

OECD Employment Outlook 2006 – Boosting Jobs and Incomes

Statistical Annex

Table H. Public expenditure and participant stocks in labour market programmes

The scope and comparability of data on labour market programmes

www.oecd.org/els/employmentoutlook/statannex

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

General principles of scope and coverage

Table H classifies most individual programmes into Categories 2 (Training), 3 and 4 (Job rotation and sharing and Employment incentives), 5 (Integration of the disabled), 6 (Direct job creation), 7 (Start-up incentives), 8 (Out-of-work income maintenance and support) and 9 (Early retirement). Following Eurostat (2002), *Labour Market Database Methodology, April 2000* (currently under revision), Categories 2 to 9 include labour market programmes that are "targeted".

The criterion of targeting *includes* these types of action (training, start-up incentives, etc.) when targeted on the unemployed (including people who are not on unemployment benefits but are seeking work). In countries where unemployment is often not compensated or registered, targeting on poverty or disadvantage associated with broadly-defined underemployment may be considered comparable. Also included are training for employed people at known risk of involuntary job loss, apprenticeship support for young adults who have been unable to find an apprenticeship through the usual channels, and early retirement benefits which require the employer to replace the retiree with an unemployed person, promote the restructuring of a particular industrial sector or enterprise, or are restricted to formerly-unemployed people.

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

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Category 1 (Public Employment Service and administration) here includes placement and related services for employers and the employed as well as the unemployed, including any similar services delivered by private providers but with public financing, and the administration costs of implementing these services and the active and passive programmes in Categories 2 to 9, insofar as these costs are not included directly under those categories. This category includes spending on central management, regional and local offices, IT systems and national websites, buildings and maintenance and other overheads.

Spending reported in Category 1 does not include income support paid to participants in placement or related measures. In principle, spending reported in Categories 2 to 7 includes income support paid to programme participants (including those in Category 5, Integration of the disabled) and administration costs that arise within the individual programmes. Income support payments in Category 8 exclude payments that are already included in Categories 2 to 7. Spending in Categories 8 and 9 does not include any administration costs of the benefits.

Coverage and comparability issues arising for particular programme categories

Category 1 (PES and administration). This category includes the budget of the main national Public Employment Service (PES) organisation and this organisation's spending, if any, on measures outside the general scope of the database such as workplace training, consultancy for small businesses or the administration of work permits may not always have been excluded. Subcategories 1.1 (Placement and related services) and 1.2 (Benefit administration) include only expenditure that has been separately identified: in some cases the budget of the main PES organisation is wholly allocated across these subcategories while in other cases part (e.g. non-staff costs) or most of the budget is not allocated in this way, so the comparability of data for these two subcategories is very limited. Benefit administration costs may be overestimated or underestimated in countries where unemployment benefits are jointly administered with other social security benefits. The administration costs of income support payments to participants in the other "active" spending categories are often included. The cost of collecting unemployment insurance contributions is often not included, because collection is integrated with the collection of other social security contributions and, in some cases, income tax.

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

Category 4 (Employment incentives). In some countries over a half and in a few more about a third of spending in this category consists of income maintenance and support payments to formerly unemployed individuals who have taken up part-time or full-time employment. These resemble, in some cases closely, reduced-rate or partial unemployment benefits paid to people in part-time or intermittent work or with earnings below a certain threshold, which in most other cases are included in Category 8. Note also that high spending in this category arises in countries where broad employer hiring subsidies not directly targeted on unemployment are included: the table notes some instances. Data should be interpreted with caution.

Category 5 (Integration of the disabled). To the extent that disabled persons participate in regular programmes (such as those in Categories 2 and 4), spending on employment services for the disabled does not necessarily appear in this category. In Subcategory 5.2 (Sheltered employment), uneven implementation

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of the principle that lifetime sheltered work is excluded affects the spending levels reported. In several of the countries reporting high spending in Subcategory 5.3 (Other rehabilitation and training), income support (rehabilitation benefit) is a large proportion of the total.

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

Category 9 (Early retirement). In most though not all countries where significant spending is reported, it relates to schemes which allow older workers on unemployment benefit to transfer to a similar benefit (albeit with a different name) where work availability requirements do not apply. However several other countries which allow workers above a certain age on unemployment benefit to continue receiving it with exemption from work availability requirements, and through to retirement, report the corresponding expenditure in Category 8.

Income support payments within "active" spending

Users should note that a large proportion of "active" spending takes the form of income support payments to participants in active programmes. In number of EU countries which fully report these income support payments in the annual publication Eurostat, *Labour Market Policy Expenditure and Participants*, 55% to 75% of spending on programmes in Category 2 (Training, excluding apprenticeships) consists of "transfers to individuals", i.e. mainly income support paid to participants. Only 25% to 45% of the total is final consumption expenditure such as spending on training premises and instructors' salaries. Transfers to individuals may also be a major component of spending in Categories 3 to 6, depending on the nature of national programmes. With few exceptions, Start-up incentives (Category 7) take the form of continued payment of unemployment benefit during the start-up of a business. Note also that spending of the Eurostat type "transfers to employers", which is reported particularly in Category 4 (Employment incentives) and Category 6 (Job creation), is in large part further transferred to programme participants in the form of wages.

The payment of training allowances can facilitate participation by unemployed individuals who lack entitlement to unemployment benefits (e.g. unemployed workers with a limited employment record in insurance systems, and spouses of the employed in assistance systems). Where training allowances are paid by training institutions, their cost is naturally reported as part of expenditure on training. However in a number of countries – Australia, the Czech Republic, Japan, the Netherlands, New Zealand, Norway, and probably some others – participants in training and sometimes job-creation programmes continue to receive unemployment benefit or a similar payment, perhaps with a bonus. Administrative records in Norway identify such unemployment benefit payments which are then reported here as part of the cost of active

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programmes, but in other countries this is not done. Total active spending is fairly typically distributed across transfers to individuals, transfers to employers and transfer to service providers (final consumption expenditure) in ratio of about 40: 25: 35. In countries where most of the income support paid to participants in active programmes is counted in Category 8 (Out of work income maintenance and support), the reported "active" share in total labour market programme spending is sharply reduced. This factor limits the cross-country comparability of "active" and "passive" spending aggregates.

The fact that different types of spending can be reported complicates issues of data comparability. Broad "activation", "reintegration" or "rehabilitation" programmes - which deliver counselling and job-search assistance, as well as training and similar services - are difficult to classify, but in some cases they are included in Categories 2 or 5. However in the Netherlands and the United Kingdom, the spending data refer to the cost of the services delivered but not the income support payments to participants (which appear in Category 8, or may be omitted in the case of disability benefits); in Denmark and Sweden the data refer to income support payments to participants but not the costs of the services (which are reported elsewhere, for example PES services appear in Category 1).

Other comparability issues

Programmes involving part-time participation. Short-duration labour market programmes, for example half-day job-search training seminars, are often included in Category 1: in this case, income support payments to programme participants are counted in Category 8, and the total for active programme participants reported in the table (the total across Categories 2 to 7) is not affected. However in a few cases Categories 2, 5 and perhaps others include programmes that involve participation for relatively few hours per week or per month. Such programmes although relatively inexpensive may involve a large number of participants and a large amount of income support paid to them, which is then reported in the relevant active programme category. Ideally, the part-time nature of participation should be taken into account – for example, statistics should be prorated, with participant numbers reported in full-time equivalent terms and the full-time equivalence factor applied also to income support payments - but this is not currently done.

Further issues affecting reported expenditure. In some countries (e.g. Denmark) net income support payments received by individuals are significantly below the gross amounts reported, because the gross amounts are subject to deduction of income tax and/or social security contributions at rates similar to those applying to wages and salaries, while in other countries this is not the case. In some countries the main unemployment benefit is often supplemented by payments of social assistance benefit or housing benefit, and these supplements may or may not be included. Depending on national administrative arrangements, health and pension insurance contributions on behalf of unemployment benefit recipients may or may not be included. These factors will often influence spending reported for active as well as passive programmes.

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

Programme detail and documentation. For EU countries, Eurostat *Labour Market Policy Qualitative Reports* provide a succinct description of most of the individual labour market programmes included in the data as of 2001, though not of all current programmes. For some other countries, qualitative information about the programmes for which data are reported can be found on websites in English or French. But for

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some countries, qualitative data is not easily accessible, or the data supplied refer to broad programme areas which cannot easily be matched with the available qualitative information. In such cases the OECD Secretariat's capacity to identify, note or correct potential issues of data coverage and comparability is limited.

Participant stock data

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

Part-time programmes. Participants stocks are high relative to programme expenditure for programmes that involve low subsidy rates or less than full-time participation (e.g. a hiring subsidy of 20% of the wage for 3 years, rather than 60% of the wage for 1 year; training with participation 2 days a week for 5 months, rather than 5 days a week for 2 months). However part-time programmes involving few weekly or monthly hours are borderline cases which might (e.g. in the case of counselling programmes) be omitted from the database or be reclassified to Category 1, in another country.

Category 1 participants. Related to the point above, participant statistics are not reported here for Category 1 because separately-identified programmes such as individual action plans or job-search workshops can have high participant numbers in some countries, while they are regarded as general PES services for registered job-seekers (not separately reported) in other countries.

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

Unemployment benefits paid to participants. In most countries there is some double counting between participants in passive programmes (Category 8) and active programmes (Categories 2-7). Double-counting is likely to be more extensive in countries where participants in active programmes often continue to receive unemployment benefits (see above). In some countries (including Australia, Denmark, Germany, the Netherlands and Norway, as reported in Hasselpflug, S., 2005, "Availability criteria in 25 countries"; www.fm.dk) participants in active measures are generally required to continue active job search as a condition for continuing income support, and in this sense they continue to be recipients of unemployment benefits, but the data do not always reflect this.

Further reading

For EU countries, detailed data are provided in annual publications *Labour Market Policy Expenditure and Participants* (<http://epp.eurostat.cec.eu.int>). For similar OECD data according to an earlier classification, 1985 to 2002, see the *Employment Outlook* 1988, Chapter 3 (presentation) and 2004, Table H for the last data published in the series (www.oecd.org/els/employmentoutlook - previous issues).

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