

## Expenditure on Labour Market Policies, 2005

*In 2005, the European Union countries spent 2.1% of their combined GDP on interventions to support the labour market integration of the unemployed and other disadvantaged groups.*

*The statistics shown are based on Eurostat's Labour Market Policy (LMP) database. LMP expenditure includes the costs of services for jobseekers provided by the public employment services (LMP services – category 1), the cost of 'active' interventions (LMP measures – categories 2-7: training, job rotation/job sharing, employment incentives, supported employment and rehabilitation, direct job creation and start-up incentives) as well as 'passive' supports, which mostly refer to unemployment benefits (LMP supports – categories 8-9: out-of-work income maintenance and support and early retirement).*

*Of the total expenditure on Labour Market Policies, 64% (1.4% of GDP) was spent on LMP supports (mainly unemployment benefits), 25% (0.5% of GDP) on LMP measures such as training and employment incentives, and the remaining 11% (0.2% of GDP) on LMP services for jobseekers (mostly the costs of running the public employment services).*

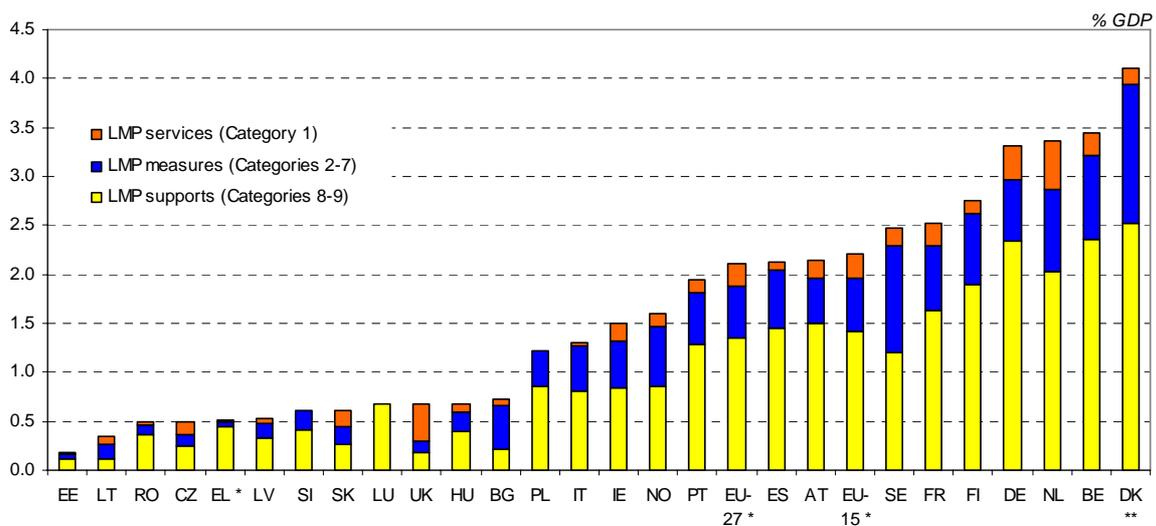
*Looking at expenditure for active LMP measures only, training interventions still account for almost 40% but employment incentives are increasing in importance. Analysing active LMP expenditure by type shows that in half of the countries studied, transfers to employers – either in the form of cash subsidies or as revenue foregone through reductions in obligatory levies – accounted for the largest share of expenditure on LMP measures in 2005.*

### Expenditure on LMP accounts for 2.1% of EU-27 GDP

In 2005, public expenditure on Labour Market Policies (LMP) in the European Union (EU-27<sup>1</sup>) was 2.1% of GDP (Table 1) but there were considerable variations in the level of expenditure between countries (Figure 1).

<sup>1</sup> Data are not available for Cyprus (CY) and Malta (MT) and consequently EU-27 is estimated.

**Figure 1: Public expenditure on LMP as a percentage of GDP, 2005**



Source: Eurostat, Labour Market Policy database, December 2007.

\* Eurostat estimations for category 1 and 2 (for the definition of categories, see methodological notes at page 11).

\*\* Data refer to 2004.

Please note: SI, PL: no data available for category 1. LU: no data available for category 1 and categories 2-7.

In Denmark, LMP expenditure amounted to almost 4.1% of GDP and Belgium, the Netherlands and Germany also spent more than 3% of GDP. However, Estonia, Lithuania, Romania and the Czech Republic spent less than 0.5% of GDP on LMP. In Greece, the United Kingdom and all the new EU countries, except Poland, for which data are available the expenditure on LMP accounts for less than 1% of GDP.

The expenditure on *LMP services* (category 1) is particularly important in the Netherlands and the

United Kingdom, where it accounted for approaching 0.5% and 0.4% of GDP respectively in 2005 compared with an EU-27 average of 0.2% of GDP. This expenditure represented the largest element of total United Kingdom expenditure on LMP (55%). Across the Union (EU-27), expenditure on labour market services accounted for less than 15% of total LMP expenditure and, apart from the United Kingdom, it is only in Slovakia, the Czech Republic and Lithuania where the share exceeds 20%.

**Table 1: Public expenditure on LMP as a percentage of GDP, 2005**

	LMP services (Category 1)	LMP measures (Categories 2-7)	LMP supports (Categories 8-9)	Total LMP expenditure
EU-27 *	0.23	0.53	1.36	2.11
EU-15 *	0.24	0.54	1.41	2.20
BE	0.23	0.85	2.36	3.45
BG	0.07	0.44	0.22	0.73
CZ	0.13	0.12	0.24	0.49
DK **	0.16	1.43	2.51	4.10
DE	0.35	0.62	2.35	3.32
EE	0.02	0.05	0.12	0.19
IE	0.19	0.48	0.83	1.50
EL *	0.01	0.06	0.44	0.51
ES	0.09	0.58	1.45	2.13
FR	0.24	0.66	1.62	2.52
IT	0.03	0.46	0.82	1.31
CY	:	:	:	:
LV	0.06	0.15	0.32	0.54
LT	0.07	0.15	0.12	0.34
LU	:	:	0.67	:
HU	0.09	0.20	0.39	0.68
MT	:	:	:	:
NL	0.49	0.85	2.02	3.36
AT	0.17	0.46	1.51	2.14
PL	:	0.36	0.86	1.22
PT	0.15	0.52	1.29	1.95
RO	0.03	0.10	0.36	0.49
SI	:	0.20	0.41	0.60
SK	0.17	0.17	0.27	0.61
FI	0.14	0.71	1.90	2.75
SE	0.18	1.10	1.20	2.48
UK	0.37	0.12	0.19	0.67
NO	0.12	0.62	0.85	1.59

Source: Eurostat, Labour Market Policy database, December 2007.

\* Eurostat estimations for category 1 and 2.

\*\* Data refer to 2004.

Some of these values may be estimated (or include estimated values). See "Notes on the data".

In 2005, total expenditure on *LMP measures* (categories 2-7: training, job rotation/job sharing, employment incentives, supported employment and rehabilitation, direct job creation and start-up incentives) accounted for more than 1% of GDP in Sweden and Denmark (data refers to 2004).

Expenditure was also high in the Netherlands and Belgium (more than 0.8% of GDP) compared to the average of 0.5% throughout the Union (EU-27 and EU-15). In contrast, in Estonia and Greece expenditure on active interventions amounted to less than 0.1% of GDP and is equal to 0.1% of GDP in Romania.

The public expenditure on *LMP supports* (categories 8-9: out-of-work income maintenance and support and early retirement) accounted for the largest share of total LMP expenditure in every country except the United Kingdom, Lithuania and Bulgaria, and for almost 1.4% of GDP (64% of total expenditure) in the EU-27 as a whole. In four countries – Denmark,

Belgium, Germany and the Netherlands – expenditure on LMP supports accounted for more than 2% of GDP, whilst for 2/3 of the available countries the ratio is less than the EU average and in Estonia, Lithuania and the United Kingdom it accounted for less than 0.2% of GDP.

## Eliminating price level differences only slightly reduces discrepancies between countries

Expressing expenditure in PPS (purchasing power standards) theoretically eliminates price level differences between countries and therefore allows a fairer comparison of spending in absolute terms. Figure 2 shows LMP expenditure in 1,000s of PPS per person wanting to work<sup>1</sup>, which represents the part of the population that may want to work and could therefore be eligible to benefit from any form of labour market intervention.

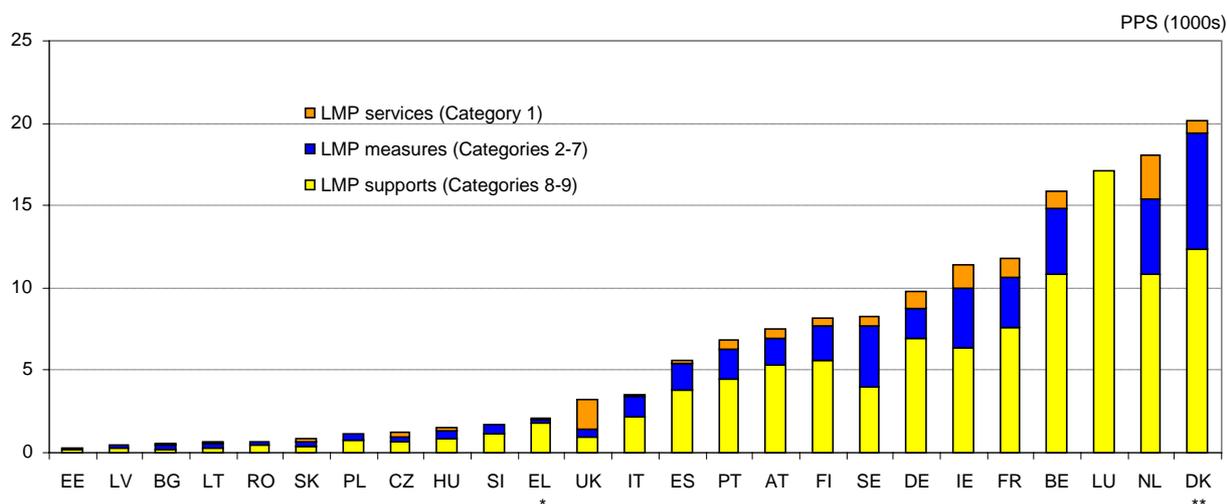
This measurement still shows Denmark to have the highest level of LMP expenditure in the EU-27 (20.17 thousand PPS per person wanting to work), followed by the Netherlands (18.01 thousand PPS per person

wanting to work), with Belgium, France and Ireland the only other countries to have expenditure above 10,000 PPS per person wanting to work. On the other hand, LMP expenditure in 2005 was less than 2,000 PPS per person wanting to work in all the new EU Member States. Within the EU-15 Greece, the United Kingdom and Italy are the only countries where the LMP expenditure in PPS per person wanting to work was less than 4,000. Given that expressing expenditure in PPS eliminates price level differences, the low levels of expenditure per person wanting to work in the new EU countries might reflect the relatively high levels of unemployment (in some cases) and the lack of tradition for government intervention in this area.

The ratio between the country spending the most on LMP in PPS per person wanting to work (Denmark), and the one spending the least (Estonia) in 2005 was 66. Within the EU-15 countries the ratio was just less than 10.

<sup>1</sup> Persons wanting to work are defined as the unemployed *plus* the labour reserve. The unemployed according to the ILO definition are persons without work, currently available for work and actively seeking work. The labour reserve denotes the inactive persons wanting to work, i.e. it is a subgroup of the inactive persons. The inactive persons are defined as neither employed nor unemployed. Data are taken from the Labour Force Survey (LFS).

**Figure 2: LMP expenditure in PPS per person wanting to work, 2005**



Source: Eurostat, Labour Market Policy (LMP) and Labour Force Survey (LFS) databases, December 2007.

\* Eurostat estimations for category 1 and 2.

\*\* Data refer to 2004.

Please note: SI, PL: no data available for category 1. LU: no data available for category 1 and categories 2-7.

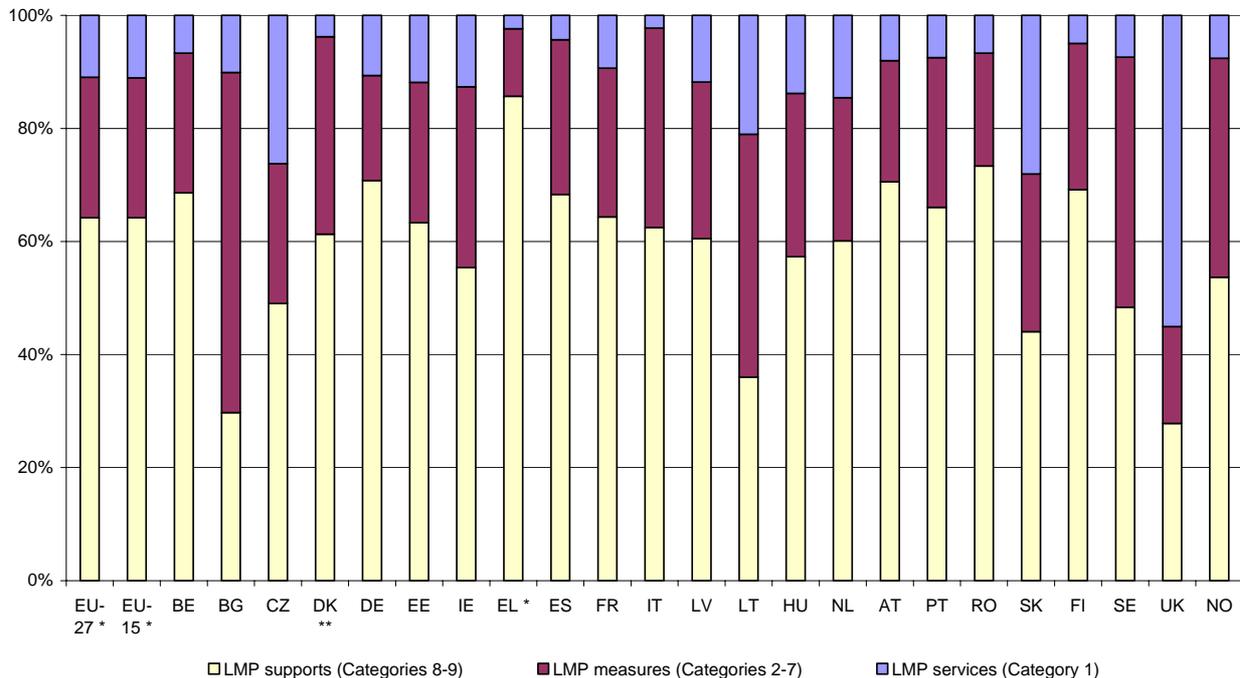
## Spending on supports accounts for nearly two-thirds of total LMP expenditure

In 2005, expenditure on LMP supports (categories 8-9: out-of-work income maintenance and support and early retirement) accounted for 64.2% of EU-27 total expenditure on LMP interventions and the largest share of expenditure in almost all countries (Figure 3). The most important part of this expenditure relates to the provision of different forms of unemployment benefits (full, partial, and part-time).

Expenditure on LMP supports was most important in Greece (85.7% of the total), and in Romania,

Germany, Austria and Poland where the share of supports accounted for more than 70% of total expenditure. The United Kingdom and Bulgaria, by contrast, allocate the smallest share of expenditure to categories 8-9 (less than 30%), followed by Lithuania (36%). Slovakia, Sweden and the Czech Republic are the only other countries to use less than 50% of LMP expenditure on these interventions.

**Figure 3: Share of LMP expenditure by main type of intervention, 2005**



Source: Eurostat, Labour Market Policy database, December 2007.

\* Eurostat estimations for category 1 and 2.

\*\* Data refer to 2004.

Please note: only countries with complete data are shown.

In the EU-27, just under a quarter (24.8%) of total LMP expenditure was spent on LMP measures (categories 2-7: training, job rotation/job sharing, employment incentives, supported employment and rehabilitation, direct job creation and start-up incentives). Bulgaria was the only country in which expenditure on measures exceeded half of the total (60.2%) but Sweden and Lithuania also used more than 40% of LMP expenditure to finance active interventions. By contrast, Greece, the United

Kingdom, and Germany all used less than 20% of total LMP expenditure on measures.

LMP services (category 1) represented the most important part of total expenditure in the United Kingdom only (more than 55%). LMP services accounted for 28.1% of total expenditure in Slovakia, for 26.2% in the Czech Republic and for 21.0% in Lithuania compared with an EU-27 average of 11.0%; whilst in Italy the LMP services amounted only to 2.2% of total expenditure.

## In EU-15 LMP expenditure on measures and supports increased for around 4.5% in real terms in the period 2000-2005

Between 2000 and 2005, real expenditure on LMP measures and supports (i.e. expenditure at constant price levels<sup>1</sup>) in the EU-15<sup>2</sup> increased by almost 7% or an average of 1.3% per annum (Table 2). However, there were different patterns of growth amongst the individual countries. High rates of real expenditure growth were seen in Portugal (10.1% per annum) where the unemployed<sup>3</sup> increased more rapidly than in other countries (excluding Luxembourg) with an average of 15% per annum.

This is also true in Austria where the LMP expenditure on measures and supports in real terms and the unemployed increased by 6.3% and by 8.5% per annum respectively. In Spain, Italy and Finland the LMP expenditure increased (respectively 4.4%, 2.8% and 0.7% per annum) while the unemployed

decreased. On the other hand, expenditure in real terms decreased in the United Kingdom, Sweden, Greece and the Netherlands. In the United Kingdom and Greece the unemployed decreased while in Sweden and the Netherlands it increased during the same period (2000-2005).

<sup>1</sup> The price index for household and NPISH (non-profit institutions serving households) final consumption (2000=100) was used as deflator (source: National Accounts).

<sup>2</sup> In 2000 it was not possible to measure EU-27 because the data are missing for all new EU countries.

<sup>3</sup> Unemployed according to the ILO definition: persons without work, currently available for work and actively seeking work. For this analysis it would be better to use data on persons wanting to work rather than the unemployed but for 2000 there are no data available for persons wanting to work.

**Table 2: Real expenditure on LMP measures and supports, and the number of unemployed, annual average growth 2000-2005**

	Total LMP (categories 2-9)	LMP measures (categories 2-7)	LMP supports (categories 8-9)	Unemployed (ILO definition)
EU-27 *	:	:	:	0.8
EU-15 *	1.3	-4.7	4.4	1.6
BE	1.9	-1.3	3.3	5.3
BG	:	:	:	-9.8
CZ	:	:	:	-1.6
DK **	1.4	-1.1	3.0	2.7
DE	0.7	-8.9	4.6	5.9
EE	:	:	:	-9.1
IE	2.0	-4.2	7.1	3.4
EL *	-1.6	-21.3	5.3	-1.6
ES	4.4	1.6	5.7	-0.7
FR	0.9	-6.4	5.2	2.3
IT	2.8	-2.4	6.7	-4.6
CY	:	:	:	4.8
LV	:	:	:	-7.6
LT	:	:	:	-13.6
LU	:	:	13.5	16.2
HU	:	:	:	3.0
MT	:	:	:	2.4
NL	-0.4	-3.4	1.1	11.8
AT	6.3	5.0	6.7	8.5
PL	:	:	:	1.8
PT	10.1	9.1	10.6	15.0
RO	:	:	:	-3.0
SI	:	:	:	0.4
SK	:	:	:	-2.4
FI	0.7	1.3	0.5	-2.8
SE	-2.4	-4.4	-0.3	6.8
UK	-6.8	-7.5	-6.4	-1.7
NO	12.3	8.6	15.5	6.6

Source: Eurostat, Labour Market Policy (LMP) and Labour Force Survey (LFS) databases, December 2007.

\* Eurostat estimations for category 2.

\*\* Data refer to 2000-2004.

Some of these values may be estimated (or include estimated values). See "Notes on the data".

There were also variations in the trend for the different types of LMP interventions. For LMP measures (categories 2-7), there was an annual decrease in expenditure in almost all countries (-4.7% in EU-15 per annum); in particular the training and direct job creation categories were diminishing. The decrease was particularly important in Germany with around -9% and in the United Kingdom with -7.5% per annum (excluding Greece where it was the most important but where the data are estimated for many interventions). There were also significant declines in expenditure in France, Sweden and Ireland. However, in some countries expenditure in real terms on active interventions increased: 9.1% in Portugal, 5.0% in Austria, 1.6% in Spain and 1.3% in Finland. Overall, Norway recorded the highest increase (8.6% per annum).

Expenditure on LMP supports (categories 8-9) in real terms in the EU-15 showed an overall rise of 24%

between 2000 and 2005, and an average annual growth of 4.4%. The increase was observed in all countries except in the United Kingdom and Sweden. Luxembourg and Portugal recorded the highest values: 13.5% and 10.6% per annum respectively. These two countries were also amongst those with a significant increase in the unemployment rate. On the other hand, in Italy the expenditure on supports increased by 6.7% per annum while the unemployed decreased more than 4.5% per annum. This apparent anomaly can be observed also in Spain, Greece and Finland.

Whilst expenditure on unemployment and related benefits increased, expenditure on early retirement benefits (category 9) decreased by around 1.5% per annum. Indeed, a decline was noted in most countries where early retirement benefits are used, the exceptions being Austria and Germany, where there were substantial increases in expenditure.

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## Training interventions still account for almost 40% of active LMP expenditure

Table 3 shows the composition of active LMP expenditure by category for 2000 and 2005. In 2005, measures providing *training* (category 2) accounted for the largest share of EU-27 active expenditure (38.6%). Spending on training measures was particularly important in the United Kingdom, Estonia and Austria where it represented more than 70% of total expenditure on measures. The share of training was also well above average in Latvia, Greece, Portugal, and Finland (more than 50%). The share of active expenditure allocated to training measures is lowest in the Czech Republic, Romania, Slovakia and Bulgaria (10% through to 15%).

The second most important category of active expenditure was *employment incentives* (category 4), which support the transition of unemployed people into regular market jobs, typically through wage-subsidies or exemptions to employers social contributions. Such incentives accounted for 23.8% of EU-27 active LMP spending in 2005 but there are significant differences between countries. In Romania (51.5%), Hungary (50.9%), Spain (49.8%), Italy (43.9%), Sweden (41.3%), and the Czech Republic (34.1%), employment incentives represented the most important area of expenditure in 2005. Spending was

also above average in Greece and Denmark. However, in Germany and Bulgaria employment incentives were little used and consumed less than 10% of active LMP expenditure.

It is worth noting that some countries use alternative instruments that are not included within the scope of the LMP database in order to stimulate people to make the transition from benefits to work. For example, the United Kingdom has a system of tax credits that increase the net income of persons on low wages, particularly those with dependent families.

In the Union as a whole (EU-27) expenditure on *direct job creation* (category 6) represented 14.0% of total expenditure on measures and was the most important category in Bulgaria (71.9%), Belgium (42.0%), Slovenia (41.0%) and Slovakia (35.6%). Direct job creation measures, which use public money to create community and similar non-market jobs for the unemployed, were also of above average importance in Ireland (43.0%), Romania (36.2%) and Lithuania (34.5%). On the other hand, direct job creation measures accounted for less than 5% of active expenditure in the United Kingdom and Italy and were not used at all in Greece, Estonia, the Netherlands or Sweden.

**Table 3: Share of expenditure on LMP measures by category, 2000 and 2005 (% of total cat. 2-7)**

	2. Training		3. Job rotation and job sharing		4. Employment incentives		5. Supported employment and rehabilitation		6. Direct job creation		7. Start-up incentives	
	2000	2005	2000	2005	2000	2005	2000	2005	2000	2005	2000	2005
EU-27	:	38.6*	:	0.6	:	23.8	:	16.9	:	14.0	:	6.1
EU-15	40.9	39.0*	0.7	0.6	18.8	23.9	12.9	16.6	24.0	13.8	2.7	6.1
BE	16.1	23.9	11.8	-	15.1	19.6	12.4	14.1	44.4	42.0	0.3	0.4
BG	:	15.2	:	-	:	9.4	:	2.0	:	71.9	:	1.5
CZ	:	10.9	:	-	:	34.1	:	28.7	:	23.1	:	3.1
DK**	42.1	35.5	-	-	29.8	31.1	24.5	33.4	3.4	0.0	0.2	-
DE	48.9	40.4	-	0.1	8.5	8.3	12.8	20.5	26.1	15.9	3.7	14.8
EE	:	71.5	:	-	:	17.5	:	-	:	-	:	11.0
IE	28.1	44.2	-	-	16.8	11.0	0.2	1.8	50.6	43.0	4.3	-
EL	62.9	64.4*	-	-	27.1	33.5	-	-	-	-	9.9	2.2
ES	25.4	25.3	0.6	1.5	41.9	49.8	8.9	3.3	16.1	11.3	7.0	8.8
FR	36.5	43.4	-	-	17.7	18.9	5.9	9.9	39.6	27.2	0.3	0.6
IT	42.1	43.3	0.3	0.5	41.4	43.9	-	-	9.3	2.2	6.9	10.1
CY	:	:	:	:	:	:	:	:	:	:	:	:
LV	:	68.3	:	-	:	10.1	:	4.8	:	16.8	:	-
LT	:	35.4	:	-	:	29.1	:	0.9	:	34.5	:	0.0
LU	:	:	:	:	:	:	:	:	:	:	:	:
HU	:	19.6	:	-	:	50.9	:	-	:	29.4	:	0.0
MT	:	:	:	:	:	:	:	:	:	:	:	:
NL	10.8	16.8	0.0	0.0	5.9	20.5	55.3	62.7	28.0	-	-	-
AT	64.2	71.2	0.1	0.0	16.7	11.5	7.9	7.7	10.4	8.3	0.8	1.2
PL	:	28.6	:	0.0	:	12.1	:	44.8	:	7.0	:	7.5
PT	63.5	55.9	0.0	0.0	11.4	30.3	8.3	7.4	13.9	5.9	3.0	0.5
RO	:	11.8	:	-	:	51.5	:	-	:	36.2	:	0.5
SI	:	23.0	:	-	:	21.1	:	6.4	:	41.0	:	8.5
SK	:	14.3	:	-	:	16.3	:	5.2	:	35.6	:	28.6
FI	50.1	51.9	7.2	6.7	15.4	15.6	10.6	13.6	15.1	9.5	1.5	2.7
SE	43.7	31.1	1.6	4.4	30.4	41.3	18.7	20.1	2.4	-	3.2	3.2
UK	75.1	75.3	-	-	12.5	12.3	5.9	7.9	6.1	4.1	0.3	0.4
NO	64.4	59.6	0.0	0.0	6.3	5.4	15.3	23.3	13.5	11.3	0.5	0.4

Source: Eurostat, Labour Market Policy database, December 2007.

\* Eurostat estimations.

\*\* Data refer to 2004.

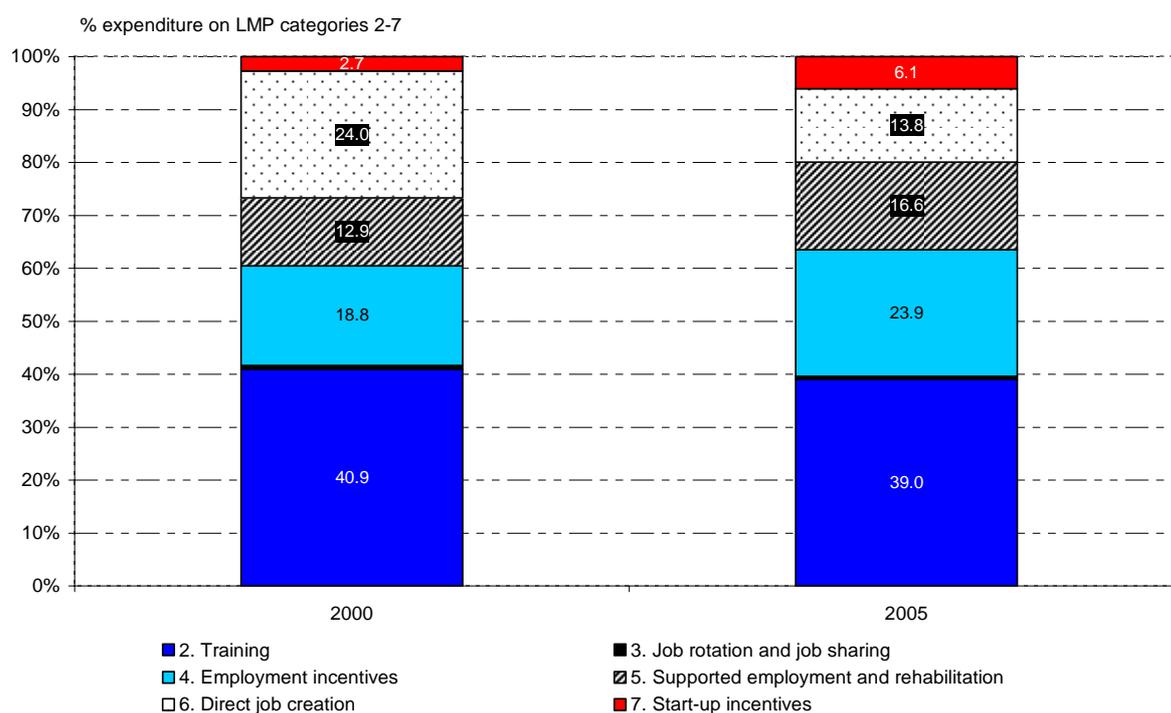
Some of these values may be estimated (or include estimated values). See "Notes on the data".

*Supported employment and rehabilitation* (category 5) covers measures that aim to promote the labour market integration of persons with reduced working capacity. The EU-27 average of 16.9% of active expenditure in 2005 conceals considerable differences between Member States. These differences are, at least in part, a reflection of policy design since countries with a policy of mainstreaming disadvantaged groups are likely to have less expenditure in this category than those that prefer to provide tailored interventions for the disabled and other groups. In 2005, measures for category 5 constituted the largest share of active LMP expenditure in the Netherlands (62.7%) and Poland (44.8%). In Denmark and the Czech Republic the share was also significant (33.4% and 28.7% respectively). In 2/3 of the countries this category accounted for less than 10% or was not used at all. Elsewhere within the EU-27 category 5 measured between 13% and 20% of active LMP expenditure.

*Start-up incentives* (category 7), which aim to promote entrepreneurship by encouraging the unemployed and other target groups to start their own business or to become self-employed, are utilised by all except Denmark, Ireland, Latvia and the Netherlands. Overall the category is relatively small, accounting for around 6% of EU-27 expenditure on LMP measures. However, in Slovakia the start-up incentives are the second most important type of active intervention and accounted for 28.6% of active LMP expenditure in 2005.

Finally, expenditure on *job rotation and job sharing measures* (category 3) – where unemployed people replace fully or partially employees on leave or reducing hours – accounts for just 0.6% of all active expenditure in the Union (EU-27). Indeed, this type of measure is not used in more than half of the countries and is only significant in Finland, where it consumes 6.7% of expenditure.

**Figure 4: Share of expenditure on LMP measures by category, 2000 and 2005, EU-15**



Source: Eurostat, Labour Market Policy database, December 2007.

The share of active expenditure by category in the EU-15<sup>1</sup> was relatively stable during the period 2000-2005 (Figure 4), though the shares of the important categories of training and direct job creation decreased by nearly 2 and 10 percentage points respectively. These reductions are partly influenced by large swings in particular countries – for example, the share of training has declined by more than 7 p.p. in Germany and Portugal and the share of direct job creation has gone down for all EU-15 countries, and by more than 28 p.p. in the Netherlands and by 12 p.p. in France (see Table 3).

At the same time the share of EU-15 expenditure on employment incentives and supported employment and rehabilitation grew by 5 and 3.7 p.p. respectively. These changes are supported by an increase of more than 14 p.p. for employment incentives in Portugal and the Netherlands and increases of more than 8 p.p. for integration of the disadvantaged groups in Denmark. The start-up incentives also increased by 3.4 p.p. in EU-15 and more than 11 p.p. in Germany between 2000 and 2005.

<sup>1</sup> In 2000 it was not possible to measure EU-27 because the data are missing for all new EU countries.

### Unemployment benefits accounted for 93.6% of total LMP supports in EU-27

In 2005, expenditure on out-of-work income maintenance and support (LMP category 8) accounted for more than 80% of LMP supports and the largest share of expenditure in nearly all countries (Table 4). The biggest exception is Poland where the expenditure for category 8 was less than 36% compared with an EU-27 average of 93.6%. The most important part of this expenditure relates to the provision of different forms of unemployment benefits (full, partial, and part-time), which are covered by sub-categories 8.1 to 8.3. In total, these accounted for 92.1% of total EU-27 expenditure on LMP supports.

In addition to unemployment benefits, the other main component of LMP supports is early retirement benefits, which are covered by LMP category 9.

These benefits accounted for just 6.4% of total LMP supports in EU-27 in 2005. In Poland expenditure on early retirement benefits accounted for more than 64% and more than 35% in Slovakia. In Luxembourg, Denmark and Finland the share was over 20%. In contrast Spain, Germany and Hungary spent less than 2.5% of total LMP support for category 9.

During 2000 and 2005 the share of unemployment benefits increased by 2 percentage points in EU-15. Luxembourg and Portugal recorded the highest increase (more than 24 p.p. and 10 p.p. respectively) where the unemployed increased more rapidly than the other countries, whilst, in Austria the share decreased by around 10 p.p.

**Table 4: Share of expenditure on LMP supports by category, 2000 and 2005 (% of total cat. 8-9)**

	8. Out-of-work income maintenance and support		Sub-categories 8.1 - 8.3 (Unemployment benefits)		9. Early retirement benefits	
	2000	2005	2000	2005	2000	2005
<b>EU-27</b>	:	93.6	:	92.1	:	6.4
<b>EU-15</b>	92.6	94.4	90.9	92.9	7.4	5.6
<b>BE</b>	77.7	82.1	75.6	79.5	22.3	17.9
<b>BG</b>	:	100.0	:	99.7	:	-
<b>CZ</b>	:	100.0	:	97.9	:	-
<b>DK *</b>	66.5	72.9	65.7	72.0	33.5	27.1
<b>DE</b>	99.3	97.9	96.7	95.6	0.7	2.1
<b>EE</b>	:	100.0	:	77.5	:	-
<b>IE</b>	90.3	92.3	90.3	80.9	9.7	7.7
<b>EL</b>	100.0	100.0	100.0	100.0	-	-
<b>ES</b>	98.4	97.8	96.0	96.4	1.6	2.2
<b>FR</b>	86.9	96.5	86.9	96.5	13.1	3.5
<b>IT</b>	83.0	88.1	83.0	88.1	17.0	11.9
<b>CY</b>	:	:	:	:	:	:
<b>LV</b>	:	100.0	:	97.3	:	-
<b>LT</b>	:	85.4	:	66.5	:	14.6
<b>LU</b>	45.1	70.6	41.7	66.4	54.9	29.4
<b>HU</b>	:	98.0	:	98.0	:	2.0
<b>MT</b>	:	:	:	:	:	:
<b>NL</b>	100.0	100.0	100.0	100.0	-	-
<b>AT</b>	94.6	81.7	84.0	73.4	5.4	18.3
<b>PL</b>	:	35.6	:	35.6	:	64.4
<b>PT</b>	80.8	92.7	79.7	90.6	19.2	7.3
<b>RO</b>	:	100.0	:	90.6	:	-
<b>SI</b>	:	100.0	:	100.0	:	-
<b>SK</b>	:	64.7	:	61.7	:	35.3
<b>FI</b>	77.4	77.0	76.3	76.4	22.6	23.0
<b>SE</b>	95.6	100.0	92.4	97.2	4.4	-
<b>UK</b>	100.0	100.0	100.0	100.0	-	-
<b>NO</b>	100.0	100.0	99.7	94.3	-	-

Source: Eurostat, Labour Market Policy database, December 2007.

\* Data refer to 2004.

Some of these values may be estimated (or include estimated values). See "Notes on the data".

On the other hand early retirement benefits decreased (by almost 2 p.p. in the EU-15) in the same period in almost all countries. Luxembourg and Portugal recorded the highest decrease while in Austria, where the share was below the EU average in 2000, the

share increased more than 12 p.p. in five years. Given the increased focus on active ageing policies in the Employment Guidelines it might be anticipated that the importance of early retirement will decline still further in the coming years.

### More than 40% of expenditure on LMP measures is transferred to employers in EU-27

In the LMP database, data on expenditure are broken down by type of expenditure, which describes the ways in which public funds are used in order to benefit target groups. The classification is two-tier and identifies firstly the direct recipient of the public money and secondly the type of expenditure involved (cash payment, reimbursement, or reductions in social contributions or taxes).

Table 5 shows the breakdown of expenditure on LMP measures and LMP supports by direct recipients, including the amounts where the breakdown is for some reason not specified (by definition all expenditures on LMP services are transfers to service providers).

**Table 5: Share of LMP expenditure by direct recipient, 2005**

	LMP measures (categories 2-7)					LMP supports (categories 8-9)				
	Total	Transfers to individuals	Transfers to employers	Transfers to service providers	Not specified	Total	Transfers to individuals	Transfers to employers	Transfers to service providers	Not specified
EU-27	100	24.9 *	41.8 *	26.8 *	6.5 *	100	98.3	1.7	0.0	0.0
EU-15	100	24.9 *	41.0 *	27.4 *	6.7 *	100	98.3	1.7	0.0	-
BE	100	27.3	54.9	15.1	2.7	100	100.0	-	-	-
BG	100	2.4 *	87.3	6.1	3.2	100	100.0	-	-	-
CZ	100	3.4	85.9	10.7	-	100	100.0	-	-	-
DK **	100	41.7	51.8	6.4	-	100	100.0	-	-	-
DE	100	34.5 *	6.2	45.4	14.0	100	96.6	3.4	-	-
EE	100	43.0	17.5	39.5	-	100	100.0	-	-	-
IE	100	66.8 *	1.0	19.0 *	13.2	100	89.7	10.3	-	-
EL	100	55.8 *	5.6	10.5	28.1	100	100.0	-	-	-
ES	100	8.0	69.2	22.8	-	100	100.0	0.0	-	-
FR	100	19.3	65.0	15.7	-	100	99.9	0.1	-	-
IT	100	13.4	78.2	8.4	-	100	100.0	0.0	-	-
CY	:	:	:	:	:	:	:	:	:	:
LV	100	2.9	31.6	65.4	-	100	100.0	-	-	-
LT	100	11.6	64.5	23.9	-	100	100.0	-	-	-
LU	:	:	:	:	:	100	94.8	5.2	-	-
HU	100	13.0	87.0	-	-	100	100.0	-	-	-
MT	:	:	:	:	:	:	:	:	:	:
NL	100	6.9	7.4	85.6	-	100	100.0	-	-	-
AT	100	44.6	25.8	21.6	8.1	100	85.4	14.6	0.0	-
PL	100	33.1	62.7	4.2	-	100	100.0	-	-	-
PT	100	44.5	37.1	18.3	-	100	100.0	-	-	-
RO	100	13.8	73.2	13.1	-	100	100.0	-	0.0	-
SI	100	18.4	63.1	18.5	-	100	86.7	-	-	13.3
SK	100	37.2	56.0	6.8	-	100	100.0	-	-	-
FI	100	51.0	28.4	20.6	-	100	100.0	-	-	-
SE	100	40.0	50.7	9.2	-	100	100.0	-	-	-
UK	100	8.2	8.4	10.4	73.0	100	100.0	-	-	-
NO	100	63.5	11.1	16.6	8.8	100	84.0	-	-	16.0

\* Eurostat estimations.

\*\* Data refer to 2004.

Some of these values may be estimated (or include estimated values). See "Notes on the data".

Source: Eurostat, Labour Market Policy database, December 2007.

The direct recipient of expenditure for LMP supports was – as would be expected in respect of unemployment and early retirement benefits – almost exclusively the individual beneficiaries. The exceptions were Austria and Ireland where more than 10% of total expenditure on LMP supports was disbursed through transfers to employers and, to a lesser extent Germany, Luxembourg and France with a very small amount. This reflects situations such as temporary lay-off or redundancy where the public support is transferred to the employer who then compensates the affected employees.

In half of the countries providing detailed information, the largest share of expenditure on LMP measures (categories 2-7) is accounted for by transfers to employers – more than 85% of the total in Bulgaria, Hungary and the Czech Republic<sup>1</sup>.

Transfers to individuals contributed the largest share of expenditure on LMP measures in Ireland, Norway, Greece, Finland, Austria, Portugal and Estonia. On the other hand, transfers to service providers were most important in the Netherlands (85.6%), Latvia (65.4%) and Germany (45.4%).

The above summary reflects the data currently available on expenditure but it is important that users

bear in mind two issues that may affect the comparability between countries.

Firstly, it is necessary to be aware that the LMP data refer to the direct recipient of public transfers and that this may conceal important differences. For example, in the category of training there are cases where the public money is paid to a training provider – and is therefore recorded as transfers to service providers – who then uses part of this money to pay subsistence allowances to the participants during training. In other cases similar allowances may be paid directly by the state and therefore recorded as transfers to individuals. Secondly, in some countries participants in active measures may continue to receive unemployment benefits rather than a training or other activation allowance. The LMP methodology recommends that such expenditure is identified and included in the relevant active category rather than in category 8 but at the present time only Norway (unemployment benefits) and Finland (labour market support) have managed to do so.

<sup>1</sup> Readers should be aware that this expenditure covers not only transfers of cash as wage subsidies but also revenue foregone by the state through reductions or exemptions to obligatory levies.

## METHODOLOGICAL NOTES

### The Labour Market Policy (LMP) database

The LMP database is based upon the collection of information from administrative sources, relating to public expenditure and to participants, covering both stocks and flows for each labour market intervention. It also includes much qualitative information.

One of the aims of developing a database on labour market expenditure and participants is to provide comparable data for the follow-up of some aspects of the Employment Guidelines whilst taking into account national specificities.

The scope of the LMP database covers all labour market interventions which can be described as: *Public interventions in the labour market aimed at reaching its efficient functioning and correcting disequilibria and which can be distinguished from other general employment policy interventions in that they act selectively to favour particular groups in the labour market.*

Public interventions refer to actions taken by general government in this respect which involve expenditure, either in the form of actual disbursements or of foregone revenue (reductions in taxes, social contributions or other charges normally payable).

Three different types of intervention are recognised:

*Services* refer to labour market interventions where the main activity of participants is job-search related and where participation usually does not result in a change of labour market status.

*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: (a) 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 (b) the aim is to improve the vocational qualifications of participants, or (c) the intervention provides incentives to take-up or to provide employment (including self-employment).

*Supports* refer to interventions that provide financial assistance, directly or indirectly, to individuals for labour market reasons or which compensate individuals for disadvantage caused by labour market circumstance.

### Classification of interventions by type of action

LMP services: 1 Labour market services

LMP measures: 2 Training; 3 Job rotation and job sharing; 4 Employment incentives; 5 Supported employment and rehabilitation; 6 Direct job creation; 7 Start-up incentives

LMP supports: 8 Out-of-work income maintenance and support; 9 Early retirement.

### Expenditure by type

The LMP database collects data on the public expenditure associated with each intervention. For each intervention, the expenditure required should cover the whole of transfers and foregone revenue provided to the direct recipients as a

result of the intervention. Any other indirect costs are considered as part of the administration costs of an intervention and should be reported in sub-category 1.2 only.

This expenditure may include: (a) transfers in the form of cash payments or reimbursements; (b) the value of directly provided goods and services; (c) amounts of revenue foregone through reductions in obligatory levies.

Details of the methodology are provided in Labour Market Policy Database Methodology Revision of June 2006. [http://epp.eurostat.ec.europa.eu/cache/ITY\\_OFFPUB/KS-BF-06-003/EN/KS-BF-06-003-EN.PDF](http://epp.eurostat.ec.europa.eu/cache/ITY_OFFPUB/KS-BF-06-003/EN/KS-BF-06-003-EN.PDF)

### Notes on the data

Data for Cyprus (CY) and Malta (MT) are not available.

EU-27 and EU-15: Eurostat estimations for categories 1 and 2. Excluding Luxembourg data.

BE: In 2005 data are estimated for category 7.

DK: The 2005 data refers to 2004 data.

DE: Small expenditure of some interventions is estimated for categories 1 to 7.

IE: The expenditure for some interventions is estimated for categories 1, 2, 3, 8 and 9. Total expenditure on Back to Work Allowances (Employees and Enterprise) is shown under category 4; normally this expenditure should be split between category 4 and 7. The breakdown is not available.

EL: Eurostat estimations for category 1 and 2.

ES: Data from Baleares, Cataluña, Castilla-La Mancha, Extremadura, Galicia y Madrid are missing.

FR: Small expenditure of some interventions is estimated for categories 1, 4, and 7. For category 2 data is estimated for one measure (24% of total of category 2).

IT: Mixed measure in categories 4 and 7. The breakdown by component is not known so all expenditure and participants have been allocated to category 4.

LU: Partial data for category 2.

HU: Small expenditure of category one refers to 2004.

NL: Small expenditure of some interventions is estimated for categories 1 and 2.

AT: The category 2 includes small expenditure of categories 3 and 7.

PL: Partial data for category 1.

FI: The expenditure of some measures is estimated for category 5 (around 40% of total category 5).

SE: The data for category 1 are estimated (25% of total of category 1).

UK: The expenditure of some measures is estimated for categories 1, 2, 4 and 5 (around 50% of total of each category). Category 6 is estimated.

### Symbols

":" not available

"-" 'not applicable', 'real zero' or 'zero by default'

## Further information

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Data: [Eurostat Website: http://ec.europa.eu/eurostat](http://ec.europa.eu/eurostat)

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