" has a fixed or defined existence may be a myth: the reported data include a wide range of very different small programmes. If possible the data should be split into categories or types, e.g. basic skills training, vocational training for adult benefit recipients, etc. where there is more chance that supplementary questions such as "are participants in this programme on social assistance?" will have a clear answer.

In the later years of reporting by a given country, the national authorities usually launch some new programmes and run down some old ones. If a new programme has a participant profile and operations similar to an old one, it may be possible to report the annual data for both programmes as a single time-series with an adapted name, e.g. *New Departure (formerly New Start, formerly New Beginnings)*. If changes through time are significant e.g. the programme was initially targeted only on youths but later expanded to cover mainly adult participants, reporting it as the same programme for many years could be misleading, especially if different programme names over time are not reflected in the qualitative reports. DG Empl data include an archive of Qualitative Reports for each year's data, which in principle allows the user to trace changes in the content of interventions through time.

The aggregation and splitting of programmes to create a structure of named interventions that are in scope for the database is discussed in Grubb (2017a). Some key points from this are:

- In the case of large countries that are spending well over 1% of GDP on LMPs, the LMP data appear to be most informative when about 60 distinct interventions are reported (although most of the expenditure will be appear in just a fraction of this number) split across the 20 independent categories and subcategories of the LMP database. Such a country will typically recognise several different types of labour market training programme (e.g. foundation/basic skills training vs. vocational training) or employment incentive programme (e.g. private sector vs. public (local) government), reflecting the reality that each area has

programmes implemented through several different funding streams and management structures.

- Separate programmes may be distinguished referring to differences in their type of action, target group, management arrangements (e.g. different levels of government), legal basis, etc. Often national policy discussion focuses on a few subcategories of a high-level programme, and the national names for these subcategories can be used as the names of interventions reported in the LMP data. On the other hand, most international users and many national users will, for example, not be better informed by data for a similar programme at the level of 40 regions or 20 pieces of legislation (reflecting the structure of legislation, detailed annual budgets, or data reporting procedures) and such data should be aggregated so that only a national total, aggregating across regions and across detailed measures that are similarly structured and implemented, is reported in the LMP data.
- Interventions should so far as possible be listed in the LMP database using names used in national legislation, advice to clients, programme management and administration and policy analysis and debate. This makes it possible for an international user to search for further information about the intervention, or for a national user to notice and track down apparent discrepancies (e.g. the international data for programme expenditure may be higher due to the inclusion of income support paid to participants, or because the international data under the same name include a range of other programmes and their participants). Where not-widely-recognised names are created only or mainly for international LMP data reporting, there should be an explanation in the qualitative reports of how they relate to programme names that are more widely recognised in the national implementation and discussion of LMPs.

3.2. Feedback from ground-level implementation

In some cases, the PES IT system will have a record of personal characteristics for registered jobseekers, a code is entered into the IT system when the jobseeker starts in a particular intervention, and PES accountants estimate budgetary costs for each code. The LMP database manager can visualise how individual programme starts are recorded and how the resources allocated to training provision are spent and accounted for. A programme manual may describe a target for training hours delivered for each participant and procedures for deregistering participants who no longer attend, etc. In such cases, the reported data will probably be reasonably accurate.

However, national funding for LMPs often passes through several lower-level budgets – e.g. to the national PES, then the budget of the regional PES, then a training provider which subcontracts part of the task, etc. Steps in the feedback of information from ground-level implementation to the reports received by the national correspondent may be missing. In countries where management authority is decentralised to regional governments, the services that are funded can even become quite different from those envisaged in national legislation, e.g. funding for training may be used for job-search assistance and counselling or to create subsidised workplaces. Programmes at ground level may be reported only in regional budgets, with a lack of background information to identify clearly whether they should be included in the LMP data and in which category, and with no practices that identify which specific episodes of programme participation were nationally funded. Regional governments may argue that particular lines in their regional budget implement the nationally-funded programme, but when the national government does not understand in detail what these regional budget lines cover,

the arguments are fungible. The national government funding may fail to achieve "additionality", as the regional government presents activities (not necessarily active labour market programmes) that it was already funding as a use of the national funds, and in effect puts the national funding for active labour market programmes into its general budget. The LMP database manager should to some extent read newspaper reports about client experiences and reports by the national audit office, etc. to note apparent data anomalies and query them with the national correspondent, to get some idea whether and in what sense the data accurately report participation and expenditure that is in scope for the LMP data.

3.3. National correspondents, their situation and data reporting compromises and biases

National correspondents often face difficulties in identifying all the relevant national programmes and the institutions responsible for them, and contacting staff who are able to provide programme data. If the OECD asks for a better description of what a particular data line includes, the national correspondent may ask his/her contacts but not get a clear answer.

A national correspondent with recognised responsibility for data collection and reporting may be much better able to provide information after a few years with this responsibility. Also, national correspondents may at first have little knowledge of the database methodology (e.g. the targeting criterion for an intervention to be in scope, or the definition of participant stock data), but after a few years understand the methodology and identify and discuss issues relevant to their data submission. However, in some countries the responsible authority (often the ministry of labour) switches staff responsibilities quite frequently, preventing the accumulation of expertise. And after institutional reforms (such as the restructuring of ministries, putting programmes under new management) the network of contacts providing data may be broken up, and take some time to rebuild.

3.3.1. The extent and nature of reporting biases

National correspondents are usually reluctant to estimate data, preferring to cite only information that is reported to them by programme management, or can be taken directly from existing internal or published documents. However, the information received can be misleading, e.g. because it is not clear whether reported participant numbers refer to a point-in-time stock concept, an inflow concept or some other concept that might be implemented in a computerised database. Often the national correspondent needs to undertake some estimation just to cross-check the definition and coverage of numbers reported to them, or that are being taken from existing documents.

Estimates of missing data can involve judgements and side-calculations which a future database manager finds hard to understand and update. For example, if a survey conducted in 2010 reported that 55% of adults social assistance recipients were registered unemployed, this information may be used to estimate the number of unemployment benefit recipients including those on social assistance. However, it is then necessary to update the survey information, or perhaps identify alternative sources for this type of information, in future years. For this type of reason, expenditure or participant numbers that are not easily and regularly available are often not estimated (in aggregate data, they may treated as zero) even when an estimate of them would be feasible. For similar reasons, data may be reported in just one category when a split of them across two

categories on an estimated basis would be more accurate and informative. For example the data for IE-4 Back to Work Allowance (in Category 4) include expenditure on IE-3 Back to Work Enterprise Allowance (in Category 7): Ireland has for many years misleadingly reported its Category 7 expenditure as zero when it would seem possible to estimate a reasonable breakdown between Categories 4 and 7.

In cases where data are not provided for expenditure components that are known to exist, reluctance to publish data by programme administrators, or senior civil servants or a minister, could be a factor. Data are unlikely to be fabricated but it is more likely that they will be omitted or misclassified, which can also be misleading. National actors might argue for the questionable inclusion of an intervention in the database, perhaps because this tends to show higher or increasing expenditure on active programmes, or lower or decreasing expenditure on benefits. Such possible reporting biases can be resisted by the database manager, but they are not necessarily noticed, may be technically hard to correct when detailed information is not being supplied, or may be accepted in a spirit of necessary compromise.

3.3.2. The need for country reviews

An in-depth country labour market policy review can often identify some errors and potential for improvements of the international LMP data, thanks to detailed reading of national data sources and detailed understanding of the operations of the national programmes. Such a review may also identify policy features that are not included in the LMP data conceptual framework but seem highly significant, particularly in the area of benefits and activation, for example the impact of the carrousel effect and subsequent reforms in Finland in the 1990s and 2000s; how low open unemployment is associated with high caseloads on sickness benefits in Norway and tax credits in the United Kingdom; and the emphasis on effective counselling of the unemployed in Switzerland. In other countries, labour market duality, informal employment, budget/funding constraints and administrative capacity appear as constraints on transferring labour market programme designs that seem to be effective in Northern Europe. The policies needed to tackle such underlying problems include LMPs, but extend beyond the scope of the LMP data.

4. Communication with data users: accessibility, complexity, comprehensibility, and risks of misinterpretation

4.1. Detailed documentation of individual interventions and data relating to them

4.1.1. Qualitative Reports and user notes

Qualitative Reports represent the current formal DG Empl offer to users of detailed documentation regarding individual interventions and the data provided for them.

Grubb (2017b) observes that the qualitative reports for Denmark and Finland do not identify, for the job rotation schemes DK-38 and FI-16, whether the reported expenditure includes the subsidies for both the person temporarily vacating the post and the person temporarily filling it, and whether the reported participant totals count two participants for each temporary replacement. However, the Eurostat 2014 reference year data publication (see the References below for access details) in footnotes to the expenditure tables covers the first part of this question, stating that DK-38 "Includes training fees and the wages of both workers involved in the job rotation" and FI-16 "Expenditure refers to persons on leave and includes both income support (80/70% of unemployment benefit entitlement) and training supplements where appropriate". In this case, notes in the annual data publication, reflecting data review and discussion with the national correspondents, provide information about the published data that is not in the texts of the qualitative reports.

- It currently appears to be the case that the national correspondent is responsible for the descriptions of interventions which appear in the qualitative report, and the Directorate-General for Employment, Social Affairs and Inclusion (DG Empl) is responsible for information in the notes about the coverage, etc., of the expenditure, participant and other data, which appear in the annual data publication. However, users will normally access the time-series data online and analyse them in conjunction with historical qualitative reports (these should document, for example, changes in the target group of a particular intervention), rather than historical data publications. It would be helpful to generate a final version of the qualitative reports that appends the expenditure and participant table notes from the annual publication.
- Alternatively it might be possible specify that the national authorities should in principle provide a draft description of each intervention, and also notes about the coverage, etc. of the expenditure, participant and other data relating to the intervention, and DG Empl should then engage in a consultation and editing process, so that the final publication is under the joint responsibility of the national authorities and DG Empl.

4.1.2. Supplementary documentation of the interventions

OECD (2018) illustrates that in the case of data provided by OECD non-EU countries it is frequently possible to identify programme documentation (including official data such as

budgets) online. For interventions except the smallest, often at least two pages of documentation could be generated using these sources, or even hundreds of pages for large interventions. For all the larger EU countries (as long as the interventions listed in the international LMP database correspond to programme names that appear in national legislation, programme management and policy analysis, etc.), it therefore could be possible to ask an independent national expert to write several pages of supplementary description and review the qualitative report text, and conversely the national LMP correspondent could review the supplementary descriptions written by the independent national expert. EC Mutual Learning programmes and Eurofound already generate some descriptions along these lines. This process would, ideally, clarify the relationships between the technical qualitative report descriptions and information from other published sources about national LMPs.

If the interventions in the qualitative report can hardly at all be related to information about national LMPs in other published sources such as the national budget, further work to describe the relationship between the two, or to simplify the relationship by remodelling the LMP data reporting structure, should be a priority.

4.2. International comparative uses of the data and the aggregation / simplification problem

This paper has emphasised that a key factor hampering international comparisons of LMPs is their multidimensional nature. When differences in targeting, detailed type of action, type of expenditure etc, are taken into account, the largest training, employment incentive or job creation programme in one country may well have a counterpart in only a few other countries, or even none. A variable such as "Total expenditure on labour market training", which can be reported for a large number of countries, does not incorporate even the known features of national interventions that are likely to determine their impact. Two programmes that match in the sense that they fall somewhere in Category 2, and involve similar levels of expenditure, will typically be far from "comparable".

So LMP data experts should not be worried by the complaint that the aggregate expenditure and participant data are not "reliable". They can emphasise that LMPs are multidimensional and that the statistical and qualitative information in the LMP data already do a fair job in terms of documenting this. LMP data experts need to also work at explaining the nature of the international data comparability problem, ensuring that statistical and qualitative data relating to individual national interventions are available, accurate, accessible and adequately documented, and providing descriptions of the individual programmes in their national context.

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ACCESS TO EUROSTAT ANNUAL DATA PUBLICATIONS AND QUALITATIVE REPORTS

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Annex

An interpretation of LMP data by academic researchers

A summary and review of Clasen, Clegg, Goerne (2016), "Comparative Social Policy Analysis and Active Labour Market Policy: Putting Quality before Quantity", Jnl Soc. Pol. (2016), Vol. 45, No. 1, pp. 21–38.

Clasen, Clegg and Goerne (2016) provide a rare research-user perspective on the reliability, validity and conceptual basis of LMP data. The authors refer to OECD labour market programme data: much comparative social policy research literature includes non-EU countries. These authors do not discuss the representation of "passive" interventions in Categories 8 and 9 of the LMP data. However, De Deken and Clasen (2013) review the use of "caseload" data for national and international comparisons of working-age benefit dependency, including non-LMP benefits (notably incapacity and early retirement not "for labour market reasons", etc.) and social assistance.

Clasen et al.'s perspective is that:

> *"…active labour market policy (ALMP) has become a major topic in comparative social policy analysis, with scholars exploiting cross-national variation to seek to identify the determinants of policy development in this central area of the 'new welfare state'. In this paper, we argue that better integration of this policy field into social policy scholarship requires rather more critical engagement with considerable methodological, conceptual and theoretical challenges in order to analyse these policies comparatively."*

The authors later note that Bonoli (2012) refers to a "traditional mechanism of actors seeking credit by advocating policies that will benefit particular constituencies", but he queries whether this perspective "really has much traction" in the case of ALMPs. Whereas labour market policy analysts sometimes use ALMP expenditure as an explanatory variable for unemployment and related outcomes, comparative social policy literature has sought to identify the influence of political forces in determining patterns of ALMP expenditure.

In practice, ALMP expenditure aims to promote the smooth functioning of the labour market; to respond to situations of exceptional need (e.g. restructuring, or economic crisis); to reduce unemployment because unemployment figures are politically sensitive; and to limit benefit expenditure and increase total employment and income for fiscal reasons. Perceptions of the effectiveness of ALMPs are influential: in Sweden, expenditure on labour market training, high in the early 1990s, was later reduced due to doubts about effectiveness; in New Zealand in the 2010s, an analytical framework called the "investment approach" has driven a focus on youth at risk of future long-term benefit dependency. Although some ALMP expenditure is designed to benefit particular constituencies (e.g. the Trade Adjustment Act in the United States directs assistance to workers certified to have been displaced by trade), views about the impact that current or innovative ALMPs are having or will have on unemployment and related variables are probably more important.

Clasen et al. first note that much recent comparative research has used ALMP expenditure data, but with "rather scant attention paid to the particular nature and theoretical substance of ALMP", which "means that these studies are capturing much but not all expenditure on ALMP cross-nationally". This Annex summarizes selected detailed observations by these authors about possible underreporting and other problems, commenting on these observations in bullet points.

Clasen et al. attribute under-reporting first to "the tradition of responsibility for ALMP being substantially decentralised in many developed countries… Many sub-national expenditures… go under-reported in comparative data", and to the marketization of ALMP delivery systems, which limits "the availability of sufficiently detailed information on the types of services that are being provided in some countries" (Clasen et al. p.24).

- The under-reporting of ALMP expenditure at sub-national level is one limitation on data comparability, but its importance should not be exaggerated. Sub-national expenditure, when it is separately reported or estimated, often appears to be considerably smaller than national expenditure. Importantly, although ALMPs are mainly managed by the provinces in Canada and by states and local Workforce Investment Boards (WIBs) in the United States, these sub-national programmes are mainly funded at the federal level. The volume of additional funding by state/provincial and local governments is variable and quite often low. In Canada, under Labour Market Agreements for Persons with Disabilities (LMAPD) the provinces agree to share the cost of services for this target group with the federal government. Agreements governing the Temporary Initiative for Older Workers (TIOW), a relatively small programme, specify a small provincial contribution to the cost. The agreements governing the main programmes for unemployed workers (LMDAs, LMAs, and the CJF) however do not commit the provinces to make any contribution. In the United States, the federal Workforce Investment and Opportunities Act (WIOA), Rehabilitation Act and other legislation provides most of the funding for state and local ALMPs.
- Expenditure on labour market training in Australia, Canada and the United States arguably is significantly understated through a rather different mechanism: the federal government funds income support and tuition fees for training participants, but this is not reported as ALMP expenditure (in Australia and Canada, some of the unemployment benefits are paid to training participants, but they are not separately identified and therefore are reported in Category 8; in the United States, the Pell Grants paid to training participants are not included anywhere in the LMP data). In these countries, training is purchased from commercial providers or takes place in local community colleges, and many training participants are unemployed but many others are not unemployed, and the federal government does not have, or perhaps does not publish, statistics from its own administrative records about individual participants in labour market training and the federal or sub-federal expenditure supporting their participation.

"Particularly in countries where the provision of social assistance benefits and services is the responsibility of municipalities.. While […] social assistance claimants are (or were) in principle entitled to access some ALMP provision from the offices of the national public employment service (PES), in practice co-ordination and co-operation deficits between different government levels resulted in these claimants facing serious barriers to accessing support. In this context, the municipalities stepped in to fund, design and provide their own employment services..." (Clasen et al., pp.24-25).

- Expenditure on independent municipal funding for ALMPs remains quite limited. Many municipalities do not have separate employment services; rather, placement is one of the responsibilities for a social work department, and the central government largely funds the relevant long-term active programmes. In Germany since the Hartz reforms, funding of programmes for assistance recipients is largely federal; Finland in the 2000s introduced labour force services centres (LAFOS), co-locating national and municipal staff; Norway brought local social assistance offices under the national organisation NAV; in Sweden, potentially-employable social assistance recipients often participate in the national Job and Development Guarantee; in Denmark, assistance and insurance benefits are both partly funded at national level with the municipal level responsible for service delivery.
- Where municipalities have independent employment services, they often focus on referral to jobs and monitoring eligibility for benefits; municipalities do not so often fund longer-term training or job-creation programmes. In some countries they organise the temporary assignment of beneficiaries to the ordinary departments of the municipal government, but in this case the wages paid may not in principle be ALMP expenditure. In Switzerland, municipalities fund projects which engage social assistance recipients under a separate management and supervisory structure, which could be reported as ALMP expenditure.

"Black box contracts are essentially non-prescriptive, as regards the specific types of service provision… Just as comparative analyses of ALMP are beginning to focus on expenditure patterns disaggregated by type of instrument or intervention, in many countries this information is… becoming much more problematic for national statistical services to obtain or record.. " (Clasen et al., p.26).

- The UK Work Programme implemented in the early 2010s was a "Black Box" contract, but the UK has not officially published LMP data since 2011.
- In the LMP data more generally, difficulties in adequately disaggregating expenditure by type of instrument or intervention have in several cases increased with the introduction of broad "activation", "reintegration" or "case management" programmes which are implemented by public bodies, which then may outsource some of the work but not necessarily with "Black box" contracts.
- A similar but long-standing statistical problem is important in decentralised countries such as Canada, Spain and the United States, where states and local bodies receive national funding but with broad flexibility to implement programmes of their own design. OECD (2018) describes how US federal funding that may appear to prescribe a particular type of action (e.g. training in the case of the Workforce Investment Act, or "work activities" in the case of Supplemental Nutrition Assistance Program (SNAP) Education and Training grants) in practice largely funds job-search and other "low-intensity" services.

"The general point illustrated by the foregoing discussion is that while the highly codified and centrally regulated nature of traditional welfare state programmes, such as pensions, sick pay or unemployment benefits, ensures that national expenditure data on them are fairly encompassing and offer a relatively high degree of reliability across developed countries, the same cannot be said with any degree of certainty for the comparative datasets based on national administrative sources that are used in most comparative analyses of ALMP." (Clasen et al., p.26).

- Although Clasen et al. do not exactly pinpoint the nature of reporting problems with ALMP data, the general perception that ALMP expenditure overall and by main category (e.g. training vs. employment incentives) data are reported with larger (percentage) errors than cash benefit expenditure is reasonable.
- However, the data for cash benefits can also be seen as unreliable, in the sense that population groups with similar employability problems are treated as long-term unemployed in one country and as sickness or disability benefit recipients in another, or in the United Kingdom since the early 2000s, expenditure on several traditional welfare state benefit categories has fallen, but expenditure on tax credits has increased.
- A more fundamental issue is that the main source of difficulty for statisticians and the users of ALMP expenditure data is arguably not the "reliability" of the data but the highly multidimensional nature of ALMPs themselves. For example:

    - In some countries, reported expenditure in Category 2 *Training* mainly represents participation by unemployed adults in vocational training programmes. But in Italy, the reported expenditure is mainly in Category 2.4 *Special support for apprenticeship*, specifically reductions in employer social insurance contributions for the hiring of a young person on a training contract, which requires participation in external training for at least 120 hours per year.
    - In some countries, reported expenditure in Category 4 *Employment incentives* represents hiring subsides for private sector employment. But in other countries, such as Denmark, it mainly represents subsidies for public sector (local government and related, e.g. hospital) employment. In Ireland, it mainly represents continuing unemployment benefit payments to a worker (not to his/her employer) who has entered a full-time job. In Switzerland, no unemployment benefit is payable after entry to a full-time job, but the unemployment benefit still paid (at a reduced level) to workers who have taken a part-time job is reported as an employment incentive.
    - The category of "direct job creation", as Clasen et al. (p.30) remark, "includes but does not differentiate between public employment schemes introduced in periods of high unemployment to the benefit of 'core workers', and 'make work' measures that target very long-term unemployed benefit claimants who are unlikely to find regular employment even when unemployment is low… the extent to which 'job subsidy' schemes are likely to exert downward pressure on wages is crucially determined by their design features, including their target groups and extent to which they reach up the wage distribution."
    - Multidimensionality also arises in the sense that a given programme design will be effective in one context but not another. For example, in a country with generous unemployment benefits placement efforts may be frustrated mainly by poor jobseeker motivation, while in a country with a high minimum wage and payroll taxes, employer reluctance to hire is the main problem. A hiring subsidy paid to the employer may well be effective in the second context but not the first.

The same level of expenditure in Category 2 *Training*, or in Category 4 *Employment incentives*, can therefore be generated by programmes with very different target groups and detailed types of action. There is little reason to expect, and indeed there is every reason to doubt, that similar patterns of ALMP expenditure at the level of these categories will have a similar impact. A euro of expenditure on employment incentives in Denmark is very

different from a euro spent on employment incentives in Ireland, whereas a euro of expenditure on sickness benefits is – despite the scope for countries to define eligible "sickness" status differently – somewhat more-comparable between these two countries.

> *"Bonoli (2013: 23–4) for example identifies two principal dimensions of variation in ALMP designs (their pro-market orientation, on the one hand, and the extent to which they invest in human capital, on the other), allowing him to derive four main theoretical types of ALMP ('incentive reinforcement', 'employment assistance', 'occupation' and 'upskilling'). However, these conceptual advances have not to date been matched by the identification, collection and analysis of theoretically relevant data…" (Clasen et al., p.34).*

- The tools of "incentive reinforcement" are described as: "Tax credits, in work benefits; time limits on recipiency; benefit reductions; benefit conditionality; sanctions" (Bonoli, 2010). However, tax credits and in-work benefits are out of scope for the LMP database; they are difficult to quantify because tax credits and in-work benefits are close to fungible with the parameters of the income tax and social security contribution schedule. OECD does document benefit time limits and reductions (or increases), but though its Benefits and Wages research (www.oecd.org/els/benefits-and-wages-statistics.htm); and it documents benefit conditionality and sanctions, but under the heading of benefit eligibility conditions (Langenbucher, 2015).
- Participation in programmes may be obligatory (in the sense that refusal will result in a benefit sanction) in one country, voluntary in second country, and potentially either, subject to individual negotiation with the case manager, in a third country, and this type of difference is not documented in Eurostat Qualitative Reports. Typical sources of information about the mainly obligatory or mainly voluntary nature of participation would be press articles, discussion in an online jobseeker forum, interviews with PES caseworkers, or benefit sanction statistics (if these identify the detailed reasons for sanctions). Such relatively scattered and erratic sources of information could hardly be incorporated into regular data reporting. This situation indicates that for impact analysis, the ALMP data need to be supplemented with other sources of information, not that the ALMP data are unreliable.

> *"…it is unclear that ALMP data are always mainly recording work-focused support for the unemployed. Oldervoll (2014) has pointed out that the OECD data include information on numerous national programmes that are not actually designed to facilitate entry into the open labour market, but that serve as implicit or explicit alternatives to work for people who are not expected to be looking for employment. This can be shown, for example, by their very low participant inflow and outflow rates, and average individual participation periods of sometimes considerably more than ten years in some schemes in Sweden and Norway." (Clasen et al., p.28).*

- The idea that ALMP data mainly record "work-focused support for the unemployed" is overly simplistic. Participants in Category 4 *Employment incentives* and Category 6 *Direct job creation* are likely to report at least one hour of work in the survey week, and thus will be identified as employed in the labour force survey, which is the usual source for unemployment statistics. Participants in Category 2 *Training* may also be employed, or – particularly when trainees receive income support that is exempt from job-search requirements - out of the labour force. Thus only a widely-varying and often low proportion of the participants in ALMPs

are expected to be unemployed, in current stock terms. Often a high proportion of participants were unemployed prior to their participation in an ALMP: they are in this target group due to their former, not their current, status. However, the database methodology states that "Three main target groups are recognised: unemployed, employed at risk and inactive", so it is also possible that a large proportion of participants were in the latter two target groups. It also should be kept in mind that the government's main objective, particularly in countries where unemployment is already relatively low, is often to increase total employment. In this case, ALMPs will be used to promote transitions from unemployment to employment in conjunction with policies extending or strengthening job search requirements as a condition for benefit entitlement, which promote transitions from inactivity to unemployment. The expected net impact is an increase in employment, but not necessarily a reduction in unemployment.

  - Category 9 *Early retirement* represents "alternatives to work for people who are not expected to be looking for employment", but (like Category 8) it is not a category of ALMP.

- The claim that Oldervoll (2014) identifies "numerous national programmes" (on the ALMP side) that "serve as implicit or explicit alternatives to work for people who are not expected to be looking for employment" seems incorrect. The programmes with a relatively high average duration of participation are in Category 5.1. The database methodology (Eurostat, 2013) states:

  - The duration of participation in Categories 4, 5.2 and 6 is "always" limited by design, whereas the duration of participation in Category 5.1 *Sheltered and supported employment* is "never" limited by design.
  - Category 5.1 by definition provides subsidies for "the productive employment of persons with a permanently (or long-term) reduced capacity to work" (§ 93). The word "productive" implies that measures in Category 5.1 do bring people into the labour market (either in a regular job but with an ongoing subsidy, or in "sheltered" work which generates income from sales), to the extent possible given their reduced capacity to work.

  Category 5.1 is therefore expected to include national programmes with high average participation periods, but it should not include activities that "serve as implicit or explicit alternatives to work" or produce no output. Possibly some activities that produce no output are being incorrectly reported, but Oldervoll (2014) does not document such a problem.

- Oldervoll (2014) does not appear to state that any intervention in Norway or Sweden has an average participation periods of more than 10 years. He does cite a projected average duration of eight and a half years for Sweden's *Samhall* programme, but according to the same source (Eurostat Labour Market Policy Data 2007) all Norwegian ALMPs have a projected average duration of less than a year, i.e. the annual flows of entrants and exits exceed the average stock.

"..as Oldervoll (2014) has pointed out, comparative analysts could make better use of the more disaggregated ALMP data published annually by Eurostat (e.g., Eurostat, 2012) and particularly the associated 'qualitative reports'

(e.g., Eurostat, 2014). The latter provide detailed information about a range of ALMP schemes at the country level, including programme-specific target groups, eligibility criteria, sources of funding and annual stocks, as well as inflows and outflows of participants (e.g., Eurostat, 2013). Close scrutiny of these sources could aid in the construction of more reliable and valid comparative indicators." (Clasen et al., p.34).

- The Qualitative Reports often identify the target group and type of action of individual interventions in enough detail to clarify how two interventions with comparable expenditure and participant numbers remain far from comparable, i.e. the problem of the multidimensional nature of LMP interventions, mentioned above. Descriptions could often be made considerably clearer but at considerable cost, e.g. through a review by an external expert, undertaking site visits and/or interviewing several different stakeholders.
- Further work, using enhanced Qualitative Reports, could allow the construction of some additional indicators. For example, the main text here points out that the LMP data currently do not necessarily identify an intervention's final expenditure on services (e.g. the expenditure component "transfers to service providers" reported on a "direct recipient" basis is quite often zero for training programmes). It could often be possible to report (or estimate) the final expenditure concept, at a first stage developing more complete descriptions of the implementation process for each programme, but this would be costly. The documentation of some other dimensions, such as the mainly obligatory or mainly voluntary nature of participation in Category 2 to 7 interventions, as mentioned above requires further work and different information-gathering techniques again.

Clasen, Clegg and Goerne (2016) is the most-prominent discussion in an academic journal of the nature of the LMP data by social policy research users. Their concern with the reliability, validity and the conceptual and theoretical basis of the data - as well as their concern that research users have not sufficiently engaged with these issues - are well taken. Ongoing discussion of these issues will facilitate the use and interpretation of the existing data, and inspire actors in the data-generation process to complete database coverage, apply (and if necessary, clarify) the methodological guidelines, and improve the documentation of individual programmes and the data relating to them.