

ANALYTICAL PAPER

ISSUES EMERGING FROM COMBINING ACTIVE AND PASSIVE MEASURES FOR THE LONG TERM UNEMPLOYED – THE DESIGN AND DELIVERY OF SINGLE POINTS OF CONTACT



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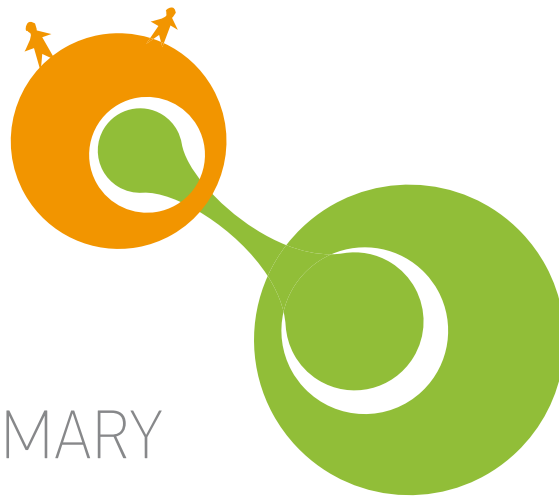
Written by Professor Dan Finn, Centre for Economic
and Social Inclusion, University of Portsmouth

ABBREVIATIONS

ALMPs	Active Labour Market Programmes
BA	Bundesagentur für Arbeit (Germany)
BMN	Benefit in Material Need (Slovakia)
COLSAF	Central Office of Labour, Social Affairs and Family (Slovakia)
DSP	Department of Social Protection (Ireland)
EU	European Union
IAP	Individual Action Plan
ICT	Information and Communication Technologies
ILM	Intermediate Labour Market (Finland)
KELA	Social Insurance Institution (Finland)
LAFOS	Labour Force Service Centres (Finland)
LFS	Labour Force Survey
LMS	Labour Market Support (Finland)
LTU	Long Term Unemployed and Long Term Unemployment
MEE	Ministry of Economic Affairs and Employment (Finland)
MSJS	Multi Sectoral Joint Services (Finland)
PbR	Payment-by-Results
PES	Public Employment Service
PEX	'Probability of Exit' to Employment (Ireland)
PPP	Personal Progression Plan (Ireland)
UB	Unemployment Benefit
UI	Unemployment Insurance

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EXECUTIVE SUMMARY

This report concerns issues emerging from reforms which seek to better align institutional, legislative and individual incentives that create stronger links between active and passive measures for the long term unemployed (LTU). It reviews developments in five case study countries where policy makers have created stronger links through realigning the role and services of the Public Employment Service (PES), benefit payment agencies, and municipalities.

Despite variation the different approaches shared common goals, including:

- **Reducing unemployment durations and long-term welfare dependency.** Clear performance targets and changes in funding arrangements have given organisations stronger incentives to improve service coordination in order to reduce long term unemployment (LTU) and welfare dependency. Key features include changes to central funding of social assistance benefits, stronger and more transparent performance management of the PES, and the use of external providers to deliver additional and specialist employment service capacity. One important lesson is that LTU targets and incentives need careful design to minimise the risks of ‘creaming’ and ‘parking’ and to avoid unintended effects such as ‘repeat activation’ (as in Denmark), longer unemployment durations (as in Ireland), or overwhelming the delivery capacity of the PES (as in Slovakia).
- **Improving employment outcomes for service users** by better coordinating and targeting a range of interventions to suit individual needs. Improved outcomes are secured also by ensuring strong connections with employer engagement services through which service providers and counsellors can promote LTU clients and the services and subsidies available. A clear focus on meeting local employer demand enables service providers and counsellors to better understand the job opportunities available and which employment sectors are expanding.
- **Improving system efficiencies** by reducing fragmentation and duplication of intake and assessment processes, sharing information and data, and coordinating services.

There is no one-size-fits-all approach to combining active and passive support for the LTU.

In Ireland and Slovakia the PES and benefit payment agencies have been integrated to create single points of contact and release administrative capacity for improved counselling services. In Finland, Germany and Denmark implementation of co-located single points of contact is managed through more complex inter-agency arrangements. Both approaches can act as learning benchmarks for other countries.

Service co-location or integration involves start-up and transition costs but, when implemented effectively, these can be offset by improved efficiency in many aspects of service delivery.

One advantage is that physically bringing organisations together can help overcome some of the more entrenched cultural differences and data-sharing challenges that inhibit service coordination.

The implementation of inter-agency partnerships and new working arrangements to support co-located service environments typically involves several overlapping phases. The sequence will vary in relation to local circumstances and the existing relationships between the services to be co-located. Critical requirements include the development of common or complementary targets, a commitment to partnership working and a shared performance monitoring and reporting system that can be built into the daily work of the agencies. ***Where reform covers multiple client groups improved support for the LTU should be a clearly formulated reform objective.***

Findings from the review show that, whatever the initial timetable, ***securing the benefits of co-location or integration and developing a common***



service culture takes time. Implementation requires effective project management and **co-location arrangements should be designed in ways which allow lessons to be learned rapidly and adjustments to be made.** This is why, as with other reforms, the development of single points of delivery are typically piloted in selected locations. This allows policy makers time to learn from early experiences, including mistakes, and to make necessary adjustments before any wider implementation.

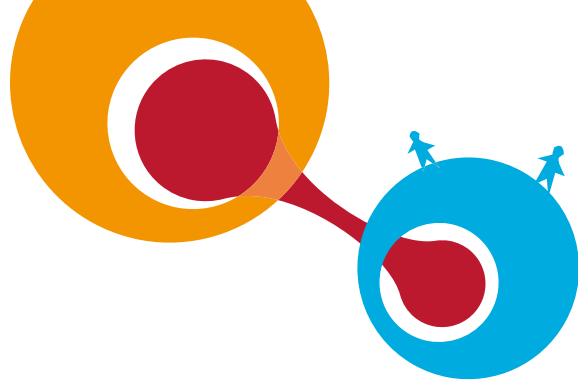
The PES in many European countries needs additional capacity to engage more intensively with the LTU and to extend services to new groups of previously inactive long-term welfare recipients. One noticeable trend in the case study countries was the increased use of performance-based contracts with external providers to procure additional and specialist services targeted at the LTU and/or other hard-to-place groups. In Ireland, where the PES delivery system now comprises public and private providers, **a key aspect of the JobPath system is that the costs of contracted placement services are mitigated by the savings in future passive benefit payments that providers generate from placing the LTU into sustained employment.**

Findings from reviews of outsourced employment services show mixed results, but suggest that contracting arrangements allow public authorities to expand or reduce PES service delivery capacity without assuming the long-term commitments involved in public sector employment – although some stability in contracting arrangements is desirable to build up the capacity of both for-profit and non-profit providers. **The introduction of competition and tendering for contracts can also reduce delivery costs, stimulate innovation in service delivery, and give clients access to skilled staff and services unavailable in the public sector.**

A common and controversial feature of activation reforms in the case study countries was the introduction of more demanding sanction regimes to enforce the obligations of the LTU. **Evaluations suggest that PESs and social welfare agencies which communicate, monitor and enforce sanctions can secure greater compliance** with employment requirements and lower welfare expenditure than those which do not. Some findings suggest that **the severity of sanctions may be less important than the effective communication of their existence and the speed of their implementation.**

Extending and implementing activation requirements and sanctions to previously inactive long-term claimants with significant employment barriers needs careful design and consideration, especially on who should be targeted and when such requirements should be imposed. One approach in extending activation requirements to this group is to do so gradually, possibly using **an initial phase of voluntary engagement and participation in PES measures. Such a phase enables policy makers to build system and delivery capacity and to accumulate knowledge about financial costs and what works in assisting such service users.**

In countries with low levels of benefit coverage **PES LTU registration rates and participation in ALMPs could be improved and made more attractive using cash or in-kind incentives.** *Non-take-up rates* of minimum income means-tested benefits are also high in many European countries and few of these potential claimants will be registered with the PES or accessing employment assistance. **There would be value in PES managers seeking to work with targeted national or local benefit take-up campaigns that, if effective, would have the merit of combining poverty reduction outcomes with improved PES registration and engagement with employment services.**



1. INTRODUCTION

In 2015 around half of Europe's 25 million unemployed had been jobless for over a year. Assessments of existing provision for the long term unemployed (LTU) report wide variations in access to cash benefits, PES registration and to job broking and activation services. Over time many of the LTU lose contact with employment services, especially when entitlement to Unemployment Benefit (UB) ceases, and risk drifting into economic inactivity.

In response to these problems the European Council has made a formal recommendation to Member States to strengthen personalised support for LTU people aged over 25 years who have been unemployed for over 52 weeks (European Commission, 2016a). This support is to comprise:

- Encouraging the **registration** of the LTU (on average about 70% are now registered, though in some countries this is below 50%); and
- With the Public Employment Service (PES) as the prime conductor and coordinator provide each registered LTU person with an **'individual needs assessment'** and a **'job integration agreement'**, at the very latest by 18 months of unemployment.

The Council recommend that increased registration should be complemented by greater continuity and coordination between relevant agencies and that access to services including individual assessment and integration agreements should be underpinned by a **'single point of contact'** through which the LTU **'can access all services, measures and benefits'**.

1.1 The report and the research

The European Commission has developed a significant evidence base on the causes and consequences of increased long term unemployment (LTU). It has accumulated much knowledge on the comparative and country-specific strengths and weaknesses of the institutional arrangements and ALMPs that have been put in place by Member States to tackle LTU (European Commission 2016b; 2015a; 2015b; 2015c; 2014). The European PES

network has also compiled a database of 64 PES services for the LTU and vulnerable groups.¹

This report is designed to complement this existing knowledge. It reviews issues emerging from efforts to integrate and/or coordinate passive and active labour market measures including the introduction of 'single points of contact' through what are variously called 'one stop', 'one counter' or 'single window' delivery systems. These institutional reforms underpin the delivery of activation measures and often bring together the work of the PES, benefit payment agencies and related social welfare services. This review considers findings also on other ways in which passive and active measures may be directly combined (for example, through sanctions).

The research is comprised of a targeted review of recent literature with a particular focus on developments in five countries. The countries – Ireland, Slovakia, Finland, Germany, and Denmark – were purposely selected as representing a range of different national systems and as potentially offering insights and guidance on how better coordinated employment service delivery reforms are implemented. In each of the countries reforms have realigned the delivery of active and passive measures making changes in the roles of the PES, benefit payment agencies and municipalities. The changes are designed to create more efficient activation systems better able to:

- Reduce unemployment durations through faster transitions into employment; and
- Reduce LTU and long term welfare dependency.

There is no one-size-fits-all approach to combining active and passive support for the LTU. There were two broad strategies in the case study countries. In Ireland and Slovakia employment services and benefit administration have been merged partly to enable the PES to increase the number of employees providing front line activation services. In both countries, but especially in Ireland, the PES has also increased activation capacity by entering into

¹ <http://ec.europa.eu/social/main.jsp?catId=1163&intPageId=3459&langId=en>

contracts with private providers to work with the LTU. In the other three countries the emphasis of reform has been on realigning and better coordinating the work of the PES, social insurance agencies and municipalities. The report reviews the challenges involved in implementing both strategies with a particular focus on two central implementation reforms. These developments concern the co-location of employment, benefits and welfare services for the LTU and the use of external contractors to increase service delivery capacity.

The first chapter of the report provides a brief overview of passive and active measures in the case study countries and how they have been redesigned following the implementation of activation reforms. It also considers the role of the PES and how its service delivery systems have been

reorganised to secure improved employment outcomes.

The second chapter considers in more detail findings from each of the case study countries on changes that have been made in how the PES works with municipalities and social insurance agencies. It considers in particular how these changes have shaped services for the LTU and recent innovations that have been targeted at helping those furthest from the labour market.

The final chapter synthesises findings from recent literature and from the case studies on the practical organisation and implementation of single points of contact and on issues emerging from combining active and passive measures for the LTU.

2. DELIVERING ACTIVATION SERVICES TO THE LONG TERM UNEMPLOYED

This chapter considers the relationship between passive and active labour market policies (ALMPs) in the case study countries and the role that the PES plays in the delivery of employment services to the LTU. It reviews changes in service delivery models which have included greater use of digital channels, benefit conditionality, Individual Action Plans (IAPs), assessment (profiling) and working in partnership with other organisations. The changed approaches to delivery combine several organisational trends. One concerns the creation of new patterns of policy responsibility, accountability and funding between national government, the PES, municipalities and social insurance agencies. Another concerns the use of subcontracting with non-profit and private providers to deliver varied services targeted at the LTU.

2.1 Passive and Active Measures: Income Support and Activation Policies

Each national benefit system varies in detailed eligibility rules, payment rates, and so on, but they are characterised by two distinct systems of income

support for unemployed working age people. Levels of coverage vary but each country has an unemployment insurance (UI) system covering people in regular employment, funded either by central government and/or by employee and employer contributions. This typically provides time-limited unemployment benefits, ranging from six months in Slovakia, six to nine months in Ireland, a year or more in Germany, and two years in Denmark and Finland. Each country also has a minimum income system that provides a means-tested 'safety net' of income support for unemployed people and their families who do not qualify for, or who exhaust, their insurance-based entitlements. The LTU may also receive other benefits in their respective national systems, such as help with rent payments, family allowances, healthcare costs, and so on. These income support transfers are typically characterised as passive measures.

While benefit payments are characterised as passive their eligibility rules and behavioural requirements contribute to each country's activation system (European Commission, 2016b). Pro-employment effects are embedded into eligibility rules, such as, the requirement in Germany that people register with the PES when notified



of redundancy or more generally that newly unemployed people serve a short waiting period before Unemployment Benefit (UB) is payable. A second tier of pro-employment effects are induced by activity-related requirements that a claimant has to comply with, such as, undertaking and reporting on job applications and taking other steps to improve their employment prospects. A third level of effects is created by requirements that claimants engage with job search support, in-person case management and ALMPs they are referred to. These different aspects of activation requirements are underpinned by varying **sanctions which have a dual role both to penalise rule-breaking and to promote engagement or re-engagement with services** (Langenbucher, 2015).

The turn towards activation policies in each of the five countries reflected a number of concerns. These included an increase in welfare caseloads and a recognition that people who became unemployed during recent recessions struggled to return to work as growth returned, either due to redundant skill sets, poorly designed benefit systems or because LTU had left them disengaged from the labour market. These factors are often exacerbated by structural change and uneven patterns of economic development in regional and local economies.

Activation reforms in several of the countries, including Germany, Denmark and Ireland, have aimed also to motivate previously economically inactive groups, such as lone parents, spouses and those with work-limiting health conditions or disabilities, to participate in the labour force. Other reforms have sought also to activate many older workers who previously would have been excused from activation requirements in the years before they qualified for a retirement pension (albeit in countries like Ireland and in Finland 'unemployment tunnel' benefit rules still excuse some older LTU claimants from activation). One consequence in those countries which have widened the groups subject to active requirements is that **the PES and other service providers now must work with job seekers who face more complex barriers to employment**. This trend is changing the profile of the LTU, towards a population in which more people have caring responsibilities and more people have work-limiting barriers due to poor health and/or disabilities. **A further challenge concerns the extension of activation services to long term claimants who combine low paid, often part-time employment with receipt of welfare benefits** (as in Germany and Ireland).

In each of the case study countries institutional reforms have sought to realign active and passive measures by better coordinating the work of the PES and benefit payment agencies. In Ireland the PES public service provider – known as Intreo – is the product of full scale managerial and front line service integration of employment offices with previously separate benefit payment services. In Slovakia the PES is the 'Central Office of Labour, Social Affairs and Family' (COLSAF) and has now more fully integrated employment assistance and benefit administration. In Germany, Finland and Denmark, reforms have forged co-located service delivery arrangements between the PES, municipalities and social insurance agencies. In Finland new 'multi-sector joint units', and in Germany Jobcentres, work exclusively with the LTU or those claiming means-tested benefits. In Denmark separate social insurance agencies must coordinate their services with local government which is now fully responsible for the front line delivery of PES services.

The principal aim of these reforms has been to draw together delivery agencies so that they cooperate and work together to deliver more effective activation services and coordinate their activities with other services that enhance employability. At the same time such reforms may improve services for users by reducing the administrative complexity faced by many of the LTU when making transitions between different benefit entitlements or when having to simultaneously claim different entitlements from and report their activities to multiple agencies. A further theme concerns managing referrals to and arrangements with other complementary social and welfare services. This is because the barriers to work faced by the LTU and people at risk of LTU now often cut across diverse policy and service boundaries. ***Many of the factors that contribute to LTU, from managing caring responsibilities to tackling barriers like mental health issues and drug and alcohol abuse lie outside the capacity of the PES system to change and consequently employment services increasingly rely on working with networks of complementary service providers.***

Another factor that characterises recent organisational reform includes changes in performance management and institutional and contract incentives that seek to improve the organisational efficiency and effectiveness of the PES as well as improve the delivery and content of the programmes to which it refers clients. ***New local***

government funding arrangements that share the burden of benefit costs, as in Denmark and Finland, have been explicitly designed to ensure that municipalities are engaged in actions to reduce unemployment and benefit durations. In each of the countries there has also been experimentation with Payment-by-Results (PbR) contracting arrangements with private providers working with the LTU. **The 'Jobpath' approach in Ireland is of particular significance because the expansion of employment services for the LTU is expected to be financed by savings from future passive benefit payments.**

2.2 The role of the Public Employment Service in reducing long term unemployment

The PES provides a basic intermediation service to all job seekers in each case study country. This is now typically delivered through digital channels. Face-to-face services are largely targeted at unemployed claimants with more intensive services targeted at 'high risk' groups, such as young people or those at risk of becoming LTU. PES registration processes varied. In Ireland only unemployed people who claim jobseeker benefit payments were registered whereas in Germany and Slovakia a significant proportion of registered LTU jobseekers were not receiving income benefits.

Unemployed claimants are required to register with the PES which is expected to interview, assess, and agree an IAP with the claimant. In each of the countries the PES made use of an assessment or profiling instrument designed to segment clients and to **reduce the risk of long-term unemployment.** These procedures use different combinations of 'hard' and 'soft' data to segment the unemployed across several categories. The results are used either to determine the frequency of engagement a claimant should have with the PES, as in Ireland, or to give front line employment advisers objective information to assist them to decide which services are most appropriate for individual jobseekers, as in Germany, Finland and Denmark.

After agreement of an IAP there was much variation in the service delivery strategies of each PES and the frequency with which claimants were interviewed and action plans updated. The following chapter gives more detail on the ways in which service interventions are sequenced but there was little variation in the basic 'menu' of PES services

nominally available for the unemployed. This typically ranged from encouragement and monitoring of independent job-search efforts, referral to job vacancies, help to tackle or better manage barriers that diminish employability and capacity to take jobs, and referrals to different types of ALMPs.

IAPs are used to deliver a more personalised service where ideally different measures are tailored to the motivation and circumstances of the individual. To implement this more personalised approach the PES, and contracted providers, now typically deliver employment assistance, especially for harder-to-place participants, through counsellors, case workers or personal agents. **A key objective of several service delivery reforms highlighted in this report has been to reduce front line caseloads by redeploying administrators of passive benefit payments and retraining them as case workers.** There is much variation in the resources and status of these front line workers in the case study countries. These differences range from the ways in which they are employed, their job titles, the autonomy they have; and in their caseloads and the frequency and nature of contact they have with unemployed people. Research findings suggest that counsellors or advisers working with the LTU should have the expertise that enables them to assess client's circumstances and employment constraints, develop action plans, check on job search, refer to vacancies, raise awareness of job search techniques, and help improve motivation and self-confidence. Advisers must be able also to plan the range of support or assistance needed; link the client with necessary external programmes or services; and then be enabled to monitor the client's progress through an agreed series of steps or supply of a set of services, through to their placement into employment. **High-quality research findings from the case study and other European countries show that counsellor caseloads and the frequency of their contact with the LTU are key determinants of effective activation** (Eichorts et al, 2015).

In each country the PES provides front line advisory services and job matching, organises referrals to ALMPs and also acts as a 'gateway' to a wider range of more or less specialised services delivered by other agencies including local government, training and education institutions and non-profit and for-profit providers. The PES or related Ministry also typically directly contracted out the delivery of many ALMPs and specialised counselling services, especially for the LTU.

ALMPs were mostly centrally designed with their rules set through PES programme manuals and/or legislation. Eligibility for programmes was often related to unemployment durations and temporary employment in socially useful jobs, as in Ireland and Finland, and ‘work for benefit’ schemes, as in Slovakia and Germany, were explicitly targeted at the LTU. Respondents in several countries drew attention to recently introduced programmes targeted at the LTU which reflected political commitments given by Governments to more effectively tackle LTU. These ranged from a major expansion of contracted out ‘Jobpath’ provision in Ireland through to the introduction of two targeted programmes as part of a wider strategy to reduce LTU Germany (BMAS, 2016).

Participation in ALMPs was skewed towards young people and the shorter term unemployed but in several countries ‘early entry’ was part of a preventative strategy to prevent LTU. One consequence is that in these countries it was likely that many of the LTU may have already participated unsuccessfully in varied provision over the course of their unemployment. There was much use of employment subsidies and especially temporary work placements targeted at the LTU. Placement of the LTU in temporary public and community based employment may have helped maintain work habits and act as a work test but there was little evidence that it provided pathways into regular employment. The most effective provision appeared to be private sector employment subsidies especially where they were small scale, targeted at employers in sectors experiencing labour shortages, and included some element of training (European Commission, 2016b; Eichorst et al, 2015). One distinctive feature of PES service delivery in Denmark and Germany has been the investment in online tools which make the results from high quality evaluations available to PES managers and counsellors to help shape the strategies they implement and the referrals they make.

For comparative and contextual purposes Table 1 shows trends in measured LFS LTU in the case study countries. Actual PES delivery is, however, shaped by combinations of service delivery targets and performance indicators that are administrative in character and do not correspond directly with the definitions of LTU measured through the Labour Force Survey (LFS).² **Each country, apart from Slovakia, has specific targets that seek to prevent and/or reduce LTU.** These administrative measures sometimes track transitions that the LTU make to employment but mostly are measured in relation to reducing durations of PES registration and/or receipt of UB and other working age cash benefits. While the use of these administrative indicators makes comparison more difficult they are more likely to directly measure the impact of PES services.

A further advantage of using national administrative definitions is that they **allow targets to reflect national priorities and, at their best, may be designed in ways which more effectively capture the dynamic nature of LTU.** In Ireland, for example, PES targets include a reduction in the ‘persistence rate’ (the proportion of short term unemployed becoming LTU) and in Finland the PES target to reduce ‘structural unemployment’ includes people who are unemployed after participation in labour market measures and those unemployed for twelve out of the previous sixteen months, as well as those continuously unemployed for over a year.

The design of these performance targets and the priority given to them in related performance management systems is critical in translating policy aims into practice and in driving the behaviour of local offices and front line staff. They also help shape PES flexibility and the ways in which it can work with local partners to deliver shared objectives. The following chapter considers these partnership arrangements in more detail.

² PES registration practices also mean that in some countries people are recorded as unemployed who would be ‘employed’ according to LFS rules. For example, in Germany someone working up to 15 hours per week can be registered as unemployed. Other factors also contribute to major differences between LFS and PES registered unemployment. The number of registered unemployed is more than 20% higher than the LFS unemployed in Ireland and Germany and is more than 20% lower in Denmark.

Table 1: Long Term Unemployment Rate as proportion of economically active population in the case study countries: 2006-2015

	2006	2009	2012	2015
EU (28 countries)	3.7	3	4.6	4.5
Denmark	0.8	0.6	2.1	1.7
Finland	1.9	1.4	1.6	2.3
Germany	5.7	3.5	2.4	2.0
Ireland	1.4	3.5	9.0	5.3
Slovakia	11.9	6.6	9.4	7.6

Source: Eurostat – date of extraction 08 Sep 2016

3. COORDINATING ACTIVATION SERVICES FOR THE LONG TERM UNEMPLOYED IN SELECTED CASE STUDY COUNTRIES



This chapter briefly outlines findings from each country on how PES service delivery for the LTU aged over 25 years has been reorganised and in particular how each country has sought to better coordinate active and passive measures including the development of single points of contact for service users. It gives insights into how central-local policy relationships are organised in these reformed service delivery settings, including information on funding frameworks, performance management and subcontracting of employment services.

There are contending views on whether PES administration, referral to labour market programmes, and benefit administration should be integrated or should be administered separately. Integration can simplify processes and align the priorities and working practices of those delivering employment and benefit services. There is a risk, however, that PES activity may become too focused on reducing benefit dependency rather than on maximising labour force participation. The findings below explore how the arrangements between these different components of each country's activation system have been configured and realigned in recent reforms aimed at reducing LTU.

3.1 Combining active and passive measures for the long term unemployed in Ireland

Ireland's strategy for reducing LTU has undergone radical change as the country makes the transition from a passive to a more active welfare system. The Government's approach has been outlined in a succession of 'Pathways to Work'³ programmes that combine reforms to the benefit system, employment programmes and services for jobseekers and employers.

The DSP has primary responsibility for delivering activation policies but the Government also established a 'Labour Market Council', comprised of employers and policy experts, to advise on and build wider support for the Pathways strategy. One significant innovation proposed by the Council was the 2014 launch of an 'Employment and Youth

³ The 'supply side' policies in 'Pathways to Work' complement the demand side policies in the Government's 'Action Plan for Jobs' which aim to deliver economic growth through measures promoting competitiveness and productivity.

Activation Charter'.⁴ ***The Charter commits participating employers to support Government programmes to tackle youth and LTU, including a 'guarantee' that at least 50% of candidates considered for job interviews are unemployed claimants.***

The most recent Pathways to Work strategy document commits the Government to consolidating and building on the activation reforms implemented between 2012 and 2015 (Gol, 2016). These changes are identified as having played a 'key role' in the economic recovery since 2012 and the associated fall in LTU from 9.5% in 2012 to 5% by the end of 2015. In that period the number of LTU claimants fell from a peak of over 200,000 in 2012 to 146,200 in December 2015 when they comprised 45% of all unemployed claimants (Gol, 2016, p. 11).

The reduction in claimant unemployment has reduced service demand and released resources to invest in additional capacity. This enabled the DSP to commit to improving the quality and frequency of advisory interviews with the unemployed. The Government has also set further explicit objectives and new priorities for the period 2016–2020. These include specific targets to move 50,000 LTU at the start of 2016 into employment by the end of 2020; to reduce the persistence rate (the rate at which short term unemployed people become LTU) by 25% from 27% to 20% by the end of 2018; and to increase the exit rate of people claiming UB for two years or more by 30% (to 52%) by the end of 2018.

Central elements of the Pathways to Work strategy involved the development of a new PES service delivery system combining public, non-profit and private providers. This included the integration of three previously separate employment and benefit service delivery networks, and related registration processes, into one 'Intreo' public service. This reform was supplemented by a reorganisation of existing ALMPs and local employment services combined with the introduction of large scale 'JobPath' contracts through which private providers now deliver services to the LTU (see Figure 1). In combination, the new system aims to provide a continuum of support that is increasingly focused on securing sustained employment outcomes.

3.1.1 The Intreo network and preventing long term unemployment

Between 2012 and 2016 the DSP implemented a complex change management process to establish the Intreo network. This comprised retraining and redeployment of many staff from different front line service roles and a redesign and some relocation of offices culminating in the creation of a national network of some 60 full service Intreo offices.⁵ The Department also introduced a new service model intended to activate claimants underpinned by mandatory participation requirements and related benefit sanctions designed to promote swifter transitions into employment.

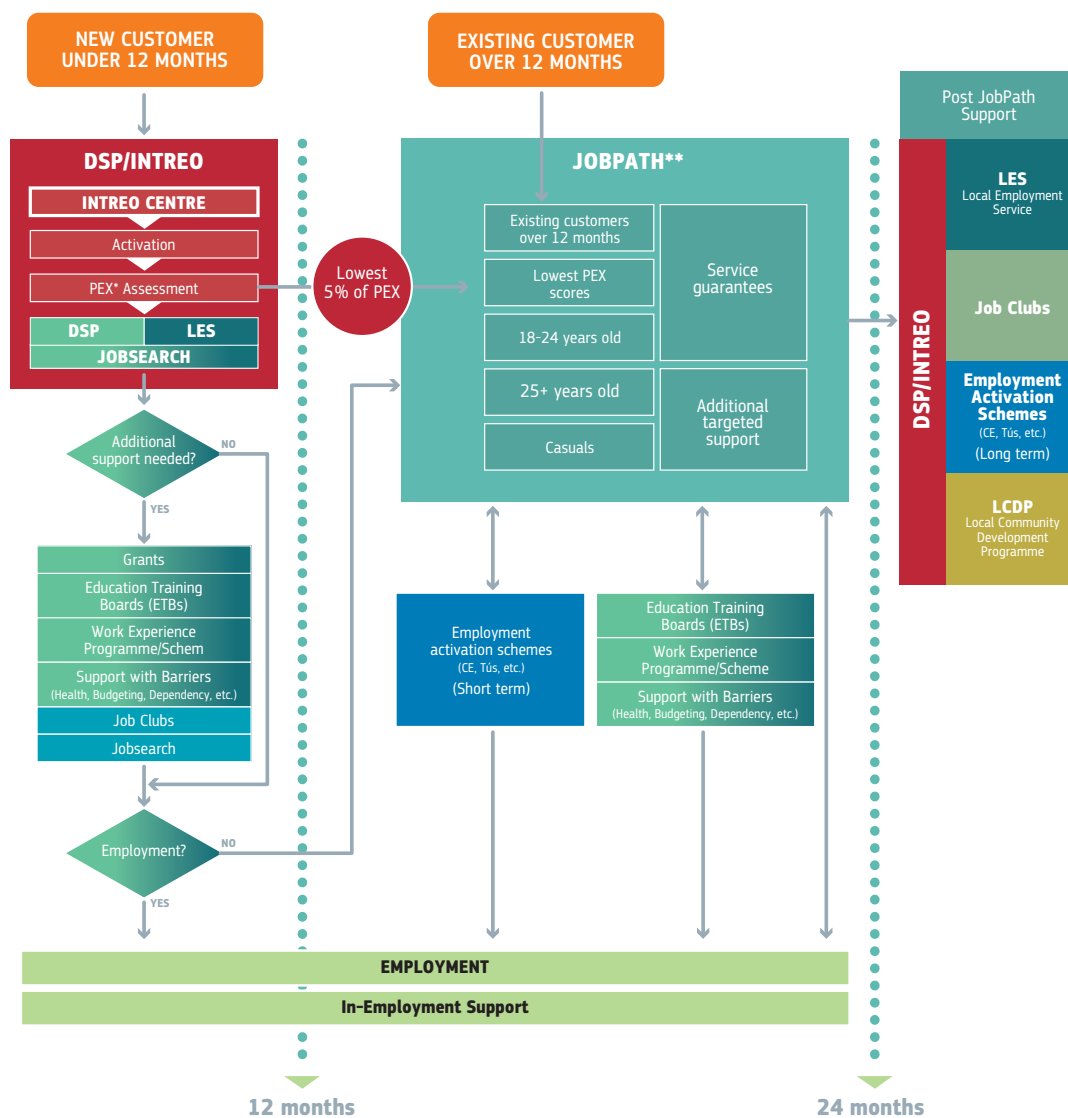
When unemployed people now claim benefit they must complete a profiling questionnaire, which is used to assign a 'Probability of Exit to Employment within 12 months' (PEX) rating and the claimant must agree to a 'record of mutual commitments'. All claimants must then attend a group information session where they are informed of the role of the PES, the mandatory activation process and range of support available from Intreo. The results of the PEX rating then determine if a claimant is given an appointment for an advisory interview with a case officer during which a 'Personal Progression Plan' (PPP) is discussed and agreed.

The subsequent frequency and timing of engagement with an Intreo case officer is shaped by the PEX rating. Clients with a high (i.e. positive) PEX rating are encouraged to search for work but are not required to attend an advisory interview for six months. Clients with a mid-point rating previously had to attend 1-2-1 interviews every 3 months, but this was increased to once every two months from August 2016. Clients with a low PEX rating (i.e. those with particularly low probability of exiting to employment), now have to meet with an advisor every month (increased from bi-monthly in August 2016). Advisory interviews complement a 'signing on' regime where unemployed claimants who are not meeting a case officer continue to attend an Intreo office each month to make a declaration that they remain unemployed and are looking for work.

4 A significant number of large and smaller employers have signed the Charter which can be viewed at – <https://www.welfare.ie/en/downloads/Employer-Charter.pdf>

5 It has not yet been feasible to extend the fully integrated model to a network of much smaller subcontracted benefit delivery offices in the most isolated rural communities.

Figure 1: Ireland Public Employment Service Delivery Model



* PEX: Probability of Exit from Live Register (PEX) profiling model by the Department of Social Protection
 ** Customers spend 12 months on Jobpath, excluding periods of time on particular schemes/programmes

The 'Pathways to Work' strategy committed to delivering more intensive advisory support to claimants with the highest probability of becoming LTU and to the existing population of LTU claimants. The Intreo reorganisation increased the number of front line case officers⁶ to about 700 and reduced client ratios from 1:800 to 1:500 but it was recognised that supplementary capacity was needed to deliver the scale of activation required. After examining

outsourcing approaches in other countries the Government decided to utilise the capacity of the private sector and to emulate the large scale contracts which had been developed in the UK Work Programme (Lowe, 2014). One key objective was for these contracts to deliver up to an additional 1,000 caseworkers into the system further reducing adviser caseloads to 1:200 (GoI, 2016, p. 52).

6 Intreo case officers are supported by less specialised 'activation support officers' who undertake more routine functions such as following up, by phone or mail, on the completion of actions agreed in case interviews.

3.1.2 JobPath and other activation services for the long term unemployed

'JobPath' contracts were designed to attract private providers who would invest in creating supply chains but be funded largely on a PbR basis whereby the provider would recover their investment only when they succeed in placing the LTU into sustained employment (DSP, 2013). The provider receives 35 % of their funding after completion of a PPP, with the remainder paid in instalments after 3, 6, 9 and 12 months of employment (see Figure 2). The Jobpath model also comprises differential payments with rewards to providers highest for those in the six specified 'payment groups' who have been unemployed the longest and/or have the most severe employment barriers. A novel development is that following the fall in the number of wholly unemployed LTU claimants **Jobpath providers will soon start to work with long term benefit claimants who are involved in some part-time work.**

The LTU are randomly allocated to a Jobpath provider by DSP and participation is mandatory. The random allocation is designed to prevent 'cherry picking' by providers and, over a period of time, sequence the flow of referrals by the DSP from amongst the existing 'stock' of LTU people.

Jobpath providers have considerable flexibility in how they deliver services to the LTU but the DSP has required they deliver a 'Minimum Service Guarantee' (unlike the more controversial 'black box' approach allowed in the UK⁷). The guarantee commits providers to undertake a 1-2-1 meeting with a claimant within 20 working days of referral; agree a PPP; conduct monthly 1-2-1 meetings and review meetings each 13 weeks; and offer in-work support to claimants placed in employment (DSP, 2013).

The design and procurement of 'JobPath' took several years. Complex negotiations between the DSP, the Ministry of Finance and potential providers, preceded the agreement of **a payment system designed to finance an expansion of employment services on the assumed savings to be made from likely future benefit payments**

7 In return for accepting more financial risk in long term PbR contracts UK prime providers are given greater flexibility to design their own service delivery system with little centralised prescription. These 'black box' contracts give providers increased autonomy to use their expertise to do what they consider needs to be done to secure sustained job outcomes.

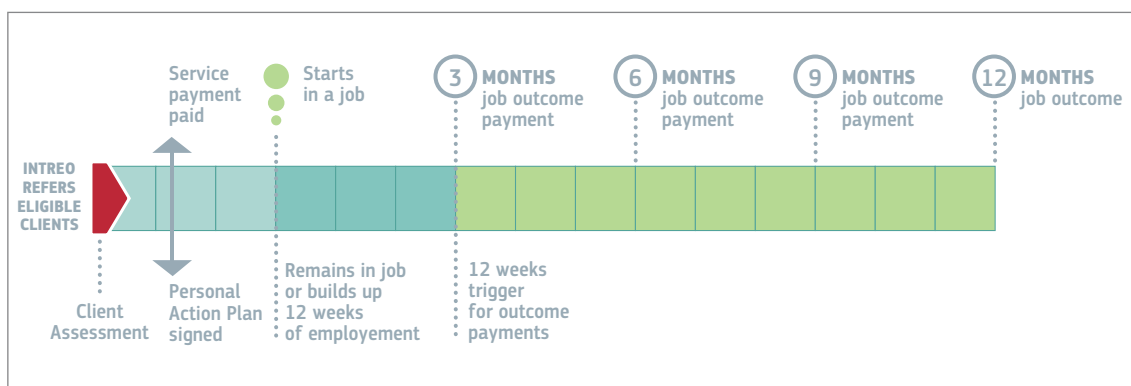
to the LTU. Two prime contractors have now established supply chains delivering services in two 'contract package areas' covering the country. Referrals commenced in July 2015 and the contracts envisaged the referral of between 264,000 and 440,000 jobseekers over a four year period. This number has since fallen following a reduction in LTU and in 2016 an estimated 60,000 jobseekers are expected to register with providers (Gol, 2016, p. 7).

The Pathways strategy and introduction of JobPath has reshaped the design and delivery of other contracted employment services and ALMPs targeted at the LTU. This has had a particular impact on a network of separately contracted community-based Local Employment Services and job creation programmes which are now viewed as more appropriate for post-JobPath provision for JobPath participants not placed in employment.

The creation of Intreo has integrated the PES and benefit administration but the employment service delivery landscape remains complex. Delivery of the Pathways strategy requires the DSP to coordinate and align their services with other Government Departments and a wide range of other local agencies. The Department coordinates its work with other stakeholders through dialogue and more or less formal arrangements. At regional and local level the DSP typically negotiates standard protocols with other service providers such as Employment and Training Boards. Currently they are developing such a protocol with their various contracted employment service providers to reduce demands on local and national employers through the **agreement of a common inter agency approach to seeking and handling employer job vacancies.**

One significant issue emerging from the Irish reforms concerns the tension between the 'intense' pace of policy change and effective front line delivery. A priority for the next phase of the strategy involves a period of consolidation. This is intended to allow for the further development of supporting IT, staff development, programme evaluation and employer engagement which have 'lagged' behind legislative and institutional change. The Government has committed also to place greater emphasis on employment retention and progression and to better align employment related performance targets across the different parts of the system. As system consolidation and performance is secured, and resources allow, the Government has been able to extend activation requirements to other groups of welfare claimants and the DSP is now applying

Figure 2: JobPath Service Delivery and Payment Model



activation requirements to groups of lone parent families and is planning how to ‘engage’ with people with partial work capacity who are claiming sickness and disability benefits.

3.2 Combining active and passive measures for the long term unemployed in Slovakia

Slovakia has experienced a significant increase in its employment rate (from 54% in 2009 to 62.7% in 2015) and a moderate decrease in unemployment, but LTU remains a particular challenge with more than two-thirds of the unemployed out of work for over a year (CELSI, 2016, p. 7). The Slovak LTU rate is one of the highest in Europe and shaped by the low outflow rate from unemployment. The LFS LTU rate increased to a recent high point of over 9% in 2014, when the PES had just over 214,000 registered long term unemployed, but by early 2016 the LFS LTU rate had fallen back moderately to 6.4%.

The Government has sought to reduce levels of LTU through a wide array of policy measures which have included subsidies and activation measures targeted at the LTU, reforms to labour market regulations and ongoing reforms to the PES. The recent fall in LTU is attributed in part to these reforms and to the introduction of new ALMPs targeted at specific vulnerable groups (CELSI, 2016, p. 12).

The Slovakian PES, known as COLSAF is accountable to the Ministry of Labour. The PES has headline performance targets related to general unemployment. There are no national quantitative targets for reducing LTU although eligibility rules mean that many programmes and measures are specifically targeted at them.

Registration as a job seeker with the PES is compulsory for those unemployed people receiving UI benefits and for all individuals requesting or referred to the labour market-oriented services delivered through COLSAF. **Registration is comparatively high in Slovakia even though many of those registered are not in receipt of income support. This is partly because employable applicants wanting to access other welfare transfers, especially health-related benefits, have to claim them through COLSAF.** Once registered, jobseekers are expected to actively seek work and are required to comply with activities agreed with the PES. If jobseekers do not comply they will be deregistered for six months which means they cannot access PES services. Deregistration results in automatic disqualification from UI benefit. Deregistration for social assistance disqualifies them from eligibility for a supplementary activation allowance for twelve months (see below).

COLSAF is responsible for the administration of some 20 benefits but not for UI benefit which continues to be administered separately by a Social Insurance Agency. Coverage of UI benefits has been severely restricted since the early 1990s and in 2011 was received by only 12% of unemployed jobseekers (Duell and Kureková, 2013). Unemployed people now need to have worked for at least two years in the previous three years before qualifying for up to six months of UI benefit (one of the longest duration requirements in Europe).

LTU people at risk of poverty rely on a means-tested minimum income scheme called ‘Benefit in Material Need’ (BMN). This may be supplemented by various allowances, including elements for children and to help with housing costs. Restrictions to UI coverage meant that this benefit has acted as a ‘de facto’

unemployment allowance and in 2010 about a third of registered jobseekers were in receipt of BMN (Duell and Kureková, 2013).

Varied activation reforms have been targeted at employable BMN recipients and in 2014 receipt of BMN was made conditional on participating in unpaid work activities for 32 hours per month. Household benefit entitlement is reduced by a fixed amount for every employable adult who does not take part in mandated work activity.

The mandatory requirement is targeted at those people who do not voluntarily participate in activation measures and 'who have remained passive for a long time' (CELSI, 2016, p. 8). Most BMN claimants, however, participate on a voluntary basis and choose to participate in work and activation measures for 64 hours a month for which they are paid a supplementary 'activation allowance' of €63.07 per month. Participation in a particular measure usually lasts for six months but can be extended to a year with a maximum of 18 months participation allowed (Duell and Kureková, 2013, p. 61).

The 'activation works' measures available largely comprise 'small municipal works' but some participants are engaged in education and training and some LTU people who take minimum wage jobs can continue to receive the activation payment as a six-month in-work benefit. In 2011 about 90% of BMN recipients of activation allowance were in small municipal works; 3% in education and training; and 7% were in low paid employment (Duell and Kureková, 2013, p. 60). About 70,000 people participate in these activities each month making it the most significant ALMP targeted at the LTU (CELSI, 2016).

The BMN work activities are organised by PES coordinators and local government and, more recently, by a wider range of bodies that are funded by municipalities (such as schools and cultural institutions). The PES only provides activation work slots for BMN recipients but those organised directly by municipalities can directly recruit other jobseekers who have been registered with the PES for over three months. These direct recruits are paid a cash allowance to cover their costs of participation. The work experience available is generally low skilled, offers no or little access to training with few participants making the transition into regular employment. One comprehensive review raised concern that many municipalities now rely on the funding

for⁸, and labour provided through activation works and the programme was likely to be substituting for what might otherwise be low-skilled jobs (Duell and Kureková, 2013).

All PES activation services and ALMPs are organised through COLSAF which employs 8,794 people of which some 2,500 deliver employment services. The agency was created in 2004 when the PES was formally merged with 79 locally administered social affairs agencies to create a network of some 46 local offices. **The enabling legislation mandated that the PES meet with jobseekers, especially the LTU, on a regular basis and agree IAPs with a wide spectrum of 'disadvantaged jobseekers' which included most of the LTU.** The reform was designed to strengthen coordination of employment and social welfare policies but the merger was incomplete. For the following decade the two component parts remained largely separate with different work cultures, IT systems, operating procedures, and so on.

In 2009 a three-zone system which segmented PES clients' into three groups was introduced (Duell and Kureková, 2013). The profiling of jobseekers into three categories was undertaken as part of PES registration by first contact officers in Zone 1 which was otherwise essentially a self-help area with access to computers, literature and so on. Zone 2 offered general job mediation and counselling services and staff located here handled vacancies and work with employers. Zone 3 offered specialised counselling services and worked with disadvantaged jobseekers, which included most BMN claimants, in developing IAPs and where possible referring them to ALMPs. The system was, however, 'under-staffed and underfinanced' with extremely high caseloads. **The legal requirement to undertake meetings with and prepare IAPs for all disadvantaged jobseekers was 'a formality' that induced long waiting lists and failed to personalise support.** The system was also ill-equipped to respond to the upsurge in unemployment that took place after 2008.

In 2013 the legislation requiring the completion of IAPs was amended in favour of a more targeted approach which allowed counsellors to develop plans and spend more time working with a more tightly restricted group of disad-

⁸ The PES pays municipalities a small sum to cover part of the work-related costs of participants, such as equipment, accident insurance, and so on.

vantaged clients (though still including the LTU).

The legislation now recommends a sequence of meetings. There should be at least one meeting with each jobseeker after 3 months registered unemployment; after nine months they should be seen monthly; and **after a year they must be seen bi-monthly**. Core PES services include job mediation and professional counselling services that are aimed at influencing the behaviour and decision-making of jobseekers. In 2013 about half of these counselling interventions concerned the development of IAPs and some 44% of such interventions were received by the LTU. In that year it was reported that some 28% of the LTU had an IAP.

The 2013 reform also dropped a mandatory requirement on employers to register vacancies with the PES and replaced it with an obligation for employment agents in local offices to seek out and handle notified vacancies. One review observed that the offices did not target and seek out vacancies that would have been appropriate for more disadvantaged job seekers and that PES employment agents could have done more to promote such jobseekers with employers (Duell and Kureková, 2013).

3.2.1 Tackling long term unemployment and improving PES activation capacity

Since 2013 the Slovak Government has embarked on a longer term strategy for both reducing LTU and for increasing the activation capacity of the PES. In addition to activating BMN claimants there have been revisions and reforms to a plethora of employment subsidies targeted at the LTU and other disadvantaged groups. These subsidies typically offer private and public sector employers varying cash payments and tax breaks adjusted in relation to target groups and areas of high unemployment (Golias, 2016). There are also direct cash incentives now paid to the LTU who take up relatively low paid jobs and since 2015 BMN claimants are paid €126.14 on top of their wage in the first six months of employment and half the amount for the second six months. Some of the recent measures seem better targeted than earlier subsidies but the levels of investment in ALMPs in Slovakia remains low in comparison with other European countries.⁹

In terms of building PES capacity a more systematic reform was introduced in 2015. **This reform created**

a fully merged service within COLSAF focused on employment and family welfare outcomes aiming to lead employable disadvantaged people from benefits into work.

Management positions were reduced by 28%; 10% of 'back office' staff were retrained for front line roles; and, in combination with other reductions in 'red tape' the PES was able to reduce the caseloads of front line 'personal agents' from 1:350 to 1:180 (COLSAF, 2016). Personal agents now deliver a more employment-focused service but caseloads for more specialised employment counsellors remain high. The Ministry is continuing to reform the PES and plans to increase the number of employment counsellors and from 2017 recruit additional employment psychologists who when deployed will both work with more difficult-to-place clients and provide counsellors with advice and support.

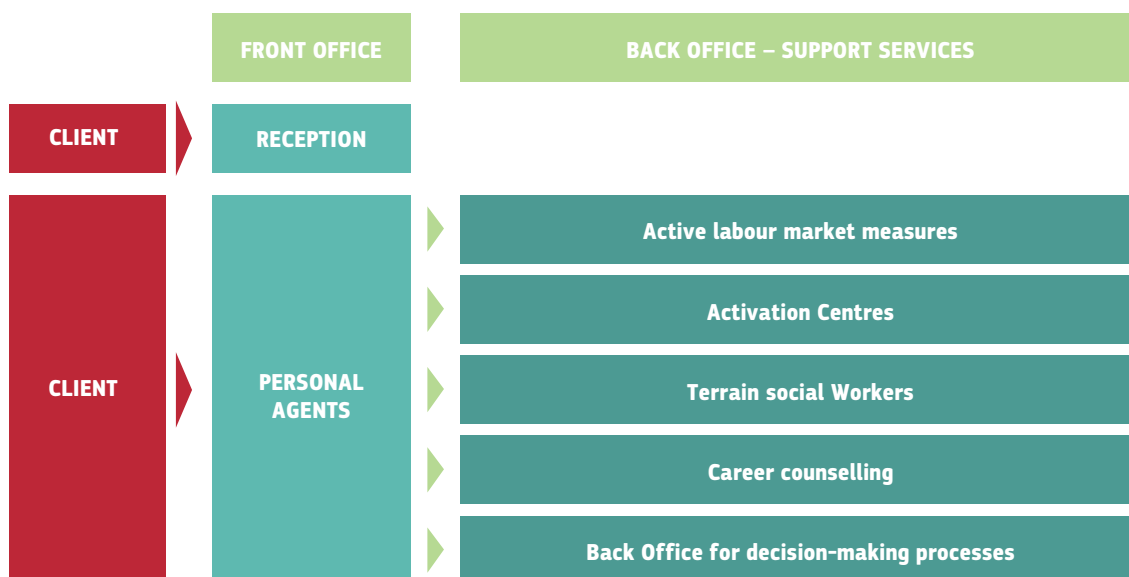
The front line merger introduced a new 'family-focused' approach where the financial circumstances and benefit claims of clients are handled first with, where appropriate, assessment and referral to job placement counselling and more intensive services following (see Figure 3). At the initial interview front line agents are able to use a 'social calculator' to assess eligibility for a wide range of benefits and to submit online applications. The service delivery model is underpinned by a modernised ICT system which brings together a wide range of information on potential claimants and their family circumstances including entitlement to state benefits and participation in ALMP measures. It also enables the agent to understand the clients 'full picture', identify their barriers to employment, and provide individualised, tailored support. The agent in effect acts as a 'single point of contact'. The PES suggests that this helps create a higher level of trust with the client. Use of personal data from different sources is restricted to those who need it for their work with the claimant and their families.

The front line merger involved a major change project with associated training in the new service delivery model for over 2,000 personal agents. The PES experienced implementation problems during the transition to the new model and the quality of service delivery has been uneven but service user satisfaction has improved. **Personal agents now have a more complex role and there is a need for continual updating with new tasks and programme availability.**

Job activation is one of the core services delivered by personal agents who select service users for

⁹ In 2013 Slovakia spent only 2% of GDP on ALMPs compared to an EU average of 66%.

Figure 3: Slovakia Integrated Employment and Social Services Delivery System



referral to employment counsellors who provide access to job search support and referral to ALMPs. There are also some 840 specialist activation coordinators, introduced in PES 'Activation Centres' in 2014, whose role is to place BMN claimants in work activities and to liaise with local government to source appropriate placement opportunities.

A further approach to improving PES capacity has been to develop new ways of working with temporary work agencies and with providers of subcontracted employment services. A framework for the outsourcing of some PES services was created in 2004 allowing PES offices to select providers and contract out counselling, placement and training services (OECD, 2008). An initial increase in contracted provision was driven by the need to meet legal requirements on delivering IAPs but only a small number of providers have since emerged to specialise in delivering services for disadvantaged clients. These typically non-profit organisations mainly deliver an array of European Social Fund projects targeted at some of the most marginalised jobseekers, including the Roma community and people in supported employment. The contracting system is basic with procurement and delivery mired in the complicated administrative and payment procedures that characterise ESF funding.

The Ministry has, however, also been seeking ways of developing additional capacity by introducing performance-based contracts with private employment service providers. The original ambition was

to procure services for some 7,000 LTU claimants between 2014 and 2016. **The tendering process was, however, poorly designed and a first set of bids was rejected because of the unrealistic prices submitted.** A subsequent approach has seen the **Ministry working with potential commercial and non-profit providers and other interested parties to develop a more realistic subcontracting model** working with a projected budget of some €15 million. The proposed new contracting model is designed to emulate features of the UK Work Programme. It is planned to offer providers 'black box' contracts with differential prices for working with varied groups of LTU jobseekers with most of the payments they receive dependent on securing sustained employment outcomes. If the Ministry agrees, and ESF rules allow, it is anticipated that procurement would start in late 2016.

The Slovakian Government faces major challenges in implementing its activation strategy for the LTU but there is some evidence that its reform efforts are making progress. The LTU rate has recently fallen, client satisfaction with PES service delivery has improved and the introduction of activation works for BMN claimants has been associated with a halving of the caseload (albeit most of this decline happened in the first half of the 2000s). The European Commission and OECD have criticised aspects of the strategy, especially the low levels of investment in training and job search-related ALMPs, and argued for greater efforts to improve the capacity of the PES and related service delivery system.

Another significant criticism has concerned the limited use of evidence to inform the activation strategy and the past absence of a rigorous monitoring and evaluation framework for assessing programme effectiveness.

3.3 Combining active and passive measures for the long term unemployed in Finland

In the 1990s Finland experienced high levels of LTU which prompted a first wave of activation reforms. These changes were associated with a reduction in LTU which fell to a low point in 2008 but which has since increased. By June 2016, the 'official' unemployment rate was 9.3% but the MEE administrative rate was just under 14%, and 126,800 of the 366,100 unemployed job seekers registered with the PES had been continuously without work for a year (MEE, 2016). A further 107,900 people were participating in services enhancing their employability, including training programmes, work trials, rehabilitative work and job creation schemes, calculated as a separate 'activation rate' of just under 23%.

The increase in unemployment prompted further activation reforms and the 'overriding objective' of the current Government is to improve competitiveness and raise the employment rate of 15–64 year-olds to 72% and reduce 'structural unemployment'. A diverse range of reforms have been introduced to promote employment and improve work incentives including further changes to the PES and benefit system. One positive sign is that (at least until 2013) Finland was able to keep the proportion of LTU lower than in the previous recession which may have been attributable in part to more effective activation measures (Martin, 2015, p. 10).

The PES in Finland has no direct role in benefit payment or administration but it does liaise directly (in regional advisory boards which include the social partners) with municipalities which are responsible for social assistance and with 28 independent unemployment funds and the separate national Social Insurance Institution (KELA), who pay UI benefits. The Government has also recently implemented **a nation-wide statutory 'one stop' approach to service delivery for many of the LTU requiring the PES, municipalities and KELA to establish 'Multi Sectoral Joint Services' (MSJSs)**. The Government had plans to transfer responsibility for the most disadvantaged unemployed to municipalities. This policy objective has

been reformulated and devolution will concern all other jobseekers as the Government has embarked on further reforms which will see budgets for health, social and PES services and responsibility for implementation given to a planned network of 18 'autonomous' county-regions from 2019.

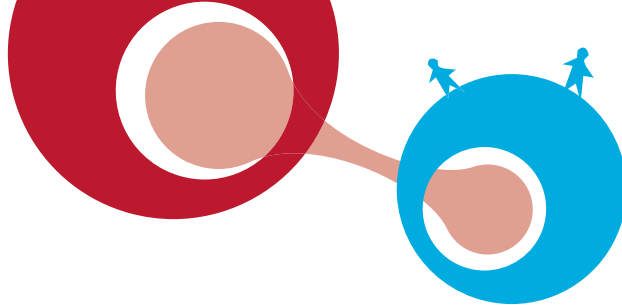
The strategy for tackling unemployment is driven by the Ministry of Economic Affairs and Employment (MEE) which is responsible for the design, implementation and monitoring of relevant legislation and for steering related administrative agencies, including the PES. The national budget sets the parameters for the PES and most recently includes a set of nine targets which are cascaded down to regional offices. There is a specific numerical target to reduce 'structural unemployment' below 186,000. **'Structural unemployment' includes not only people whose current spell of unemployment has lasted for more than a year but also those 'periodically unemployed' (for 12 out of the previous 16 months), those who were recently in a labour market measure, or those who are in a labour market measure and have a history of repeated participation in measures.**

PES services were reorganised in 2013 when a network of 74 PES offices which enjoyed a degree of local autonomy were combined to create 15 regional Employment and Economic Development or 'TE Offices' each of which includes also several local full or part-time service delivery points (about 120 in total). One aim of reform was to reduce local variation in PES services and ensure more uniform delivery by local offices. Another aim was to reduce PES staff numbers and strengthen multi-channel service provision with a target for increasing the number of jobseekers and employers making use of self-service on-line channels.

3.3.1 PES services for the long term unemployed

Registration with the PES is a precondition for claiming UB or LMS¹⁰ and it is very common for those claiming 'safety net' social assistance from the municipality to also be required to register with the PES. Unemployed jobseekers must attend an initial registration interview with the PES within

¹⁰ LMS is a nationally financed means-tested unemployment assistance benefit paid indefinitely after UI benefits are exhausted. UI benefits are paid to eligible claimants for up to 400 days for those who have been working for up to three years and for up to 500 days for those who have been employed more than three years.



two weeks of commencing job search. This first interview involves an assessment of client circumstances and needs and drawing up and agreeing an employment plan (IAP). A profiling tool has been embedded in the PES ICT system since 2007. It provides a statistical estimate of the probability of jobseekers becoming long-term unemployed and counsellors are advised to discuss the results with the jobseeker. Despite central efforts to promote the use of profile results this has not been mandatory and evidence suggests that many front line counsellors have not used the results to help sequence the intensity of employment support and referral to ALMPs (Riipinen, 2011). The Ministry has, however, recently stated that the profiling tool should be used more systematically.

Unless otherwise mandated a second counselling interview takes place after three months unemployment and then once every six months during which the IAP and relevant services are updated. Interviews may be undertaken in-person, by phone or video link.

Jobseekers are segmented across three 'service lines'. The first line of 'employment and enterprise services' promotes job search and vacancy matching with an expectation that jobseekers are mainly responsible for their own job search and will directly use on-line databases. The second line of 'competence development services' concerns jobseekers who need some form of education and training. The third line of 'supported employment services' concerns clients who need more intensive individual support which may include cooperation with other partners, such as the health service, and/or referral to multi-professional services. LTU jobseekers participate across the different service lines.

A recent review reported that requirements for unemployed claimants to undertake independent job search were not systematically defined and monitored, although requirements for claimants to apply for and accept job vacancies proposed by the PES office are strongly enforced (OECD, 2015).

There is no 'activation guarantee' in Finland but according to the law on Rehabilitative Work an individual 'activation plan' has to be established with the LTU after 500 days on 'Labour Market Support' (LMS) (or 180 days after UI benefit expires). The activation plan has to be agreed between the jobseeker, the PES counsellor and the municipal social worker. Municipalities are required to provide 'rehabilitative work' and social, medical and vocational services for long term LMS and social assistance

claimants whose capacity for work is insufficient to enable them to benefit from PES related ALMPs.

There are an array of PES administered ALMPs which LTU claimants may be referred to, including work trials, training and counselling programmes, employment subsidies, and temporary jobs financed by salary subsidy. Many subsidised work opportunities for the LTU are delivered through non-profit organisations in what are described as 'intermediate labour markets' (ILMs).¹¹ Some PES measures, such as the ILMs, are specifically targeted at the LTU. Employment subsidies also are differentiated with higher rates of subsidy and longer durations of payment targeted at the LTU and disabled jobseekers (for the LTU the value of the subsidy varies from 30% to 50% of employment costs). Subject to some basic rules employment subsidies can be used by all types of private and public sector employers.

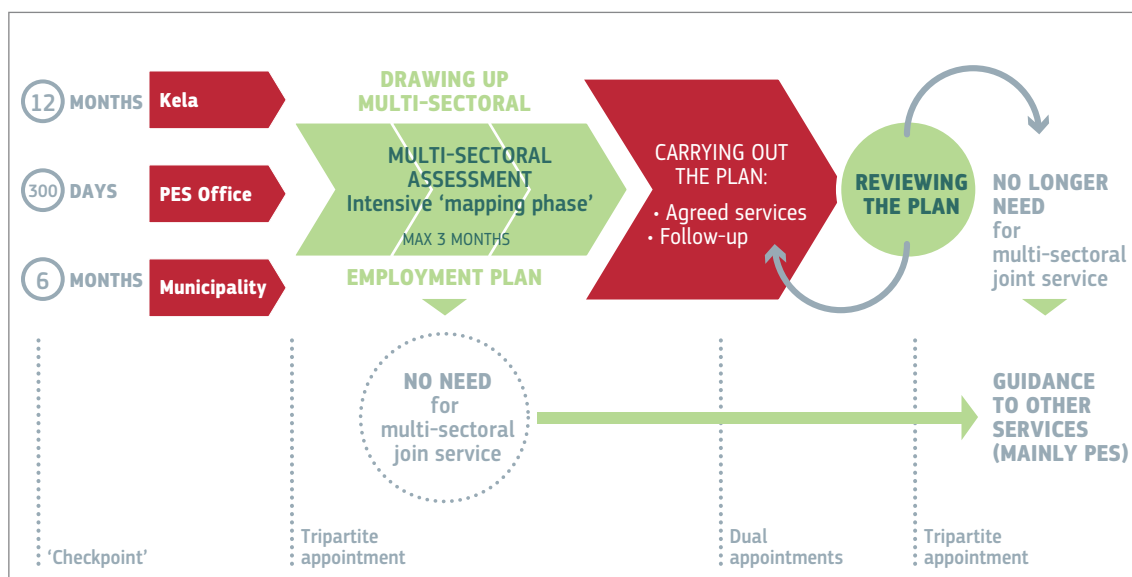
PES service procurement from external providers has been characterised by short term and small tenders issued by regional centres with criticisms of variable relationships between the PES and private providers. A comparative review commissioned by the Ministry assessed the use of private contractors in other countries and recommended active dialogue with private service providers and greater cooperation to include testing of longer term performance-based contracts (Oosi, 2014). In 2015 the Ministry piloted PbR contracts in two TE offices to the approach. **One pilot was targeted at LTU people who were placed with the provider for six months. Participation was voluntary and take-up was low, but important lessons were learned about referral arrangements and contract design.** In 2016-17 further PbR pilot projects are being tested and targeted more at groups who would otherwise be at risk of slipping into LTU. An agreed fee will be paid to the private agency for job placement or, if unsuccessful, they will be paid for providing an assessment report after the unemployed jobseeker returns to the PES.

3.3.2 The role of Multi Sectoral Joint Services and municipal funding incentives

In 2015 a national network of 33 inter-agency MSJSs was established to deliver co-located services

¹¹ Nearly a quarter of subsidised workers participate in ILMs where non-profit organisations (the largest is the Red Cross) are effectively paid a 100% subsidy for one year of employment (falling to 30% for any extension to a second year). Although they provide valuable services few participants appear to get regular jobs.

Figure 4: Finland Multi-Sectoral Joint Service – Referral and Client Journey



for many of the LTU. **These units are jointly managed local networks of enhanced cooperation between the PES, municipalities and KELA.** KELA is involved because of its direct role in providing vocational rehabilitation services for those people whose work capacity has deteriorated or is at risk of deteriorating over the next few years.

Figure 4 outlines the newly implemented service delivery system (Liski-Wallentowitz, 2016). Participation in MSJSs is mandatory. The target groups are those receiving LMS for 300 days, those aged over 25 who have been unemployed for over a year and those aged under 25 who have been unemployed for six months (Kangas and Kalliomaa-Puha, 2015). The selected clients are those LTU job seekers whose barriers mean that they need access to more comprehensive support.

Referral to the services is followed by an inter-agency multi-sectoral assessment phase, for a maximum of three months that should include agreement of an individual multi-sectoral employment plan. **The plan acts as a 'road map' for the client and reflects the distribution of tasks and responsibilities between the different agencies.** LTU people who are assessed as not needing the service are referred to other services mainly delivered by the PES. There is no formal time limit on MSJS participation but once the barriers have been tackled the participant will be referred to other services which will most likely be delivered by the PES.

The legislation to create the MSJSs mandates the three agencies to work together in local management groups with the municipality/ies given the right to nominate the head of the network. The partners have to agree the number of shared premises and other service points in their area; the services to be delivered on and off-site; the management of operations and allocation of funds. There must be at least one delivery point offering co-located services. **The legislation enables the agencies to share data and create a common database and counsellors may have access to individual health data for the purposes of the service.**

The MSJSs build on the multi-sectoral approach developed by a preceding voluntary initiative which created some 39 Labour Force Service Centres (LAFOS). These centres were first piloted in 2002-03 and then voluntarily established between 2004 and 2014 but they did not cover all parts of the country (Budapest Institute, 2015a). The LAFOS centres were jointly run by municipalities and PES offices through local, rather informal cooperation agreements. Their introduction coincided also with **a significant financial reform in 2006 which made municipalities jointly responsible for financing benefits for claimants receiving LMS for at least 500 days. In many cases the arrangement created a clear incentive and made it profitable for the municipality to activate more LTU claimants.** Currently the municipality is responsible for financing 50% of LMS pay-

ments for long term claimants for between 300 and 999 days and 70% after 1,000 days. KELA pays LMS to the individual jobseeker but then recovers the expenditure from the municipality.

The involvement of municipalities in MSJS's is aligned with a gradual transfer of responsibility for long term benefit claimants to municipalities. This process has involved a series of pilot programmes where municipalities were allocated operational costs and ALMP funding to take the lead in developing new models of integrated service delivery targeted at the LTU. Between 2011 and 2015 there were 26 projects involving 65 municipalities. An official evaluation concluded that the experimental municipalities secured better collaboration and cohesion of services than in control group municipalities and the new approaches had a 'positive restraining effect' on the increase in unemployment experienced over the period (Arnkil et al, 2015). These time-limited pilots have now been followed by a further nine pilots that anticipate the changes that will follow the transfer of PES responsibilities to the new county-regions. From January 2017 municipalities and the PES in the pilot areas will be testing different ways of delivering more integrated services either for the LTU or for young unemployed people.

One significant criticism of Finnish activation policies continues to concern the somewhat passive approach of the regime during the first year of unemployment and the time that elapses before mandating participation in more rigorous and/or more intensive services (OECD, 2016). Recent reforms to the activation system including a greater role for municipalities and mandated multi-sectoral working may ensure that all LTU people engage with employment focused services. There remains some tension however over how multi-sectoral units will balance the aim of tackling the personal and social barriers of the LTU and of securing employment outcomes.

3.4 Combining active and passive measures for the long term unemployed in Germany

Germany is one of the few European countries where LTU has 'markedly decreased' over the past decade (Duell et al, 2016). Between 2005 and 2016 the LFS LTU rate fell from 5.9% to 1.7% with most of the decline occurring between 2005 and 2011. Long term PES registered unemployment

has also fallen although over the past few years the total has hovered around the one million mark. Many other long term welfare claimants are employable but in Germany are not classified as unemployed. This includes claimants who participate in ALMPs but the largest group are claimants who work part-time, many of them in 'mini jobs', whose household circumstances mean they continue to qualify for basic income support (European Commission 2015a, p. 45).

The reduction in German LTU is directly associated with the introduction of the 'Hartz' reforms (Stops, 2015). Legislative changes were implemented in four stages between 2003 and 2005 and combined labour market deregulation, a transformation in the out of work benefit system and reforms to the management and organisation of the PES (the Bundesagentur für Arbeit, abbreviated as BA). The German benefit system is now comprised of a wage-related UI benefit and a safety-net means-tested household benefit – '*basic income support for jobseekers*'. UI benefit lasts for up to a year for most of those who qualify but may last for periods of up to two years for those aged over 50 (depending on age and contribution record).¹²

The Hartz reforms combined active and passive measures for most of the LTU but in the context of **a two-tier system where short term and LTU claimants receive activation services through two separate legal codes and front line office networks**. The BA has a national network of 156 'Agencies for Work' and some 600 related front line branch offices which provide intermediation services for those claiming UI benefits and for other registered jobseekers who are not claiming basic income support. Basic income support is administered through a network of some 410 Jobcentres most of which are operated jointly by the PES and local authorities but 105 of which are solely run by 'opt out' municipalities.¹³ **The approach to combining PES and municipal**

¹² This means a small group of the long term unemployed, especially older unemployed people, continue to deal with both systems because they have their UI benefit 'topped up' through basic income support (estimated at about 100,000 in 2014: LTU-CBA, 2015, p. 48).

¹³ The 105 'opt out' municipalities define their own local goals and operational targets in relation to national priorities and funding agreements mediated in negotiation with their regional government. Despite organisational differences it appears that in practice similar goals are pursued under both models, although evaluations report differential success related to their organisational settings (Hanesch et al, 2015).

services was preceded, between 2001 and 2003, by extensive testing of different local models of coordination in the 'MoZart' programme which paved the way for more systemic reform (EC, 2015a).

The BA is accountable to the Federal Government but has significant autonomy over provision for the insured unemployed. **Key BA priorities for the insured unemployed include the prevention of unemployment, reducing durations of unemployment both of benefit claimants and of other jobseekers and, from 2014, measuring employment sustainability six months after placement.** The performance measurement of and accountability for unemployment duration underpins the BAs approach to early intervention and prevention of LTU. It may also help deter local BA agencies from 'parking' harder to place clients until they transition out of insurance benefits to the tax funded basic income support.

The Federal Government has a stronger steering role in relation to how the BA and Jobcentre network prioritise services for basic income claimants. **Key targets concern a reduction in the households dependent on basic income, improved transitions into employment and the avoidance of long term welfare dependency.** Joint Jobcentres and agency offices also have minimum standards for service provision including, for example, the maximum time taken to hold a first interview and keeping action plans up-to-date (European Commission, 2015a).

The joint or cooperative Jobcentres are a single organisation but are staffed by PES and municipal employees and are separately accountable to the PES and municipality. About 56,000 PES staff, including 10,000 case managers, work for the Jobcentres alongside an estimated 18,000 municipal employees (Klueger, 2015, p. 5). Joint Jobcentres have their own management and governing board, in which the PES and municipal partners are equally represented. There is variation in organisational and procedural structures but joint Jobcentres are established on the basis of a formal agreement between the BA and local municipality.

3.4.1 Combining active and passive measures and PES service delivery in joint Jobcentres

Jobcentres are responsible for administering basic income and work-related requirements and for delivering employment support and assistance,

including access to other social services provided by local government. Joint Jobcentres share a common database with the BA but organisationally (and, in most locations, also physically) are separate from the employment agencies (Knuth, 2014, p. 244).

In most joint Jobcentres service delivery '*strongly resembles*' that provided in BA offices for the insured unemployed. Key features include the physical separation of benefit administration and employment assistance. BA intervention strategies for the long (and short) term unemployed are based on jobseeker profiling including 'hard' and 'soft' characteristics, initially undertaken at the first interview but which should be updated every six months. The BA IT system segments claimants into six different profiles on the basis of their characteristics, with a seventh profile for basic income claimants who are already working in low paid and/or part-time jobs. Each profile is linked to a specific service strategy but advisers have considerable discretion in how they treat individual claimants (Klueger, 2015).

Referral to ALMP measures in Germany is discretionary which means that Jobcentres and employment agencies can, but do not necessarily have to, allocate jobseekers to particular measures. The allocation to ALMPs is organised by PES counsellors and shaped by the profiling and segmentation process and by the availability of provision.¹⁴

The standard BA counselling and intervention process is shaped by a four-phase model, known as 'Beko', which has been designed to facilitate a 'flexible client-oriented service' (IAB, 2016). **The approach provides advisers with methods, techniques and 'standard sequences' to structure their approach to clients.** The sequence includes 'profiling', 'goal-setting', 'strategy selection', and 'strategy implementation'. The contact intervals and time per contact do not vary across the profiles with counsellors in employment agencies and Jobcentres typically having mixed caseloads reported to fall within a range between 1:135 and 1:200 for claimants aged over 25 years (European

¹⁴ Counsellors can access an online resource known as 'Treffer' (Treatment Effects and Prediction) which gives evaluation findings on the local, regional and national impacts of different programmes, though case studies indicate these results are rarely used ('probably because they are not fully understood': European Commission, 2015a, p. 52).

Commission, 2015a, p. 50).¹⁵ **One significant exception concerns short term unemployed claimants with complex barriers. In BA employment agencies these clients are referred to specialist case managers with reduced caseloads (1:65) who follow a holistic approach with close and intense contact.**¹⁶ Some Jobcentres have also experimented with lower caseloads with results showing that employment transitions and sustainability were improved.¹⁷

When unemployed claimants exhaust their UI entitlement there should be contact between the agency counsellor and the Jobcentre concerning the transition of eligible LTU claimants. A claimant moving from UB to basic income support must make an appointment with the Jobcentre and on attendance first make a benefit application to the benefits processing section and then on the same day agree a new Integration Agreement and Employment Plan (updated at least every six months). Each active claimant is allocated to an individual counsellor, or 'single point of contact', and in the Jobcentres there are two types – the 'Personal Contact Partner' (Persönlicher Ansprech Partner) also known as an integration counsellor and the more specialised case managers (Fallmanager). Some specialist counsellors may work with younger unemployed people. Other case managers may work with all the adults in a family (the 'benefit community').

Basic income claimants who are subject to activation requirements are obliged to follow the steps agreed in their IAPs, to regularly visit Jobcentres, to document job search activities, and to accept job offers and comply with referrals to ALMPS. Those who do not fulfil their obligations can be sanctioned with penalties varying between 30% and 100% of benefit. A recent estimate suggested that some 3% of basic income claimants experience a sanction each year (European Commission, 2015a, p. 16).

15 German legislation formally specifies maximum caseloads for counsellors working with basic income claimants of 1:75 in the case of young people aged under 25, and 1:125 for adults. Case studies frequently find and report higher caseloads.

16 The 'Internal Holistic Integration Service' (known as Inga) was introduced in agency offices in 2013 and followed successful results from a pilot which found that compared to similar clients serviced by regular counselling teams Inga clients' chances of integration rose by 1.8 percentage points (BA, 2013).

17 The 'Berliner Job Offensive' project involved an additional 600 job counsellors, reduced caseloads and a more intensive contact regime with results showing a 10% increase in employment probability and more stable job outcomes (Eichorst et al, 2015, p. 20).

In joint Jobcentres the BA is responsible for administering basic income and sanctions and for financing and implementing ALMPs. The municipality is responsible for the administration and financing of 75% of rent subsidies and of complementary social services. The federal share of basic income-related spending is estimated at 80%.

Coordination between Jobcentres and complementary services appears to be fragmented (European Commission, 2015a). At their most developed inter-service relationships are typically managed through agreed referral protocols and Service Level Agreements. There is data available on the use of some complementary services, such as drug cessation clinics, psycho social counselling, and so on, with referrals to debt advice being the most common among the estimated 3% of basic income claimants referred to such services over a full year (European Commission, 2015a). **A significant barrier to coordination concerns data protection with Jobcentres receiving no feedback on referrals or outcomes from complementary services other than what a client tells a counsellor.**

One critical field of cooperation between Jobcentres and employment agencies concerns relationships with employers. The BA has a well-developed sector based employer strategy and it is reported that most joint Jobcentres have co-financed and organised their work with employers through Service level Agreements with these specialised agency units (such arrangements are less likely in the 'opt out' areas). Case study evidence suggests that many Jobcentres are dissatisfied with these arrangements as the 'best match' principle that the units apply mean vacancies are mostly taken by the short term unemployed. It appears that some **Jobcentres are now using their own specialist staff to directly build relationships with employers and source vacancies in sectors more appropriate to the capacities of basic income claimants** (European Commission, 2015a, p. 28).

Federal legislation specifies the labour market policy instruments to be applied by the BA and Jobcentres. These include a range of provision, including job search support, skills training, self-employment, and work experience, with employment subsidies offering higher payment rates and longer duration payments for employers who take on longer term unemployed people. There are some programmes only available for basic income claimants especially, for example, the so-called '1€-Jobs' which can

be mandatory and provide short and medium-term employment on the secondary labour market.¹⁸

Joint Jobcentres and employment agencies have more or less flexibility in contracting out programme and some placement provision to a local network of public, non-profit and for-profit providers. They are required, however, to procure services through the BAs five regional specialist purchasing centres whose role is to ensure more effective and transparent competitive tendering and purchasing.

Participation in ALMPs is disproportionately targeted at the short term unemployed, albeit many of the long term unemployed may have participated in varied provision over the course of their unemployment. The 'activation rate' was about 14% between 2006 and 2013 when an average stock of around 680,000 basic income recipients participated in ALMPs (European Commission, 2015a, p. 55). Between 2009 and 2013 over a third of all basic income claimants participating in programmes were in secondary labour market measures, mostly 1€-Jobs, and over 20% were in short term training measures. Smaller numbers were involved in employment subsidies or longer term training (European Commission, 2015a, Table A.1.h). ALMP spending has fallen, apart from a short term increase in 2009. Spending on labour market integration measures for basic income recipients was reduced by €2.5 million, or 42% between 2010 and 2013. (Hanesch et al, 2015). The Government and BA have made significant investment in evaluating provision for the LTU and there have been a succession of separate centrally funded interventions targeted at LTU basic income claimants. This has included 'Perspective 50plus' which was a comparatively successful intervention targeted at older claimants that operated between 2005-2015 (Knuth, 2014). There was also a large scale experiment designed to test the added value of private providers and PbR contracts targeted

at those at risk of LTU.¹⁹ Although the results of the experiment were mixed many Jobcentres and the BA continue to use varied PbR contracts in targeting services at the LTU.

Despite cuts to ALMP provision the Federal Government has given priority to '*the fight against long term unemployment*' (BMAS, 2016). In November 2014 the Minister announced a strategy containing a broad-based package of measures with a focus on working with employers and securing sustainable employment outcomes for the LTU. The measures included better coordination of available support and vacancies within Jobcentre networks, developing and exchanging good practices, combined with two new employer-focused but relatively small scale national programmes targeted at the very long term unemployed.²⁰

After a decade of implementation it seems clear that the Hartz-related combination of active and passive measures contributed to a significant reduction in LTU. Institutional changes designed to better integrate employment and social services have created a 'one-stop' service that now operates

18 The target group for '1€-Jobs' are the 'hardest to place' with multiple employment barriers. The mandatory measure acts as a 'work test' and aims at improving the employability of participants. On average around €340 was spent per participant in 2013 and participants spent 4.5 months in such a job (working on average 28 hours a week). This spending includes the 'wage' for participant of around €1.5-€2 per hour of work and a lump sum for the provider of these jobs. The average stock of participants in '1€-Jobs' in 2013 was 111,428 individuals, down from over 260,000 in December 2010.

19 The 'Penguin' programme tested the relative effectiveness of delivering placement services for hard-to-place unemployed individuals either in-house or thorough PbR contracts. The findings showed that in the initial treatment period individuals who received PES services had fewer days of unemployment and more days of employment than those with private providers, but these effects disappeared over the 18 month observation period (Krug and Stephan, 2013). The analysts counselled caution in how the differential results should be interpreted suggesting, for example, that other contextual factors might have influenced the result, such as the difference in the transfer arrangements between public and private providers and the start-up challenges that had to be met by private providers.

20 The two programmes are co-funded by the ESF and are scheduled to run between 2015 and 2019. One programme aims to create jobs in social services by offering employers a 100% wage subsidy during a training and subsidised employment period to employ up to 10,000 people who have been receiving basic income for over four years (primarily those with health problems) (Hanesch et al, 2015). The other programme is similar to supported employment models more typically associated with disability employment provision. This programme is designed for up to 33,000 'hard to place' basic income claimants for whom no other integration possibility exists. Participating Jobcentres receive financial resources to employ 'job-hunters' who target and acquire appropriate vacancies and offer potential employers a decreasing wage subsidy of up to 75% of earnings for up to 18 months. After a participant has been employed, both employees and employers receive coaching by an (internally or externally provided) broker to manage the transition and stabilise the employment (European Commission, 2015a).

through networks established by Jobcentres in a highly complex service delivery landscape. The evidence suggests that in the early years of implementation the strongest results were in the localities with joint Jobcentres that implemented more employment-focused service delivery strategies, backed up by sanctions (Konle-Seidl, 2009). Recent assessments, drawing on these early findings, conclude that **better results from combining active and passive measures for the LTU might arise from combining the expertise of the PES and municipalities rather than transferring responsibility to only one of them** (European Commission, 2015a, p. 10).

There are some concerns about German activation policies for the LTU. These concern misalignment of incentives and ‘creaming’ and the possible inappropriate extension of activation requirements to some people. The first concern with creaming relates to the division between agencies and Jobcentres and the possibility that some people are not getting appropriate interventions until they make the transition to the Jobcentre after a year of unemployment. The second concern about creaming arises from studies which suggest that the degree of Jobcentre and front line discretion creates a strong risk that counsellors are more likely to work with and target interventions at claimants who are closer to the labour market (Budapest Institute, 2015, p. 103). In 2012, for example, the Federal Court of Auditors investigated integration policies in selected Jobcentres finding that interventions were mainly targeted at those unemployed who had the best chances of employment while those with more severe barriers received little support. They suggested this was driven by performance targets and financial constraints (Hanesch et al, 2015, p. 10). Finally, other assessments suggest that the system may be too rigorous in extending work requirements to people with negligible employment capacity and that there are several hundred thousands of claimants labelled as unemployed whose chances of getting employment are ‘near to zero’ (Knuth, 2014).

3.5 Combining active and passive measures for the long term unemployed in Denmark

The Danish ‘flexicurity’ system is associated with high levels of employment and comparatively low levels of LTU. The system combines labour market flexibility, generous levels of UI benefits, and early activation

and has been adapted frequently in response to labour market and other changes. Over the past two decades this has included multiple reforms to the benefit and employment services system. The reforms included devolution of responsibility for front line Jobcentres to municipalities designed to ensure better coordinated active measures and more consistent equal treatment for unemployed people. Recent reforms have been targeted at more effectively preventing and tackling LTU which increased following the 2008 recession.²¹

National legislation determines benefit eligibility criteria, activation requirements and sanctions. Legislation also specifies minimum rights and obligations of the unemployed to be offered active employment assistance and access to ALMPs after a specified duration of unemployment. Those aged under 30 years or aged over 50 years have the ‘right and duty’ for an active offer in the first three months of unemployment; those aged between 30 years and 49 years must receive an offer in the first six months. **‘Activation guarantees’ are designed to ensure that unemployment durations are minimised and Jobcentres have the responsibility to ensure that these activation guarantees are delivered.**

UI benefits are administered by 26 separate social insurance funds (known as A-Kasse), most of which are connected to one or more trade unions, and provide coverage to some 70% of the labour force. The maximum duration has been shortened but UI benefit is still paid for up to two years and benefit levels are comparatively generous at 90% of the previous wage up to a ceiling. Unemployed people who do not qualify for UI, or who exhaust their entitlement, may be entitled to means-tested social assistance which is administered and partly funded by local government.

The Danish employment services delivery system is now comprised of three tiers. This includes the national Ministry, an intermediate regional tier, and a delivery network of 94 municipal Jobcentres. At national level, the Danish Minister for Employment has overall responsibility for employment policy and the activation system. Each year the Minister sets three or four high-level targets for

²¹ The LFS LTU rate reached 2.1% in 2014 before falling back to 1.6% in 2016. PES registered LTU is defined differently and tends to be higher. For example, in 2014 there were 39,698 LTU registered with the PES compared to an LFS estimated measure of 28, 874 (European Commission, 2015a).



the system. Over the past few years the targets have given priority to reductions in LTU, in the number of young people aged under 30 years without an education and in the numbers granted disability pension. These targets have been allied with other priorities including improving and enhancing support for unemployed people and strengthening cooperation between Jobcentres and employers.

The 'Danish Agency for Labour Market and Recruitment' (STAR), which is part of the Ministry, is responsible for ensuring that legislative standards are met, and for monitoring the system and assessing whether the combined efforts of the localised delivery system are meeting national objectives (Hendeliowitz, 2014). The Ministry has a strong commitment to collating and commissioning results from random assignment evaluations and for disseminating results on 'what works' and 'best practice' to Jobcentres. The aim is to assist national and local decision makers to make choices about activation policy and ALMPs on a solid base of knowledge. The Ministry is also directly involved in supporting Jobcentres with the introduction of policy change and through its 'implementation unit' identifying risks and supporting systematic change management processes.

At the regional level the Ministry is supported by administrative units which supervise the Jobcentres and each year negotiate local targets and priorities with municipalities and subsequently monitor performance. These units work with eight 'Regional Employment Councils' which are comprised of the social partners, municipalities and other public agencies. The Councils oversee the local PES system and help set targets and influence PES provision in relation to local labour needs, economic growth and social inclusion strategies.

3.5.1 Danish Jobcentres, Activation Guarantees and preventing long term unemployment

There are 94 Jobcentres in Denmark which act as the organisational focus of the local activation system. **Danish Jobcentres do not have direct responsibility for benefit administration or sanctions.** These tasks remain the responsibility of the UI funds and the social welfare offices of municipalities. **This division between active and passive support enables Jobcentres to focus on employment support and, it is considered, enables counsellors to build a better 'trust' relationship with unemployed people.** The division of administrative competences

requires, however, complex coordination arrangements between passive and active measures and recent reforms have sought to better align the work of the PES with that of the UI funds.

Jobcentres are subject to performance monitoring and benchmarking and results are openly available to a range of stakeholders. Indicators measure employment outcomes and delivery of activation and related services.

The primary aim of the Jobcentre is to facilitate speedy transitions into employment or to assist people overcome the barriers preventing them from working. Jobcentre staff register, interview and initially screen job seekers and other working age claimants and allocate them to one of three 'Match Groups' according to their work capacity and likelihood of obtaining employment. The first match group include the insured unemployed and those able to take a regular job within three months; the second group are those ready to participate in active measures; and the third group are those with serious barriers which mean they can neither work nor take part in employment measures. The PES is in the process of testing a new approach to early intervention which combines profiling with client-based subjective assessments of their own employability. The pilot intervention can be triggered also by a counsellor or social worker where they consider there is a risk of LTU even though the results of the assessment have not indicated a need for early intervention.²²

Jobcentres are required to ensure that the unemployed have an up-to-date CV and an IAP, and have a contact interview at least every month for six months with the frequency falling to every three months between six and eighteen months of unemployment. After entitlement to UI benefits was shortened to two years in 2012 there was concern about provision for those who would in future be transferred to means-tested LMS. The Ministry tested a more intensive regime for those unemployed after eighteen months and the lessons from

²² The approach is being tested in 16 Jobcentres between April 2016 and 2017. The initial assessment is undertaken jointly by Jobcentre and UI fund counsellors with those at risk then referred to early support. This may include intensive help with job search with the support of a Job Coach, health related support such as physiotherapy, or job-related education and training. The results of this large scale experiment will be evaluated and, if successful, may highlight more effective ways of intervening early to reduce unemployment durations.

these interventions helped shape a similar approach which has now been rolled out to become part of the mainstream activation system (see below).

The unemployed are required to take up mandatory activation measures after a particular period of unemployment (or full-time training or education in the case of low skilled young people). There is a strong focus on vocational training and education for the low-skilled unemployed in sectors with job opportunities. Unemployed people who are considered 'ready for the labour market' are subject to job search requirements and they have to report their activities online. People in the second match group will typically be referred to ALMPs. People in the third match group face severe employment barriers. These claimants are still required to attend quarterly interviews and Jobcentre counsellors are expected to play an active role in tackling their employment barriers, for example, in referring them to appropriate social services, including health-related rehabilitation or substance abuse treatment programmes.

Municipalities and Jobcentres have freedom on how they subcontract and tender for the delivery of ALMPs and other employment services.²³ There is little central data now available on the performance of contracted providers and there is much variation in the use of private and non-profit providers. Practices range from some Jobcentres which do not contract out services at all to the most radical model, developed by the municipality of Gribskov, which apparently has outsourced its Jobcentre entirely to a private provider (Mploy, 2011, p. 59).

23 An earlier phase of PES reform involved centrally driven contracting out of employment services, which included varied use of competitive tendering and PbR. Initially PES regional offices managed procurement but this was subsequently centralised. After this point the Ministry typically set the terms of contracts with local areas having some discretion over the services they contracted out. Until 2014 there was still a mixed national-local system although the national tenders were limited to specific groups, such as unemployed graduates or older workers, but these have now been phased out. Under these national tenders local Jobcentres previously had to refer target group claimants to the providers who were included in a national framework agreement. Such contracts typically paid an upfront fee of 25% with 75% of the agreed payment paid after the participant had been in employment of over 20 hours a week for six months.

3.5.2 Activation Guarantees and a new approach to reducing long term unemployment

The Danish 'Activation Guarantee' is backed up by a wide range of provision. The Danish PES and Jobcentres together invest more resources in ALMP spending than other European countries (1.5% of GDP). This includes an extensive portfolio of ALMPs including coaching, job search training, mentor schemes, wage subsidies, job rotation, work experience, on-the-job training, and certified education and training courses. In the most recent period about half of those who participated were receiving 'guidance and upgrading of skills and qualifications'; about 30% in 'practical work training in enterprises'; and 20% were covered by wage subsidies in the private and public sectors. Although 'activation' may be guaranteed referral to particular measures is decided by counsellors and by the availability of local provision.

Despite service delivery improvements there has been criticism of 'activation guarantees' and how they drove the placement behaviour of Jobcentres. Previously after nine months unemployment claimants had to participate in activation measures at least every six months and municipalities received greater funding for claimants participating in activation. ***There was criticism that legal targets and financial incentives drove the system towards what were called 'soft offers' and 'pointless repeat activation'.*** There was criticism also of the ways in which Jobcentre provision failed to connect LTU people more directly with meeting the needs of local employers. Negative perceptions of the system culminated in the establishment of an expert group (led by Carsten Koch, an ex-Minister) to review the system (EC-CR, 2015). The Commission produced two reports which recommended a wide range of changes including dropping the requirement for 'repeat activation'; intensifying activity and integration measures targeted at employable social assistance claimants; and the development of more employer based integration services targeted at the LTU (Kvist, 2015).

The recommendations helped shape the design of a revised Jobcentre intervention regime that was implemented for the UI unemployed in 2015 (see Figure 5). The new system better integrates passive and active measures. ***It requires the PES and UI funds to jointly deliver face-to-face counselling interviews in Jobcentres in months one and five and to increase their other contacts with claimants during the first six***

Figure 5: The Danish Contact and Activation Regime for the Insured Unemployed, 2015



months of unemployment. After six months, or 3 months in the case of young people and those aged over 50 years, the client must engage in an activation measure for a minimum of two weeks. The Jobcentre then has discretion over further interventions but must still undertake quarterly counselling interviews. If the UI claimant is still unemployed after 16 months a further intensive phase commences with a joint interview with the client and UI fund. This can be followed by engagement in other measures including a period of specialised weekly job coaching targeted at improving job search and access to vacancies. **Intensive job coaching may be delivered in-house or contracted out to specialist providers.**

Jobcentres now no longer count job coaching as activation, and **provision is steered towards ensuring that activation measures are more directly related to meeting the recruitment needs of local employers.** The greater use of work trials, internships and employment subsidies is also linked to sourcing opportunities that offer greater potential for sustained employment outcomes.

The joint service delivery system for the insured unemployed is facilitated by a common database where individual plans are shared by Jobcentres and the social insurance funds.

The closer coordination created by joint interviews can be effective, especially in drawing on the sectoral expertise of the UI fund counsellor. Organisation of the interviews, however, can be administratively challenging, especially when Jobcentres have

to coordinate interviews with smaller UI funds. Nevertheless, it appears that **cooperation has improved as the new system beds in and activities, such as common training events, facilitate a better understanding of the respective roles and methods of the different counsellors.**

Reforms to the activation regime have been paralleled by changes to the ways in which municipalities are funded. **The system combines a block grant payment, which covers Jobcentre and other local government administrative costs, and a separate system of refunds for social benefit payments (including UI benefits) which gives municipalities a strong incentive to reduce periods of unemployment.**

The centrally financed PES component of the municipal block grant is estimated in relation to a number of variables including characteristics of the local population, unemployment trends and the structure of local employment. It includes estimated resources for Jobcentre operating costs and for ALMPs.²⁴ Each municipality is free to determine staffing levels and the resources allocated to pay for case management and ALMPs. Notwithstanding this flexibility the municipality is still responsible for the commitments given in its local

²⁴ A further refinement is that central reimbursement rates for ALMPs is differentiated with the Ministry paying more towards the costs of measures (excluding vocational training) which have been found to be effective in high quality evaluations.

plan and for meeting legislative requirements for the delivery of PES services including activation guarantees and benefit levels. At the same time because central government caps the overall amount of expenditure that municipalities can spend on administration it means that the Jobcentre is competing locally with other policy areas and priorities to secure their operating expenditure.

The detail of the reimbursement system for 'social benefits', which includes social assistance, UI benefit, subsidised employment, rehabilitation allowance, and other payments, is somewhat complicated.

The core principle is, however, straightforward in that the longer a claimant is registered with the municipal Jobcentre the lower the rate of central reimbursement to cover their benefit costs.

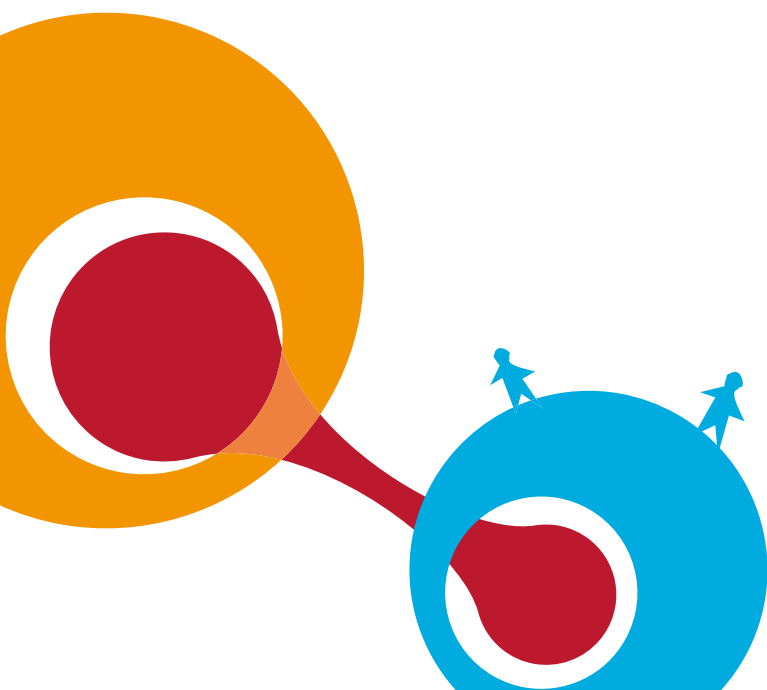
Poor design of the initial system, had unintended effects and created a strong incentive for the municipalities to get unemployed people into relatively low cost activation measures irrespective of performance. Under this system central government paid the municipality 75% of benefit when an unemployed person was in activation; 50% when the person was passive; and nothing if the person was not in activation when they were supposed to be (Andersen, 2011, p. 30).

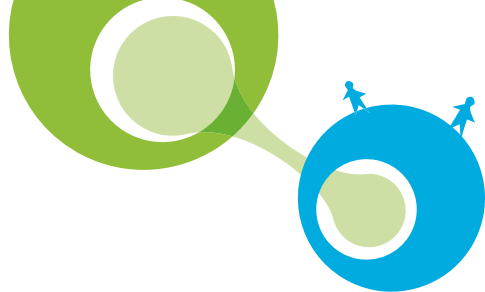
After a number of adjustments there was more comprehensive reform in January 2016 and the difference in compensation when an unemployed person is passive or in an activation measure has been abolished. The reimbursement system is now

sequenced as follows. Between weeks 1 and 4 in the unemployment period the municipalities receive 80% of the benefit from central government; between weeks 5 and 26, 40%; between weeks 27 and 52, 30%; and after week 52, only 20%.

The incentive to secure swift employment outcomes is balanced by an incentive to encourage sustainability. The full funding sequence for a claimant is only recommenced if they have ceased claiming benefit for at least one year in a three year period. The new funding regime is being phased in to prevent undue disruption.

The Danish system has been reformed to ensure national control and steering of activation policy within a performance management and funding framework which gives municipal Jobcentres a considerable degree of flexibility in how they deliver services, especially to the LTU. There has been a shift towards monitoring the outcomes rather than specifying the detail of municipal activation strategies but the national Ministry still plays a strong role in developing, evaluating and disseminating evidence based interventions to help shape more effective front line delivery for priority groups. The central-municipal reimbursement funding model gives strong incentives for Jobcentres to minimise LTU but there are contrasting views on the impact it might have. The OECD (2016) suggests that the incentives created should now encourage municipalities to speed up the transition of benefit claimants into work or education. More critical assessments express concern, however, that despite legislative requirements the incentives may induce Jobcentres to focus more on the short term rather than the already long term unemployed.





4. ISSUES EMERGING WHEN COMBINING ACTIVE AND PASSIVE MEASURES FOR THE LONG TERM UNEMPLOYED – THE ROLE OF CO-LOCATION, CONTRACTS AND SANCTIONS

Findings from the case study countries show that **PES activity with the LTU is driven by the targets, incentives and steering mechanisms through which policy makers implement Government priorities**. In each country the strategies for reducing LTU were part of wider reforms which realigned service delivery systems in ways that have integrated and/or better combined the delivery of active and passive measures. This chapter considers issues emerging from the implementation of these reforms and from the ways in which the PES and other partners have integrated or co-located ‘single contact’ services. It also considers how PES capacity to tackle LTU can be increased through subcontracting with private providers. The chapter also briefly reviews other ways in which passive income transfers and active measures may be combined to support employment outcomes through the design of sanctions, participation incentives and measures to improve the take-up of employment services.

4.1 Challenges and lessons for single point of contact reforms that combine active and passive measures for the long term unemployed

In the case study countries the PES has been the focus of reforms aimed at improving service delivery, efficiency and employment outcomes through better coordination and/or integration of active and passive measures. In the more unitary states of Ireland and Slovakia, employment services and benefit administration were merged, creating administrative savings whilst releasing staff capacity to deliver more work-focused services. PES capacity has also been augmented by subcontracting with private providers. In the other three countries policy makers devised

country-specific ways of requiring different levels of government and the PES, municipal social services departments, and social insurance agencies, to coordinate and co-locate service delivery. Despite variation in the design of these national reforms the different approaches shared common goals, including:

- **Reducing unemployment durations and long term welfare dependency.** Clear performance targets and changes in funding arrangements have given organisations stronger incentives to improve service coordination in order to reduce welfare dependency and LTU. Key features include changes to central funding of social assistance benefits, stronger and more transparent performance management of the PES, and the use of external providers to deliver additional and specialist employment service capacity. One important lesson is that LTU targets and incentives need careful design to minimise the risks of ‘creaming’ and ‘parking’ and to avoid unintended effects such as ‘repeat activation’ (as in Denmark), longer unemployment durations (as in Ireland)²⁵, or overwhelming the delivery capacity of the PES (as in Slovakia).

²⁵ Before 2012 the Irish PES targeted groups of UB claimants for quasi-mandatory interviews at a relatively early stage of their unemployment under what was called the ‘NEAP’ (National Employment Action Plan) process. Early evaluations found that the strategy reduced claimant numbers but after the activation requirement was extended to all the unemployed performance deteriorated. A subsequent control study found that poor programme design and weak PES implementation resulted in the activation requirement having a *negative impact* on unemployment durations and participation reduced the relative chances of the activated group entering employment (McGuinness et al., 2011).

- **Improving employment outcomes for service users** by better coordinating and targeting a range of interventions to suit individual needs. Improved outcomes are secured also by ensuring strong connections with employer engagement services through which service providers and counsellors can promote LTU clients and the services and subsidies available. A clear focus on meeting local employer demand enables service providers and counsellors to better understand the job opportunities available and which employment sectors are expanding.
- **Improving system efficiencies** by reducing fragmentation and duplication of intake and assessment processes, sharing information and data, and coordinating services.

In the case study countries, the PES and other service delivery agencies encountered some common challenges when integrating and/or co-locating service delivery. Many immediate issues involve resources and tackling the legacy of earlier working practices and related administrative, ICT and office arrangements. Developing and agreeing new working arrangements and protocols, sometimes securing and adapting premises and moving staff into different buildings, and developing ICT, common databases and service delivery systems will take time, incur initial costs and may disrupt the current performance of the agencies involved. One of the findings from the Irish experience concerns the recognition that **where reform is the product of an 'intense' phase of national policy change it will take time to feed through into better coordinated and improved front line delivery.**

One advantage of well-managed integration or service co-location is that physically bringing organisations together can help to overcome some of the more entrenched cultural differences and data-sharing challenges that inhibit service coordination. Good examples can be found in the effective operation of cross-agency management and delivery teams developing local manual workarounds or deploying different staff to conduct different tasks that enable co-located providers to share client information before the development of more formal permissive data sharing protocols. Information systems and data protocols are, however, likely to need reform and, as in Finland, may require legislative change to enable requisite information to be shared, with client consent, especially between employment, social and health services.

There is no one-size-fits all approach to combining active and passive support for the LTU. European PESs follow diverse strategies and there is great variation in the extent to which they coordinate their activities with the work of social insurance institutions, municipalities, and other local services. Where they are most developed inter-agency arrangements may be formal or informal and may be client-focused, improving connections and referrals on an individual basis, or organisation-focused, requiring more systemic collaboration and coordination (Budapest Institute, 2015b). Whatever model is followed **inter-agency cooperation is of central importance to the delivery of better coordinated and/or integrated services for the LTU.** PES managers need to establish and maintain good working relationships with partner agencies which can help overcome or work around the constraints to coordinated service delivery induced by institutional and funding arrangements, regulatory environments, and so on.

Findings from the case studies give insight into one of the more significant trends in Europe where countries are systematically realigning PES and municipal services in one stop and co-located delivery systems. **Service co-location involves start-up and transition costs but, when implemented effectively, these can be offset by improved efficiency in many aspects of service delivery.** One advantage, for example, is that physically bringing organisations together can help overcome some of the more entrenched cultural differences and data-sharing challenges that inhibit service coordination.

In Finland, Germany and Denmark implementation of co-located single points of delivery was preceded by and managed through **the development of local agreements outlining service protocols, working methods and respective organisational responsibilities.** These instruments give a benchmark for other countries or municipalities where the PES and other partners are seeking to align services for the LTU. Such protocols typically clarify the responsibilities of each agency and contain agreement on the following elements:

- The clients to be served and the operating model;
- Management arrangements and supervision of operations;
- Personnel to be allocated to deliver the services;
- Budget and monitoring of expenditure;
- Any services to be outsourced or purchased from external service providers.

The implementation of such inter-agency agreements and the introduction of new working arrangements to support co-located service environments typically involves several overlapping phases or processes. The particular sequence of design and implementation phases will vary in relation to local administrative capacity, existing organisational arrangements and the relationships between the services to be co-located. The following stylised phases, however, give an indication of the different processes to be considered when developing a co-located single point of delivery or contact for the LTU:

Phase 1: Policy makers and managers need to clarify the objectives of the reform, the client groups to be targeted, identify potential delivery partners and develop service design and implementation objectives. This phase may map local provision and expose gaps and duplication of services.

Phase 2: Establishing a project management team and identifying a project manager.

Phase 3: Developing the operational vision, partnership agreement and collaboration model.

Phase 4: Team building, regular meetings and communications.

Phase 5: Preparing staff and stakeholders for change.

Phase 6: Identifying the property and physical requirements needed for the co-located services and securing and organising the premises.

Phase 7: The elaboration of detailed systems concerning administration, client management and finance for the co-located single point of contact. This should include referral and tracking arrangements with providers of complementary services who may not be core partners in the co-located service.

Phase 8: Developing a performance monitoring and reporting system that can be built into the daily work of the co-located agencies. **When the reform covers multiple client groups improved support for the LTU should be a clearly formulated priority.**

There is great variation in the timetables followed when co-located single points of delivery have been established, reflecting the scale, ambition and urgency attached to such reforms. Findings from the case study countries and other comparable international PES service delivery reforms show that whatever the initial timetable **securing the benefits of co-location or integration and developing a common service culture takes time.** Effective implementation will rely on clear

policy objectives, effective project management and implementation so **co-location arrangements should be designed in ways which allow lessons to be learned rapidly and adjustments to be made.** This is why, as with other reforms, the development of single points of delivery are typically piloted in selected locations. This allows policy makers time to learn from early experiences, including mistakes, and to make necessary adjustments before any wider implementation.

4.2 Contracting with private providers for the delivery of employment services to the long term unemployed

Care must be taken not to overload the PES with additional service users when increasing PES coverage of the LTU or extending services to new groups of previously inactive long term welfare recipients. A poorly anticipated surge in demand may weaken the PESs capacity to deliver existing services to the unemployed. The new client groups are also likely to have circumstances different from the more employable clients with whom the PES traditionally works and may need access to different forms of employment-focused provision. In these circumstances, it may be worth considering how to develop appropriate delivery capacity by contracting with external providers. The use of non-profit and for-profit employment services providers is already widespread in Europe but one key innovation in the Irish JobPath and preceding UK Work Programme approaches has been to **devise funding systems whereby the costs of contracted placement services are mitigated by the savings in future passive benefit payments that providers generate from placing the LTU into sustained employment.**

In individual European countries, the commissioning and contracting of employment services is typically complex and, in many countries, small-scale, with a wide variety of procurement practices (Finn 2011). In countries, such as Ireland, at the forefront of supplementing PES capacity for the LTU through purchasing services from external providers, procurement is now characterised by competitive tendering, the selection of prime providers on the basis of price and quality, and the payment of providers based on their performance in delivering services and securing employment outcomes. Performance incentives have been carefully designed with differential pricing ensuring that rewards are greater for placing the most disadvantaged LTU. There are concerns still about the

potential for creaming and parking and it may be that such performance based contracts need to be balanced by rewards for securing ‘social outcomes’ shown to help participants with the greatest or multiple employment barriers prepare for employment.

Findings from evaluations and reviews of these contracting systems show mixed results, but suggest that contracting arrangements allow public authorities to expand or reduce PES service delivery capacity without assuming the long-term commitments involved in public sector employment – although some stability in contracting arrangements is desirable to build up the capacity and service quality of contracted providers. **The introduction of competition and tendering for contracts can also potentially reduce delivery costs, stimulate innovation in service delivery, and give clients access to skilled staff and services unavailable in the public sector.** Such developments also may spur improved performance in the PES, both through competition and best-practice transfer.

4.3 Mutual Obligations and sanctions

A common feature of activation reforms in the case study countries has been ‘mutual obligations’ where the benefit entitlements of unemployed claimants are balanced by their responsibilities to register with the PES, to actively seek work, and to take advantage of available employment assistance. One of the more controversial aspects of mutual obligation approaches concerns the design and implementation of the sanction regimes with which they are associated. **This most obvious connection between passive and active measures is designed both to enhance engagement and participation whilst ensuring that claimants fulfil their mutual obligation.**

PES registration is often a requirement of eligibility for cash benefits and/or activation services and deregistration may be used as a sanction which, as in Slovakia, can prevent people who break rules from accessing services for a specific period. Activation-related sanctions in the other case study countries were also comprised of financial penalties that typically escalate in severity if a service user continues to miss appointments or fails to engage with or undertake a required activity. Compliance activities might start with a warning, as in Ireland. Failure to attend scheduled appointments with the PES often results in the suspension of benefits until

the client complies and a failure to attend a mandatory employment programme is likely to result in a fixed period of non-payment or to be construed as making an individual unavailable for work and ineligible for benefit. **Where the sanction is designed to change behaviour financial penalties may often be suspended or withdrawn if the individual attends the interview, reengages with the service and/or undertakes specified actions.**

It is difficult to assess the contribution sanctions make to overall compliance or employment transitions because many people may respond to the risk or possibility of sanctions without ever experiencing them. There is, for example, significant evaluation evidence from the case study countries that welfare exit and employment transition rates increase prior to clients being required to attend interviews and engage in mandatory work programmes or more intensive assistance. These studies typically find that the impact of sanctions and monitoring is induced because claimants reduce their reservation wages and increase their job search intensity. One negative consequence, however, is that the jobs taken by those after sanctions are lower paid and more unstable than for other leavers. There is evidence also that some of those claimants exiting benefits move into economic inactivity or onto other benefits rather than into jobs (Eichorst et al, 2015; European Commission, 2016b, 2015a; Martin, 2015).

Evaluations of implementation suggest that PESs and social welfare agencies which communicate, monitor and enforce sanctions can secure greater compliance with employment requirements and lower welfare expenditure than those which do not. Studies have found that enforcing work requirements is important, but it is not clear whether complete or partial termination of benefits is more effective. Some findings suggest that **the severity of sanctions may be less important than the effective communication of their existence and the speed of their implementation.**

Extending and implementing activation requirements and sanctions to previously inactive long term claimants with significant employment barriers needs careful design and consideration, especially on who should be targeted and when such requirements should be imposed. There is a risk, as in Denmark, that when sanctions are considered too harsh social

workers or counsellors might not implement them and/or would move their clients into other benefit schemes (Diop-Christensen, 2015). There is a risk also of undermining the capacity of the service delivery system where, for example, in Germany the introduction of too rigorous a 'work line' has meant that 'several hundred thousands of claimants' are labelled as unemployed in the basic income system and their chances of getting employment are 'near to zero' (Knuth, 2014).

One approach in extending activation requirements to groups new to the PES is to do so gradually, possibly **using an initial phase of voluntary engagement. This enables policy makers to build system and delivery capacity and to accumulate knowledge about what works in assisting such claimants and the relative financial costs and benefits of such interventions.** In the UK and now in Ireland it has only been after several years of testing intermediate activation requirements, and developing related pro-employment services, that formal job search and availability for work rules have gradually been extended to lone parents and, in the UK, other long term welfare claimants. This developmental approach gives time to decide the appropriate balance between properly enforcing obligations and encouraging engagement with the services available. Such an approach may also be appropriate in those countries which need to extend **activation services to an increased number of claimants who can combine low paid, often part-time employment with long term receipt of welfare benefits** (as in Germany and Ireland).

4.4 Voluntary PES registration, Participation Incentives and benefit 'Take-Up' campaigns targeted at the long term unemployed

Voluntary registration of the non-claimant LTU is greatest in those European countries where the PES has a good reputation for job matching, offers a universal service and has a high quality service offer. In other countries PES registration rates are high only amongst the benefit claimant LTU or those who register to access other services. In Slovakia, for example, high levels of PES registration are maintained because it is a requirement for unemployed people who want to access non-employment related services, especially publicly financed healthcare.

In those countries with low levels of benefit coverage **PES registration rates and participation of the LTU in ALMPs could be improved and made more attractive through the use of cash or in-kind incentives** (as in the case of the 'activation allowance' in Slovakia). In several countries front line case workers are able to provide discretionary support that might include transportation subsidies or vouchers for attending the PES, attending job interviews, assistance with child care expenses and provision, and even assistance with work clothes and tools or equipment. PES services might also consider payment of modest participation or activity allowances or bonuses to individuals in high priority groups of the LTU who engage in and complete employment or training programmes. Participation may also be improved through PES and municipal **'outreach' services and campaigns that add greatest value when targeted at the most disadvantaged areas and harder to engage LTU groups** (Dewson et al, 2006).

A final approach to improving PES registration and engagement with employment assistance amongst the non-registered LTU might involve **combining efforts to improve take-up rates of both passive and active measures.** Although it was not the focus of this study evidence reviews show that *non-take-up rates* of minimum income means-tested benefits amongst working age people are high in many European countries including, for example, Finland and Germany (Eurofound, 2015; Bargain et al, 2010). Many of these eligible non-claimants, and their families, are at risk of poverty and it is likely also that few will be registered with the PES or accessing employment assistance. There are many positive examples of successful benefit take-up campaigns and services which in addition to increased income have been found to improve health, family and work-related outcomes (Finn and Goodship, 2014). One significant intervention has been to target take-up services at key transition points and this insight could be adapted to measures seeking to improve PES registration and engagement at the point when the LTU lose entitlement to UI benefits (after which, evidence suggests, many now become disconnected from the system). **There would be value in PES managers seeking to work with targeted national or local benefit take-up campaigns that, if effective, would have the merit of combining improved PES registration and engagement with employment services with poverty reduction outcomes.**

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