



# **European Network of Public Employment Services**

## **New forms of active labour market policy programmes**

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The European Network of Public Employment Services was created following a Decision of the European Parliament and Council in June 2014, amended in 2020. Its objective is to reinforce PES capacity, effectiveness and efficiency. This activity has been developed within the work programme of the European PES Network. For further information: <http://ec.europa.eu/social/PESNetwork>.

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**LIST OF ABBREVIATIONS**

|                 |  |
|-----------------|--|
| <b>ALMP</b>     | Active Labour Market Policy                            |
| <b>COVID-19</b> | Coronavirus Disease 2019                               |
| <b>CVET</b>     | Continuing Vocational Education and Training           |
| <b>EC</b>       | European Commission                                    |
| <b>EU</b>       | European Union   |
| <b>GDP</b>      | Gross Domestic Product                                 |
| <b>LMP</b>      | Labour Market Policy                                   |
| <b>LFS</b>      | Labour Force Survey                                    |
| <b>LTU</b>      | Long-Term Unemployed                                   |
| <b>NEET</b>     | Young person Not in Employment, Education or Training  |
| <b>OECD</b>     | Organisation for Economic Co-operation and Development |
| <b>PES</b>      | Public Employment Services                             |
| <b>RRF</b>      | Recovery and Resilience Facility                       |
| <b>SME</b>      | Small and Medium Enterprises                           |
| <b>STW</b>      | Short-Time Work  |
| <b>VET</b>      | Vocational Education and Training                      |

**COUNTRY ACRONYMS**

|           |                    |           |                 |
|-----------|--------------------|-----------|-----------------|
| <b>AT</b> | Austria            | <b>IT</b> | Italy           |
| <b>BE</b> | Belgium            | <b>LV</b> | Latvia          |
| <b>BG</b> | Bulgaria           | <b>LI</b> | Liechtenstein   |
| <b>HR</b> | Croatia            | <b>LT</b> | Lithuania       |
| <b>CY</b> | Cyprus             | <b>LU</b> | Luxembourg      |
| <b>CZ</b> | The Czech Republic | <b>MT</b> | Malta           |
| <b>DK</b> | Denmark            | <b>NL</b> | The Netherlands |
| <b>EE</b> | Estonia            | <b>NO</b> | Norway          |
| <b>FI</b> | Finland            | <b>PL</b> | Poland          |
| <b>FR</b> | France             | <b>PT</b> | Portugal        |
| <b>DE</b> | Germany            | <b>RO</b> | Romania         |
| <b>EL</b> | Greece             | <b>SK</b> | Slovakia        |
| <b>HU</b> | Hungary            | <b>SI</b> | Slovenia        |
| <b>IS</b> | Iceland            | <b>ES</b> | Spain           |
| <b>IE</b> | Ireland            | <b>SE</b> | Sweden          |

## EXECUTIVE SUMMARY

### *Objectives of this study*

The **objective of this study is to present the 'state of play' in the introduction of new Active Labour Market Policies (ALMPs) and their use by the Public Employment Services (PES) between 2015 and 2022.** The time span is selected to analyse how PES respond to short and long-term labour market challenges. Both long-term structural changes in the labour market and short-term specific changes, such as those caused by the COVID-19 pandemic have called for an adaptation of ALMPs to cater for the needs of clients.

This study seeks to investigate to what extent ALMPs were used with documented impacts to respond in the short-term to challenges faced by some groups. The study also asks whether the new ALMPs are relevant to **cope with future challenges**. This study reviews research carried out by international organisations as well as national sources. The study also uses different surveys that have been addressed to PES.

### *Main labour market trends*

**COVID-19 interrupted an otherwise continued nominal and real GDP growth trend** which had been evident since 2015, yet it also interrupted a falling trend of unemployment. **As economies have recovered quickly, unemployment has again been falling and was below its pre-pandemic level by the end of 2021. However, some structural issues** in the labour market remain, including long-term unemployment, difficult labour market access for various disadvantaged groups and the high number of young NEETs in several countries.

With sustained and increasing demand for labour, employment rates have increased in most countries. **Labour and skills shortages**, which were already apparent before the pandemic, have become one of the major challenges for European labour markets. More recently, following Russia's invasion of Ukraine, labour market prospects have weakened. Nevertheless, in early 2023, the outlook for both unemployment and employment is positive.<sup>1</sup>

### *Main shifts in the use of labour market policy programmes*

**Previous to the pandemic, ALMP budgets have been declining**, responding to falling unemployment rates. In this context in most countries **prior to the pandemic**, new ALMPs and forms of delivering them **were steered towards disadvantaged groups**.

**In response to the pandemic, the extensive use of job retention schemes** has significantly increased budgets for labour market programmes. Significant changes had been made to existing schemes and new schemes were introduced. **These schemes were scaled back following the economic recovery**, building on evidence from the previous economic crisis and following recommendations from the research. **Assessments have found the schemes to be an effective measure to contain short-term unemployment and may thus have prevented long-term unemployment and efficiency losses linked to fluctuations.**

**The COVID-19 pandemic can be regarded as an extra-ordinary phase that called for specific and additional activities.** When the pandemic ended, PES in general scaled back their extraordinary expenses allocated to handling the crisis. Thus, during this period PES indeed displayed the higher level of reactivity required.

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<sup>1</sup> <https://iab.de/en/daten/time-series-of-the-iab-labor-market-barometer/>



**During the pandemic, many countries introduced temporary new hiring incentives** (sometimes combined with new forms of job creation measures) and **training measures**. However, these measures have been far less important in terms of budget compared to job retention schemes. Some of the newly introduced or amended ALMPs have also addressed the structural problems of the labour market, in particular relating to skills mismatch and overcoming labour and skills shortages as well as employment barriers of disadvantaged groups. In addition, there are strong indications that also budgets for training and employment services increased during the pandemic.

**Design elements of some of these new initiatives and measures have often followed approaches that have been tested prior to the pandemic and have been found to be effective.** Evidence for the success of new approaches is available in some countries, making it possible to draw general lessons that are also relevant to other countries. Yet, not all new approaches were evaluated. In addition to this, the effectiveness of new ALMPs implemented during the pandemic, especially the effectiveness of large-scale programmes such as large job retention schemes, is not yet known.

**Looking into the future, the green and digital transitions** and other economic restructuring processes are major challenges. **PES activities and measures will require sufficient and possibly additional resources to address the labour market impacts of these transitions** PES have an important role to play in assuring the inclusion of vulnerable groups in this process and a new role in preparing workers for the job-to-job transitions, skills adaptation within companies, in particular SMEs, to overcome labour and skills shortages and to render the transition as inclusive as possible.

Furthermore, while unemployment is relatively low in early 2023, this may change again in future. Although recovery policies are promoting these transitions, some Member States PES funding has remained very low, and this has not fundamentally changed. Adequate funding for PES to cope with future challenges will be important and should be monitored.

#### *New ALMPs in the area of training and recruitment incentives*

**New measures have mainly been introduced in the area of training.** They encompass increasingly specific employed groups, such as those who are at risk of becoming unemployed and are thus increasingly used in preventing unemployment and skills shortages. Offering training measures for bottleneck occupations can also be discerned as a relatively new trend. Content-wise, PES increasingly attempt to ensure that the training offered addresses digital skills at different proficiency levels demanded in the labour market and to close digital skills gaps in the workforce.

Preparing the workforce for the digital transition has been reinforced but fewer efforts have been made to prepare them for the green transition. PES have started to offer training for specific and in-demand green skills, although many PES have still not prioritised this. The main changes in delivering training measures have concerned the delivery of classroom training remotely as well as temporary support to workplace-based learning to improve access to training and increase take-up during the pandemic. Providing training in remote formats is changing the training landscape in the long-term.

**Linked to the pandemic, changes introduced to recruitment incentives** have mainly concerned temporary amendments to increase the budget to prolong projects, increase subsidy levels and enlarge the target groups. **A few changes have been introduced in the delivery of employment incentives**, including more efficient administrative procedures and design elements aimed at fostering employment sustainability and reducing employment precariousness.

#### *New ALMPs for specific groups of unemployed*

At the beginning of the pandemic, PES encountered difficulties implementing programmes, particularly due to the required distancing. Simultaneously, many PES recorded an increase

in vulnerable groups in their registries. As a response, **during and after the pandemic countries have mainly retargeted ALMPs to vulnerable groups and increased budgets for existing measures targeted at these groups.** PES could rely on previous experiences to improve and innovate ALMP instruments and delivery for long-term unemployed and people with multiple employment barriers, which have been developed for many years and are considered effective.

**New measures have been introduced or existing measures amended or upscaled to bring people back to work and to encourage young people to pursue education and VET.** The unemployment rate of young people has been falling recently, although it still stands at a higher level than before the pandemic. **Support for training has also been made available for young NEETs** by offering them preparatory and bridging courses, as well as new approaches in counselling and career guidance, as these have been found to be effective. However, outreach to young NEETs remains a challenge.

In response to the large influx **of displaced persons from Ukraine** since the end of February 2022, many PES have made major efforts to offer their services. PES usually highlight language courses as well as the recognition of skills and qualifications as important. Previous evaluations have shown that activation measures for refugees are overall effective when taking the multiple employment barriers into account.

#### *New employment services to support the implementation of ALMPs*

Many PES have been concerned with improving the quality of their provided services and this concern has been reinforced since the start of the pandemic. **Digitalisation has been one of the major changes in delivering PES services, and has been pushed by the pandemic.**

**The main changes in recent years, starting in the pre-COVID-19 period, concern intensified counselling and guidance,** improved career guidance, mentoring, coaching and post-placement activities. The trend towards finding **pathways for inter-institutional cooperation and wider partnerships** for the labour market integration of disadvantaged groups has continued. Research finds positive effects of these approaches.

**Several PES have improved their counselling services for employers.** A few PES have reinforced cooperation with employers to integrate vulnerable groups. In several countries, social partners have played an important role in deciding on new ALMPs.

#### *Remaining challenges and recommendations*

The remaining **challenges include the need to improve measures and outreach to vulnerable groups** and continue to strengthen cooperation between employment services, social services and health services. Progress had been made for some groups, but there have been also limits. There have been **slight changes in the use of vocational rehabilitation** and sheltered employment measures in recent years, despite recommendations. In most countries, **start-up incentives have not been increased** recently, although evidence points to positive results. **Very few new measures are targeted at women.** Evaluations of specific programmes to attract women into STEM and male-dominated VET-trained occupations show positive results. **Very few new measures have been developed for older unemployed,** despite increasing demographic pressure.

**Addressing skills mismatch and closing skills gaps** calls for identifying the skills needs of jobseekers and employers and for making sure training offers match skills in demand. This is a permanent challenge for PES. Labour market shortages and demographic change will continue to exert pressure to increase the labour supply and the availability of skills. **Some countries remain under-sourced** for providing ALMPs in general, and in particular to address the new needs for services and support.

**Looking at current and future challenges linked to the expected increased pressure of demographic change, and the digital and ecological transitions,** PES are again faced with the need to reflect on their future strategies. Although the need for new or changed ALMPs of course depends on the 'resilience' of the existing measures, it is likely that specific measures or modifications in existing measures will be required. Conducting more evaluation and basing the adaptation of ALMPs and introduction of new elements is key. PES can also conduct more future-oriented analysis for example horizon scans.

Although progress to integrate vulnerable groups has been made, results have been uneven and much effort remains to be done. The skills requirements for green and digital jobs will demand even more creative and dedicated efforts. Related to the ecological transition PES have now started to better understand the impact of greening labour markets and are defining strategies, though still at different paces. Many PES already embraced their stronger role in working with companies and workers to overcome labour and skills shortages and advising in particular SMEs in this regard. However, PES need to further develop preventive approaches and support workers at risk. Although PES attach importance to gender equalities, they have mainly opted for a mainstreaming approach. There are indications that the gender equality in the labour market is in danger of drawbacks due to the ongoing transitions. Therefore, it is advisable to monitor this and develop more dedicated strategies and approaches to promote female employment and reduce gender inequalities in the labour market.

Looking to the future, the main recommendations for the evidence-based design of ALMPs include:

- pursued efforts for implementing comprehensive approaches built on partnerships for integrated and comprehensive employment services;
- an increased effort to match training offers to the needs of the learners (unemployed and specific groups of workers at risk) and the skills needed by employers to overcome and prevent skills shortages;
- an increased effort to develop training offers to support digitalisation and greening of the economy;
- continued efforts to evaluate ALMPs, and dialogues between relevant Ministries and PES on the implications of findings of ALMP assessments on adapting the design of ALMPs and on the budget;
- a continuously improved service offer to employers and cooperation with employers to deal with labour and skills shortages;
- an assessment of the strength and limitations of digitalisation for the different counselling services, diagnostic tools and training courses; a reinforced effort to increase labour supply (e.g. among older workers, making efficient use of skills of migrants);
- activities aimed at closing the gender employment gap and reducing occupational gender segregation and gender stereotypes.

These changes and improvements are necessary to overcome the structural issues of the labour market. Priorities and the need for newly adapted and increased temporary measures may become relevant again in case of a recession.

Detailed information is structured as follows in the study report: a short overview of the main labour market trends and key challenges (chapter 2), recent trends in ALMP design and implementation (chapter 3), new ALMPs for specific target groups (chapter 4), implementation conditions of ALMPs, including the PES services delivery chain, digitalisation and partnership approaches (chapter 5). A summary of key insights of the chapters is provided in the beginning of each chapter. The report ends with detailed conclusions and recommendations on topics covered throughout the report (chapter 6).

## 1. INTRODUCTION

The COVID-19 pandemic has prompted significant changes in the use of passive and active labour market policy measures. At the beginning of the pandemic, job retention schemes were amended, upscaled and utilised considerably to contain the rise in unemployment. Then, to support the recovery, the focus of active labour market policies (ALMPs) shifted towards measures aimed at promoting occupational and labour mobility, favouring the labour market integration of the most vulnerable groups and tackling labour shortages. The COVID-19 pandemic heavily challenged the implementation of ALMPs, as lockdowns and distancing rules demanded the development of new delivery models. Some of these changes have long-lasting effects on service delivery models.

These short-term challenges linked to the COVID-19 pandemic added to the prevalent longer-term challenges which PES had already started to tackle. Among key labour market challenges in the period prior to the COVID-19 crisis, labour and skills shortages<sup>2</sup>, low employment rates of specific groups, labour market transition of disadvantaged young people and low participation in adult learning have been named (EC 2018, Corti et al. 2022, Duell et al. forthcoming, see for examples Annex, Table A1). Longer-term structural changes in the labour market resulting from issues such as greening and digitalisation, structural shifts in global supply chains and specialisation as well as demographic change also heavily impacted the demand for labour and skills.

This study is investigating whether new ALMPs need to be developed or whether existing ALMPs are sufficiently well adapted to cope with the emerging short-term and long-term challenges. New ALMPs may refer to being “new” in the national or regional context as they may not have existed before. ALMPs may also be considered “new” if major increases in budgets have been made to open new opportunities for people who would have been left behind otherwise, uptake significantly increased or amendments to existing ALMPs have been made. New measures and programmes can encompass all sorts of measures (from far-reaching reforms to small instruments, pilot programmes, etc.). New strategies for implementing ALMPs, and new forms of co-operation will also be a focus of this study.

The objective of the study is to present the ‘state of play’ in the use of new ALMPs in the PES and identify recent trends starting in 2015 and thus in the pre-pandemic phase and the post-global financial and economic crisis phase<sup>3</sup> with a focus on 2020 to 2022. The study seeks to assess whether ALMPs are adapted to the needs of the labour market and to the skill needs of jobseekers and to make recommendations for improvement. Both long-term structural changes and short-term specific changes, such as those caused by the COVID-19 pandemic on the labour market, affect some groups of workers more than others. Thus, one aim of the study is to address to what extent ALMPs were able to respond in the short-term to challenges faced by some groups, and whether the use of ALMPs for certain groups/clients is in line with documented impacts. Another objective is to investigate whether the measures are relevant to tackle long-term challenges and changing skills needs.

The added value of this study is that it assesses the capacity of PES and key actors involved in the design of ALMPs to respond to major challenges by looking at the pre-COVID period and the post-COVID period and takes a mid-term view. The study goes beyond stock-taking, contextualises changes in ALMPs design or implementation and assess against

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<sup>2</sup> Labour shortages occur generally if demand for labour exceeds supply for labour without further specification with regard to skills. Skill shortages more specifically arise when employers are unable to recruit staff with the required skills at given wage levels, because skills demanded by employers are not offered by workers (Duell et al. forthcoming).

<sup>3</sup> The year 2015 was thus chosen as a year in which the labour market had recovered from the past economic crisis and leaving sufficient time before the COVID-19 pandemic started to be able to identify new ALMPs, or changes in ALMP implementation.

available evaluation results. Some limitations concern the availability of data on ALMPs in terms of budget and participants (available until 2020), limited comparability of data on specific schemes such as job retention schemes due to methodological reasons and very limited availability impact evaluations that refer to ALMP implementation between 2015 and 2022 during the pandemic. **Research questions** include the following:

- What (new) labour market policy measures, including job retention schemes as “preventive measures” and ALMPs have been used by PES to address the effects of the COVID-19 pandemic, and what “new” ALMPs have been implemented to tackle long-term labour market challenges? What is known about the (potential) effects of these measures?
- What shifts in the use of the different measures took place in recent years and what were the reasons and reasoning behind such changes?
- To what extent do the main measures used and the main shifts occurring logically reflect what is known and documented about impacts? To what extent are practices and trends in line with the needs of the clients and labour markets according to what we now know about the future?

This study reviews research carried out by international organisations, including the European Commission, OECD, and Eurofound, as well as national sources. The study also uses PES regular replies to the questionnaire ‘Response to COVID-19 – Monthly Overview’ compiled by the PES Network Secretariat, with the latest information received in January 2022 from 28 PES (referenced as ‘PES responses to COVID-19’ overview), surveys conducted by the European PES Network for the PES capacity report, information collected by the PES Network on support to displaced people from Ukraine (unpublished) in June 2022, the Eurostat LMP database data on recent changes in the expenditure on different ALMPs, and Eurofound’s PolicyWatch database. In addition, three interviews have been conducted with PES and external labour market experts (**Finland, France and Spain**).

This report is structured as follows: Chapter 2 gives a short overview of the main labour market trends and key challenges. Chapter 3 discusses recent trends in ALMP design and implementation. Chapter 4 focuses on the use of new ALMPs for specific target groups. Chapter 5 briefly discusses the implementation conditions of ALMPs, including the PES services delivery chain, digitalisation and partnership approaches. Chapter 6 presents the conclusions.

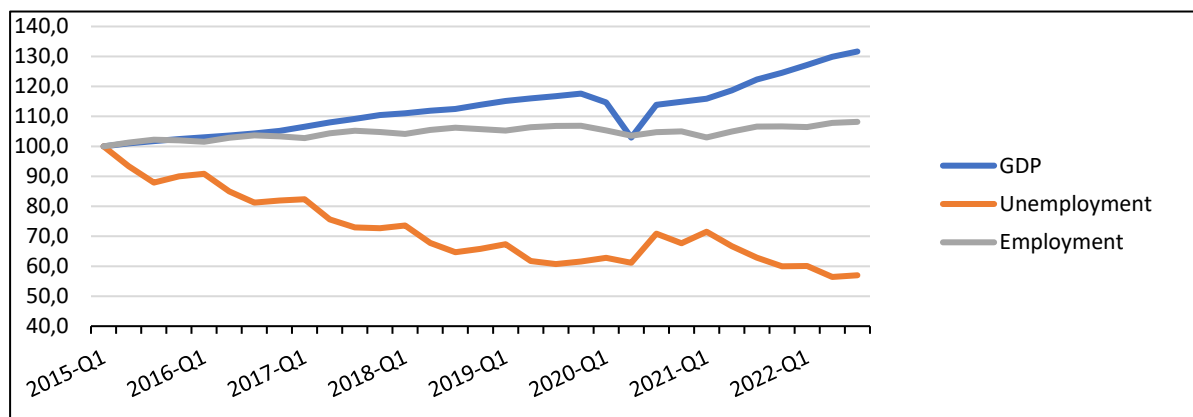
## 2. RECENT LABOUR MARKET TRENDS AND KEY CHALLENGES

### 2.1. Key labour market trends

*On average the EU-27 economies recovered rapidly from the strong decline in GDP caused by the COVID-19 pandemic in 2020. The number of persons employed remained rather stable during the economic shock, and an initial moderate rise in unemployment could already be reversed in early 2021.*

The COVID-19 pandemic prompted an economic shock in spring and summer 2020, as evidenced by a strong fall in GDP. COVID-19 interrupted an otherwise continued nominal and real GDP growth trend which had been in progress since 2015. The economy recovered quickly once the first set of strict lockdown measures were lifted. GDP has been rising since the third quarter of 2020 and continued to do so in the first and second quarters of 2022 (nominal growth<sup>4</sup>, see Figure 1). The intensive use of job retention schemes helped to maintain employment and contain the rise in unemployment (Figure 1). Job vacancies have developed in a V shape<sup>5</sup>. As the economy has recovered, the GDP has continued to follow a rising trend, and the vacancy rate increased (above pre-COVID-19 level) employment has grown and unemployment has shrunk particularly since mid-2021. This has come along with some labour market restructuring and with labour and skills shortages for some occupations.

**Figure 1. Development of nominal GDP, number of employed and unemployed by quarter from Q1/2015 to Q3/2022**



Source: Eurostat, LFS, own compilation

In the short- and medium-term, (some) European labour markets are threatened by a possible slowing-down of economic growth or even a **recession**. In Autumn 2022, the European Commission expected a technical recession as a consequence of the different shocks the European economies were confronted with, including the Russian war of aggression against Ukraine. However, the Winter Interim Forecast shows now a slightly more optimistic picture, as it seems that recession can be avoided<sup>6</sup>.

<sup>4</sup> For EU-27, the COVID-19 pandemic caused an average fall in real GDP per capita by 5.7%, between 2019 and 2020 and increased by 5.3% between 2020 and 2021 (source: Eurostat).

<sup>5</sup> The job vacancy rate was higher in the second quarter of 2022 (3%) than in the second quarter of 2019 (2.2%) (Annex, Figure A3).

<sup>6</sup> [https://ec.europa.eu/commission/presscorner/detail/en/ip\\_23\\_707](https://ec.europa.eu/commission/presscorner/detail/en/ip_23_707)

## 2.2. Impact on specific groups

*Those groups who experience more difficult labour market access or who have unstable employment trajectories have been particularly hit by the COVID-19 pandemic in terms of their labour market chances, among them young people, long-term unemployed, migrants and in many countries the low-skilled, thus reversing the previous trend of improved labour market access. While the unemployment risk of older workers and people with disabilities have not increased during the pandemic, structural problems in increasing their hiring rates have remained over the past years. Further, gender employment gaps have remained large.*

Despite increasing total employment<sup>7</sup> and increasing employment rates in tandem with falling inactivity<sup>8</sup> and unemployment rates<sup>9</sup>, some groups of workers and jobseekers have been affected more significantly by the pandemic than others. Cyclical effects and the effect of the external shock of the pandemic have contributed to structural problems within some groups which has hindered their access to the labour market.

The unemployed were strongly affected at the beginning of the pandemic, as job openings vanished with the sudden suspension of most economic activities. As a consequence, the long-term unemployment rate rose during the pandemic (with a peak of 2.9% in the first quarter of 2021). As the economy recovered and demand for labour grew, long-term unemployment fell. In Q2/2022 the long-term unemployment rate was 2.4%, lower than in Q2/2019 (2.7%) and in Q2/2015 (5%) (see Annex, Figure A1)<sup>10</sup>. However, variations in long-term unemployment rates are still very large across Europe, ranging from 0.6% in **Iceland** to 7.7% in **Greece** in Q2/2022 (see Annex, Figure 2).

In addition to the long-term unemployed and those furthest from the labour market, the COVID-19 pandemic affected some groups more considerably than others: workers with precarious or non-standard forms of employment (temporary contracts, self-employed), young people whose employment prospects are highly sensitive to the business cycle, migrants and people with disabilities for whom it may have been more challenging to comply with social distancing rules (as confirmed also by Duell 2020 and Duell et al. 2022). As demand for labour has grown, the employment chances of some of these groups (e.g. migrants) have improved. Nevertheless, structural problems of low employability prevail, which is still the case for many migrants. In addition, the inflow of displaced persons from Ukraine since the start of Russia's invasion has created new challenges for the PES in a number of countries.

Having a low skills level has increased the risk of not being in employment since the start of the pandemic. In previous years already, low-skilled groups had higher unemployment rates on average. In the OECD, the employment rates among people with low education fell with respect to pre-crisis levels in more than half of the countries. Conversely, the share of low-educated in employment increased in several other countries. Employment of low-educated people in **Norway, Germany and Denmark** has increased due to the growth in manufacturing and construction and health and education (OECD 2022a).

In a number of countries, the employment rate of young people has remained below and the unemployment rate above the pre-crisis level. The COVID-19 pandemic has reversed

<sup>7</sup> Except for Bulgaria, the Czech Republic, Latvia and Romania, the employment rate has increased between the second quarter of 2021 and the second quarter of 2022 in all EU countries, Norway and Iceland.

<sup>8</sup> See for details Annex, Figure A4.

<sup>9</sup> In Q2/2022 the average unemployment rate was 6.1% in the EU, lower than in Q2/2019 before the pandemic (6.7%) and significantly lower than in the second quarter of 2015 (10.1%).

<sup>10</sup> The long-term unemployment rate has risen during the pandemic, thereafter, long-term unemployment could be reduced. But large differences between countries persist (see Annex, Figure A1 and A2).

the trend of declining unemployment rates of young people. However, it remained below the 2015 level in the second quarter of 2022 (see Annex, Figure A 7). In general, the employment of young people is more sensitive to the business cycle. The NEET rate has increased considerably in several countries (OECD 2022a), and access to education and training has been a challenge. High NEET rates are associated with structural labour market barriers (Eurofound 2021b and ECE expert meeting on 10 June 2022).

The pandemic has not had a strong negative impact on some other (vulnerable) groups (although temporary negative effects were reported). Despite this, several challenges persist when looking towards the future: On average, the employment rate of persons with a disability has slightly improved over the past decade across OECD countries, yet employment rates remain far below that of people without a disability (OECD 2022d). Worryingly, there is a trend of increasingly more young people having health impairments. This trend has been reinforced by the COVID-19 pandemic (OECD 2022d). Furthermore, hiring rates of older workers remain low despite labour shortages and the demographic pressure.

Another key structural problem relates to gender inequalities. The pandemic has had a greater impact on the working conditions of women compared to their access to the labour market (Annex, Figure A5). The gender employment gap in 2020 was at the same level as in 2015 (LFS [TESEM060]). There are large differences across Europe, both in the level of the gender employment gap and in the recent dynamics. In 2021, the gender employment gap was nearly twice as high in **Greece, Italy** and **Romania** when compared to the EU average.

### 2.3. Labour and skills shortages during recovery

*Labour and skills shortages have become more and more prevalent as the economies recovered.*

Labour and skills shortages were prevalent in several countries before the onset of the pandemic. The tightness of the labour market was accentuated in some sectors throughout the pandemic (not only in the health sector), and as the recovery began.

In the EU, the pandemic (in the early pandemic context, using 2020 data) increased shortages for high-skilled professionals in construction, for intermediate specific skills in manufacturing, construction, transport, and finance and for low-skilled workers in manufacturing and wholesale and retail trade. Skills shortages decreased in high-level occupations in manufacturing and transport and for intermediate general skills in finance and in public administration and social work. An examination of vacancy rates across sectors and EU Member states in the second quarter of 2021 showed high vacancy rates persisted in sectors such as accommodation and food, information and communication, and activities that support general business operations. Vacancy rates also were considerably high in most EU Member States within construction, professional activities and public administration (Duell et al. 2023). EU vacancy rates in Q4 2021 were higher than in Q4 2019. According to estimates in 2020, 14% of workers were employed in an occupation for which there is a labour shortage. Shortage occupations were mainly found in medium- (56%) and high-skilled level occupations (31%) (European Labour Authority 2021).

According to company survey results conducted among 22 EU countries and **Turkey**, labour shortages increased in all countries in Q2/2022, except in **Hungary**, the **Czech Republic** and **Slovakia** (in manufacturing) and **Turkey** (OECD 2022a). There are various reasons for the increase in labour and skills shortages: skills mismatch, increased labour demand and reduced labour supply (e.g. through less net migration in 2020 and 2021), and cross-sector employment mobility (e.g. away from the hospitality sector).



Demographic change has already created labour shortages in the pre-crisis period in numerous countries (Eurofound 2021a).

## **2.4 Summary of key challenges**

The implications of the short- and long-term labour market trends identified above directly impact on the work of PES. Of the key labour market challenges that PES need to cope with and find responses to in the coming years, the main one continues to be bringing disadvantaged and vulnerable groups into work. This now includes groups that were particularly hard hit by the pandemic, notably young people, long-term unemployed, people with multiple employment barriers and some groups of migrants. In addition, jobseekers with health problems and older workers continue to experience difficulties to access the labour market.

A second set of important challenges is related to skills mismatch and skills and labour shortages. Some sectors have been facing severe recruitment problems for bottleneck occupations. In the long-term, the digital and green transitions will require skills adaptation and upskilling, and there is a related risk of skills shortages dampening the transition and creating inefficiencies. This adds to the need of developing other technical skills as well as soft skills to meet labour market needs in the short and long-term.

Labour shortages, related to an overall smaller labour supply rather than labour demand is another key long-term challenge. The underlying trend of demographic change constitutes a structural challenge for societies as a whole. This calls for expanding labour supply by increasing employment rates and reducing inactivity and unemployment rates and attracting skilled labour, reducing skills mismatch and making the most effective use of workers' skills and adapting their skills to technological change, and addressing related labour market frictions. Addressing these challenges has become more pressing as economies recovered, although these issues are not new.

### 3. RECENT TRENDS IN ALMP DESIGN AND IMPLEMENTATION

#### 3.1. Overview of main trends

*In the period preceding the pandemic, newly introduced, amended or scaled-up ALMPs focused on disadvantaged groups such as long-term unemployed. At the beginning of the pandemic the main labour market policy used was job retention schemes, in particular in the form of short-time work schemes. These schemes have been effective to contain the rise in unemployment and have been scaled back over time as the situation gradually normalised. As the economy started to recover, ALMPs shifted towards training measures and employment incentives targeted increasingly to young people, specific sectors and disadvantaged groups. Previous evidence has shown positive results of employment incentives if well targeted and inconclusive results for using them in different phases of the business cycle.*

#### *Brief overview of Labour market programmes*

In the Labour Market Policy (LMP) database<sup>11</sup>, labour market interventions are classified into nine categories by the type of action which refer to three broad activity groups:

- **LMP services (category 1)** cover all services and activities of the PES together with any other publicly funded services for jobseekers.
- **LMP measures (categories 2-7)** cover activation measures for the unemployed and other target groups including the categories of training, job rotation and job sharing, employment incentives, supported employment and rehabilitation, direct job creation, and start-up incentives. These are usually named active labour market policy measures.
- **LMP support (categories 8 and 9)** covers financial assistance designed to compensate individuals for the loss of wages or salary (out-of-work income maintenance and support, i.e. mostly unemployment benefits) or which facilitates early retirement. Short-term work schemes are usually classified under this category. They are usually considered passive labour market programmes.

Comparing budgets for job retention schemes, the main labour market programme used to deal with the pandemic, and shifts between different categories of ALMPs is difficult considering job retention schemes have been classified in different ways across countries. Job retention schemes encompass short-time work (STW) schemes, partial unemployment schemes, wage subsidies aimed at job retention and allowances paid for temporary layoff schemes. In particular, short-time work schemes and wage subsidies aimed at job retention are sometimes discussed under the notion of ALMPs (as in European Commission 2017). The COVID-19 pandemic has shown the ambiguity of the classification, as job retention schemes were also seen by governments as “passive” measures, because they provide income support during the working hours or periods not worked. In contrast to other out-of-work income support, job retention schemes support workers and assist them in retaining their employment contracts.

In this study, the focus will be on ALMPs (categories 2-7), as well as employment services (category 1), as complementary measures to ALMPs. Job retention schemes will be only looked for in the overview of main shifts in measures. Job retention schemes have been dealt with in length in two previous PES Network studies of PES responses to COVID-19 (Duell 2020 and Duell et al. 2022).

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<sup>11</sup> <https://ec.europa.eu/social/main.jsp?catId=1143&intPageId=3227&langId=en>

The objective of ALMPs (category 2-7) can be summarised as reducing unemployment and promoting that people are in employment to secure their livelihood and well-being; to support disadvantaged or vulnerable groups who encounter severe and often multiple employment barriers and thus promote inclusive growth; to reduce dependency on welfare benefits; to reduce skills mismatch; to stimulate job creation, help employers fill vacancies and to increase overall labour market efficiency. ALMPs must respond to cyclical and structural labour market challenges.

*Overview of key features and effectiveness of the main ALMPs and job retention measures during recessions and recovery*

*Effectiveness of job retention measures*

Job retention schemes have been an important instrument used in recent years, especially during the lockdowns and as restrictions were lifted gradually across Europe, although their use has partly overlapped with the economic recovery phase. Specific rules introduced to existing schemes or new schemes introduced to respond to the pandemic's extraordinary circumstances ended in 2021 or during 2022 (Duell et al. 2022). Their extensive use has contained the rise in unemployment and has therefore had an impact on the use of (other) ALMPs.

The advantage of STW is evident in the retention of firm-specific human capital and the flexibility gained by the company, as well as the reduction of firing and hiring costs and the protection of the worker in terms of income and job security. The major risk linked to STW stems from the possibility of hampered economic adjustments and restructuring processes. It is argued that there is a risk that workers are bound to a single company when they could be needed in other companies or sectors (Cahuc 2019). Independent from the modalities whether STW schemes are paid to employers or to workers directly, these schemes provide a direct or indirect subsidy to employers to ensure they retain workers and assist in maintaining employment. Past evaluations and current assessments of STW schemes have shown that these are generally regarded as effective in stabilising employment in a temporary crisis through flexible working hours (see Arpaia et al. 2010; Cahuc 2019; Hijzen and Venn 2011; Dengler and Gehrke 2021).

Operating under the assumption that the reduction in hours fully translated into reductions in employment in the absence of job retention schemes during the COVID-19 pandemic, the fall in the number of employees might have been as large as 11% instead of the decline of 4% observed in the second quarter of 2020 in the OECD (OECD 2021). However, the effect is probably smaller, as some companies would have likely found other solutions to increase flexibility, such as using overtime, working time accounts or reorganisation of work processes. In **Germany**, one of the countries which relied heavily on STW, a survey focusing on labour market research and conducted among 60 researchers carried out at the beginning of 2021 (Bonin et al., 2021), found that STW instruments rated best with regard to the economic cost-benefit ratio. This assessment was carried out during the pandemic and was based on the knowledge of experts, making the results subjective.

It is commonly acknowledged that STW schemes should be scaled back once the economies have recovered. Giupponi and Landais (2022) show the risk of significant negative reallocation effects created by STW when the shock is persistent. Additionally, earlier studies regard the prolonged use of short-time work in situations of structural adjustment as economically inefficient because it hinders necessary structural change and prolongs individual adjustment (e.g. Eichhorst and Marx 2009; see for an overview of the literature Mosley 2020). Specific COVID-19 related job retention schemes have been scaled back and, in many cases, have already been terminated (Duell et al. (2022) and PES Network working group on short-time work schemes in 2022). Specific COVID-19 related rules are

still in place in **Germany** until end of June 2023<sup>12</sup>. Expenditures on remaining generous COVID-19 job retention schemes have substantially declined in countries where they still exist. The specific rules introduced to cope with the pandemic may not be appropriate in a context of skills shortages and needed labour market transitions.

### *Effectiveness of ALMPs over the business cycle – an overview of main arguments*

There are fewer job openings and competition for jobs is higher in the midst of recessions, limiting the employment prospects after terminating an ALMP. However, a number of studies show that ALMPs may have a positive impact even during a recession, including for disadvantaged groups. Cahuc et al. (2018) show that hiring credits targeted at small firms and low wage workers did have a significant impact on employment in **France** during the 2008-2009 recession. The positive impact stems from the successful net job creation induced through this employment incentive.

It has also been argued that, during recessions, some of the factors limiting the effectiveness of ALMPs regarding the reduction of unemployment and transition into jobs, such as the lock-in effect, are less strong. Lock-in effects occur when people are suspending job search or do not accept job offers while participating in an ALMP, particularly in the case of training measures as participants should aim to complete their training successfully (Martin and Pessoa 2014). Regarding disadvantaged groups with severe employment barriers, lock-in effects may however be a less-limiting factor than for the more employable groups.

Studies also find that the changed composition of the unemployed pool may call for different ALMPs during a recession, recovery or in a context of favourable labour market conditions. In a situation with low unemployment, the group of unemployed is dominated by individuals who face more serious employment barriers, while in a slump, more core workers enter employment (Andersen and Svarer 2012). Although some studies show that ALMPs work well during recessions, this is not confirmed by all studies. In their meta-analysis of 55 evaluation studies published between 1990 and 2015, Vooren et al. (2017) do not find a significant relation between macroeconomic variables and the effectiveness of ALMPs<sup>13</sup>. One explanation would be that the reduced negative lock-in effect during recessions is offset by fewer job openings and fiercer competition for jobs. To conclude, the composition of unemployment is important for the type of ALMPs to implement. ALMPs during recessions may be effective for some groups.

### *Training*

Training measures are used for different profiles of registered unemployed and, as a new development, workers at risk of becoming unemployed. Vocational training for unemployed shows to be relevant to reduce the mismatch between labour demand and supply. Assessing the impacts of training measures is difficult as the purposes of the training and its participants are highly heterogeneous. Evaluations often point to a stronger positive effect of the training in the long-term rather than in the short term (see e.g. Card et al. 2010, Card et al. 2015, Vooren et al. 2017).

Training measures are considered key instruments in increasing the employability of jobseekers as well as the productivity and continued employment of workers. In order to

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<sup>12</sup> <https://www.bundesregierung.de/breg-de/suche/verlaengerung-kurzarbeitergeld-2003908>

<sup>13</sup> Note that in contrast to meta-analysis studies carried out by Card et al. and Kluve, Vooren et al. only include peer-reviewed evaluation using randomised control trials and quasi-experimental evaluation methods. Of the quasi-experimental identification approaches, we only include (i) matching methods, (ii) difference-in-differences, (iii) regression discontinuity designs, and (iv) instrumental variables.

respond to the COVID-19 crisis and boost recovery, the OECD<sup>14</sup> has suggested enhancing training when there are restrictions to economic activity. The OECD recommended using enhanced employment services, training measures, employment incentives and business start-ups when pandemic-related restrictions are lifted. During the economic recovery phase, it is still recommended to boost employment services, training and start-up incentives and to maintain employment incentives. Once the economic situation is restored, training measures, business start-ups and employment services should be maintained while employment incentives and public works should be scaled back.

### *Employment incentives*

Employment incentives in the form of hiring subsidies and the reduction of social security contributions are mainly used to compensate for initial lower productivity (or assumed lower productivity in the case of discrimination). It is expected that the productivity of subsidised workers will increase, so this disadvantage disappears over time. The incentives are generally provided for disadvantaged groups (Brown and Koettl 2015). To be effective, they should be well-targeted to reduce deadweight losses<sup>15</sup> and they should be used in combination with counselling and coaching, in addition to follow-up in the workplace. This is a precise task, as too-tight targeting may stigmatise workers, while too-loose targeting is associated with potentially more deadweight and displacement effects (Brown 2015). It has also been found that too-high levels of subsidies increase the probability of deadweight effects, and too-low levels reduce attractiveness for employers (European Commission 2014).

### *Job creation measures*

The objective of job creation measures is to create additional demand for work for disadvantaged groups who are the most difficult to place. In addition, they may be used to test their willingness to work and to improve employability. Direct job creation schemes can be based on employment contracts and wage subsidy schemes or they can function as in-work benefit schemes without an employment contract. A common thread here is that the work should be “additional” and not a substitute for regular employment. The impact of direct job creation measures and public work heavily depends on the target group and the quality of implementation (usefulness of activity, additionality in the sense as it does not substitute for jobs which already exist, and employment services to support the transition towards regular jobs).

The schemes have often been found to be ineffective (Voonen et al. 2017), although effectiveness depends on the scale, targeting and design elements of the measures. Effectiveness here is usually defined in terms of transition into jobs in the regular labour market. The schemes are in fact quite effective in terms of income provision and social objectives such as participation. Effectiveness also heavily depends on concrete implementation processes, and in particular, post-programme follow-up and support. Looking at the pandemic, OECD advised that direct job creation programmes and public work measures are already scaled back during the economic recovery phase while they could be maintained during the gradual lifting of measures (OECD 2021b).

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<sup>14</sup> OECD (2021), “Designing Active Labour Market Policies for the Recovery”, OECD Publishing, <https://www.oecd.org/coronavirus/policy-responses/designing-active-labour-market-policies-for-the-recovery-79c833cf/>

<sup>15</sup> Deadweight losses are defined by ILO as: “The resources invested in the programme benefit individuals that would have been hired also in its absence.”, [https://www.ilo.org/wcmsp5/groups/public/---ed\\_emp/documents/publication/wcms\\_546454.pdf](https://www.ilo.org/wcmsp5/groups/public/---ed_emp/documents/publication/wcms_546454.pdf)

*Summary of main trends in ALMP in the pre-pandemic, pandemic and post-pandemic phases*

*Pre-COVID-19 phase*

There has been a varying dynamic in setting up new ALMPs before the pandemic started. In the context of the global financial and economic crisis in 2008 and the following years (with some variations), the number of adopted ALMPs first increased as compared to the period prior to this crisis. The number of measures adopted declined between 2015 and 2019 (see LABREF data base for the period between 2000 and 2019<sup>16</sup>, and PES capacity reports 2018, 2019, 2020 and 2021 for the change from 2017 to 2019). According to the PES capacity report, 19 new ALMPs were introduced in 2019, 22 in 2018 and 17 in 2019. There were 20 ALMPs modified both in 2017 and 2018, but in 2019 there were only 14 such modifications. Comparing the 2021 Capacity report indicates 20 new ALMPs introduced in 2020 and 23 modifications. The number of changes made to ALMPs are a tentative proxy for the reactivity and innovativeness and should be treated with care as this depends on the existing PES offer and the ALMPs' regulatory framework.

Between 2015 and 2019, PES operated mostly in a good economic climate and favourable labour market conditions. The main challenges for PES consisted of overcoming long-term unemployment and solving joblessness issues among the most vulnerable groups, reducing youth unemployment and inactivity (and also substantially reducing generally high unemployment in Southern European countries), reducing skills mismatches, increasing participation of adults in continuous vocational education and training and to overcome labour shortages, and making investments in IT infrastructure and co-operating with other actors (Eurofound 2021a and OECD 2022a).

Other trends concerned the segmentation of PES service delivery by the severity of labour market barriers, vulnerability, the autonomy of the jobseeker and distance to the labour market; intensified and individualised employment services long-term unemployed in particular along with some other disadvantaged groups; looking into approaches to activate the inactive (Konle-Seidl 2021). Differences in approaches ranged from following a strictly individualised approach to targeting employment services and ALMPs towards specific groups.

The recent years prior to COVID-19, saw the launch of several new ALMPs and services for women and older workers. Given the pressure of demographic change on increasing labour supply these activities are highly relevant. However, it seems that past activities have not been sufficient. Potential additional labour supply has remained underused, despite the increased employment rates of women and older workers.

*COVID-19 pandemic: from crisis to starting recovery*

The main measure implemented during the COVID-19 pandemic, in particular during its first phase with strict containment measures from March to June 2020, has been job retention schemes (Duell 2020). Take-up of these schemes has been extraordinarily high in many countries. Nearly a sixth of all employees participated in such schemes in March, April and May 2020 (EC 2022b), which was the highest level since the existence of these measures. The number of employees who were covered declined steeply thereafter and rose again with a new peak in winter and early spring 2021, affecting around 6% of employees in the EU. In countries that did not have longstanding schemes in place at the beginning of the pandemic, several schemes were implemented and run partially in parallel, which also includes wage subsidy schemes (Duell et al. 2022).

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<sup>16</sup>

<https://ec.europa.eu/social/main.jsp?catId=1143&intPageId=3193;https://webgate.ec.europa.eu/labref/application#!searchPublic>

The focus of amendments made to ALMPs and job retention schemes were designed to make them more easily accessible by widening target groups (mainly to young people and young adults and to long-term unemployed) and relaxing eligibility requirements, while in some cases also increasing the level of financial support for participants (Peters, 2021 and Duell 2020).

Major changes introduced in PES in 2020 referred to the digitalisation of services or to accelerating already launched processes and restructuring work organisation (see also Chapter 5).

However, there are two conflicting trends that can be observed regarding ALMPs and PES services: the COVID-19 pandemic prompted the introduction of new measures or the amendment of existing measures, yet in some cases the introduction of new ALMPs and services has been slowed down due to COVID-19 (Peters, 2021).

By the summer of 2021, several PES have increased certain ALMPs or introduced new measures and programmes to bring people back to work, in particular those groups which were hit hardest during the pandemic, and in the area of training measures (Duell et al. 2022). In the area of training, job search support and counselling, an important area of change concerned support for sectoral and occupational reallocation. Changes in target group orientation were less often named. In contrast, the main changes introduced to employment incentive programmes concerned shifts in target groups (answers to an OECD questionnaire in autumn 2021, OECD 2022a). These changes can be perceived as relevant and a logical reaction to the challenges posed by the pandemic.

Some countries have not introduced new measures and have only applied small changes to their instruments. This observation as such does not indicate whether a country is little responsive to new labour market challenges, as the underlying reasons for introducing only few new ALMPs are manifold. In some cases, countries did not observe a significant change in labour market risks, because these have been dampened through job-retention schemes and because they considered their mainstream ALMP to be sufficiently well developed and resourced to cope with the labour market effects of the COVID-19 crisis (as in **Finland**). PES governance patterns and ALMPs may be designed in a sufficiently flexible way to react to changing labour market challenges and to possible economic shocks. In contrast, countries with lower expenditures on ALMPs have adopted few new ALMPs in 2021. In this latter case, poor investment in ALMPs and in the low employability of jobseekers in general have been a continuing pattern throughout the crisis.

#### *Recovery and post-COVID-19 phase*

The self-reported new ALMPs other than job retention schemes in 2021 were mainly in the area of training, employment incentives and, to a smaller extent, direct job creation (in most cases, they were indicated as joint employment incentives and job creation measures). Often, ALMPs were introduced together with new employment services, especially specific guidance, counselling and coaching. Evidence has shown that the effectiveness of ALMPs is enhanced when implemented with guidance, counselling and coaching concurrently (see details Chapter 5).

As in previous years, 2022 saw several PES introduce changes to their existing measures (introduced in 2020 or prior to COVID-19). These changes included enlarging the target group (22% of changes), increased individual support (20%), extending a temporary measure (19%), and easing administration/implementation/changed regulation (17%). In very few cases, PES indicated changes included increased budget, or removal of a measure (based on answers to the PES capacity support survey 2022).

The rationale for new (and adapted) measures in 2021 and 2022 is diverse: Most newly introduced measures continued to target specific groups of people, mainly vulnerable groups (long-term unemployed, people with disabilities, low-skilled, disadvantaged young people, other vulnerable groups). A few measures focus on:

- labour market access of recent young graduates and youth without education;
- easing labour market transitions in times of labour shortages;
- addressing sectors or groups of workers particularly affected by the pandemic, such as self-employed, or targeting the recently unemployed more generally;
- training measures targeted to specific groups of employed workers – a new policy area for many PES has been the opening of labour markets and support for displaced persons from Ukraine;
- addressing SMEs in particular.

Recent and planned structural reforms of PES and improvements in service delivery seek to increase service quality and investments in human capital and are highly relevant, also to be well placed for future refocusing of ALMPs when necessary (see for examples Box A1).

### *Financing ALMPs*

Many countries substantially increased budgets for ALMPs (categories 2-7 in the LMP database) between 2019 and 2020, reversing a trend of falling expenditures between 2015 and 2019<sup>17</sup>. The total amount of expenditures for ALMPs (categories 2-7) collected for the LMP database of the European Commission was EUR 80.6 billion in 2020 for EU-27. This is a strong increase from EUR 54.8 billion in 2019, mainly driven by job retention schemes in some countries. For comparison, expenditures on out-of-work income maintenance and support (categories 8 and 9) increased from EUR 145.2 billion in 2019 to EUR 271 billion in 2020. Many countries are porting job retention schemes (STW and partial unemployment benefit schemes) under category 8 (e.g. AT, BE, DE, ES, FR and IT). Data are therefore not fully comparable as many countries may classify job retention schemes under ALMPs, while this has not been relevant in other countries. Data for 2021 are not available at the time of writing.

In the questionnaire on “Active labour market policy measures to mitigate the rise in (long-term) unemployment” sent by OECD, the following PES indicated they increased ALMP budgets for 2020 and 2021 (Table 1). Data collected include measures for employed who are understood to be at risk of redundancy or layoffs. For this reason, responses could refer to job retention schemes. The main increases in the budget were dedicated to employment incentives (including employment protection and job retention in many cases) and training measures. Countries also invested in most cases in labour market services in 2020 and 2021 (not shown in Table 1, see also Chapter 5).

**Table 1. Changes in budgets for ALMP\* as compared to the previous year, self-reported by European PES**

|           | 2019-2020   | 2020-2021  |
|-----------|---|--|
| Increase  | AT, BE (Brussels), BG, CZ, DE, DK, EE, EL, FI, FR, HU, IE, IT, LT, LV, LU, NL, NO, PL, PT, RO, SK, SE | AT, BG, CY, EE, ES, FR, IE, IS, IT, LT, LU, LV, NL, NO, SI, SE |
| No change | MT, SI  | FI   |

<sup>17</sup>

[https://webgate.ec.europa.eu/empl/redisstat/databrowser/view/LMP\\_EXPSUMM\\$TPS00077/default/table?lang=en&category=lmp\\_expend](https://webgate.ec.europa.eu/empl/redisstat/databrowser/view/LMP_EXPSUMM$TPS00077/default/table?lang=en&category=lmp_expend), accessed 7 October.



|                            | 2019-2020                                    | 2020-2021  |
|----------------------------|--|--|
| Decrease                   | ES (excluding employment protection schemes) | HU, PL, SK   |
| Not known/under discussion | BE (Wallonia), BE (Flanders), CY, HR, IS     | BE (Flanders), BE (Wallonia), CZ, DE, EL, DK, HR, MT, PT, RO |

(\*) ALMPs include training, employment incentives, sheltered and supported employment and rehabilitation, direct job creation, start-up incentives, targeted at the unemployed, and closely related groups such as inactive who would like to work, or employed who are at known risk of involuntary job loss.

Source: OECD 2021c (Active labour market policy measures to mitigate the rise in (long-term) unemployment – a summary of country responses to the OECD-EC questionnaire).

According to OECD estimates based on information provided by PES, ALMP budgets in 2022 are above the 2019 level in most OECD countries, despite recovery in the labour market. This may be a sign of some catch-up investment into digitalisation and modernisation of PES and a maintained focus on promoting training and labour market integration of some disadvantaged groups.

Budgets allocated to ALMPs include EU, national, regional and local funding. EU-funding has played the dominant role for financing ALMPs in a few countries and has played an important role in many countries. To continue support for young people, the European Commission has initiated a reinforced Youth Guarantee to which all EU countries have committed in a Council Recommendation of October 2020<sup>18</sup>, with an estimated EUR 22 billion budget for the new programming period, including ESF and Youth Employment Initiative (YEI) investments<sup>19</sup>. The European Social Fund Plus (ESF+) with a budget of EUR 99 billion, will be a key EU financial resource to support the implementation of the Youth Guarantee in the 2021-2027 EU budget. It is also supported by the Next Generation EU, a temporary recovery instrument to help repair the immediate economic and social damage brought about by the coronavirus pandemic<sup>20</sup>, worth more than EUR 800 billion. The European Commission established the Resilience and Recovery Facility in February 2021 to promote economic, social and territorial cohesion and provide significant financial support to the Member States in the context of the COVID-19 crisis<sup>21</sup>. About EUR 8.1 billion (6% of total expenditures) are allocated to employment and skills (not all the budget would be for PES). A new financial assistance scheme for temporary Support to mitigate Unemployment Risks in an Emergency (SURE) was introduced<sup>22</sup> to help the Member States finance the high expenditures associated with job retention schemes during the pandemic. SURE is a crisis instrument, with a size of EUR 100 billion (European Commission 2022).

<sup>18</sup> [https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=uriserv%3AOJ.C\\_.2020.372.01.0001.01.ENG&toc=OJ%3AC%3A2020%3A372%3ATOC](https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=uriserv%3AOJ.C_.2020.372.01.0001.01.ENG&toc=OJ%3AC%3A2020%3A372%3ATOC)

<sup>19</sup> <https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:52020DC0276&from=EN>

<sup>20</sup> [https://ec.europa.eu/info/strategy/recovery-plan-europe\\_en#nextgenerationeu](https://ec.europa.eu/info/strategy/recovery-plan-europe_en#nextgenerationeu)

<sup>21</sup> see e.g. [https://ec.europa.eu/economy\\_finance/recovery-and-resilience-scoreboard/assets/thematic\\_analysis/4\\_Employment.pdf](https://ec.europa.eu/economy_finance/recovery-and-resilience-scoreboard/assets/thematic_analysis/4_Employment.pdf).

<sup>22</sup> [https://ec.europa.eu/info/sites/default/files/economy-finance/sure\\_factsheet.pdf](https://ec.europa.eu/info/sites/default/files/economy-finance/sure_factsheet.pdf). As part of the EU's initial response to the pandemic, the Commission proposed the SURE Regulation on 2 April 2020, and the Regulation was adopted by the Council on 19 May 2020.

### 3.2. Training measures

*New training measures have been implemented to promote employability of disadvantaged groups, and to support recovery by closing skills gaps, adapting skills to changing demand and to overcome skills shortages. New training measures have been implemented to support the digital and green transitions and are expected to have a positive long-term impact. Target groups have increasingly included specific groups of employed in addition to unemployed and (early) school leavers. Countries are exploring innovative pathways to improve this inter-institutional co-operation, but adapting training offers to skills in demand remains challenging. Based on evidence, workplace-based training has continued to be promoted. Classroom training has increasingly been delivered online or in hybrid formats, easing access to training for the workforce, but potentially excluding specific groups.*

#### Overview

Between 2015 and 2018, the ALMP expenditure for training measures decreased by 6.6% and increased again thereafter, beginning in 2019. For the EU-27 average, there has been an increase of 1.4% between 2019 and 2020, with large variations across countries according to the European Labour Market Policy database. Expenditures for training measures had fallen during the first pandemic years in 17 out of 28 countries (EU-27 and Norway) (Annex Figure A6). Expenditures on training measures also increased in 2021 according to PES answers to questionnaires of the European PES Network and OECD (PES capacity report 2022, OECD 2022a, and administrative data)<sup>23</sup>.

As shown in section 3.1, evaluation studies generally confirm a positive impact of training in the long term (Card et al. 2010, Forslund et al. 2011, Fredriksson 2021, Vooren et al. 2019). Reasons for stronger positive effects of training measures in the long term are related to lock-in effects. The effectiveness of training will also differ by the format of training, the purpose of training and different groups of participants.

The effectiveness of the scope and format of training differs by the objective of the training which may encompass the need for short courses to adapt technical skills or develop soft skills. Long-term training courses are effective for those who need to retrain, either because their acquired qualifications have become obsolete or because specific reasons impede their ability to continue to carry out their profession. Support to enter long-term vocational training may be provided to disadvantaged young people. The rationale for referring long-term unemployed to training measures is to address all kinds of skills gaps by providing further vocational training, employability support, 'second chance' education, basic skills for the disadvantaged and employer-specific provision, initial vocational training, skills conversion and adaptation training, entrepreneurship training, computer skills training or professional language skills training (EC 2015).

Workplace based trainings tend to be more effective than classroom training for disadvantaged groups who already had difficult class-based education experiences and for whom an established contact with an employer through training is beneficial. Alternatively, classroom-based learning can be combined with practical experience and workplace learning, and/or followed by placement with an employer. On-the-job training is found to increase long-term employability and earnings through upskilling and promotes adaptability in the labour market (Martins and Pessao 2014).

Member States' experiences suggest that training for unemployed people is more effective when it is integrated (or at least combined) with other active labour market policy instruments such as information, guidance, counselling, work experience and financial

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<sup>23</sup> Comparable data from the LMP database for 2022 are not available at the time of writing.

support (European Commission 2015). Most importantly, vocational training should be relevant to (local) labour market needs.

When looking at the target groups and the scope and format of newly introduced and amended or upscaled training measures in recent years, two situations need to be distinguished. Some of the changes are directly linked to the pandemic and the specific circumstances induced by containment measures and distancing rules, while some other measures follow policy reforms and focus decided previously to the pandemic. In the following, an overview of the main changes is presented.

### *Changes in target groups for training*

An important number of scaled-up and newly implemented training measures have been targeted at both unemployed and employed adults (Duell et al. 2022). Examples of countries that have included employed as potential beneficiaries of training measures are **Denmark, Estonia, Germany, Italy** (workers in transition are targeted alongside the unemployed by the national Skills Plan<sup>24</sup>) and **Portugal**.

In several countries (e.g., **Denmark, Germany** and **Portugal**, see Box A2 in the Annex), starting in the pre-COVID-19 period, reforms have been implemented to target training measures of PES not only to unemployed but also to specific groups of employed. An important reform was made in **Portugal**, where a new programme for the adult population was launched in April 2016 under the name Qualifica with a focus on lifelong learning. (Duell and Thévenot 2017). Qualifica's objective was to increase in qualification levels and improve the employability of employees, providing them with skills adjusted to the needs of the labour market. Other objectives include significantly reducing illiteracy rates, literal and functional, equally combating semi-literacy and illiteracy, promoting greater investment by adults in education and training pathways, particularly among those with very low qualifications<sup>25</sup>. In **Germany**, new laws introduced in 2018 and 2020 expanded PES funding for continuing training for all employees threatened by technological change or who want to retrain in a bottleneck occupation. Support under this programme is larger for SMEs. Challenges consist of raising awareness among companies about these possibilities (see for more details in Box A2). These changes are important steps towards addressing barriers to lifelong learning of the workforce as a whole and promoting adaptability of skills in a preventive way. Most of these changes are meant to be long-term, but there have also been examples of time-limited programmes (e.g. **Denmark**).

These activities follow the logic of preventive approaches. Target groups may be low-skilled workers, older workers, workers employed in SMEs, workers who are at risk of their skills becoming obsolete, etc. This responds to the need to tackle the weak participation of adults in lifelong learning activities. Also, many lifelong learning schemes have previously failed to provide workers with the skills demanded on the market. Across OECD countries, adults in jobs at high risk of being automated were thirty percentage points less likely to train than adults in safer occupations (OECD 2019a). To avoid deadweight losses, PES supported the continuing training in line with the results of skills anticipation and studies about participation in training by groups of workers and types of companies. In addition, outreach to employers, raising awareness among both employers and workers and sector dialogue are quite likely to enhance effectiveness (see Box A2).

Other countries increased financial support for training employed persons who are at risk of becoming unemployed or who seek to change the jobs in co-operation with other actors (e.g. **France** and **Spain**, see Box A3).

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<sup>24</sup> See Corti et al. 2021

<sup>25</sup> <https://www.qualifica.gov.pt/#/programaQualifica>

New forms of co-operation also include partnerships with private sector actors (see example in the following Box 1).

### Box 1. Re-skilling Labs in Portugal

During the COVID-19 crisis, the Portuguese PES has been implementing a pilot project Re-Skilling Labs, in co-operation with several large companies, as part of the European Round Table for Industry. The aim of the pilot projects is to provide training for 1 000 participants in the Re-Skilling Labs. Training shall be offered through relevant short-term training courses and an on-the-job training component (Duell et al. 2022).

Good partnerships between PES and regional and national institutions in charge of supporting skills adaptation of workers would increase effectiveness for seamless pathways, in particular in case of labour market transitions. Countries are seeking and testing to find **innovative pathways to improve this inter-institutional co-operation**. There is no evidence yet on how well co-operation works.

#### *Combining training and short-time work allowances*

In principle, most STW and some partial unemployment benefit schemes (as the two main forms of job retention schemes) foresee participation in training measures of the PES on a voluntary basis. However, participation in training measures by those workers covered by a STW scheme during the pandemic has been low, as far as collected evidence suggests. For **Germany**, survey results from the Hans-Böckler Foundation indicate that workers on a STW participated only slightly more often in further training (26.4%) than workers not in a STW scheme (17.4%) (Pusch and Seifert 2021, Kruppe et al. 2020). Furthermore, some PES training offers have been extended to workers at risk of redundancy (e.g. **Croatia** in October 2020, Duell et al. 2022).

The involvement of STW workers in training activities has been low also during the 2008-2010 recession (Hijzen and Venn 2011). The reasons for the assumed low participation rate in training during STW are manifold. One major reason is linked to the rationale of the STW scheme that workers must reduce working hours because of temporary circumstances, and there is usually high uncertainty when the workers would need to increase their number of hours worked. Another issue is that training is not the main priority of companies affected by the crisis similar to previous recessions. Finally, companies may not have had a sudden perception of the training needs of their workers that can be addressed in short training courses.

#### *Other target groups in the context of the pandemic*

In response to the COVID-19 crisis, training measures have also been targeted at young people (see section 4.1), as well as long-term unemployed. An example is shown below.

### Box 2. The use of the Skills Investment Plan in France for targeting long-term unemployed

In the case of **France**, the Skills Investment Plan includes long-term unemployed among its target groups and was finalised before the COVID-19 pandemic started. An evaluation conducted by Chabaud et al. in 2022 in France has shown that those jobseekers who participated in a training measure between 2017 and 2019 were nine percentage points more likely to find employment within two years than unemployed with the same characteristics but not having pursued training. The impact of training was found to be higher for the unemployed farthest from the labour market, notably the long-term unemployed and the low-skilled.

Some PES have set up programmes for new unemployed. In 2020, the **Portuguese** PES implemented the UPSKILL plan that gives special attention to newly registered unemployed

during the pandemic with the intention of early activation (within 30 days)<sup>26</sup>. In **Ireland**, 35 000 additional places have been created in further and higher education to be delivered through a variety of measures including the Skills to Compete Initiative (SOLAS), Skillnet, Springboard+ and the Human Capital Initiative, as well as through additional undergraduate and postgraduate provision in Higher Educational Institutions (information provided by PES, in Duell et al. 2022).

### *Training for bottleneck occupations*

Some PES had already introduced specific training measures to address skills shortages prior to the COVID-19 pandemic (e.g. **Germany** in the area of old-age care, Eurofound, 2021a). More countries have implemented new measures as a response to increasingly tight labour markets in some occupations and sectors caused by the pandemic and the need to strengthen the smooth transition between sectors and occupations. In 2021, 16 of the 24 responding European PES introduced specific programmes to upskill registered jobseekers for employment in IT, health, green economy and other sectors (Duell et al. 2022). These measures are of particular importance to address short-term and long-term skills shortages. Some examples are presented in the following Box A3 in the Annex.

### *Training of digital skills*

Most PES had already included digital skills development in their training offers before the pandemic. However, the pandemic has made digital skills gaps more visible. In an effort to close skills gaps, they are now higher on the policy agenda. To implement such training, some PES have entered into new collaborations with IT companies and skills gaps analysis of employers has been carried out (e.g. in **Greece**, **Portugal** and **France**) (Duell et al. 2022, PES capacity reports 2021, 2022). This approach follows recommendations to tailor training offers to companies' needs and to use micro-credentials<sup>27</sup> in case of short training courses that are not certified under the national vocational training system.

Training in digital skills has been provided at different proficiency levels and addressing different challenges:

- Setting up programmes for adults with low IT skills, and young disadvantaged people, including NEETs. Basic IT skills are considered fundamental transversal competencies. For example, **Greece** and **Portugal** have implemented a series of training programmes for this target group. **Portugal** has also introduced the Digital Guarantee to ensure that all unemployed people have training opportunities in digital skills suitable for their level of qualification and skills profile by 2023 (OECD 2021b).
- Offering certified training courses at different proficiency levels for jobseekers who are already IT literate. These measures are aimed at increasing employability as well as closing skills gaps identified by employers. Some examples are the **Greek** PES that introduced training courses in 2021 for jobseekers aged 18-29 who have at least completed secondary education to get an IT Support Specialist Certificate, UX Designer Certificate or a Data Analyst Certificate. All registered unemployed can access the "Introduction to Cybersecurity" course. Digital Training in Cloud Services is provided to 1 000 unemployed (questionnaire for the PES capacity report 2022 and PES responses to COVID-19 overview). Similarly, in **Portugal**, the Joven + Digital project was set up at the end of October 2020 for young unemployed adults

<sup>26</sup> Another target group of this programme is unemployed people with less than 12 years of schooling (without upper secondary education).

<sup>27</sup> Proposal for a Council Recommendation on a European approach to micro-credentials for lifelong learning and employability, 25 May 2022, <https://data.consilium.europa.eu/doc/document/ST-9237-2022-INIT/en/pdf>.

(18 to 35 years old) with at least upper secondary education, offering training with a maximum duration of 350 hours. The course provides certification under the National Qualifications System and company-based certificates (e.g. Microsoft, CISCO) (Duell et al. 2022).

- Upskilling professionals: One example is the UPSKILL project in **Portugal** which was initiated before the COVID-19 pandemic to (re)train professionals to meet the company demand for programmers (Duell et al. 2022).
- Providing a diversified digital training offer for the working population: For example, the **Spanish** PES SEPE worked with the national foundation for training in employment (FUNDAE) and private companies in 2019 to launch a programme for free training in digital skills, available for the working population. The COVID-19 pandemic increased the urgency to implement this measure. One lesson that became evident in 2020 is that people may need some mentoring to identify which of the potential 567 courses best matches their training needs, another lesson points to the difficulty to offer training courses that can also be followed by the low-skilled<sup>28</sup>.
- In **France**, since 2021, workers, unemployed and self-employed who use their individual training account ('Compte Personnel de Formation') to train for occupational profiles in the IT sector can benefit from co-financing from the State (up to EUR 1 000), if the amount on their account does not cover the total cost of the training<sup>29</sup>.
- The Brussels Capital Region in **Belgium (Actiris)** plans to introduce a systematic digital and language skills assessment and/or a development pathway for jobseekers by 2023 as part of the "requalification strategy" fixed in the resilience and recovery plan (Corti et al. 2022).

### *Training for the green transition*

Only a few PES have indicated that they were developing or linking to specific programmes for mastering the transition towards the green economy. Despite the focus of the support towards green transition in the resilience and recovery plans, green skills and jobs only represent 1% of expenditures supporting the green transition<sup>30</sup> (European Commission 2022). Those expenditures are likely not foreseen in the field of PES measures.

Some PES have a direct influence on the training offer of their training centre networks and can expand their offers. Some examples of skills development support for the green transition can be found in the following Box 3. The examples encompass the development of transversal skills and technical skills, non-formal and formal training courses, measures targeted at the workforce in general, professionals and specialists, or vulnerable groups.

#### **Box 3. Examples of new training measures**

**Ireland** runs a Green Skills Action programme. Ireland has set up the Skills to Compete programme to promote transversal skills that are needed across sectors ('PES response to COVID-19 overview').

In **Portugal**, an investment plan for PES spending areas such as environment, renewable energies, energy efficiency and decarbonisation has been underway to increase the training offer throughout the PES network of Training Centres (Duell et al. 2021).

<sup>28</sup> EC, PES Practice Sheet 2021, Free training in digital skills. Spain.

<sup>29</sup> <https://travail-emploi.gouv.fr/actualites/l-actualite-du-ministere/article/se-former-aux-metiers-du-numerique-en-mobilisant-son-cpf-et-avec-l-aide-de-etat>

<sup>30</sup> Recovery and Resilience Scoreboard. The percentage relates to the overall share tagged under this policy pillar of the 25 plans adopted as of 30 June 2022.

In **France**, May 2018, the French Ministry of ecological transition and solidarity and the Ministry of Labour launched the initiative '10 000 training courses in ecological transition jobs' financed through the Skills Investment Plan<sup>31</sup>. The training is co-financed by the French PES Pôle emploi as part of operational preparations for ecological transition jobs.

In **Greece**, the GRÆDUCATION project was approved in 2017 to develop mainly apprenticeships for green employment in Greece, covering training schemes of the Ministry of Education as well as traditional apprenticeship scheme by the OAED, the Greek PES, offered at the upper-secondary level (Cedefop 2022).

In **Austria**, as part of the federal government's job, offensive and related budgets for training measures have been earmarked towards supporting apprenticeships in the area of green jobs. According to plans of the PES (AMS), apprenticeships for around 3 200 people are planned in the areas of environment, agriculture and forestry. Vocational training is also planned in the areas of photovoltaics, e-mobility and garden and green space design (Duell et al. 2021).

In **Sweden**, in 2020, the PES in co-operation with various actors was offering training to people farthest from the labour market in the area of green skills in demand as a response to limited labour market integration opportunities due to the pandemic (see Annex, Box A4).

The extent of relevant new training offered by PES may be underestimated. Support for training in skills relevant to the green transition may happen without dedicated programmes, as part of the mainstream PES training offers (Duell et al. 2021). Nevertheless, in their efforts to align training offers with the need of employers and economic development, it seems overall that the skills needed for the green transition have not received the same attention by PES as the development of digital skills. Evaluations of these new skills development measures are not available (yet) but seem highly relevant to cope with the challenge of the green transition.

### *Length of training*

In some cases, scaling up training programmes has been achieved by offering more short-term training courses and modular training courses, in addition to long-term courses (e.g. **Denmark**) (Duell et al. 2022, Csillag 2022). There are several reasons for this. First, training delivery has been challenged by lockdowns and distancing rules since the beginning of the pandemic. To continue offering training courses, e-training course development has been promoted. Shorter courses are developed more rapidly. Short training courses have also been offered to increase the supply of needed skills during the pandemic (e.g. in the area of logistics, agriculture and health). Additionally, scaling up training may be challenging, as high-quality training programmes take time to be established (OECD 2021b).

Additional training support did, however, not focus solely on small training courses, but also on long-term qualifying certified training. This has been done through support to apprenticeship training, e.g. by introducing subsidies for employers to take on apprentices in **Germany** and **France** (see section 4.1). One rationale was also linked with the strategy to keep young people in education despite the pandemic, or because of the pandemic as there were still few job openings in the summer of 2020. Supporting apprenticeship training is also a long-term strategy to ensure the future labour market is endowed with skilled labour (which is a priority, e.g. in **Germany**).

The meta-evaluation by Card et al. (2018) has shown the benefits of short training courses over long training courses, as the lock-in effect is lower, and the risk is reduced as expenditures are smaller. However, evaluation studies also point to the positive impact long-term training courses have, namely for long-term unemployed and other vulnerable groups (see for an overview of studies in Csillag 2022). It seems difficult to establish a general assessment of whether short-term or long-term training is more cost-effective,

<sup>31</sup> <https://www.pole-emploi.org/accueil/communiqués/lancement-des-10-000--formations.html?type=article>

because the training needs, skills gaps and the need for PES measures to remedy failures in the education system vary widely across countries. Also, effectiveness may depend on the type of occupational training pursued, technological transformation of sectors, and even on person-related factors such as health limitations, level of employability or distance from the labour market and age groups.

### *Changes in the delivery of training*

PES have increasingly provided online training to accommodate social distancing rules. One prominent example is **France** where 10 000 online training courses were offered by the PES until the end of August 2020 and financed through the Skills Investment Plan 2018-2022. Another 20 000 online training opportunities were opened by Pôle emploi by the end of 2021 (PES responses to COVID-19 overview). PES also improved access to e-learning courses (e.g. **Belgium-Forem**) and training providers needed to develop adapted pedagogical concepts and train the trainer (in **Portugal**) (Duell et al. 2022). Meanwhile, blended and hybrid training formats have been introduced in EU countries. These changes to how training is delivered are likely to have long-lasting effects.

At the beginning of the pandemic, workplace training was often postponed or suspended (OECD 2021b). As mentioned above, some countries have supported apprenticeship training for young people, beginning in 2020 (Duell et al. 2022). Some countries have also supported internship and traineeship programmes for disadvantaged groups in social enterprises (e.g. **Slovenia**, Csillag 2022). According to PES statements, on-the-job training or training with a practical component in companies has been assessed by over half of the surveyed PES (17 out of 31) as being the most effective (in terms of employment outcomes) for long-term unemployed persons. Professional training in which graduates receive a formal vocational qualification/diploma and self-selected training are also considered to have high effectiveness in the case of long-term unemployed (Anghel, 2022).

### **3.3. Employment incentives**

*Based on previous evidence, some countries have enlarged the target group for recruitment incentives in the context of COVID-19, mainly to sectors particularly hit by the pandemic, to support recovery in specific sectors, on a small scale to support the green transition and to specific disadvantaged groups. Most of new employment incentives have been temporary measures.*

#### *Overview*

Prior to COVID-19 (looking at the period 2015-2019), the expenditures for employment incentives have strongly declined by 44% on average in EU-27, with large variations between countries (they decreased by at least 20% in CZ, DK, IE, FR, IT, CY, NL, PL, PT, NO, while strong increases of above 20% were seen in BE, BG, EE, EL, ES, HR, HU and RO)<sup>32</sup>. There was a strong increase on average between 2019 and 2020, by 278% in EU-27, however, with extremely large variations between countries. It can be assumed that most of this increase is linked to financial support measures aimed at maintaining employment (job retention measures). The very high increase of expenditures on employment incentives likely refer to job retention schemes. If not considering above 500% increases in employment incentives, then the average for the remaining 18

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<sup>32</sup> DG Employment, Public expenditure on labour market policies, by type of action [LMP\_EXPSUMM\$TPS00076], [https://webgate.ec.europa.eu/empl/redisstat/databrowser/view/LMP\\_EXPSUMM/default/table?lang=en&category=Imp\\_expend](https://webgate.ec.europa.eu/empl/redisstat/databrowser/view/LMP_EXPSUMM/default/table?lang=en&category=Imp_expend).



European countries (including Norway) would be an increase of 4% in expenditures for employment incentives. It may still be the case that the increase of 4% includes job retention schemes. Therefore, it can be assessed that expenditures on employment incentives (focused on recruitment and not on job retention) have increased slightly.

#### *Changes in target groups for employment incentives*

Recruitment incentives (in the form of temporary wage subsidies or temporary reduction of contributions to the social security system) are being used for a long time to compensate for the temporarily lower productivity of the worker and to help overcome discrimination. These recruitment incentives are usually targeted to specific vulnerable groups of unemployed and are seen as effective if used on a small scale.

Some countries have enlarged the target group for recruitment incentives in the context of COVID-19. Examples include changes to the eligibility criteria for **Ireland's** JobsPlus recruitment subsidy to persons under 30 years of age and **Slovenia's** existing employment incentive scheme Employ.me to unemployed individuals over 30 years old who lost their job due to the pandemic (OECD 2022a and OECD 2021b). Other countries that allowed for greater use of employment incentives for young jobseekers include **France, Greece, Hungary, Luxembourg, Portugal, and Romania**. Increases in employment incentives have typically also targeted long-term unemployed (**Belgium-Forem, Belgium-VDAB, Greece, Hungary, Portugal and Sweden**) and other vulnerable groups as a response to COVID-19 (OECD 2021b) (see Chapter 4 for some examples). These changes are relevant for young people and specific disadvantaged groups who have been more affected by the negative labour market impact of the COVID-19 pandemic.

#### *Employment incentives to support recovery in specific sectors*

In the past, one approach to tackle slack labour demand during recessions and economic restructuring has been the use of large-scale recruitment incentives programmes to boost economic development. Additional labour demand has allowed unemployed workers to break their unemployment spell (in the sense of a work-sharing approach). But unlike other economic crises, recovery from the COVID-19 crisis has been rapid. At the same time, countries have been concerned to ensure rapid recovery and prevent that the crisis caused by the pandemic would last. Therefore, over the course of 2020 and early 2021, nearly two-thirds of OECD and EU countries already scaled up or were planning to enhance their employment incentives to stimulate labour demand (OECD 2021b). The effectiveness of these measures is not known yet and effects are difficult to grasp as economies have recovered regardless, and demand for labour has increased.

Some countries have introduced employment incentives or have scaled up and targeted existing measures for a defined period to support sectors particularly hit by the pandemic (e.g. **Greece, Belgium-VDAB, Bulgaria and Spain**) or support specific activities (**Portugal**). Interventions have been targeting unemployed or workers in agriculture and healthcare by the **Belgian VDAB**, and seasonal workers in tourism in **Bulgaria and Spain**. In contrast, some countries have chosen to not limit new incentives to specific sectors (Peters/EC, PES capacity report, 2021).

In some countries, reductions in social security contributions have been targeted at SMEs (e.g. the **Czech Republic, Estonia, Poland and Portugal**) and companies or sectors hit by the pandemic (e.g. **Hungary, Portugal and Spain**). Two countries (**Iceland and Sweden**) introduced temporary reductions applying to all employers (OECD 2021b). While it may be argued that targeting specific sectors most affected by the pandemic and SMEs is justified under the assumption that they have more difficulties in coping with the extraordinary shock the pandemic presented, there is no evaluation available yet to assess the impact of a sector and SME focus of employment incentives to recover after the pandemic.

*Easing access to employment incentives to increase coverage*

**As a response to the COVID-19 crisis, some PES have eased access to employment incentives** to increase take-up. For example, the **Greek PES** has reduced red tape barriers and other administrative complexities to allow more participants to enter the programmes (PES responses to COVID-19 overview). Also, in **Portugal design elements** of employment incentives have been improved through the new measure ATIVAR.PT (see Annex, Box A5).

While it is useful to reduce administrative barriers, it is advisable to keep employment requirements after the termination of the measure (at least in a labour market context with low unemployment rates). Deadweight and substitution effects are generally seen as major issues limiting the effectiveness of employment incentives. Therefore, among design elements of employment incentives, targeting and end-of-subsidy employment requirements have been key in the past.

*Employment incentives support permanent employment contracts*

Employment incentives may be used for setting incentives for converting temporary employment contracts into permanent contracts. These types of employment incentives have been used in countries where the share of temporary employment is high and labour markets strongly segmented between those employed on a temporary contract and those employed on a permanent contract (e.g. **Italy, Portugal, Spain**; see Annex, Box A6 for examples from new measures in Italy and Portugal). Earlier evaluations have shown that the deadweight effect of this kind of measure is likely to be high. For **Spain**, Toharia (2008) estimates that the net effect on employment creation of subsidised transformations is barely 25% of transformations subsidised. Nonetheless, the studies suggest that some specific groups, such as young people and women, may have benefited from the scheme, though only to a limited extent.

*Employment incentives to focus on the green transition*

There are a few examples of employment incentives that have been established, mainly in the pre-COVID-19 period and some newer initiatives. Many of these initiatives have been implemented in co-operation with various local actors and are mostly low scaled. For example, in **France**, the National Agency for the Ecological Transition Ademe has set up numerous initiatives in co-operation with the local 'jobs houses' (maisons de l'emploi), the French PES Pôle emploi, chambers and various other actors<sup>33</sup>. Activities include skills analysis and skills anticipation for a greener labour market and awareness-raising activities (Duell et al. 2021). PES local initiatives have also been initiated in different regions, e.g. the region Rhône – Alpes Auvergne.

In several countries, permanent small-scale employment incentive programmes have been running already before the COVID-19 pandemic (e.g. **Bulgaria**). A few countries, including **Slovenia** and **Sweden**, have introduced new measures since the start of the pandemic. **Slovenia** introduced the 2021 Employment incentives "Green jobs" targeted at unemployed (answers to the questionnaire for the PES capacity Survey 2022).

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<sup>33</sup> <https://www.ademe.fr/projet-maisons-lemploi-developpement-durable-capitalisation-plans-daction>, <https://www.ademe.fr/transition-energetique-territoires-mobilisent-accompagnent-levolution-emplois-competences-filiere-batiment>

### 3.4. Other ALMPs

*Only a few countries have scaled up their direct job creation measures as a response to the pandemic, in line with the mixed evaluation results of these measures pointing to overall minor positive impact. Effects can, however, be positive if well-targeted and designed. There have been little changes in the use of vocational rehabilitation and sheltered employment measures in recent years, despite recommendations. In most countries, start-up incentives have not been increased recently, although evidence points to positive results.*

#### *Direct job creation*

The use of direct job creation schemes has been decreasing between 2015 and 2019 in most EU countries for which data are available in the LMP database (on average of 22 EU countries the decrease amounted to 31%). During this time period, they increased only in **Bulgaria, Germany, Greece, Latvia, Spain, Croatia, Malta** and **Finland**. Data for 2019 and 2020 show a continued decrease of 13% on average. Increased expenditures for direct job creation measures were only made in **Germany, Latvia, Luxembourg**, and **Portugal**. According to an OECD questionnaire, also **Bulgaria, Hungary, Ireland, Luxembourg** and **Slovenia** have allocated additional budgets to existing schemes to create additional jobs (OECD 2021b). In addition, job creation measures may be set up by other actors and may therefore not be recorded in the LMP database. In **Spain**, jobs are created mainly by regional or local-level governments (OECD 2021b). Some examples of new measures are presented in Chapter 4.

Although evaluation reports show that direct job creation schemes are generally ineffective, well-targeted and well-designed programmes may have positive effects on specific groups of workers (see Chapter 4). The OECD argues that the sharp decline of hiring at the beginning of the pandemic may mean that the skills developed by such jobs are useful for preventing scarring and human capital deterioration.

#### *Vocational rehabilitation and sheltered employment*

Between 2015 and 2019, expenditures on vocational rehabilitation increased by nearly 20% on average in EU-27. There was little observable change between 2019 and 2020. In most countries, expenditures decreased in 2020 (European Commission, LMP data base). One reason may be that it has been difficult to implement measures during lockdowns and social distancing rules. Implementation conditions have improved in 2021, thus the expenditure level might have resumed. One example is **Norway** where employment support measures for individuals with mental health conditions have been upscaled. Activities include targeted measures for young people and school dropouts (OECD 2022a).

Subsidised employment is also used in case the employment limitation is permanent. This includes the area of supported employment for jobseekers with disabilities for whom sheltered employment is provided. Long-term (but not permanent) subsidies may also be used for very long-term unemployed and the farthest-away from the labour market. Those approaches that aim at gradual integration into the labour market have been found to be more effective. As for other measures, strong targeting and combining training with other support is beneficial. There is a risk of parking effects and locking-in effects, preventing the participants from taking up regular employment (European Commission 2014). Vocational rehabilitation measures for people with disabilities can include multiple instruments, including re-training and workplace adaptation. Scaling measures, co-operation with other institutions overseeing people with disabilities and limited placement opportunities in the non-subsidised labour market are major issues.

A meta-analysis of vocational rehabilitation measures does not exist (ETF 2022). Their effect is difficult to grasp as the target group is highly heterogeneous and as effects also depend heavily on financial incentives, eligibility criteria and conditions set by the disability pension and long-term sickness schemes. It has been recommended to maintain rehabilitation measures throughout the COVID-19 crisis and during recovery (OECD 2021b).

Only a few countries have introduced new measures. The following Box 4 gives one example.

#### **Box 4. Changes in ALMPs for people with disabilities in Latvia**

**Latvia** introduced changes in 2021 to its permanent subsidy scheme for people with disabilities, to offer employers the possibilities to have up to 20 job places financed through this scheme, and to lengthen the period during which unemployed people with a mental health ailment can benefit from a supervisor

#### *Start-up incentives*

Between 2015 and 2019 expenditures for start-up incentives increased by 13% on average in EU-27. Start-up incentives have fallen on average by 13% in 2020. Nevertheless, some countries have introduced start-up schemes or have amended existing schemes. Some examples are presented in Box A7. Strong increases can only be observed in **Cyprus** (+233%) **Bulgaria** (+77%), **Slovakia** (+68%), **Greece** (+63%) and **Norway** (+23%). Understandably, a range of countries has refrained from using many start-up incentives in the context of insecurity related to the pandemic. Eventually, self-employed has been one of the groups particularly affected by the pandemic (Duell 2020 and Duell et al. 2022), and most new measures were aimed at providing some income support.

Previous evaluation results often show positive impacts of the start-up incentives. Effectiveness will depend on well-prepared business plans (Caliendo and Künn 2012).

### **3.5. Summary of main findings**

New measures have been introduced mainly in the area of training following a trend promoting participation in CVET activities by the adult population. They not only focus on unemployed but also encompass increasingly specific groups of the employed who are at risk of becoming unemployed. These changes were already initiated before the COVID-19 pandemic.

Offering training measures for bottleneck occupations can also be discerned as a rather new development. It can also be observed that training offers increasingly address digital skills gaps, especially in co-operation with IT companies. PES began to offer training for specific in-demand green skills, although many PES have not focused on this. These changes are likely to be kept (depending on labour shortage conditions), even if some of the new training offers are time-limited in a response to the COVID-19 pandemic. PES have also continued to promote the training of transversal and soft skills, in addition to new technical and specific vocational skills. Both are in line with identified skills gaps and skills shortages.

The effectiveness of training measures can be significantly increased if skills gaps are thoroughly identified, the skills needs of employers scrutinised, and the design and curricula of specific vocational training offers are organised in co-operation with employers, social partners and sector associations. Addressing skills mismatch and closing skills gaps has been a longstanding purpose of PES-supported training measures. The observed focus on digital skills in some countries, emerging or enhanced training offers for the green transition are signs that ALMPs are being used to prepare for the digital and ecological transition and will remain relevant.

As a reaction to the pandemic any changes have concerned the delivery of classroom training remotely. New forms of hybrid learning formats will remain a feature in the training landscape. These formats have a lot of advantages and are likely to reach more participants. However, they may exclude those with digital skills gaps. Also, the quality of training and the pedagogic used will need to be assessed. Support has also been provided to encourage workplace-based learning which suffered from distancing rules, and to increase take-up. Workplace-based learning is in general regarded as effective for overcoming employment barriers and for the learning process of different groups.

Besides the introduction of job protection employment subsidies and changes in job retention schemes, changes introduced to recruitment incentives have mainly been temporary amendments to increase the measure's budget or prolong the duration of specific projects; increase in subsidy levels; and enlargements of the target groups. A few measures targeted at sectors affected by COVID-19 have been introduced. Most of these changes are temporary.

Changes introduced to the delivery of employment incentives, including more efficient administrative procedures and design elements aimed at fostering sustainability of employment and reducing precariousness are relevant and should increase efficiency. They will be most likely long-lasting.

Some employment incentives have targeted specific sectors affected by the pandemic or designated to support the recovery. The sector focus is, in general, time-limited and/or small-scale in line with recommendations gained from research. A refocusing of measures on vulnerable groups may be pursued later if the general unemployment level remains low in line with the evidence base. Employment incentives for vulnerable groups have often been implemented in combination with job creation measures.

Only a few countries have scaled up their direct job creation measures as a response to the pandemic, in line with the mixed evaluation results of these measures pointing to overall minor positive impact. Effects can however be positive if well-targeted and designed, and if the implementing organisation possesses a high expertise. For sheltered employment and vocational rehabilitation, only a few changes have been introduced.

On a small scale, some countries have introduced new start-up incentives or have improved existing schemes by providing more counselling. Start-up incentives are usually regarded as effective measures if combined with counselling offers, thus it seems these combined offers could have been fostered during recovery.

## 4. ALMPs FOR SPECIFIC GROUPS OF UNEMPLOYED

### 4.1. Youth

*Many PES have introduced new measures or scaled up existing measures to support young people to enrol in VET training, and in particular apprenticeships, and to offer (new) preparatory and bridging courses for disadvantaged youth. Other measures targeted at young people include traineeships and hiring incentives. Bringing young NEETs into education and training or employment has been another reinforced priority, with offering counselling, preparatory and bridging courses and on-the-job training with support of the (reinforced) European Youth Guarantee, in the years preceding the outbreak of the pandemic. This type of measures have been acknowledged as being effective in the past. However, not all PES have introduced major instruments recommended by the reinforced Youth Guarantee. Outreach is one of the major challenges.*

#### *Overview*

Groups of young people that have been identified as facing difficulties to enter the labour market encompass NEETs, young people who graduated during the pandemic, students with insufficient financial means and for whom possibilities to access student jobs have been limited, and young people experiencing poor health. Young people have been targeted by numerous initiatives and measures, in particular by employment incentives and training, as well as mentoring, counselling and guidance. This includes the launch of new measures along with an increase in expenditures and participants for young people participating in existing measures in 2020 and 2021, targeted in particular at young people entering the labour market for the first time, entering VET education, NEETs and young people with disabilities (OECD 2022a)<sup>34</sup>.

Between spring 2020 and summer 2021, 17 out of 28 European PES stated they had increased the use of measures (including under the Youth Guarantee as in **Belgium-Forem, Portugal and Spain**) or set up new measures for young people (PES response to COVID-19 overview). In 2020, young registered unemployed (under the age of 24) were more likely to participate in an ALMP as compared to other age groups in **Austria, France, Norway, Poland, Portugal, Slovenia, and Spain** (according to PES Network quantitative benchmark data for 2020; Duell et al. 2022). Lessons learnt from previous recessions and economic crises indicate that it may be difficult to re-engage young people in education and employment after long periods of inactivity (OECD 2022a).

According to surveys conducted by the OECD, new measures implemented for young people to cope with the COVID-19 crisis focused mainly on strengthening work-based learning and apprenticeships (18 out of 24 European countries). A large majority of countries increasingly used hiring incentives, including many existing measures and a few new measures (20 out of 24 European countries). Half of 24 European countries introduced new measures to strengthen employment services for young people (OECD 2021e). According to the **Swedish** PES, the proportion of those who found employment is clearly higher among those who have experience with at least one activity within the job guarantee programme than among those who have lacked activity (PES responses to COVID-19 overview).

Among newly introduced measures, hiring incentives have been extended to a larger age group, and have supported placement into permanent employment contracts (e.g. in

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<sup>34</sup> Responses to an OECD questionnaire of Autumn 2021 shows for 24 OECD countries that have hiring or wage subsidies in place, the number of young workers (15-29-year-olds) benefiting from such subsidies increased between October 2019 and October 2021.

**Italy**<sup>35</sup> and **Romania**). New hiring subsidies were also introduced in **Belgium, France, Greece, Hungary** and **Portugal** (OECD 2021e) (see Box 5 for some examples).

#### Box 5. New small-scale hiring incentives

**Belgium Actiris** (based in Brussels) has implemented an additional employment incentive called Phoenix.brussels targeted at unemployed of all ages without tertiary education and young people at all levels of education including those with tertiary education (OECD 2021e). In **France**, a temporary new hiring subsidy was introduced in August 2020, granting EUR 4 000 for newly hires under the age of 26 over a period of at least three months (OECD 2021e). Some other countries increased budgets of existing measures (Eurofound 2021b). Summer job programmes were upscaled or introduced in some countries as students often hold jobs in sectors particularly affected by the pandemic, e.g. in **Sweden** and **Finland** (Eurofound 2021b).

Some countries have reinforced comprehensive programmes to reduce youth unemployment with improved co-operation with various actors at the local level, in particular PES and (newly created or already existing) youth employment agencies (e.g. **France** and **Finland**, see Box A8). A few PES have implemented new large-scale programmes. One of the large-scale programmes, targeted at all young people and encompassing all sorts of measures is the **French** 'One young person, one solution' (1 jeune – 1 solution) plan, launched in the summer of 2020. With more than EUR 9 billion invested, it mobilises a set of levels including hiring assistance, training, support, financial aid for young people in difficulty, among other factors to respond to all situations<sup>36</sup>.

#### *Measures targeted at NEETs*

Lessons from the previous recession indicate that young people neither in education nor employment (NEET) are at particular risk to remain excluded from the labour market when interventions come too late and are not sufficiently sourced (OECD 2022a). In particular, NEETs who are not registered with the PES or social services are at risk. Evidence shows that the evolution of the share of NEETs in the last 20 years has experienced two major peaks: the financial crash in 2008 and the COVID-19 crisis in 2020 (ECE expert meeting on 10 June 2022 on NEETs). In Southern European countries, the NEET rate is substantial. Therefore, many PES have intensified their efforts to bring young NEETs into employment or education by using an array of instruments.

Measures that have been implemented under the reinforced Youth Guarantee targeted at NEETs encompass activities along the employment service chain, starting with mapping, outreach and first contacts up to the provision of employment services once the young person has been placed in a measure. In the years preceding the outbreak of the pandemic, a wide variety of instruments have been developed and different measures combined (e.g. intensive counselling and follow-up combined with training and work experience measures), and partnerships created, with support of the European Youth Guarantee. However, not all PES have introduced major instruments recommended by the reinforced Youth Guarantee and there is room to set up these instruments and widen the responsibilities of PES to use new instruments in many countries.

When asked in June and July 2020, only 17 out of 30 questioned PES stated that outreach to NEETs was their responsibility (Anghel 2021). Evaluation evidence indicates that effective outreach is one of the main challenges in youth employment policy (European Commission 2020). In the OECD countries, only a few countries have made outreach to

<sup>35</sup> Only employers who had not undertaken individual dismissal procedures over the six months prior to the hiring of young workers were entitled to apply for the exemption. This legislative provision extended previously existing incentives by introducing changes in the eligibility criteria and temporarily increasing the age limit to the age of 35 to include as many young workers as possible.

<sup>36</sup> <https://travail-emploi.gouv.fr/le-ministere-en-action/relevance-activite/plan-1jeune-1solution/>

young people a priority in their public and private initiatives which have been swiftly adjusted to remote and digitally enabled settings. New forms of delivering outreach activities adapted to social distancing rules have been implemented, and an example can be seen in **Germany** as a response to COVID-19. Activities have included virtual career orientation services, open-air career orientation and counselling in parks (OECD 2021e).

#### **Box 6. New outreach activities in Spain**

In **Spain**, a wide network of partnerships co-ordinated by the national PES (SEPE), established in 2017 to implement the Youth Guarantee Programme, has been used to facilitate outreach to difficult-to-reach groups such as young refugees, young people with disabilities, young Roma and other groups (Konle-Seidl, 2020).

Starting in the pre-pandemic period, significant progress has been made in using profiling and screening tools to assess the needs of NEETs and to develop individualised action plans. A majority of PES apply different profiling tools or systems to assess the job-finding prospects or the needs of NEETs. One example of assessing skills needs is a new measure in **Denmark** that introduced literacy and numeracy skills tests to unemployed young people without completed education (Anghel 2021).

Measures implemented by PES include career guidance, counselling, mentoring, motivational sessions (including individual coaching to build up motivation, self-confidence, and self-esteem with a view to work readiness), peer support, and referrals to social services (Anghel 2021). These measures have been developed and improved over the past years across Europe. Most PES used such instruments in 2020. Under the reinforced Youth Guarantees approaches, tools and methods continue to be improved and new ways continue to be tested.

Under the Youth Guarantee, there is also a set of preparatory measures which have been implemented to guide young NEETs in their vocational choices and to close skills gaps, including in the areas of digital, language, career management, entrepreneurial, reading/literacy, green and soft skills. Preparatory measures have been found to be effective, particularly for the most disadvantaged young people (EC 2020). However, not all PES implemented preparatory measures in 2020 (when the Youth Guarantee was reinforced), with just over half the PES able to provide preparatory short-term training and only around one-third involved in the validation and recognition of non-formal and informal learning outcomes for NEET (including learning outcomes of the preparatory short-term training). One explanation for this lack of PES involvement in validating and recognising prior learning is that these activities do not fall under PES responsibilities and are taken forward by institutions of the Ministries of Education (Anghel 2021). Measures implemented in some countries have also included bridging programmes to prepare disadvantaged young people to (re)enter mainstream education or VET systems (see below under apprenticeship programmes).

Hiring subsidies have been one of the key measures implemented to bring young unemployed into employment. Existing hiring subsidies available for all age groups may contain more generous rules for young NEETs.

Hiring incentives have been found to be more effective when targeted at the most disadvantaged young people (see for an overview in OECD 2020). It is important to design hiring subsidies well. However, only a few countries allow companies to keep the subsidised employee for a certain period after subsidies end, although this is considered a key design element (OECD 2022a). Hiring incentives have been found to be more effective when combined with other measures, in particular with training measures. Some PES have recently improved the design and delivery of hiring subsidies by introducing mentoring schemes, using social enterprises and promoting employment sustainability (see a few examples in Box A9).



Based on previous experiences, the reinforced Youth Guarantee has suggested implementing post-placement support, and half of the PES eventually had such services in place in 2020 (Anghel 2021). Post-placement services mainly included support by psychologists or social workers (12 out of 30 questioned PES), guidance on how to overcome problems (11 PES), further training (10 PES), job coaching (9 PES) and peer support (6 PES).

### *Supporting apprenticeships, traineeships and workplace-based learning*

The beginning of the pandemic brought a lot of uncertainty about implementing workplace-based vocational training components and apprenticeships. Smaller enterprises have been more reluctant to take on apprentices and trainees in the context of economic uncertainty and social distancing rules (OECD 2022a).

Several countries have therefore decided to support apprenticeships and traineeships. **Austria, Germany** – countries with a long-established dual apprenticeship scheme – as well as **France, Ireland** and **Luxembourg** introduced new incentive schemes temporarily for hiring or retaining apprentices (see Box A10 for **France** and **Ireland**). **Belgium, Greece, Italy, Luxembourg, the Netherlands** and **Norway** scaled up existing support schemes (OECD 2022a). The rationale for implementing these measures was mainly to avoid apprenticeship offers being reduced in the context of the pandemic.

Apprenticeship schemes are also perceived as an instrument to lower youth unemployment. Results of the evaluation of the EU Programmes ESF and YEI<sup>37</sup> Support to Youth Employment show the effectiveness of supporting apprenticeships. The organisations involved in ESF/YEI considered paid apprenticeships to be the most effective type of measure, together with vocational education and training and basic skills training (for the most disadvantaged young people) (EC 2020). However, if not well-targeted, financial support for apprenticeships may be associated with high deadweight losses. In addition, it has been stressed that the impact of increasing apprenticeships has on reducing youth unemployment can only be achieved by an increase in the retention rate of apprentices, meaning that apprentices are taken on as official employees by the firm in which they were trained (Cahuc and Hervein 2020).

In **Austria**, the PES has already implemented schemes to support companies to take up an apprenticeship and to retain apprentices after having completed their training programme. In the context of the COVID-19 pandemic, a new apprenticeship bonus of EUR 2 000 (and an additional EUR 1 000 for small and micro-enterprises) was introduced for young people signing an apprenticeship contract until the end of 2020 and for retaining former apprentices until 2021. Criticism had been expressed that the apprenticeship bonus was not targeted and not linked to specific requirements such as a net creation of apprenticeship places. It is therefore assumed those deadweight losses were high (Dorr et al. 2021).

Another objective is to secure that enough young people are trained in the VET system to prevent or dampen the risk of future skills shortages (which is perceived to be a serious challenge in **Germany** for example, see Box 7).

#### **Box 7. Temporary support to new apprenticeship places in Germany**

Demographic change and an observed shift in preferences of young people for tertiary education which started well before the pandemic represent major challenges for the German dual VET system which is traditionally a strong pillar of the education system. An above-average decline in the number of apprenticeship places was already recorded during the economic crisis in 2008 and 2009.

<sup>37</sup> Youth Employment Initiative.

The 'Securing apprenticeship places'-programme came into force in August 2020 to support the take-up of apprentices in SMEs, as over 10 000 apprenticeship contracts were cancelled by May and June. The programme aims to maintain the previous level of training places (training premium), creating additional training places (training premium plus), avoiding STW for trainees (subsidy for training remuneration) and taking over trainees in the event of insolvency (takeover premium). In December 2020, the regulations were amended to allow more companies to benefit from this subsidy. A second amendment was decided in March 2021 that, for example, doubles the training premium and training premium plus payments and expands the scheme to companies with up to 499 employees (before, only up to 249 employees) for apprenticeships starting in June 2021. This new programme draws on experiences with similar measures tackling youth unemployment and securing apprenticeship places through setting up Training Pacts and was designed based on collaboration with social partners.

PES have also promoted traineeships to allow young people to gain work experience and to support workplace-based learning. **Belgium Actiris** introduced an awareness-raising campaign for traineeships as a new measure targeted at employers which was conducted for Traineeship First ('Stage First'). This extends the length of traineeship support as compared to the scheme previously in place. **Denmark**, as a temporarily limited measure, has earmarked a budget to support traineeships for graduates. As part of the trainee scheme, recent graduates will be able to receive benefits, CV-counselling and complete job-oriented courses (PES responses to COVID-19 overview).

In a few countries prior to COVID-19, preparatory measures to enter VET training were established, including bridging programmes and programmes for adapted VET delivery for young people. The PES Capacity questionnaire on the Youth Guarantee indicates that 17 PES have implemented short-term preparatory training measures under the reinforced Youth Guarantee, including the apprenticeship preparation programme (Prépa Apprentissage) in **France** (Anghel 2021). **Germany** introduced a dedicated programme for intensified support for young people with learning difficulties and disadvantaged youth and for the companies offering them apprenticeships ('assistierte Ausbildung') in 2015. Research, using qualitative methods, show positive results of this programme (Conrads et al. 2018). **Germany** has a long tradition of implementing bridging programmes to promote access to the dual VET training.

#### 4.2. ALMPs targeted at disadvantaged and vulnerable groups

*PES have experimented and implemented new approaches and measures for long-term unemployed and some other disadvantaged groups prior to the pandemic. Based on evidence, these activities have been expanded in many countries, target groups enlarged, and new local partnerships tested since the COVID-19 pandemic.*

*ALMPs have not been particularly targeted at older workers and people with health issues during the pandemic, except in a few countries. This is an area where more could be done.*

*Only few countries introduced new measures targeted at (newly arrived) migrants. Evaluation indicates that language courses, recognition of prior learning and employment incentives are among the most effective measures for this group.*

*Long-term unemployed and jobless people with multiple employment barriers*

Lessons from the past economic crisis in 2008 and 2009 have highlighted the risk of unemployment turning into persisting long-term unemployment. This has led to a European Commission Recommendation on long-term unemployed in 2016<sup>38</sup>. Prior to the outbreak

<sup>38</sup> [EUR-Lex - 32016H0220\(01\) - EN - EUR-Lex \(europa.eu\)](#)

of the pandemic, long-term unemployed have been the focus of many PES activities. The long-term unemployment rate eventually declined until the outbreak of the pandemic. The COVID-19 pandemic hit long-term unemployed hard as the outflow of long-term unemployment was hindered by few job openings at the beginning. Also, distancing rules have challenged the delivery of ALMPs for long-term unemployed and other vulnerable groups mainly in the first phase of the pandemic. Consequently, long-term unemployed, as well as other disadvantaged groups, also belong to the main target groups of new and amended ALMPs in the context of COVID-19. Eventually, most PES stated that they recorded an increase in registration from vulnerable groups in 2021 (Duell et al. 2022).

Measures to reduce long-term unemployment and to activate the inactive have been experimented with and taken over in mainstream activities prior to the COVID-19 pandemic. This has mainly included the development of encompassing approaches to understand complex employment barriers, intensive counselling and follow-up, in-work coaching, intra-agency co-operation and public-private partnerships (Csillag 2020 and Konle-Seidl 2020). Available evaluations show positive results of these new programmes for long-term unemployed (see an example in Box 8).

#### **Box 8. Programme for long-term unemployed in Germany**

In **Germany**, an ESF programme for long-term unemployed has been implemented for 20 400 long-term unemployed from 2015-2017. Activities included employer services, coaching and wage subsidies. An evaluation of the programme has shown that both social integration as well as the likelihood of finding a job and employment sustainability could be improved (Boockmann et al. 2021). The positive effects of ALMPs for bringing long-term unemployed back to work have also been shown in **Germany** by Harrer et al. (2017).

Lessons learned from previous experiments, pilots and new encompassing programmes for this target group in **France, Germany, Slovenia** and other countries show the effectiveness of personalised and intensive counselling with a low caseload, multi-disciplinary approaches, mentoring, post-placement support, and the importance of learning offers (including for basic skills and work-life skills). Remaining challenges are linked to the motivation for participation on the side of jobseekers and employers, and the sustainability of found employment (see for an overview Csillag 2022 and Konle-Seidl 2020).

Overall, since the start of the pandemic, measures that already existed before the pandemic started, have been implemented. There have not been many new or amended ALMPs for long-term unemployed in 2020 (Peters 2021).

At the beginning of the pandemic, PES encountered difficulties implementing ALMPs for long-term unemployed. Issues have included a low digital skills level which limited the possibility of participating in e-learning courses. As shown above, a number of countries introduced basic literacy programmes, but their effectiveness for vulnerable groups is not yet known (Csillag 2022, Anghel 2022). Implementation also suffered from social distancing rules in companies, social enterprises and other organisations.

PES in **Cyprus, France, Iceland, Latvia, Lithuania, the Netherlands, Slovakia, Slovenia** and **Sweden** indicated that they increased their counselling activities for vulnerable groups in summer 2021. Similarly, **France, Iceland, Lithuania, the Netherlands, Slovakia, Slovenia** and **Sweden** increased co-operation with social services (Duell et al. 2022).

Some countries have enlarged their target groups for ALMPs or are planning to do so. For example, in **Spain**, the future Employment Act will extend the list of priority groups for employment policies to people with limited intellectual capacity, migrants, beneficiaries of international protection, female victims of gender-based violence, people belonging to ethnic minorities and workers from sectors undergoing restructuring (OECD 2022a).

In a few countries, the implementation of ALMPs for long-term unemployed and some other disadvantaged groups through social enterprises has been discussed and newly implemented. Some countries, such as **Austria**, have a long-standing experience with social enterprises with positive evaluation results pointing to the importance of offering employment services to participants at the end of the programme to place them into the non-subsidised labour market. Implementing ALMPs in social enterprises has been particularly focused on people with health issues (see below) but has also been used for unemployed with multiple employment barriers. One example of a new measure is the introduction of a 'integration employment in the social economy' by the **Belgian PES Actiris**. It involves 1 200 jobs subsidised by Actiris in almost 100 social integration enterprises. This employment is aimed at jobseekers who are far from the labour market (especially the LTU and NEETs) (Duell et al. 2022).

A few countries have experimented with the introduction of newly designed job creation measures. One example is presented in the following Box 9.

#### **Box 9. New programme to reduce long-term unemployment in local areas in France and Belgium**

**France** has implemented an ESF-funded experiment called 'Local communities without long-term unemployment' ('*Territoires zéro chômeur de longue durée*') aiming to eliminate long-term unemployment in a local area<sup>39</sup>. The programme is targeted at small municipalities in rural areas or deprived urban areas. The initiative offers long-term unemployed individuals a permanent contract for a job with a social enterprise that is adapted to their skills. That is, the approach aims to create and tailor a job to a jobseeker's needs, skills and competences, rather than the other way round. The jobseeker can get a permanent work contract at the "enterprise for employment", however, the objective is to prepare the participant for the regular labour market. A report on the results of this experiment in 2021 published by the research and statistics department (Dares) of the Ministry of Employment (Bouba Olga et al.), shows that the programme was successful in promoting the social integration and health of participants. The permanent employment incentive has also likely had a positive impact, although the study cannot ascertain the impact of it as compared to other employment incentives. The study also concludes that the impact on other economic activities in the local areas is low, given the small scale of the programme. The study stresses, that the programme would need clearer criteria for selecting participants and subsidised activities.

This concept has been taken up and newly introduced in **Belgium** by the PES **Actiris** and **Forem** in 2022. In the case of the **Belgian PES Forem**, the programme will be targeted at the very long-term unemployed and a higher focus will be set on in-work guidance and training (Csillag 2022).

A few new employment incentives have been introduced in the context of the pandemic. Other countries have increased budgets for existing measures. Examples of the introduction of measures linked to COVID-19 are shown in Box A11 including temporary large-scale programmes targeted at long-term unemployed in **Austria** and **Ireland**. Smaller programmes have been implemented in other countries. New elements in these programmes concern sector orientation, targeting less developed regions, targeting older long-term unemployed, and new delivery forms such as linking a structured on-the-job learning plan and intensive counselling to employment incentives (examples in Annex, Box A11).

#### *Unemployed older workers*

Older workers were not as significantly affected by the COVID-19 pandemic as other groups in most countries (see Chapter 2). However, they still face the risk of remaining unemployed should they lose their job. This is a worrying reality considering the continued demographic change in European labour markets. In some countries, preventive measures and targeted ALMPs for older unemployed were initiated before the pandemic, but overall,

<sup>39</sup> <https://www.tzclld.fr/>

new development is lacking. Most PES do not run special programmes or have special measures for older workers and instead offer services and measures within their mainstream activities (Mosley et al. 2019).

ALMPs have not been particularly targeted at older workers during the pandemic except in a few countries where older unemployed have been included in new measures which otherwise target long-term unemployed (e.g. in **Austria, Denmark, Finland, Greece** and **Romania**; see for some of these examples Box 10).

**Box 10. New measures for older workers and their participation in mainstream measures**

In **Denmark**, temporarily new and amended measures include an extraordinary wage subsidy for firms hiring long-term unemployed senior citizens and an extension of the duration of on-the-job training programmes for seniors.

**Romania** introduced financial support for employers who hire people aged 50+ who were dismissed between 16 March and 15 May or 18 May and 18 June 2020. The measure also included other target groups. By November 2020, 25% of those benefiting from this measure were aged 50 and above (Eurofound 2022).

**Austria** has implemented a new temporary scheme called 'restart subsidy' ('Neustartbonus') within the existing in-work benefit scheme ('Kombilohn') as of July 2020. The bonus is paid for a longer period if the participant is aged 50 and above and has health impairments (one year instead of up to 28 weeks) and people aged 59 and above participating in a vocational rehabilitation measure (up to three years). By July 2021, 3 785 subsidies had been approved, of which 14% were aged 50 and above (Eurofound 2022b). This measure has not been evaluated yet.

In the case of **Sweden** and **Slovakia**, older registered unemployed had the highest probability to participate in an ALMP (according to PES Network quantitative benchmark data for 2020), even if no new measures have been introduced.

Boockmann (2015) reviewed evaluations on the employment effect of wage subsidies for older workers in **Belgium, Finland, France, and Germany**. Results were mixed, but this may be linked to the fact that evaluation studies considered different age groups (50 and above, 54 and above and 58 and above). The main issue was large deadweight losses, which are lower for hiring subsidies. There is also evidence that the effect of employment incentives depends on early retirement rules and the measure cannot be looked at in isolation. Reviewing evaluation studies Konle-Seidl (2017) refers to studies showing a positive effect for younger older workers, as well as a positive effect on avoiding entering early retirement, such as is the case in **Finland**.

Piccio (2021) investigated the effectiveness of training measures for older workers. Different arguments relating to the effectiveness of training measures have been put forward, including concerns about the decline in cognitive skills of older workers and their training performance being worse than for younger workers. However, learning activities that are self-paced, job-related, and work-integrated, are shown to be effective. Research has also shown that the decline in productivity of older workers is not evidenced, as experience can compensate for age-related deficiencies (see for an overview Duell 2015).

Motivation to participate in training may be an issue for workers that had previously participated little in lifelong learning activities. In **Germany**, a programme supporting training measures for employed low-skilled and older workers in SMEs (WEGEBAU) was implemented by the German PES from 2006 to 2018. An evaluation of the programme indicates that the take-up of the programme was low (although improving over time) pointing to the difficulty in outreach to and motivate both SMEs and low-skilled and older workers to invest in training (Dauth and Toomet 2016). On the positive side, the authors found that participants were approximately 2.5 percentage points more likely to remain in paid employment two years after treatment. The main driver for this effect is postponing early retirement, while the influence on involuntary layoffs is limited. Further, they found that the programme had a positive effect on job satisfaction. To conclude, training

measures have the potential to increase the employability of older workers but are not sufficiently used.

Intensive counselling and guidance, coaching and mentoring have been found to be effective measures to bring the older unemployed back to work. The following Box 11 shows examples showing positive results.

**Box 11. Intensified counselling for older workers**

The evaluation of the programme 'Perspective 50', run in **Germany** from 2005-2015 for means-tested minimum income recipients, using intensified counselling and improved co-operation between various local stakeholders, showed positive results (Knuth et al. 2014). Pilot projects implemented in Switzerland that provided dedicated intensive counselling adapted to older unemployed on issues such as self-esteem and wage expectations and coaching seminars for unemployed aged 45 and above also showed positive results (OECD 2014).

*People with health problems and reduced work capacity*

PES, disability insurance and other actors have implemented a range of measures to bring people with disabilities (back) to work. However, overall budgets have been low in several countries and rehabilitation services have remained underdeveloped and underused in many countries (Konle-Seidl 2020). As a general trend, disability systems have strengthened their activation components over the past decade. OECD (2022d) shows that there is no age difference in the probability of becoming employed by participating in a vocational rehabilitation measure promoting a return to work.

Some national studies have shown the effectiveness of specific approaches. In the **Netherlands**, an assessment of PES services indicates that employers find coaching-on-the-job for workers with health impairments to be important (Berenschot 2019). Also, depending on the conditions, implementation through social enterprises and sheltered employment may be valuable approaches (Csillag 2022). Outreach activities to employers<sup>40</sup> and a comprehensive offer of measures, including individualised counselling, training and workplace adaptations are among the success factors. The European PES Network has published a practitioner toolkit for PES to improve labour market outcomes of people with disabilities. The toolkit points to the need to adopt a universal or holistic approach, including personalised and tailor-made actions, an in-depth assessment of individual needs and a partnership approach (European Network of Public Employment Services 2022).

Since the start of the pandemic, only a few PES have developed and implemented new measures and approaches. In several EU Member States, employers could receive extra support for the job retention of people with disabilities or were provided with additional incentives for hiring people with disabilities (e.g. in **Belgium, France, Greece** and **Latvia**).

Main changes in existing ALMPs also encompassed opening employment incentive schemes and training measures to include people with disabilities. In **Portugal**, employment incentives have been combined with vocational training and transitional support. In **Latvia**, participation in measures was lengthened. In **Finland**, the government decided to set up a special assignment company that recruits people with partial work ability for longer-term employment relationships. In **Austria** and **Lithuania**, subsidies for self-employed with a disability were made more accessible. Some examples of new or amended measures are presented in Box A12 in the Annex.

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<sup>40</sup> See European Commission, Mutual Learning Programme, "Key messages from the Peer Review on "Employer Service Delivery", 26-28 October 2020, online.

A few countries have recently improved co-operation between different institutions that are implementing labour market integration measures for people with disabilities (see for examples in **Denmark** and **France** Box A12 in the Annex). These changes are not linked to the COVID-19 crisis.

Improving the way ALMPs targeted at people with disabilities are delivered, by improving co-operation and following comprehensive approaches, is in line with good practices identified for other vulnerable groups. However, it seems that these approaches can still be reinforced and people with disabilities get more attention from PES in many countries.

### *Migrants*

Migrants have been identified by PES as one of the groups whose employment situation has been particularly affected by the COVID-19 crisis. Prior to the COVID-19 pandemic, specific migrant groups have been defined as vulnerable, with higher unemployment and inactivity rates (Konle-Seidl 2020). Patterns of discrimination in accessing education and the labour market render their labour market position more challenging (Hajnal et al. 2022). Many PES have indicated that the share of migrants among registered unemployed has increased (PES responses to COVID-19 overview) and many PES found it more difficult to bring them into work than other groups of jobseekers (OECD 2022a). This is linked to different reasons, one being that they have often been employed in sectors affected by the social distancing rules (such as hospitality in tourism). Also, the typical job tenure of migrants is shorter, and they are more often employed on fixed-term contracts or as seasonal workers. The employment of migrants is typically more often negatively affected during recessions compared to nationals. More generally, migrants have found it more difficult to access the labour market because of discrimination. Underutilisation of their skills is another issue, as often qualifications of newly arrived are not recognised as having the same standard as national qualifications. In addition, seasonal workers have been affected by travelling restrictions at the beginning of the pandemic.

Programmes targeted at newly arriving migrants typically include language training, courses in civic orientation and introduction programmes and activities related to the labour market (Andersson-Joona 2019, Butschek and Walter 2014). Evaluations of existing language training conducted in **Denmark** and **Sweden** show that these programmes lead to positive effects in the long run. Results from evaluations of labour market training measures implemented for newly arrived migrants in Nordic countries show mixed results, although some studies have identified positive long-term effects for non-Nordic immigrants in particular. Subsidised employment is only rarely used for newly arrived migrants. However, subsidised private-sector employment is found to be the most effective labour-market programme for promoting regular employment, at least in the short term. By contrast, public work measures are not considered effective (Andersson-Joona 2019). A review of 33 evaluation studies suggests that wage subsidies and work experience programmes appear to be the most effective ALMPs for migrants (Butschek and Walter 2014). The authors also remark that immigrants are underrepresented among participants in these programmes (in **Germany**).

Since the start of the COVID-19 pandemic, some countries introduced new migrant-specific measures. Newly introduced measures have been varied in nature and have included employment incentives for newly arrived migrants, on-the-job training for individuals with international protection, language courses and developing integrated approaches (see Box A13 for some examples).

### 4.3. ALMPs to cope with the inflow of refugees

*As a response to the war in Ukraine, EU governments and PES have been very active to reaching out to new refugees from Ukraine and to ease access to PES services, ALMPs, and the labour market. Recognition of prior learning and certification of diploma is another important area. Previous evidence indicates that language courses, labour market relevant training courses, support to vocational training and recruitment incentives are effective, although labour market integration of refugees remain challenging.*

Measures that promote the uptake of employment by refugees and their participation in training proved to be most effective (Kasrin and Tübbicke 2021). The OECD formulated recommendations for policies to ease labour market integration based on experiences from the 2015/16 refugee crisis and previous times, which are highly relevant to the current refugee inflow from Ukraine. Main recommendations included taking local labour market conditions into account when spreading refugees over the country, permitting early access to the labour market, recording and assessing foreign qualifications, identifying mental and physical health issues early on and providing support and raising awareness in the host country (OECD 2022a). Lessons can also be drawn from recent experiences with the refugee crisis related to the war in Syria and ALMPs put in place in **Germany** (Box 12).

#### Box 12. ALMPs targeted at refugees in Germany

The large influx of - mainly Syrian - refugees and asylum seekers in 2015/2016 prompted **Germany** to implement labour market programmes for this group. Early access to the labour market has already been made possible by a change of law. In addition, with the adoption of the new draft integration law on 25 May 2016 by the government ('Integrationsgesetz'), the need for a "priority review" by the PES can be suspended, depending on the regional labour market context<sup>41</sup>. Labour market programmes for refugees and asylum seekers included German language training and vocational language courses, and civic integration courses offered by the PES and the Federal Agency for migrants and refugees (BAMF). In addition, support for labour market-relevant training courses, placement in apprenticeships, and subsidised employment and direct job creation measures and in-work benefit schemes were offered to refugees and asylum seekers, who received the minimum wage. An evaluation carried out in 2021 by the research institute of the German PES, the IAB, finds that ALMPs helped to increase labour market participation, although the unemployment rate of refugees remained above average.

Since February 2022 due to the war of Russian aggression against Ukraine, a new, considerable number of displaced people have arrived. The EU PES Network has conducted surveys among PES about registration, employment and ALMPs for displaced Ukrainian citizens and residents. Results of the fourth survey conducted in February 2023 show on an aggregated level that the number of persons registered at PES amounts to more than 353 000 registrations at the 28 PES that have reported on this question. More than 50% of these registrations are reported from **Germany**. Figures reported by 25 PES indicate that more than 1 300 000 people displaced from Ukraine were in employment in these countries in February 2023 (a strong increase over time, as they were less than 200 000 in May 2022). This figure should mainly include people with Temporary Protection status. Jobs are mostly found in sectors with labour shortages. While these vary across countries, sectors as construction, hospitality as well as wholesale and retail trade are often mentioned<sup>42</sup>.

<sup>41</sup> [http://www.bmas.de/SharedDocs/Downloads/DE/PDF-Meldungen/2016/hintergrundpapier-zum-integrationsgesetz.pdf;jsessionid=DC9B1AF58CDACC685A90FB168971C505?\\_blob=publicationFile&v=6](http://www.bmas.de/SharedDocs/Downloads/DE/PDF-Meldungen/2016/hintergrundpapier-zum-integrationsgesetz.pdf;jsessionid=DC9B1AF58CDACC685A90FB168971C505?_blob=publicationFile&v=6)

<sup>42</sup> <https://ec.europa.eu/social/main.jsp?langId=en&catId=89&furtherNews=yes&newsId=10526>



The European Temporary Protection Directive<sup>43</sup> of 20 July 2001 has been rapidly activated. This Directive gives beneficiaries of temporary protection from Ukraine the right to access the labour market as employees or self-employed, 'subject to rules applicable to the profession'. This Directive does not, however, prevent PES from conducting labour market tests or prioritise EU citizens and other groups for job placement (Eurofound 2022a).

Many countries in the EU have set up specific activities to ease labour access of Ukrainian refugees, which has often not been the case in previous refugee crises. A number of countries already have instruments for refugees and asylum seekers in place (e.g. **Bulgaria, Germany, and Iceland**). PES usually take a central role in providing basic employment services, such as providing information, counselling and placement activities to persons displaced from Ukraine. While some countries scaled up their programmes, others have developed specific projects and measures (see for some examples also below). Recent activities have encompassed all areas of ALMP and employment service provision.

Several countries have eased labour market access for persons displaced from Ukraine by waiving restrictions that apply to other third-country nationals. For example, **Latvian** employers can now hire persons displaced from Ukraine at a pay rate lower than the national average wage, which was previously not possible. In **Austria**, when employing persons displaced from Ukraine under temporary protection, employers do not have to undergo any further labour market tests (the so-called 'substitute worker procedures').

A range of basic PES services has been made available to persons displaced from Ukraine. In particular, access to information on how the labour market, counselling and placement activities function. Several countries have granted eligibility for persons displaced from Ukraine to allow access to all PES services and measures (e.g. **Poland and Romania**). Four PES (**BE-Actiris**, **BE-Forem**, the **Czech Republic** and **France**) offer all their activation measures to eligible Ukrainians (provided they possess a residence permit). Many PES have introduced targeted information provision, orientation and career guidance to persons displaced from Ukraine (see Box A14 for examples).

Some PES have adapted the delivery of employment services. Forms of delivery of these services have included the provision of information in the Ukrainian language (e.g. **BE-Actiris, Germany, Iceland, Poland and Slovakia**) (information collected by the PES Network on support to displaced people from Ukraine). The Belgian PES Forem already had teams of specialised counsellors for "newcomers" in place. In **Finland**, local PES offices have established special multi-professional Ukraine teams. Ukrainian-speaking experts have been recruited to local PES Offices in **Finland, Latvia and Lithuania**. In **Poland**, the PES can hire people from Ukraine as helpers and translators.

In some countries, information and employment services have been provided early on and are linked to outreach activities, at least at the beginning of the large inflow of persons displaced from Ukraine. Information and the possibilities for registration have been offered by PES (with mobile PES teams) at borders, other registration offices and reception centres (see for examples Box A15). New dedicated online portals have been introduced in the **Belgian PES Actiris, Bulgaria, the Czech Republic, Denmark, Estonia, France, Poland and Portugal** (OECD 2022c, Eurofound 2022). In addition to an online portal, the **Danish** PES organises dedicated job fairs. Several PES have been proactive in reaching out to employers (e.g. **Slovakia**) (questionnaire to PES on displaced Ukrainians).

The European Qualifications passport for Refugees was developed by the Council of Europe. This instrument does not replace the need for formal recognition of qualifications (requested for some professions) but increases transparency on the educational level, work

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<sup>43</sup> Council Directive 2001/55/EC of 20 July 2001 on minimum standards for giving temporary protection in the event of a mass influx of displaced persons and on measures promoting a balance of efforts between Member States in receiving such persons and bearing the consequences thereof, <https://eur-lex.europa.eu/legal-content/en/TXT/?uri=celex:32001L0055>.

experience and language proficiency. At the European Commission, work is ongoing on to compare the Ukrainian national qualification framework and the European Qualifications Framework (OECD 2022e). In **Poland**, an online platform "PracawPolsce"<sup>44</sup> is being implemented. Registration in the system takes place using a simple online form, also available in Ukrainian, where Ukrainian citizens can create a professional profile including information about their professional qualifications. In **Ireland**, DSP with the Education Ministry mapped Ukrainian qualifications to those in the Irish qualification framework. People from Ukraine are asked to identify their highest level of education from a list written in Ukrainian and Russian. The case worker then enters the Irish equivalent into their system (questionnaire to PES on persons displaced from Ukraine).

Some countries have accelerated the process of recognising professional qualifications, in particular for medical occupations (e.g. **Poland**), or eased regulations. In **Sweden**, persons displaced from Ukraine can take advantage of the existing fast-track for teachers, preschool teachers and medical professionals (OECD 2022c). In **Latvia**, qualified medical practitioners or nurses can work under the management of someone in the same specialisation with at least five years of work experience. **Latvia** additionally simplified access for Ukrainians to several professions, including in the education and childcare sectors, when caring for Ukrainian minors (Eurofound 2022a).

Several PES are providing access to training measures. **Denmark** has established a two-years basic integration training programme, which provides school-based education and practical work experience. **Slovakia** has given refugees access to the education and training courses offered by the Labour Offices under the Help to Refugees project (Eurofound 2022). In **Poland**, the PES may finance a vocational course, examination or the cost of proceedings confirming completion of education at a certain level. Some PES can rely on the instruments and training offers already in place (e.g. **Belgium, Germany**) (EC questionnaire to PES on displaced workers). In **Germany**, Ukrainian refugees with a temporary residency permit can take part in integration and language courses for free<sup>45</sup> as well as participate in dual apprenticeships<sup>46</sup>. National language courses are also extended or newly introduced by a range of other PES (e.g. **France, Lithuania, Romania**). In **Estonia**, a new measure was launched and granted to employers on 1 June 2022 called "Support for employment of a beneficiary of international protection", which includes a fixed reimbursement of the costs of labour market training and translation of certification of qualification.

Employment subsidies and direct job creation programmes are made available at several PES, e.g. in **Belgium, Estonia, Germany, France, Hungary, Latvia** and **Slovakia**, but only a few PES introduced new measures. **Lithuania** and **Poland** offer also business start-up support (Eurofound 2022).

Despite improved labour market integration policies, only a relatively small share of the displaced people in working age have so far taken up employment in EU countries. Possible reasons include uncertainty of the length of stay, female care obligations (most of the displaced people are women and have been fleeing with children and dependent parents), and language barriers, among other reasons.

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<sup>44</sup> <https://pracawpolsce.gov.pl/>

<sup>45</sup> . By September 2022, about 100 000 persons displaced from Ukraine have participated in 600 hours of German language courses. See: <https://www.sueddeutsche.de/politik/fluechtlinge-integration-sprache-ukraener-1.5652116>

<sup>46</sup> <https://www.handwerksblatt.de/themen-specials/ukraine-krieg-das-handwerk-hilft/planungssicherheit-fuer-ausbildungsbetriebe-ukrainischer-fluechtlinge>

#### 4.4. ALMPs targeted at reducing gender inequalities in the labour market

*There has been little progress in introducing new ALMPs to bring women into the labour market. Many PES have gender neutral approaches in place. A few new programmes have targeted vulnerable groups of women. Only a few new programmes are aimed at increasing women's participation in the labour market, reducing occupational gender segregation and increasing the supply of skilled women in the area of crafts, technics and IT, although existing evidence shows that these programmes can be very effective. The gender employment gap is still large in many countries.*

Despite improvements throughout recent years, the gender employment gap is still large. In 2021, 67.7% of women were in employment whereas men's employment stood at 78.5%. In other words, there is still a gender employment gap of 10.8 percentage points, which has only slightly decreased in the last 10 years (-1.9 percentage points)<sup>47</sup>. In 2021, the gender employment gap was highest in **Romania** (20 percentage points) and lowest in **Lithuania** (near 2 percentage points).

The unemployment gap between women and men has increased but is not substantial. However, inactivity rates among women remain high, particularly in Southern European countries. Inactivity rates are also high for specific groups of women facing risk of discrimination, such as migrant women (Konle-Seidl 2020, Hajnal et al. 2022). Labour market barriers for women often differ from the ones for men, mainly linked to caring responsibilities which are still typically taken on by women and breaks in their careers, occupational gender segregation, gender stereotypes and discrimination. PES are aware of these factors leading to gender inequalities (Sansoneetti and Davern 2020).

Prior to the pandemic, there were few specific ALMPs in place aimed at reducing gender inequalities and this has not changed much to date. In their responses to a PES Network questionnaire on PES approaches to combat gender inequality in the labour market, PES usually stress that they pursue an individualised, person-centred and gender-neutral approach. Nevertheless, several PES have put promising practices in place to combat gender stereotypes, assist the labour market situation and access of women in vulnerable social situations and support women returning to the labour market. Large differences across PES in prioritising this kind of activity can be noted (Sansoneetti and Davern 2020).

Before the outbreak of COVID-19, a few PES launched new initiatives to encourage women to take up jobs in male-dominated professions (e.g. **Portugal** in the context of its Promoting Gender Equality Programme) and in encouraging young people to overcome gender stereotypes in their vocational choice. In **Austria**, the Women in Craft and Technics (FiT) programme has been implemented by the PES since 2006 and has been among the good practices for reducing gender stereotypes and occupational segregation<sup>48</sup>. An evaluation of this programme for the period 2015-2020 found it to be successful in bringing women into male-dominated occupations (Bergmann et al. 2022). The **Spanish** PES implemented a programme to promote the employment of women in rural areas from 2019 to 2021. In **Italy**, two new temporary projects (one of them with the support of ESF funding) began implementation by the PES just prior to the COVID-19 outbreak to find new ways and co-operation opportunities to improve work-life balance in order to permit women with care responsibilities better access to the labour market.

Only very few PES have implemented new measures for promoting the access of women to the labour market or have refocused their existing ALMPs during the COVID-19 crisis

<sup>47</sup> [https://commission.europa.eu/strategy-and-policy/policies/justice-and-fundamental-rights/gender-equality/women-labour-market-work-life-balance/womens-situation-labour-market\\_en](https://commission.europa.eu/strategy-and-policy/policies/justice-and-fundamental-rights/gender-equality/women-labour-market-work-life-balance/womens-situation-labour-market_en)

<sup>48</sup> As shown by an evaluation carried out in 2014: [https://www.forba.at/wp-content/uploads/2018/12/FIT-FIA\\_Endbericht.pdf](https://www.forba.at/wp-content/uploads/2018/12/FIT-FIA_Endbericht.pdf)

and recovery. In the case of **Greece**, this mainly concerned vulnerable groups of women. In addition, one new entrepreneurship programme for young people targets women specifically. In **Italy**, the PES focuses on raising the level of women's participation in the labour market. For example, the introduction of a 'National gender equality certification system', based on the definition of standards for the certification of gender equality and related incentives for companies that successfully conclude the certification process (Duell et al. 2022 and PES responses for the PES capacity report 2022).

#### 4.5. Summary of main findings

At the beginning of the pandemic, PES encountered difficulties in implementing programmes, particularly when considering the required distancing yet at the same time, many PES recorded an increase of vulnerable groups in their registries. As a response, countries have mainly retargeted ALMPs to vulnerable groups and increased budgets for existing measures targeted at them. A few PES have introduced new ALMPs on a temporary basis to cope with the labour market effects of the COVID-19 pandemic. Based on evidence, a number of temporary measures have also been initiated to tackle the rise in youth unemployment linked to the pandemic, through the promotion of apprenticeships and more generally workplace-based learning and through specific training measures, employment incentives and job creation programmes for disadvantaged youth. Tackling youth unemployment, and in particular address NEETs has already led to the development of innovative measures prior to the pandemic.

PES could rely on previous experiences to improve ALMP instruments and delivery for long-term unemployed and people with multiple employment barriers, which have been developed for many years. Research has shown the benefits of comprehensive approaches and an integrated delivery of employment, social and health services for vulnerable groups. In line with recommendations from research, innovations in this area have continued to be implemented since 2015. This includes outreach activities towards inactive groups and individuals. Reform agendas have continued to be developed and implemented since the start of the pandemic, as a structural response to employment barriers of vulnerable groups, and efforts would need to be continued.

The remaining challenges consist of the need to improve outreach and continue to strengthen co-operation between employment services, social services and health services. Some countries remain under-resourced for providing ALMPs.

Older unemployed are not sufficiently the focus of PES activities in many countries. Although their unemployment rate is generally relatively low, they have a high risk of becoming long-term unemployed. New approaches in ALMPs for women are focusing on specific disadvantaged groups. Only a few new programmes are aimed at increasing labour supply of women, reducing occupational gender segregation and increasing the supply of skilled women in the area of crafts, technics and IT. Although existing evidence shows that these programmes can be very effective, this is an area where more could be done. Evaluations of specific programmes to attract women into STEM and male-dominated VET trained occupations show positive results, although overcoming gender stereotypes takes time. Also, a few new measures were implemented to support the labour market integration of newly arrived migrants and reduced inequalities and discrimination in the labour market. Based on evidence on the success of ALMPs to reduce inequalities, efforts would need to be reinforced.

In response to the large arrival of displaced Ukrainians since the end of February 2022, many PES have made major efforts to offer their services. New approaches for delivering ALMPs have been put in place across several countries. The **German** PES, which registered the largest number of displaced persons from Ukraine, was already well-prepared due to its experience with promoting integration in the VET system and the labour market of mainly Syrian refugees in 2015/16.

The main services and measures implemented by European PES consisted in setting up dedicated counselling services, outreach activities to employers and to displaced persons from Ukraine, and the offering of language training and civic integration courses. Uptake of these measures is unknown. Previous evaluations have shown that activation measures for refugees are effective, although effectiveness is limited by numerous employment barriers.

## 5. IMPLEMENTATION CONDITIONS OF ALMPs

### 5.1. PES services and delivery chains of employment services

*PES have continued to improve service delivery for both jobseekers and employers, and in particular to SMEs. Evidence has shown that the effectiveness of ALMPs can be increased through comprehensive employment services.*

#### *Increased attention to quality and delivery in PES strategies*

The strategies of many PES address issues related to the quality of the service delivery. 17 PES formulated targets for 2022 related to their internal work processes aimed at efficiency but also improving the quality of their services and their service delivery. One of the strategic objectives of the **Swedish** PES is to increase quality in case management. The **Belgian PES (Actiris)** formulated two strategic objectives dealing with "quality guarantee and quality support to each job seeker", increase team satisfaction and pride, encourage innovation and improve the quality of our services through participative management. The **German** PES uses a 'Counselling index for young people' to assess take up and impact of counselling services. In **Italy**, the 'National Programme for the Guaranteed Employability of Workers' (Programma Nazionale 'Garanzia Occupabilità dei Lavoratori (GOL)) intends to set standards for service delivery based on the definition of essential levels of performance based on past experiences. (Corti et al. 2021). In **Spain**, planned reform for the modernisation of active employment policies includes the development of individualised guidance itineraries to improve existing tools (answers to the questionnaire for the 2022 PES capacity report).

Two specific actions undertaken by PES are the combined use of services and ALMPs for specific target groups and new services for employers. New approaches have also been implemented to offer better services for employers and to improve matching.

#### *Improving approaches to counselling and guidance*

The effectiveness of ALMPs depends strongly on their implementation. Employment services, adequate tools and, to a lesser extent, procedures in the service delivery chain have been used by PES to make delivery chains more effective. Studies have shown positive results of such approaches (see for an overview Csillag 2021 and Konle-Seidl 2020).

The main change in the actual delivery concerns the intensity of the support PES counsellors can devote to people facing labour market integration barriers. Since 2015, several PES have experimented with a drastic reduction in staff caseloads of unemployed persons that are furthest from the labour markets.

Changes for a stronger collaboration between employment services and ALMPs have started prior to the pandemic. PES have increased efforts to provide intensive counselling to groups of jobseekers who need it most, such as individuals at high risk of becoming long-term unemployed, women in vulnerable situations, disadvantaged young people and migrants in a number of countries (based on answers provided by PES to an OECD questionnaire in Autumn 2021, OECD 2022a). The COVID-19 crisis has reinforced the search for improved service delivery, mainly for disadvantaged groups. Some examples of

new measures for intensified guidance, coaching and mentoring jobseekers with multiple employment barriers and specific different disadvantaged groups have been shown in Chapter 4 and Box A16 in the Annex.

Well-designed provision of information, counselling and guidance services help to empower jobseekers to make informed career choices, to improve their job-search skills and thus increase the likelihood of finding employment opportunities and educational pathways by themselves. Services such as diagnosing employment barriers and skills gaps, as well as guidance on how to address them, aids in selecting ALMP participants and referring them to the ALMPs that are most likely to help them find work. For the most disadvantaged groups, on-the-job-coaching or regular feedback if participating in a training measure, along with support services for employers (e.g. to support employers and line managers to deal with disadvantaged youth) may reduce programme dropout rates and increase sustainability. Post-placement support services may also enhance the effectiveness of the ALMP.

### *New services for employers and increased co-operation*

The COVID-19 pandemic has prompted the introduction of new content and new ways to deliver employer services. According to answers to a questionnaire collected by the OECD in Autumn 2021, almost three-quarters of PES in the OECD have made, or plan to make, changes to the way in which they work with employers (OECD 2022a). The main reasons for new approaches to employer services mainly include the following:

A few PES have provided new employer services to cope with the COVID-19 crisis and to meet labour demand. As a response to the COVID-19 crisis, the **Austrian** PES developed a new counselling module for companies 'impulse counselling for companies on-demand' ('Impulsberatung für Betriebe on demand'<sup>49</sup>). This measure aims to provide business consulting to companies in a crisis to help deal with special operational challenges, personnel management issues and organisational adjustments. Employer services are provided by management consultants (commissioned by the PES) to companies of all sizes. This service is still available. During the COVID-19 crisis in the Wallonia region of **Belgium**, a sectoral stimulus plan targeted sectors that were affected considerably by the crisis. To support the recovery of these sectors, the PES offered support them in public aid, recruitment and training, and reconversion. With the support of the Contact Centre, Forem's enterprise advisers proactively contact client companies to present the service offer and collect urgent recruitment needs. For example, Forem managed recruitment in hospitals and old age care institutions in 2020<sup>50</sup>. In **Finland**, the preparation of sectoral roadmaps to ensure the availability of labour across Finland was launched in November 2021. Sectoral working groups will seek short- and long-term solutions to improve matching between job vacancies and unemployed jobseekers (PES responses to COVID-19 overview).

Other PES have widened the counselling services they offer in particular for SMEs. For example, in **Germany**, in the context of the reforms passed in 2019 and 2020 designed to expand PES training measures to specific groups of employed people in SMEs, employers have the right to counselling from the PES to develop a concept for continuing training<sup>51</sup>.

<sup>49</sup> <https://www.ams.at/unternehmen/personal--und-organisationsentwicklung/impulsberatung-fuer-betriebe-on-demand>, accessed on 18 October 2022

<sup>50</sup> Forem, UN AN APRÈS LE DÉBUT DE LA CRISE DE LA COVID-19 Situation du marché de l'emploi en Wallonie, Veille, analyse et prospective du marché de l'emploi, mars 2021, [https://www.leforem.be/content/dam/leforem/fr/documents/20210325\\_Analyse\\_Un\\_an\\_apres\\_le\\_debut\\_de\\_la\\_crise\\_de\\_la\\_Covid\\_19.pdf](https://www.leforem.be/content/dam/leforem/fr/documents/20210325_Analyse_Un_an_apres_le_debut_de_la_crise_de_la_Covid_19.pdf).

<sup>51</sup> Advice on continuing training provided by the PES was first introduced in through a pilot in 2013, The programme supports employers with a tool for demographic staff analysis, assessment of training needs, selection of training providers and appropriate learning methods, and tracking outcomes from training, OECD 2021.

These new counselling services consist of the analysis of the current staff structure, recommendations for human resources planning, identification of the development potential of employees and the determination of specific further training needs, planning of training and their implementation and applying for PES funding<sup>52</sup>. A survey conducted in November 2020 by the research institute of the **German** PES, the IAB, indicates that uptake is still low, because companies are not aware of funding possibilities.

Co-operation with employers has also been reinforced at some PES with the aim to find jobs for vulnerable groups (for example in **France**, **Germany** and the **Netherlands**). A recent evaluation has shown that France's method of direct contact with employers to place vulnerable groups generates good results (Algan et al. 2020).

Another pressing area for co-operation relates to **overcoming labour shortages** (see for example Box 13).

### **Box 13. Co-operation between PES and employers and social partners to overcome labour shortages**

For example, in **Denmark**, major changes in ALMP programmes and services are being decided in tripartite agreements. In October 2021, in the context of raising employment and under the pressure of the most severe shortages of skilled labour since 2008, a tripartite agreement was signed in October 2021, applicable from 1 January 2022. The agreement aims to solve these challenges by allocating resources to focus on matching unemployed better with firms, strengthening measures that intend to reintegrate unemployed seniors into the labour market and improving circumstances for firms to recruit qualified European labour force (responses to the questionnaire for the PES capacity report 2022). **Slovenia** is working to further develop its existing formal national partnership with employer associations on a regional and local level to find new solutions for tackling labour market bottlenecks (OECD 2022a).

The impact of providing new employer services has not been evaluated (yet), however, it can be presumed that these services are of great importance to improve ALMP delivery. Research has pointed out the need to match training offers to labour market needs and to develop and deliver ALMPs in partnerships, which implied constructive and trustful relations with employers.

## **5.2. Digitalisation**

*The COVID-19 pandemic has significantly pushed digitalisation of processes, employment services and matching in most countries and these effects will be long-lasting. Digitalisation has increased efficiency, however, there are limits for digitalising employment services and ALMPs because of digital skills gaps among some groups of jobseekers, and because some services are best delivered face-to-face and many ALMPs are workplace related and benefit from face-to-face contacts.*

One of the main effects of the COVID-19 crisis was the acceleration of the digitalisation of services available to jobseekers and employers and the digitalisation of work processes within the PES. When the COVID-19 pandemic started, some PES already had digitalisation strategies developed and implementation was already quite advanced (in particular in Northern European countries and the **Netherlands**). Others had plans, but implementation was not advanced, and a third group of PES were not sufficiently prepared (Duell 2020 and Duell et al. 2022).

While information can be organised online on PES websites, it is not accessible for all types of jobseekers. Other remote channels, such as telephone hotlines, were therefore also used frequently by individuals and companies. PES rapidly developed digital tools for getting basic employer services. Some PES introduced Apps (e.g. in **Greece** DYPApp for basic

<sup>52</sup> <https://www.arbeitsagentur.de/unternehmen/finanziell/foerderung-von-weiterbildung>

services, the KuG App of the **German** PES for applying for short-time allowances, MyANPAL in **Italy**, a guided platform for operators, jobseekers, workers, and employers, the free ePraca mobile application) (Duell et al. 2022 and answers to COVID-19 questionnaire addressed to PES). The possibilities for online registration were introduced in PES where previously people had to visit and submit documents in person. This involved changes in administrative rules and procedures.

Subsequently, there was a need to organise how counselling services were delivered digitally. The first step consisted of introducing remote counselling channels, including emails, chat functions and video conferencing in addition to counselling via telephone. Subsequently, new e-counselling courses and webinars and video tutorials were developed and produced on various topics (e.g. **Austria, Belgium-Actiris, Belgium-Forem, Portugal, Sweden**) (Duell et al. 2022). Examples of other services that have been digitalised during the COVID-19 crisis include online entrepreneurship counselling (**Greece** and **Slovenia**), and virtual classrooms for vocational training (**Spain**) (Peters 2021). Subsequently, services have also been proposed in a hybrid format. Several PES have developed plans to digitalise more of their tools and services in the future, such as skills assessment tools (e.g. in **Belgium-VDAB**). For example, **Luxembourg** has used artificial intelligence as part of a new jobseeker profiling method (OECD 2022a). Digitalisation plays an important role in the reform agendas of several PES that must catch-up (e.g. **Belgium, Greece, Slovenia, Spain**) (PES responses to PES Capacity reports 2021 and 2022). The digitalisation of counselling services, vocational guidance and skills assessments are complex tasks, and it can be expected that the development of effective tools and mixing digital and traditional tools will take some time.

Digitalisation of placement services and matching tools have also advanced in recent years, starting before the pandemic and continuously developing, using new digital technologies. For example, the **Belgian PES in Flanders** has newly developed a Talent API to compare the supply and demand of new vacancies with client files and CVs (OECD 2022a). As part of their new e-service package for jobseekers, the **Austrian** PES AMS launched a new job-search platform in April 2021, called Alle Jobs (“all jobs”)<sup>53</sup>, using web crawling technologies to add job advertisements of job portals to those registered by the PES.

Limits for digitalising employment services and ALMPs concern the digital skills gap among some groups of jobseekers. Therefore, other channels such as telephone communication were maintained at the beginning of the pandemic and face-to-face counselling was re-introduced as soon as possible. Other important approaches are activities and measures designed to raise the digital literacy of jobseekers (e.g. **BE-Actiris, Spain, Lithuania** and **Slovenia**) (Duell et al. 2022).

### 5.3. Partnerships

*Research has shown the positive impact of working in partnerships to deliver employment services and ALMPs. In recent years, progress has been made in setting up and intensifying partnerships between the PES and local level actors, social partners and private employment services.*

Prior to the COVID-19 pandemic an increasing number of countries had already started to improve co-operation with different institutional actors. In particular, employment services, social services and health services to improve assistance and service delivery for people with complex employment barriers. Some of these reforms, including the establishment of one-stop-shops, go back to the 2000s and have in general been found to be effective (see e.g. Eftheia et al. 2018). A number of countries have tested and

<sup>53</sup> <https://jobs.ams.at/public/emps/>



introduced new approaches over the past decade. Lessons learned from these experiences still guide current approaches and reforms to improve services and to develop partnerships at a local level (see Box A16 in the Annex for some examples). Local partnerships have also played the primary role in reaching out to young NEETs in 2020 and 2021 (OECD 2022a).

New partnerships have also included closer co-operation with social partners (e.g. **Belgium (Actiris and VDAB), Greece, Spain, Slovakia and Norway**) (Peters 2021). In the **Netherlands**, the PES works closely with 35 Crisis Regional Mobility Teams and in parity with employer organisations, trade unions, and municipalities to provide additional support to jobseekers and those at risk of unemployment and to support successful transitions between sectors. Other regular partners for PES are (vocational) educational institutions, private training providers and temporary work agencies (OECD 2022a and PES responses to COVID-19 overview).

A few PES have continued to expand or set up new partnerships with private employment services and/or have intensified outsourcing (e.g. **Belgium, France, Italy, Sweden**) (OECD 2022a and OECD 2022f). **Sweden** has launched the preparation of major reform in 2019 to substantially scale-up contracting out of employment services to private employment services to be implemented ongoing from 2022 (OECD 2022a). The reformed PES Arbetsförmedlingens' main tasks will now be receiving and registering jobseekers, making labour market policy assessments, deciding on and administering initiatives and support, and following up and monitoring jobseekers and independent providers. The authority retains its important role as an expert in labour market issues and as a hub for co-ordination and collaboration with labour market actors (PES responses to COVID-19 overview).

#### 5.4. Responsibility for designing and implementing the ALMPs

*PES have varying autonomy in adapting the use of ALMPs and adjusting design elements. In many cases they will have a consulting role for changes made in the respective Ministries. Some degree of autonomy has proven to increase flexibility and reaction times to new challenges and to form new partnerships if needed. PES are often involved, are consulted, or have an observer role for conducting evaluations of ALMPs. However, not all countries have a well-established evaluation culture (yet).*

Despite the importance of implementation conditions for the effectiveness of the work of PES, only a few can make decisions autonomously. The majority of PES possess only partial powers or a consultative role. Nevertheless, this also means that PES do have the power to influence such decisions. Most PES decide only partially on the design of ALMPs or are at least consulted (according to PES responses to an OECD-EC questionnaire). If they do not decide on design elements, PES have an influence on determining the need for new services and ALMPs by providing feedback to the related Ministries. They may also engage in a dialogue with the involved Ministry. The introduction of new ALMPs may frequently rest on a Ministry's or Parliament's decision (Lauringson and Lüske 2021).

Some PES can also influence the evaluation framework for ALMPs and may commission evaluations. Independent of whether PES are involved in evaluations of ALMPs, the evaluation practice across Europe is quite varied. Ideally, PES and governments base their decisions on reviewing ALMPs or introducing new measures based on evaluation evidence, if available. To what extent this happens is difficult to establish. It can be assumed that new ALMPs have also been introduced because of evidence of the effectiveness of approaches in other countries. However, it may also be the case that PES have little influence on government decisions, which are then taken under budget constraints or following a political choice.

PES responses to an OECD questionnaire show that countries with more flexible ALMP regulations, which applies to around one-third of OECD countries, were able to redesign their policies to respond to the COVID-19 crisis more efficiently. A high level of autonomy of PES, set up with a supervisory body involving the social partners (the main model among European PES<sup>54</sup>), has helped speed up necessary adaptations according to PES in **Austria, Croatia, Estonia, France, Germany** and **Iceland** (OECD 2021e). PES flexibility in using the budget also varies quite significantly between countries (OECD 2021a). This will influence whether there is a need for governments to issue regulations for smaller changes in the use of budgets.

When it comes to implementation methods, such as forming partnerships, service digitalisation or providing services in a hybrid format, the decisions may be taken by the PES. However, in some countries, PES processes and operating models are only partly decided by PES.

### 5.5. Summary of main findings

There is evidence that the effectiveness of ALMPs is increased if they are combined with employment services before, during and after the implementation of the ALMP. Many PES have been concerned with improving the quality of services provided. This also includes reducing regional disparities in service provision. Methods to segment jobseekers by their degree of disadvantage and employment barriers have been increasingly used and PES have organised the intensity of counselling and guidance according to the jobseekers' distance to the labour market. This trend has been reinforced since the start of the pandemic.

As a response to the COVID-19 pandemic while under the pressure to help companies overcome labour shortages, PES have developed and implemented new activities directed towards employers. Several PES have improved their counselling services for employers. A few PES have reinforced co-operation with employers to integrate vulnerable groups.

The trend towards finding pathways for inter-institutional co-operation for the labour market integration of disadvantaged groups has continued. In several countries, social partners have played an important role in deciding on new ALMPs.

Digitalisation has been one of the major changes in delivering PES services. The process started well before the pandemic, but it significantly accelerated service digitalisation in PES where digitalisation was less advanced at the start of the pandemic. Limits for digitalising employment services and ALMPs concern the digital skills gaps among some groups of jobseekers. Limits also persist in the acceptance of remote tools by individuals, particularly if they are in a vulnerable situation.

PES have some influence on the design of new ALMPs, but new measures are mostly introduced by municipal, regional and national governments. In many cases, PES can influence how evaluations are conducted, although co-operation between PES and governments for introducing and amending ALMPs may be varied. PES capacity to adapt the use of ALMPs to changing challenges and to run pilots should be strengthened were necessary. Their involvement in evaluations at least as an observer, along with acquiring a good understanding and permanent reflection of what works for whom under which conditions and providing structured feedback to the central PES level and municipal, regional and national governments about experiences on the ground, would certainly enhance effectiveness in ALMP design and delivery.

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<sup>54</sup> Peters, 2021.

## 6. CONCLUSIONS FOR EVIDENCE BASED ALMPs

### 6.1. Conclusions

*Progress in new approaches for ALMPs and service chains to serve disadvantaged groups starting in the pre-COVID phase*

**Since 2015, new trends for designing, delivering and targeting LMPs have focused on bringing disadvantaged groups** into work and overcoming related **structural problems**. Reducing **youth unemployment** and bringing young people into work or education has been another priority. However, the gap between those countries investing in ALMPs and those which spend little on ALMPs has remained.

New approaches to be highlighted include initiatives and measures that intensified counselling and follow-up for the most disadvantaged, mentoring and coaching and integrated delivery of services. The delivery chain of these services has been increasingly organised to support the implementation of ALMPs. Changes have also been introduced in delivering recruitment incentives with the aim to improve the design elements and the ways direct job creation measures have been implemented (by linking them to the chain of employment service delivery).

**The trend towards an integrated approach to delivering employment services, improved co-operation with other stakeholders and new partnerships** has continued as economies recovered from the external shock caused by the pandemic. Structural attention to improving the **delivery of employment services** is likely to remain part of PES strategies as PES increasingly integrate it into its objectives and targets. **Research and evaluations have shown the positive effects of these kinds of approaches** as shown throughout this report. However, implementation has been uneven across countries.

**Long-term unemployment** has fallen prior to the pandemic, increased during the pandemic and has fallen again during recent recovery. Two effects are responsible for the improved labour market situation. These are an increased demand for labour and presumably positive employment impacts of employment services and ALMPs for long-term unemployed.

**Prior to the pandemic, several countries have introduced important changes in delivering training measures** by linking them to skills demanded in the labour market more effectively and by steering training to employed people to avoid the risk of becoming unemployed or long-term unemployed. **Support for training has also been made available for young NEETs** by offering preparatory and bridging courses, as well as new approaches in counselling and career guidance, as these have been found to be effective. However, outreach to young NEETs remains a challenge. In general, **training measures are found to be effective**, at least in the long-term. **All these approaches have been assessed to be relevant**, although in-depth evaluations of all newly introduced measures and approaches are not yet available.

*Using massively (new) job retention schemes to cope with the COVID-19 pandemic and reacting to external shocks*

**Governments and PES have shown a high reactivity and adaptability to the crisis** that emerged recently through the COVID-19 pandemic in 2020, 2021 and the beginning of 2022 as well as in the context of persons displaced from Ukraine starting in late winter 2022.

Among new ALMPs and temporarily heavily upscaled and amended existing schemes, **job retention schemes** (STW, partial unemployment benefits and wage subsidies for employment protection) proved to be the most important measure **at the beginning of the pandemic**. **The high interest and substantial uptake of job retention schemes**

in many countries were linked to the uniqueness of the COVID-19 pandemic crisis during the first lockdown, which constituted a strong external shock to economies. As recommended by research, specific rules to these schemes, which eased access and increased generosity, have been (or will soon be) terminated, as the economies have recovered, and the specific COVID-19 containment rules were lifted in most countries around the world.

Some countries that did not use these schemes before have considered integrating or have already integrated such schemes into their mainstream instruments so that they can be reactivated quickly if necessary. **Job retention schemes have succeeded in containing the rise in unemployment.** Although thorough evaluations are not available yet, the first assessments made by the researcher, for example from **Germany**, confirm the positive impact. The researcher advised against allowing generous access to the scheme for too long. In line with these warnings, countries have removed specific COVID-19 regulations in job retention schemes.

*Main shifts to other ALMPs as the economy recovered with an increased attention to disadvantaged groups*

**Some of the employment incentives introduced or amended at the beginning of the pandemic were limited in duration**, as were some of the support options for those training programmes (e.g. support for apprenticeships) for which implementation had suffered because of the pandemic.

During the pandemic and at early stages of recovery new or amended ALMPs were introduced **to address long-term structural problems and are not time limited**. Many had been planned long before the pandemic's onset.

As the **economy recovered, the focus shifted to ALMPs and employment services targeted at disadvantaged groups, towards young people** and to the unemployed and **sectors** hit hardest by the pandemic in order to bring people back to work and to encourage young people to pursue education and VET. The unemployment rate of young people has fallen recently, although it still stands at a higher level than before the pandemic.

**The stronger focus on ALMPs for disadvantaged groups is likely to remain a feature of ALMPs** (although a new recession might illicit more emphasis on job retention schemes again). This will also be the case for the successfully combined deployment of services and ALMPs. These ALMPs address structural features of the labour market: groups that are unlikely to profit from the recovery and employers that have trouble filling vacancies. The remaining challenges consist of the need to improve outreach. Implementing (new) ALMPs targeted at people with disabilities is another area that requires improvements.

*New approaches to promote lifelong learning of the workforce and address skills shortages*

Recent developments, starting in the pre-pandemic period, also consist of **targeting training measures to specific groups of employed workers** and offering **counselling and financial support to SMEs**, as observed in a couple of PES. These changes were made to accompany newly introduced measures targeted at employed workers, or as a response to improve employer services to cope with the crisis. PES took increasing responsibility for workers, especially regarding skills, and this will remain relevant in view of the increased flexibility of labour relations as well as changing skills needs, all of which render it harder for employed to retain their jobs or find new work quickly if necessary.

The need to overcome labour shortages underlines the importance of PES continuing and even expanding their services for employed and employers and their involvement in career counselling and advice to a wider group of people other than their clients. Improving co-

operation between various actors in charge of adult education and with companies will remain a major long-term challenge.

Some PES introduced policies and measures to deal with the serious **labour shortages** prior to the pandemic. However, their development has been overtaken by the more recent dramatic increase in labour shortages during the recovery. PES have worked towards improving co-operation between various actors and have introduced new services for employers. **During the pandemic support has been given to apprenticeship schemes and training measures for bottleneck occupations in some countries.** Overcoming skills and labour shortages is likely to remain a structural labour market condition in the context of demographic and technological change.

*Preparing the workforce for the digital transition has been reinforced but fewer efforts have been made to prepare them for the green transition*

While PES have introduced new measures to support the development of **digital skills at different proficiency levels** and reinforced them during the pandemic, there have been very few new initiatives for ALMPs accompanying the transition towards a **green economy**. Although the greening of the economy is a strong policy priority in the resilience and recovery plans of the countries (see Corti et al. 2022 for examples), green skills and jobs have not been a priority. However, there have been a few local activities with PES involvement to facilitate the transition to green skills and jobs, starting before the pandemic, that may inspire further actions of PES.

*Digitalisation of employment services and delivery of ALMPs*

Important changes have been made in how services and ALMPs are delivered. For PES who lagged with the digitalisation of their services, **the pandemic strongly pushed digitalisation**. However, digitalisation has its limit, as e-services are not appropriate for all groups of jobseekers and are not adapted to all situations. There is still no thorough assessment available on how to organise the delivery of digital and face-to-face services for disadvantaged groups most effectively. The offer of e-learning courses and hybrid delivery of training has been pushed by the pandemic. Limited access to these formats by some groups has been a concern. A closer look at the quality and pedagogics for the new training formats is necessary.

*Addressing future key challenges related to the demographic change*

**As a key structural and long-term challenge ALMPs need to address the effects of demographic change on labour and skills supply.** This is an area where PES require a stronger focus in the future, including for making better use of labour supply and skills of (newly arrived) migrants. In recent years, only some PES have implemented new ALMPs and approaches to bring older unemployed back to work, increase the employment rate of women, reduce occupational gender segregation and promote the effective use of skilled labour from abroad.

Another remaining challenge is the **large differences in ALMP spending across European countries** with low budgets for measures to promote labour market access and support to adult participation persisting in some countries.

*To sum up*

**Before the pandemic started, the dynamism of introducing or amending measures** (e.g. introducing new measures, changing target groups, adapting access requirements) **decreased**. In addition, ALMP budgets were declining before the pandemic.

In response to the pandemic, the extensive use of job retention schemes has significantly increased budgets for labour market programmes (paid by PES or other actors, depending on the country). In addition, there are further strong indications that budgets for training

and employment services increased. The COVID-19 pandemic can be regarded as an extraordinary phase that called for specific and additional activities of PES. When the pandemic ended, PES in general scaled back their extraordinary expenses.

However, PES will require sufficient and possibly additional resources in the future to address the impact of the green and digital transitions, along with other economic restructuring processes. Although recovery policies are promoting these transitions, some Member States' PES funding has remained very low, and this has not fundamentally changed. Adequate funding for PES to cope with future challenges will be important and should be monitored. Furthermore, while unemployment is relatively low at the moment, this may change in future.

**The pandemic created a need to rapidly find solutions for new challenges**, to adapt instruments and procedures, and to accelerate digitalisation of services and processes. During this period PES indeed displayed the higher level of reactivity required. PES also showed a high reactivity to the inflow of displaced persons from Ukraine. This shows that, in general, PES and any Ministries responsible for designing or adapting ALMPs are well equipped to react quickly in case of future external shocks.

**PES have addressed the effects by the COVID-19 pandemic by quickly implementing temporary new and amended scaled-up job retention schemes**, mainly in the form of short-time work schemes. Extensive use of these schemes has prevented unemployment from rising and has helped employers rapidly resume their activities as pandemic related restrictions were removed and the economy recovered. **At a lower scale, temporary new employment incentives have been used to help specific sectors hit by the pandemic.** As temporary measures, additional support to apprenticeships, traineeships and employment incentives were implemented, as young people have been hit particularly hard by the pandemic. **These measures have proven to be effective if implemented correctly. They can be revived again if the need arises in future, provided the lessons learnt are applied.**

**In recent years, and during the pandemic, disadvantaged groups have increasingly been in the focus of new or improved ALMPs.** Combining employment services and ALMPs, based on needs assessment, intensive counselling, guidance, mentoring, and in-work follow-up, co-operation with various stakeholders, have allowed to improve delivery of ALMPs, as evidenced by research. These measures tackle both short-term effects of the pandemic as disadvantaged groups saw their labour market position deteriorating, as well as long-term challenges to integrate disadvantaged and vulnerable groups into the labour market. These approaches will remain important in future years, as bringing disadvantaged groups to work can be expected to remain challenging. There is room for testing new approaches and tailoring tools and measures. These approaches also require sufficient financial resources are made available.

**Over the past years, PES have introduced new measures in the area of training and have in some cases widened the target groups** to include employed at risk of having obsolete skills and of becoming unemployed. New approaches introduced since pandemic are linked to digital and hybrid forms of training delivery. Prior to the pandemic and thereafter, PES have improved and implemented training measures to better match employers' needs. Medium-term challenges consist of reducing skills mismatch, closing skills gaps and overcoming labour shortages. PES are increasingly becoming a player in skills development.

To tackle the current and future challenges PES will need to voice the reasons for some of the employment barriers more strongly, as other stakeholders may be responsible for the skills governance system (e.g. early school leavers, people with a low level of formal qualification, etc.). Partnerships and alliances at all levels, from national to local, should be extended as they are crucial for solving the complex issues at hand. To deal with these challenges PES will also need to continue developing their offer for workers and companies

in terms of training as well as career counselling and advice. The rapidly changing labour markets also require PES to further increase their flexibility in service delivery as well as the inclusion of flexible and modular trainings in their service offer.

**Drivers for future challenges are the digital and green transition, technological development, demographic changes and societal trends. More recently, expenditures for training have increased to address these challenges, as labour shortages** have become an increasingly pressing issue since recovery has started. **Related to the ecological transition**, PES have now started to better understand the impact of greening labour markets and are defining strategies, though still at different paces and **to a far lesser degree than the digital transition**. Many PES already embraced their stronger role in **working with companies and workers to overcome labour and skills shortages and advising, in particular, SMEs in this regard**. PES need to further develop preventive approaches and support workers at risk before they may become unemployed.

PES have an important role to play to ensure the inclusion of vulnerable groups in this process and a new role to play in preparing workers for the job-to-job transitions, skills adaptation within companies, in particular SMEs, to overcome labour and skills shortages and to render the transition as inclusive as possible. This requires innovative thinking and approaches to guarantee that vulnerable group will not be left behind. Although progress to integrate vulnerable groups has been made, results have been uneven and much effort remains to be done. The skills requirements for green and digital jobs will demand even more creative and dedicated efforts.

**In addition to skills shortages, tackling labour shortages will also be a major challenge in the future. This is an area where few new ALMPs have been implemented.** The **gender employment gap remains high** in many countries. PES have previously opted for a mainstreaming approach to improve women's position within the labour market. As there are indications that gender inequalities may be reinforced due to the ongoing transitions, it is advisable to monitor this and develop more dedicated strategies and approaches to promote female employment and reduce gender inequalities in the labour market. PES and related Ministries have started to address these challenges, although more effort is required in future for PES for increasingly becoming a pivotal actor for skills development, for further increasing labour market participation rates and **for making the most efficient use of (in particular) women's and migrants' skills**.

## 6.2. Recommendations

To go forward the following recommendations are made:

### *Continuing efforts to serve disadvantaged groups*

- To continue specific efforts towards groups that face specific barriers in the labour market including long-term unemployed, people with few digital skills and people with lower levels of qualifications, and people with disabilities.
- To continue to interlink employment services and delivery of ALMPs, especially when targeting such groups and to improve outreach activities.
- To expand PES efforts to use integrated employment services delivery based on strong partnerships with a wide variety of stakeholders should also be continued and monitored to discover which practices or arrangements work best in which situation.
- To evaluate and assess the strengths and limitations of digitalisation for the different counselling services and diagnostic tools. The appropriate hybrid and blended formats for delivering employment services addressed clients with different labour market barriers.

- To continue to use employment incentives for specific disadvantaged groups, and scale-up temporarily to support more groups and sectors if needed.

*Strengthen partnerships to close skills gaps and overcome skills shortages*

- To develop PES strategies, service offers and partnerships to help employers deal with labour and skills shortages and provide jobseekers and workers with skills that meet labour market demands.
- To adapt the PES service offers and ALMPs, in particular in the area of training, to respond to the greening of the economy.
- To continue the provision of training related to jobs and skills required in an increasingly digital economy.
- To continue PES involvement in career counselling and advice to the entire workforce, including the employed, or reinforce co-operation with other relevant actors in this field. This will help closing skills gaps and reducing skills mismatch.
- To continue their involvement in preventing unemployment through supporting upskilling and skills adaptation when needed. Implementation should however be made in close co-operation with social partners and based on studies highlighting changed skills needs. Also, measures need to be evaluated and their design adapted as needed.
- To assess and adapt the quality of hybrid and e-training courses, based on evidence.
- To continue to support traineeships for young people, and more generally workplace-based training and attracting young people to VET training for occupations in demand.

*Reinforce activities to respond to demographic change*

- To reinforce efforts to bring older workers into employment, raise awareness about and prevent age discrimination in recruitment as well as in lay off situations. This could include encouraging employers to see the value of older staff, organising counselling and placement activities early on for a smooth job change or shift to self-employment.
- To reinforce efforts to make the best use of skills of migrants already established and those of new immigrants.
- Increase efforts to attract women to the labour market and to close gender employment gaps.

*Reducing gender inequalities*

- To integrate the reduction of gender stereotypes in all internal and external activities and communication, and design activities in such a way that contributes to reducing occupational gender segregation and gender stereotypes.

These proposed improvements are necessary to overcome the structural issues of the labour market. PES are encouraged to pursue recent efforts in adapting to the labour market needs and in the evidence-based design and implementation of ALMPs. The past has shown that PES can learn from each other. PES and local, regional and national governments should make even more use of these learning opportunities and make better use of evidence. PES are also encouraged to be in dialogue with their respective Ministries and governments to discuss the implications of evaluation results and findings from experiences in other countries for designing ALMPs and implementing them.



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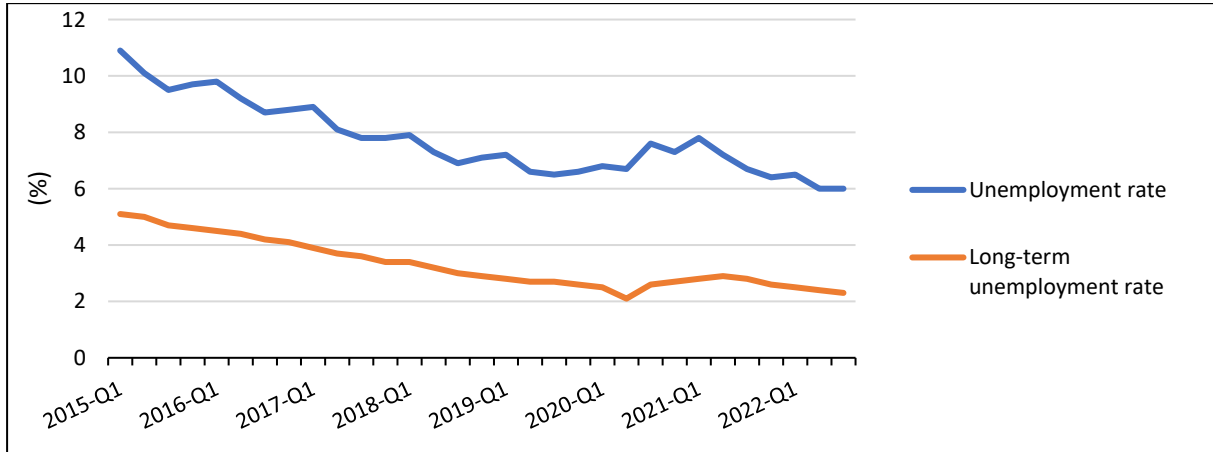
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**ANNEX**

The Annex includes:

- Tables and Figures on labour market indicators and ALMPs.
- Text boxes for (additional) selected good practice examples.

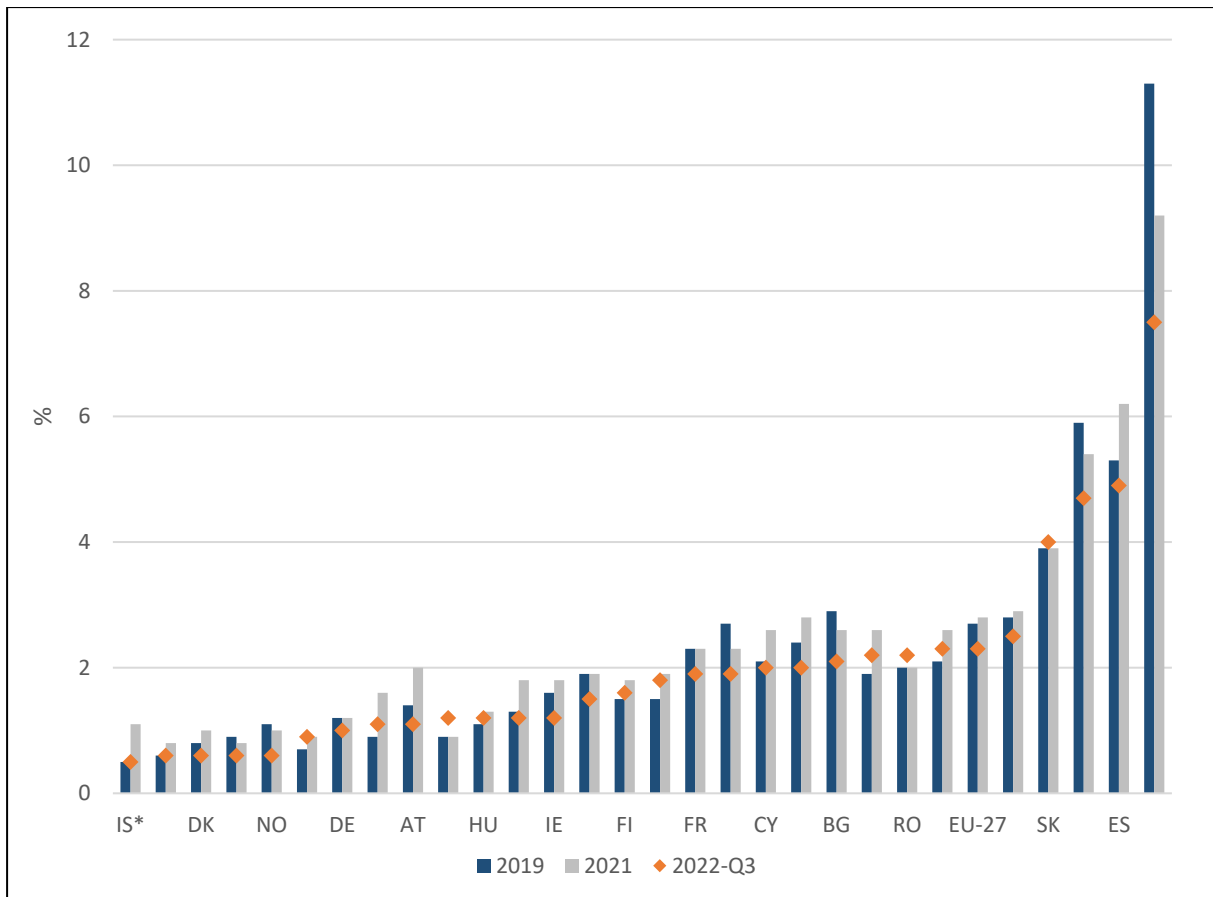
**Figure A 1. Unemployment rate (total) and long-term unemployment rate, age 15-74, 2015-Q1 – 2022-Q3, EU-27**



Source: Eurostat LFS data (LFSQ\_URGAN; UNE\_LTU\_Q).

\*Note: Long-term unemployment rate quarter only available for ages 15-74.

**Figure A 2. Long-term unemployment rate (%), age 15-74 in 2019, 2021, Q3/2022, by country**

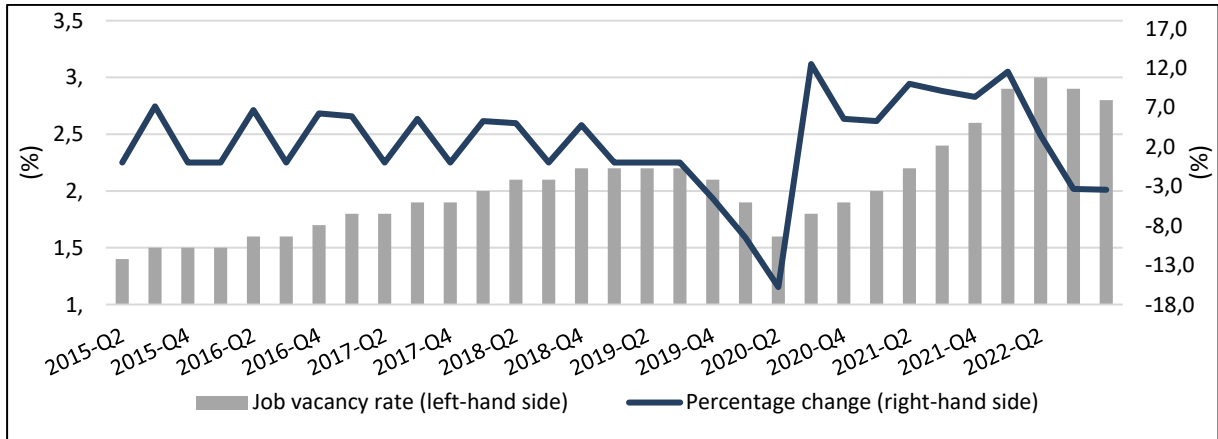


(\* ) 2020 instead of 2019, 2022-Q1 instead of 2022-Q2.

Source: Eurostat LFS data (UNE\_LTU\_A; UNE\_LTU\_A).



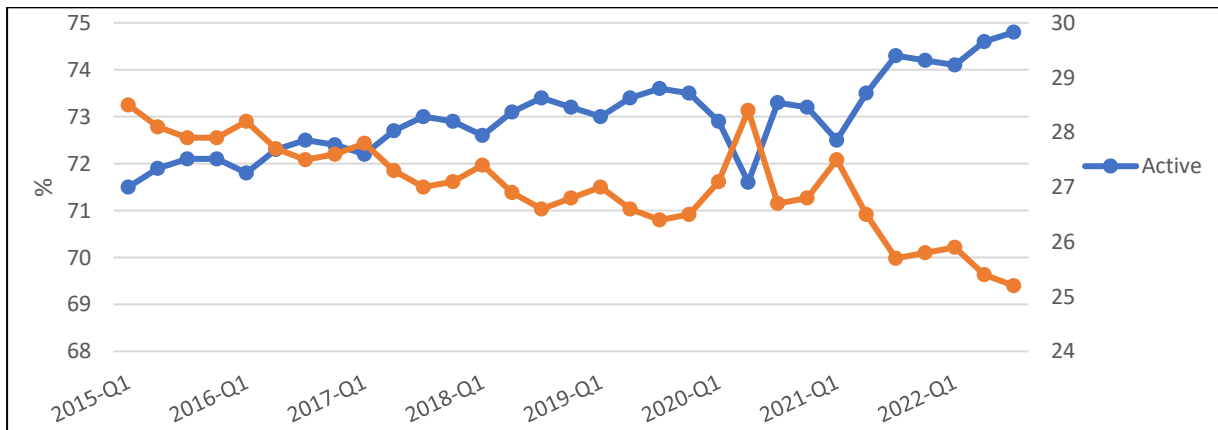
**Figure A 3. Changes in job vacancy rates between 2015-Q2 and 2022-Q4**



\*Note: Seasonally adjusted data, not calendar adjusted data; Sector: Industry, construction and services (except activities of households as employers and extra-territorial organisations and bodies).

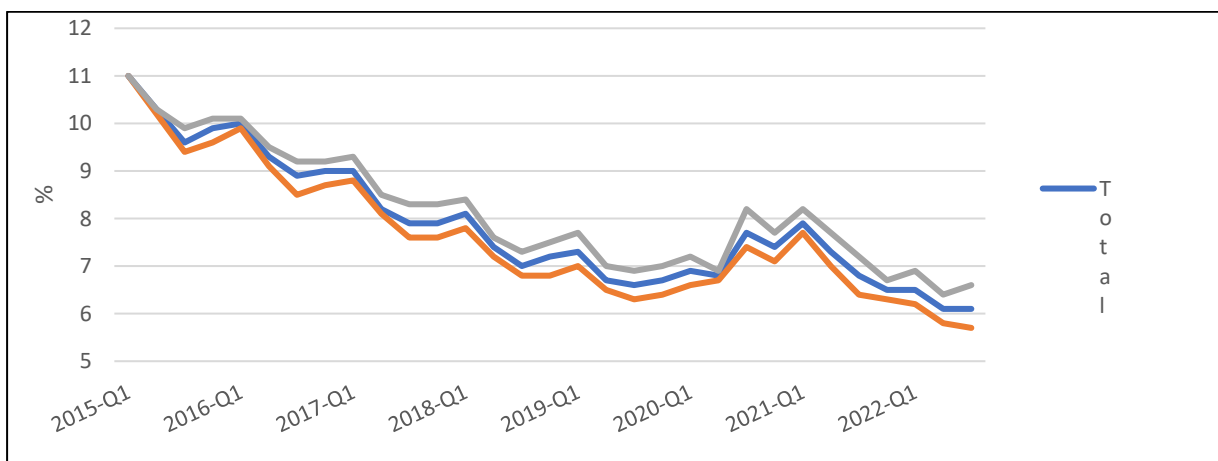
Source: Eurostat.

**Figure A 4. Activity and inactivity rates, age 15-64, 2015Q1-2022Q3, EU-27**



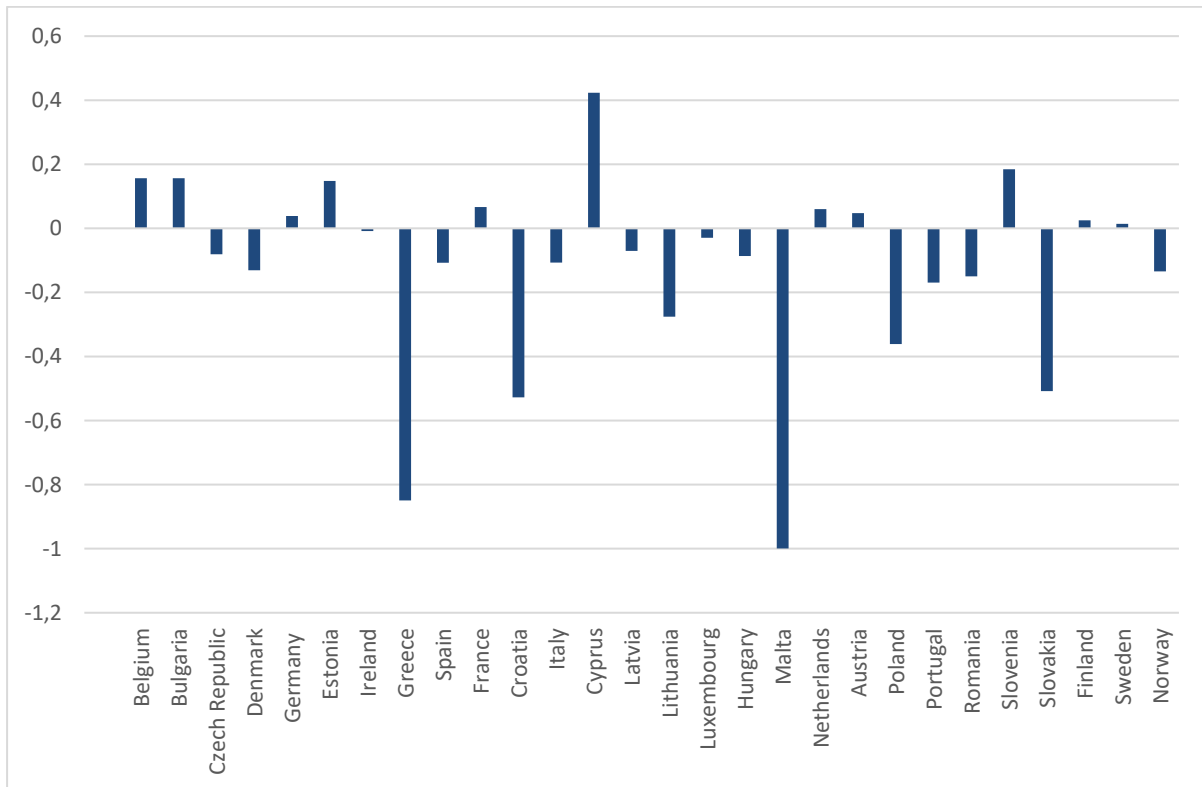
Source: Eurostat LFS data (LFSA\_ARGAN)

**Figure A 5. Unemployment rate in EU-27, age 15-64, by gender, Q1 2015-Q3 2022**



Source: Source: Eurostat data (LFSA\_URGAN).

**Figure A 6. Changes in expenditures for training measures from 2019 to 2020, in%**

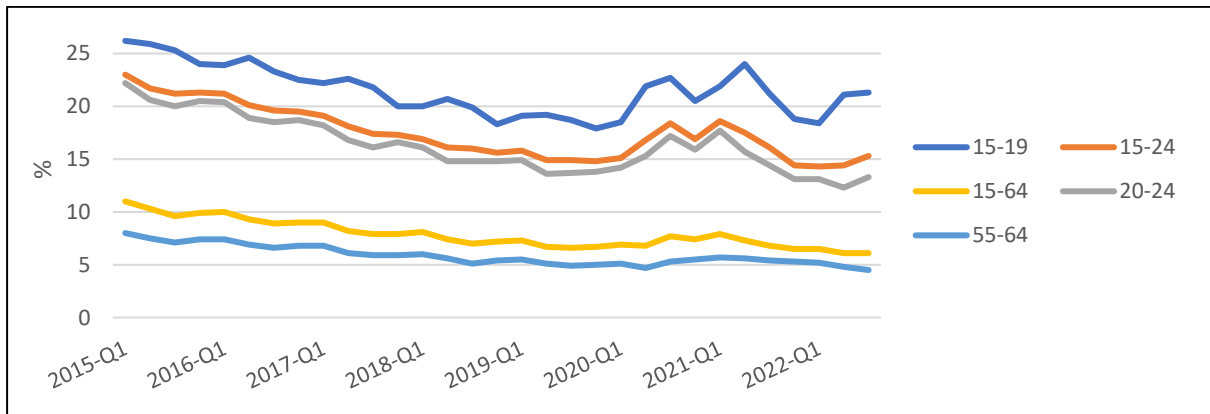


Note: nominal changes in expenditures.

Source: EC, LMP database,

[https://webgate.ec.europa.eu/empl/redisstat/databrowser/view/LMP\\_EXPSUMM\\$TPS00077/default/table?lang=en&category=lmp\\_expend](https://webgate.ec.europa.eu/empl/redisstat/databrowser/view/LMP_EXPSUMM$TPS00077/default/table?lang=en&category=lmp_expend).

**Figure A 7. Unemployment rates by age group in the EU-27, Q1 2015-Q3 2022**



Source: Eurostat, LFS

**Table A 1. Labour market challenges before the COVID-19 pandemic in Italy, Germany, Spain, France, Portugal, Slovakia, Austria and Belgium**

| PES     | Challenges   |
|---------|--|
| Italy   | Low employment rate; High level of involuntary employment and temporary workers; High NEET rates; high level of undeclared work; poor PES capacity and lack training opportunities for employed, underemployed and inactive people |
| Germany | Shortages of skilled labour; Low adult learning participation; Low labour market participation of vulnerable groups (especially migrants); High share of temporary workers among women   |

| PES      | Challenges   |
|----------|--|
| Spain    | High share of temporary contracts, High share of involuntary part-time work and bogus self-employment; Low female employment; High NEET rate; Weak active labour market policies; Low level of adult learners            |
| France   | Entrenched segmentation and untapped employment for older and low-skilled workers; relatively high unemployment rate; Persisting inequalities affecting people with a migrant background; high levels of skills mismatch |
| Portugal | High youth unemployment; Low proportion of unemployed using PES; Low level of qualification among the workforce; Digital skills deficit  |
| Slovakia | High NEET rate; Low spending on active labour market policy measures; Low female employment; Low adult learning participation  |
| Austria  | Regional differences; Emerging labour shortages; Low employment rate for female and people with migrant background; Over-qualification of foreign-born workers; Low labour participation rates of older workers          |
| Belgium  | Geographical asymmetries; Low employment rate of people from disadvantaged groups; Low adult learning participation  |

Source: Adapted from Corti et al. (2022).

**Box A 1. Looking into the future: examples of reforms and activities**

**Examples of started or planned activities and reforms** can be seen in priorities set out for funding support of the resilience and recovery plans which have started being implemented or are planned to be implemented in 2023 and 2024. Examples include new subsidies for apprenticeships introduced in France and Germany, Spain introduced an Action Plan to tackle youth unemployment, improved individual support through digitalising the PES, providing more support through training and hiring subsidies while reducing the use of temporary contracts as well as linking welfare benefits to a personalised activation path, the launch of the Continuing Education and Training (CET) networks in Germany. Service delivery and institutional reforms include the Employability Guarantee and New Skills Plan in Italy, support for new employment service instruments and PES service reorganisation is foreseen in France, the establishment of one-stop-shops for the long-term unemployed facing multiple barriers to placement and inclusion in the labour market in Austria, and reinforced activation policies in Belgium.

Source: EC 2022 and Corti et al. 2022

**Box A 2. New approaches to support skills adaptation of workers and unemployed**

The **Danish** PES implemented support for adult apprenticeship programmes in 2021. Another programme, introduced in June 2020, includes support for the training workers at risk of becoming redundant, valid until the end of 2022 (Duell et al. 2022).

**Denmark** has had a job rotation system in place for many years. An enterprise may be eligible for job rotation benefits via the jobcentre if the enterprise sends an employee on continuing training and at the same time temporarily employs an unemployed person as a substitute. In 2021, a one-year trial period of the job rotation scheme was carried out, in which the required prior unemployment period for the substitute is reduced to three months, and the allowed length of the job rotation is extended to nine months. Evaluations of the scheme are planned<sup>55</sup>.

In **Germany**, the Qualification Opportunities Act, which came into force on 1 January 2019, and the Work of Tomorrow Act of 2020 have expanded PES funding for continuing training for all employees whose professional activities can be replaced by digital technologies and who are otherwise threatened by structural change or who seek further training in a bottleneck occupation. Funding is made possible regardless of training, age and company size, however, funding rules vary by company size. Financial support can be granted for certified training lasting more than 120 hours (OECD 2021d)<sup>56</sup>. In June 2020, 33 000 employees took part in a professional training measure as part of employee qualification, and a wage subsidy was paid to their employers for 28 000 continuing training participants. The number of participants has been increasing since 2020, albeit at a low pace<sup>57</sup>. A survey conducted in November 2020 by the research institute of the BA, the IAB, indicates that the uptake of the new measure has been low so far. Among companies that did not use financial support from the PES, half stated no appropriated training course was available, and one-third did not want to get funding through the PES and assumed administrative costs were too high. There were 30% of respondents that indicated staff would not be interested in receiving continuing training. One-quarter of companies indicated the required minimum of 120 days of training was too long (Kruppe et al., 2021). Previously, there has only been one programme managed by the Federal Employment Agency in place targeted at older and low-skilled employed (WeGeBau<sup>58</sup>), which has been evaluated. The training was found to be effective, but also this programme had difficulties in outreach to employers and workers.

The **Portuguese PES has already launched a new programme for adults in April 2016** under the name Qualifica. Its objectives are to qualify half of the labour force with upper secondary education; achieve a 15% rate of adult participation in lifelong learning activities, and expand the network of centres. As compared to the previous large-scale INO programme, a stronger focus is put on both long and short training programmes, including the recognition and validation of the prior learning process (Duell and Thévenot 2017).

**France** has introduced the new agency Transitions Collectives (collective transitions) in January 2021 which provides funding for training for workers at risk of redundancy, in particular at SMEs. France also set up regional competence centres (opérateurs de compétences – OPCOs<sup>59</sup>) in 2019 tasked with providing guidance to SMEs to detect training needs, improve information on training, and provide financial support. However, the role of the French PES is limited here, as its focus is on the unemployed.

In **Spain**, a new law introduced in 2020<sup>60</sup> is designed to create a stronger link between CVET and VET for the unemployed and the employed under the responsibility of the Ministry of Education (interview). Vocational certificates<sup>61</sup>, introduced in 2008, can be obtained through formal education or through recognition of prior learning and a modulated system of non-formal training. For Spain, the effectiveness of training for employed workers has been positively assessed (FUNDAE, 2021). With data from 2017 and 2018, this evaluation shows that one out of three trained workers improved their level of qualification and that 59% of trained workers believed that training enabled them to adapt to new tasks or roles and 64.8% to preserve their job.

### Box A 3. Supporting new training measures to overcome skills shortages

In **Belgium**, support for retraining or reorientation towards jobs in shortage has been implemented by the PES Actiris since 2021 (PES responses to COVID-19 overview). The PES Forem introduced a new scheme called "Incitant +"<sup>62</sup> which consists of an incentive paid, under certain conditions, to jobseekers who successfully complete training in a shortage occupation, specifically in the construction, wood and electrical sectors (PES responses to COVID-19 overview). For Flanders, the resilience and recovery plan outlined measures for 2023 with the objective to promote labour mobility for workers made redundant one sector towards sectors where there are shortages of skilled workers, by making the necessary training sufficiently rewarding. (Corti et al. 2022).

In **France**, several training measures were implemented in 2021 to tackle labour shortages in several sectors and occupations. Employers can receive a EUR 1 000 grant carrying out an Individual Operational Preparation for Employment (POEI)<sup>63</sup> for organising training for up to 400 hours to close skills gaps before the unemployed take up a job or an apprenticeship or subsidised contract with a minimum duration of 12 months, on approval of the Pôle emploi counsellor. These must be in sectors facing recruitment difficulties (hospitality, construction, care sector, IT sector, etc) (PES responses to COVID-19 overview). For shorter work contracts, another instrument for pre-recruitment training is available ('action de formation préalable au recrutement') at a lower training cost reimbursement rate.

In **Greece**, vocational training in "Innovative methods in the agricultural sector" has been set up, aimed at enhancing the skills of unemployed people and agronomy graduates, in collaboration with the Lifelong Training Centre of the University of Western Macedonia (Greece, PES responses to COVID-19 overview, update 9/21). In addition, changes have been introduced in 2021 to the new experimental Apprenticeship Vocational Schools for training hotel receptionists and culinary art technicians, including a six-month training-on-the-job phase. This project is implemented in collaboration with the German-Hellenic Chamber of Commerce and Industry and the Institute of the Association of Greek Tourism Enterprises (PES capacity survey).

Source: information provided by PES in the PES responses to COVID-19 overview and the PES capacity reports (Peters 2021, 2022 forthcoming), Corti et al. 2022 (for Flanders).

### Box A 4. The Green Job initiative in Sweden

The Green jobs initiative in 2020 for people who are far from the labour market was aimed at alleviating unemployment linked to the ongoing outbreak of COVID-19. It offered unemployed people training in occupations in the green industries where there were shortages, and at the same time promoted outdoor activities, cultural sites, recreation and tourism. The initiative covered the

<sup>59</sup> <https://travail-emploi.gouv.fr/ministere/acteurs/partenaires/opco>

<sup>60</sup> <https://incual.educacion.gob.es/certificados-de-profesionalidad>

<sup>61</sup> <https://www.sepe.es/HomeSepe/Personas/formacion/certificados-profesionalidad>

<sup>62</sup> <https://www.leforem.be/particuliers/incitants-financiers-formation.html>, accessed 10 October 2022.

<sup>63</sup> <https://www.pole-emploi.fr/candidat/en-formation/mes-aides-financieres/la-preparation-operationnelle-a.html>

entire country and during autumn 2020, 608 placements were planned for people far from the labour market. The Swedish Forest Agency, the Geological Survey of Sweden, the Swedish Environmental Protection Agency, the county administrative boards and the Swedish Public Employment Service are the agencies involved in implementing this initiative.

Source: <https://www.government.se/press-releases/2020/07/green-jobs-for-nature-across-the-country/>

#### Box A 5. New Employment incentive programme ATIVAR.PT in Portugal

In **Portugal**, a new scheme has been set up in the context of the COVID-19 pandemic. The ATIVAR.PT is a reinforced support programme for employment and vocational training. This new measure has been implemented to guarantee an adequate and quick response to new jobseekers, relying both on broadband active labour market programmes – such as hiring incentives and professional traineeships replacing the previous measures Estágios Profissionais of 2019 and Contrato Emprego – and on tailored-made programmes targeted at specific sectors and groups.

The new measures are aimed at promoting permanent hires and targeting low-employability groups such as young people and long-term unemployed, as with the previous ones. Because of the worsening economic conditions and the scarce dynamism in employment creation, the new measures incorporate a set of transitional provisions in 2021 aimed at responding to new jobseekers while also reinforcing incentives on employers' take-up. Both measures allow for more agile and faster payments, which will allow financial support to reach the promoters more quickly. The ATIVAR.PT programme also includes a set of measures in the scope of vocational training, targeted to specific groups and emerging and relevant areas of economic activity (e.g. digital, ecological and social) such as Jovem & Digital.

Source: information provided by the Portuguese PES

#### Box A 6. Employment incentives to promote transition into permanent employment contracts

In August 2020, **Italy** introduced an exemption from social security contributions paid by employers for six months for companies hiring new workers on open-ended contracts, provided they increase their overall workforce. An exemption was also made available for employers in the tourism sector for three months, regardless of contract type and a net increase in the workforce (OECD 2021b).

In **Portugal**, a new employment incentive, the “Contrato-Emprego” was introduced in 2017 to promote the hiring of open-ended contracts while restricting support for temporary contracts to specific cases such as the long-term unemployed. Permanent contracts have also been promoted through an increasing difference in the benefits granted for each type of contract. To promote effective job creation after the end of the hiring subsidy, in the case of fixed-term contracts, there is a bonus awarded for the conversion to permanent contracts (Duell and Thévenot 2017). As the vulnerability of non-standard workers has become evident during the COVID-19 pandemic, job retention schemes were amended to better cover these workers, while subsidies for taking up permanent jobs have also been used with greater regularity. In January 2022, an exceptional and transitory measure for hiring registered unemployed on a permanent contract was introduced in the context of the new scheme ATIVAR.PT during the pandemic (the new measure ATIVAR.PT has introduced a series of changes to the previous main employment incentive schemes in the Annex, Box A5).

#### Box A 7. Examples of new or revised start-up schemes for unemployed introduced during the pandemic

In 2021, **Greece** introduced a new entrepreneurship programme, subsidising the business initiatives of 2 900 young entrepreneurs aged 18-19, with special emphasis on women. The Greek PES has also concluded a new partnership with Google, aimed at start-ups in the digital era for 4 000 unemployed people.

In **Ireland**, self-employed people who received the COVID-19 Pandemic Unemployment Payment (PUP) or a jobseeker's payment and are returning to work can benefit from the COVID-19 Part Time Job Incentive for the Self-Employed. This provides business owners with a one-off grant of up to EUR 1 000 to restart their business which was closed due to the COVID-19 pandemic.

In **Latvia**, several changes have been introduced to the start-up scheme. Unemployed people who received a grant from the PES for implementing a business plan may apply for an additional grant for business development in the amount of EUR 5 000 if after the first year of operation the business is deemed successful by an expert. The monthly grant, which is paid for six months in

the early stages of starting a business, has been increased to EUR 750. Likewise, **Belgium (Brussels and Flanders), and Estonia** adjusted their existing start-up incentive programmes in response to the COVID-19 crisis by increasing the start-up incentives for unemployed.

The **Croatian** and **Irish** PES have begun conducting self-employment workshops for PES clients through online streaming platforms.

**Portugal** introduced Empreender2020, a national competition for start-up projects by young and unemployed people. Successful applicants receive advice and technical training during the first year of their start-up.

In **Finland**, an experiment on recruitment subsidies for solo entrepreneurs was launched.

Source: OECD 2022a, OECD 2021b, Duell et al. 2022, PES responses to COVID-19 overview

### Box A 8. Implementing comprehensive approaches for young people: improving co-operation between PES and youth employment agencies in France and Finland

**In France, in March 2022 a new Youth commitment contract ('contrat d'engagement jeune') was introduced**, with a range of services offered by the French PES Pôle emploi and the local youth employment agencies ('missions locales'). Services include an intensive guidance programme of at least 15 to 20 hours a week. Young people commit to participating in activities such as internships and all measures laid out in the 'One young person, one solution' plan and are granted an allowance during programme participation for a period usually lasting 6 to 12 months<sup>64</sup>.

**Finland rolled out one-stop-shops for young people involving a wide range of professionals in 2018.** The key staff are youth and employment counsellors from PES and social workers from municipalities, but also psychologists, nurses, outreach workers and education counsellors. **In 2021**, the Finnish Government is investing further in these youth centres, particularly aiming at **boosting mental health services for the young** and starting to provide short-term psychotherapy (Konle-Seidl and Piccarella 2021). COVID-19 has negatively affected the mental health of young people. Pilots covering more than 100 municipalities were launched in March 2021 to strengthen the role of local governments in organising employment services and improve the service co-ordination with the national government (OECD 2021e). This follows a long-lasting discussion on how to best combine social services, health services and employment services at the local level.

### Box A 9. New approaches for implementing hiring subsidies for NEETs

The **Slovak PES** has introduced a **mentoring scheme** linked to employment incentives for NEETs under the age of 30 who registered as a jobseeker for at least one month.

The **Belgian PES** in Brussels Actiris is subsidising around 1 200 jobs in the **social economy**, with the subsidies targeted specifically to get young NEETs into employment.

**Italy** introduced a change in hiring incentives. Employers can receive an exemption of up to 100% of employer contributions to social security over a period of three years (up to a maximum of EUR 6 000 per year) when they hire a 15-35-year-old considered NEET on a **permanent basis**.

Source: OECD 2021b, OECD 2022a, Eurofound 2021b, Duell et al. 2022.

### Box A 10. Supporting apprenticeship programmes in France and Ireland

**France** offered an 'Exceptional assistance to employers recruiting for apprenticeships' scheme as part of the broader 'One young person, one solution' plan. Companies receive a hiring incentive for recruiting apprentices of EUR 5 000 (for young people) and EUR 8 000 (for adults), with the objective of supporting the hiring of first-year apprentices and responding to the phenomenon of 'apprenticeship orphans' (young people who had started their training but were unable to find an employer to continue it with). The demand for this subsidy has been very high and the number of apprentices increased by 40% between 2019 and 2020, and by 37% between 2020 and 2021, accelerating a trend to an increased number of apprentices that can be observed since 2018<sup>65</sup>.

<sup>64</sup> <https://www.pole-emploi.fr/actualites/a-laffiche/2022/le-contrat-dengagement-jeune-cej.html>, accessed 14 October 2022.

<sup>65</sup> [L'apprentissage en France : progression record en 2020 | vie-publique.fr](https://www.vie-publique.fr), accessed 14 October 2022.

In **Ireland**, the Apprenticeship Incentivisation Scheme delivered by SOLAS, provides financial support for apprenticeship employers who take on apprentices on national apprenticeship programmes. Apprenticeship employers are eligible for a EUR 3 000 payment for each new apprentice recruited.

Source: Eurofound 2021b, OECD 2022a, Duell et al. 2022, Konle-Seidl and Piccarella 2021.

### Box A 11. Examples of specific new measures for long-term unemployed

In **Austria**, the Springboard measure is targeted at long-term unemployed ('Sprungbrett') and aimed initially to bring 50 000 long-term unemployed back into employment between July and December 2021. The measure has been expanded to employment contracts concluded by the end of 2022. The programme has been mainly used to provide recruitment incentives, as well as in-work benefits for older people and people with disabilities ('Kombilohn') and supports employment in social enterprises. By the end of July 2022, 35% of participants were older long-term unemployed and 30% had health problems and 42% had been unemployed for more than two years. The number of long-term unemployed could be reduced, but an evaluation of the measure has not been conducted yet.

In **Belgium**, the **PES Forem** introduced a new hiring incentive called Springboard 24+ ('Tremplin + 24 mois') targeted at LTU (>24 months) initially in 14 sectors (and now extended to all sectors) that have been adversely affected by the crisis and consists of a wage subsidy. The employment contract needs to last for at least two years or be permanent. This programme was initially planned to be implemented only in 2020 but has been extended for a targeted 1 200 jobs in full-time equivalents.

In **Ireland**, a new Work Placement Experience Programme (WPEP)<sup>66</sup>, launched in July 2021 for a planned 10 000 participants, is targeted at jobseekers in receipt of a qualifying social welfare payment and who have been unemployed for six months or more or who have never had a job. On commencement of the Work Placement Experience Programme (WPEP), the host company and the participant must agree on a plan for personal learning and skills development over the programme duration. Agreed learning and development goals are recorded on this Personal Learning Plan. This plan identifies training, skills development and learning required and achieved during the placement which will be progressed either independently or with the support and supervision of the mentor appointed by the host. This includes workplace training programmes and any additional online or accredited training. The participant will be given a Personal Learning Journal which will permit them to discuss progress with mentors and the Intreo case manager during monitoring meetings. The weekly rate of payment is EUR 311, paid to employers for a period of six months. Employers cannot top up the earnings of participants above this rate. Participants cannot be placed in job roles where they already gained previous work experience. Programme participation can be combined with part-time employment in another organisation.

In **Greece**, a subsidy programme aimed at hiring unemployed people aged 30+ in the less developed regions, with special emphasis on LTU and unemployed people over 50 years old.

In **Romania**, a new employment incentive has been introduced targeted at persons aged over 50, or aged between 16 and 29, and at Romanian citizens who have ceased their labour contracts with foreign employers.

In **Slovakia**, the new national programme "Seize your chance" has been implemented as of October 2021. The main activity of the programme is the provision of financial contributions to support the creation of jobs for disadvantaged jobseekers, including young jobseekers, and to support self-employment. The purpose of the two-years programme is to connect employment and social welfare services to activate the most vulnerable young unemployed, and recipients of social assistance in general. Counsellors from both institutions will provide enhanced and intensive counselling, addressing the complex problems young people are faced with. The measure "Individualised counselling for disadvantaged jobseekers" to provide counselling to disadvantaged jobseekers increases their chances of finding a job and supports the development of their job search skills has been introduced in 2022 (PES responses to COVID-19 overview).

Source: PES capacity report 2022, forthcoming, PES responses to COVID-19 overview, <https://www.gov.ie/en/service/95fe1-work-placement-experience-programme/#what-the-work-placement-experience-programme-is>

<sup>66</sup> <https://www.gov.ie/en/service/95fe1-work-placement-experience-programme/#what-the-work-placement-experience-programme-is>



experience-programme-is, <https://www.bmaw.gv.at/Presse/AktuellePressemeldungen/Programm-Sprungbrett.html>, <https://www.wallonie.be/fr/actualites/aides-emploi-maintien-et-elargissement-de-la-mesure-tremplin-24> and information provided by PES in Duell et al. 2022.

### Box A 12. Comprehensive approach for delivering employment services to people with disabilities in Denmark and France

In **Denmark**, the comprehensive approach includes initiatives aimed at increasing the knowledge and information about the employment situation for people with disabilities, a fund for employment projects for people with disabilities that different organisations and private employers can apply for, targeted dissemination of information about disabilities via a permanent platform with information and an increased focus on people with disabilities in the municipal jobcentres through the function of 'key-persons' that are the central figures for developing knowledge and advising colleagues on disabilities, employment interventions for people with disabilities, and case reviews.

In **France**, closer co-operation between the PES Pôle emploi and the agency for people with disabilities Cap Emploi decided. The new model launched in October 2021 foresees a single-manager approach for people with disabilities in a one-stop-shop approach ('Lieu Unique d'Accompagnement') at the premises of Pôle emploi (involving case managers from Pôle Emploi and Cap Emploi).

Source: Peters, 2021, PES responses to COVID-19 questionnaire, PES capacity questionnaire 2020 and 2021 and Corti et al. 2022, <https://www.pole-emploi.org/accueil/communiqués/pole-emploi-et-cap-emploi-poursuivent-leur-rapprochement-pour-faciliter-l'accès-a-emploi-des-personnes-en-situation-de-handicap.html?type=article>, <https://travail-emploi.gouv.fr/ministere/service-public-de-l-emploi/article/cap-emploi>.

### Box A 13. New ALMPs introduced to promote labour market integration of migrants

In **Belgium** (Flanders), the resilience and recovery plan foresees the development of an **integrated trajectory** to support non-EU-national newcomers in their integration into society and in particular into the labour market and strengthening the non-discrimination policy at the sector level, including by enhanced monitoring, and training on how to deal with discrimination and actions specific to disadvantaged groups. This new approach is planned to be implemented by the third quarter of 2023.

In **Finland**, local government pilots on employment, include, along with young people, all immigrants and foreign-language speakers who are either unemployed or covered by employment services in the TE Offices in the pilot areas. The municipality is responsible for providing public employment and business services (TE services) to these customer groups.

In **Slovenia**, on-the-job training has been available for persons with international protection. An additional target group was introduced in 2021, consisting of unemployed persons with foreign nationality who do not know the Slovenian language and have no work experience.

**Sweden** has introduced a special employment subsidy (Extratjänst) for newly arrived migrants. Another target group of this measure is the long-term unemployed (OECD 2022a). For participation in labour market training, age limits have been lifted for newly arrived migrants.

Source: questionnaire for the PES capacity report 2022, Corti et al. 2022 for Belgium.

### Box A 14. Dedicated information and employment services offered to individuals displaced from Ukraine

In **Bulgaria**, with support from the European Social Fund (ESF) and the Recovery Assistance for Cohesion and the Territories of Europe (REACT-EU), the 'Solidarity' project implemented by the Bulgarian PES aims to help Ukrainians to find a job. The project also provides accommodation and financial support as well as workshops to develop job skills<sup>67</sup>.

In **Slovakia**, a new project was implemented to offer vacancies, contact Ukrainian citizens, provide counselling, education, support mobility, support volunteering activities, and support work adaptation. The guidance process comprises three face-to-face meetings, each of which lasts about three hours (Eurofound, 2022 and EC questionnaire to PES).

In **Germany**, Ukrainian refugees can receive information at a PES hotline in Ukrainian and Russian and can register and claim minimum income (unemployment benefit II and social assistance) in

<sup>67</sup> <https://ec.europa.eu/european-social-fund-plus/en/projects/ukrainian-refugees-find-work-bulgaria>, accessed 5 October 2022.

these languages as well as in English. Information provided includes information on childcare activities and procedures to get vocational qualification recognised, as well as on education and training<sup>68</sup>.

In **Slovakia**, two new projects were launched in connection with the situation of displaced persons from Ukraine as of 1 May 2022. The projects include six measures related to the offer of vacancies, contacting Ukrainian citizens, providing counselling, education, support of mobility, support of volunteering activity, and support of work adaptation.

#### Box A 15. Outreach activities of PES towards people displaced from Ukraine

In **Bulgaria**, mobile teams have been established to work with Ukrainian citizens at the local level. Every day, a Mobile Team was at the Danube Bridge border crossing. Dedicated teams have visited the border periodically and have also made trips to transport hubs and crisis headquarters for Ukrainian citizens arriving in the country.

In **Romania**, local staff of local PES offices near the border regularly send representatives to border crossing points and refugee centres to inform and advise Ukrainian citizens.

In **Croatia**, mobile teams of the PES (CES), and Social welfare centre counsellors were formed, which informed persons from Ukraine about their rights and opportunities in Croatia on a daily basis.

In the **Czech Republic**, within the framework of the established KACPU (Regional Assistance Centre for Support) counsellors of the PES provided counselling services focused on the possibility of entering the labour market, searching for vacancies, and language courses.

The **Icelandic** PES has opened a temporary office in a refugee reception centre.

The **Lithuanian** PES has worked in migration registration centres and has registered to the PES system (EC questionnaire on displaced Ukrainians).

The **Portuguese** PES integrates a multidisciplinary team in the Portuguese embassies of Bucharest and Warsaw to support refugees who wish to come to Portugal. As the inflow of refugees has increased, these services needed to be reduced for capacity reasons.

#### Box A 16. New one-stop-shops and new partnerships at the local level for the delivery of employment services to disadvantaged groups

**Outreach to inactive vulnerable groups** is a key challenge for providing employment services. In **Bulgaria**, the national programme "Activation of Inactive Persons" reinforced the role of municipalities in the outreach to the inactive. Under the programme, many municipalities hired youth mediators to carry out specific outreach activities to vulnerable groups, including NEETs, Roma and people living in remote areas. Experiences with youth and Roma mediators have been ongoing for more than a decade. The Bulgarian PES NEA has also piloted and rolled-out the use of family labour consultants in 2019. Providing consultations to entire families permits contact with unemployed and inactive family members who were not registered with the NEA previously. Reaching out to vulnerable inactive groups or individuals remains challenging. Thorough evaluations of recent outreach activities are not yet available (OECD 2022c).

In **Finland**, **experiences with providing one-stop-shop services** to long-term unemployed, based on a joint provision of services between employment services and municipal social services through the LAFOS (which were first experimented with before being enshrined in legislation), have been made for over a decade. Experiments for improved co-operation at the local level, including with health services, have been implemented for many years. A reform of the territorial organisation of the delivery of health and social services was decided in 2021 to introduce well-being services to counties by 2023<sup>69</sup>. Reforms for decentralising PES activities and strengthening the role of municipalities and for local PES to begin co-operation with the well-being service counties are being prepared (interview). In 2021, local government pilots on employment (Työllisyyden kuntakokeilut) have been implemented. Unemployed jobseekers and jobseekers covered by employment services who are not entitled to earnings-related unemployment allowance have been transferred to the municipalities in the pilot areas. The target group also includes all jobseekers under the age of 30 and all immigrants and foreign-language speakers who

<sup>68</sup> <https://www.arbeitsagentur.de/ukraine>

<sup>69</sup> [https://en.wikipedia.org/wiki/Wellbeing\\_services\\_counties\\_of\\_Finland](https://en.wikipedia.org/wiki/Wellbeing_services_counties_of_Finland)

are either unemployed or covered by employment services in the TE Offices in the pilot areas. The municipality is responsible for providing public employment and employer services (TE services) to these customer groups (answers to the questionnaire of the PES capacity report 2022, forthcoming).

**France launched the comprehensive follow-up** (*accompagnement global*) of minimum income recipients as a pilot in 2014 and rolled it out nationally in 2016. Intensified counselling and a shared diagnostic between employment services and social services are at the core of this measure. Also, co-operation between social services and employment services has been increased and staff exchanges organised. The evaluation of this approach shows positive results (Pôle emploi 2018). In 2021, a new form of delivering employment services was introduced in 66 local offices **in deprived urban neighbourhoods, in co-operation with local actors through the measure Employment Teams** ('équipe emploi'<sup>70</sup>). In September 2022, the government announced plans for a larger reform of the PES and its different actors. **It is envisaged that a new one-stop-shop model** called "France Travail" will be set up, based on strengthened and improved co-operation between various actors in the regions and local areas, for all unemployed (not just long-term unemployed)<sup>71</sup>. Details of this plan are not known yet. Debates for improving interinstitutional co-operation and improving the transparency of France's multi-actor system have been underway for quite a long time (interview) (responses to the PES capacity questionnaire 2022).

In **Ireland**, a new contracted **Local Area Employment Service (LAES)** was introduced and operational in seven counties in 2021 and is currently being procured in the remainder of the State. These new services, in areas of the State where no Local Employment Services (LES) currently operate, will constitute a significant expansion of employment services. The LAES is focused on persons who have been unemployed for more than 24 months and will provide a service to any other person on referral by the Department (responses to the PES capacity questionnaire 2022).

In **Spain**, the planned reform for modernising active employment policies seeks to promote the setup of a single point of contact specifically for youth employment, improving co-ordination between employment services and social services and with the regions, and enhancing co-operation with the private sector (responses to the PES capacity questionnaire 2022). In recent years integrated approaches for the delivery of employment and social services have been introduced in different regions.

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<sup>70</sup> <https://www.pole-emploi.org/accueil/actualites/2021/equipemploi-une-nouvelle-approche-de-laccompagnement.html?type=article>

<sup>71</sup> [https://www.lemonde.fr/politique/article/2022/09/24/france-travail-un-quichet-unique-pour-l-emploi-a-la-fin-2023\\_6142996\\_823448.html](https://www.lemonde.fr/politique/article/2022/09/24/france-travail-un-quichet-unique-pour-l-emploi-a-la-fin-2023_6142996_823448.html)

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