

COMBATING LONG-TERM UNEMPLOYMENT IN SLOVENIA

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Povzetek

Dolgotrajna brezposelnost je veliko breme tako za posameznika kot za družbo. Z daljšanjem brezposelnosti se zmanjšuje verjetnost zaposlitve, saj čas, prebit v brezposelnosti, negativno vpliva na psihološko stanje posameznikov in njihovo zdravje, zmanjšuje pa tudi relevantnost njihovih spretnosti in znanj. Poleg tega vodi v slabšanje socialne vpetosti posameznika. V Sloveniji imamo velik delež dolgotrajno brezposelnih med vsemi brezposelnimi – leta 2015 je znašal 52,3 odstotka, povprečje držav OECD pa je bilo 33,8 odstotka.

V članku proučujemo izkušnje držav EU in OECD z izbranimi ukrepi za zmanjševanje dolgotrajne brezposelnosti, povzemamo ugotovitve tega pregleda in oblikujemo ekonomsko-politična priporočila za Slovenijo. Osredotočamo se na te ukrepe:

- *izboljšanje zaposlovalnih storitev za iskalce zaposlitve, ki jim grozi dolgotrajna brezposelnost, še zlasti s profiliranjem brezposelnih,*
- *udeležba v programih aktivne politike zaposlovanja (APZ) za dolgotrajno brezposelne,*
- *ugotavljanje smiselnih sprememb v že uporabljenih ukrepih pomoči dolgotrajno brezposelnim po metodologiji Fertiga in Csillaga (2015) in*
- *uvajanje inovativnih zaposlitvenih programov, ki so usmerjeni na dolgotrajno brezposelne.*

Članek ponuja ta ekonomsko-politična priporočila:

1. *Zmanjšati »caseload« zaposlitvenih svetovalcev (tj. zmanjšati število iskalcev zaposlitve na svetovalca) za dolgotrajno brezposelne, da bodo brezposelni lahko deležni visokokakovostnega svetovanja. Mednarodne izkušnje kažejo, da intenzivno, visokokakovostno svetovanje iskalcem zaposlitve pomaga najti zaposlitev in da je ta ukrep po učinkovitosti povsem primerljiv z drugimi zaposlovalnimi ukrepi, zlasti v zgodnji fazi brezposelnosti. V skladu z mednarodno prakso predlagamo najmanj eno srečanje svetovalca in iskalca zaposlitve na 45 dni, torej precej več, kot je dosedanja ustaljena praksa v Sloveniji – eno srečanje na dva do tri mesece.*
2. *Posodobiti sistem profiliranja – po irskem vzoru predlagamo izboljšanje modela profiliranja, kar bi omogočilo učinkovitejše razporejanje sredstev z izboljšanim »ciljnim usmerjanjem« (ang. targeting) na tiste iskalce zaposlitve, ki so najbolj izpostavljeni tveganju za dolgotrajno brezposelnost (vključno z upravičenci do denarnega nadomestila).*
3. *Okrepiti aktiviranje dolgotrajno brezposelnih s i) poostrojitvijo zahtev pri iskanju zaposlitve, ii) povečanim nadzorom nad izpolnjevanjem teh zahtev in iii) obveznim vključevanjem v programe APZ po preteku določenega obdobja neuspešnega iskanja službe.*
4. *Uvesti dodatne, nove zaposlitvene storitve za dolgotrajno brezposelne – storitve, ki bi pripomogle k ohranitvi zaposlitve, pridobljene po dolgotrajni brezposelnosti, in pomoč pri poklicnem napredovanju oseb, ki so bile dolgotrajno brezposelne.*
5. *Povečati udeležbo dolgoročno brezposelnih iskalcev zaposlitve v programih APZ, zlasti v usposabljanju in v programih subvencioniranja zaposlovanja v zasebnem sektorju.*
6. *Uvesti pilotne inovativne programe zaposlovanja za dolgotrajno brezposelne iskalce zaposlitve. Takšni iskalci se po navadi spopadajo s številnimi ovirami in omejitvami, zato iskanje uspešnega načina spoprijemanja s temi ovirami in omejitvami pogosto pomeni preizkušanje novih prijemov ter izkoriščanje različnih navezav in virov. Kot kaže naš pregled mednarodne prakse, je sine qua non takšnih pristopov razumevanje potreb iskalcev zaposlitve in na tem temelječi ukrepi. To zahteva močno angažiranje zaposlitvenih svetovalcev, pomoč strokovnjakov z različnih področij ter nudenje intenzivnih, prilagojenih storitev že od prvega srečanja z dolgotrajno brezposelnimi naprej. Ti programi morajo biti tudi izrazito usmerjeni na pridobitev dela oz. službe, ne le na izboljšanje veščin in znanj dolgotrajno brezposelnih, hkrati pa morajo tudi poudarjati osebni razvoj, vključno z razvojem delovnih navad in s socializacijo. Ne nazadnje, ti programi morajo temeljiti na močnih povezavah z delodajalci in lokalnimi skupnostmi.*

Ključne besede: *brezposelnost, dolgotrajna brezposelnost, zaposlovalne storitve, ekonomska politika na trgu dela*

Abstract

Long-term unemployment imposes a large burden both on individuals and on society. In Slovenia, the share of long-term unemployed among all unemployed is very large – in 2015, it was 52.3 percent, compared to 33.8 percent for the average of OECD countries. The objective of the paper is to review the experience of other EU and OECD countries with selected measures aimed at combating long-term unemployment, summarise the findings of the review and identify best practices, and provide policy recommendations for Slovenia. It focuses on the following measures: (i) improving employment services to jobseekers at risk of long-term unemployment, (ii) participation in active labour market programs by long-term unemployed, (iii) applying selected “remedial” approaches helping the long-term unemployed, and (iv) introducing innovative labour market programs targeting long-term unemployed.

Key words: unemployment; long-term unemployment; employment services; labour policy

1. Background and motivation

Long-term unemployment imposes a large burden both on individuals and on society.¹ It leads to the decay of skills, can hurt future earnings and employability, and can also negatively affect well-being and health. Moreover, it also leads to deterioration in social networks, especially losing connections with previous colleagues in the workplace.

The labour market effects of unemployment are well documented. Workers’ human capital may deteriorate during a spell of unemployment, and the time devoted to job search typically declines (Petrangolo, 2014). As a consequence, the probability of leaving unemployment fall the longer unemployment spell continues. For youth in particular, the scarring effects of unemployment are very serious. Bell and Blanchflower (2011) estimate that a six-month spell of unemployment at the age of 22 results in an 8% lower wage at 23, and even at ages 30 and 31, wages would be 2-3% lower than they would have been otherwise. The lower the level of initial qualification, the longer these scarring effects are likely to last (Scarpetta et al 2010). Moreover, long-term unemployment may lead jobseekers – particularly women – to exit to economic inactivity.

Moreover, **unemployment adversely affects people’s mental and physical wellbeing.** There are two explanations of how unemployment worsens mental health, one related to financial and one to psychosocial problems accompanying unemployment. First, unemployment and the associated job loss reduces an individual’s income flow, adversely affecting wellbeing and thereby mental health. Second, the job loss itself imposes psychological costs by damaging individual’s self-esteem, as the unemployed may feel deprived of opportunities for social contact and for defining their

social identity (Jahoda, 1982). One implication is that the impact of unemployment on mental health may be U-shaped, with strong effects being exerted by both the acute stress immediately following the job loss as well as by the depletion of savings following a prolonged period of unemployment (Winkelman and Winkelman (1998) find that non-pecuniary effects on health are much larger).

Empirical evidence that the transition to unemployment results in a deterioration of mental health is very strong. In a nation-wide study, Kondo and others (2008) conclude that the subjective reporting about feeling unwell is twice as frequent among unemployed Japanese. Similarly, Kaspersen et al (2015) find that there was a significant increase in risk of purchasing psychotropic drugs by Norwegian workers who experienced unemployment and that the risk decreased with the approaching re-employment. Urbanos-Garrido and Lopez-Varcacar (2015) show that the recent economic crisis affected the self-reported overall and mental health of Spanish unemployed more than it did employed workers. In a study covering the U.S. and 13 European countries, Riumallo-Herl and others (2014) find that with job loss, the symptoms of depression in older people who are approaching retirement age increased by 4.8 percent in the U.S. and 3.4 percent in European countries. Based on a panel analysis for individual workers in five countries (Australia, Canada, Korea, Switzerland and United Kingdom), OECD (2008) also confirms that mental health suffers when individuals move from employment to unemployment or inactivity, and that the estimated impact of time spent in nonemployment differs across countries and by gender. Unemployment is also linked to suicides – for Western European countries, Laanani and others (2015) conclude that a 10-percent change in unemployment on average increases the rate of suicides by 0.3 percent. In contrast, Salm (2009) finds no evidence of worsening of the mental health among the U.S. workers who lost their job because of the plant closure.

¹ In this paper, long-term unemployment is referred to as unemployment spell lasting one year or longer.

Recognizing that long-term unemployment deserves special attention, in 2016 EU issued a **Council Recommendation on the integration of the long-term unemployed into the labour market.**² The recommendation acknowledges a persistently high level of long-term unemployment following the 2008-2009 financial and economic crisis. It stresses the negative effects of long-term unemployment on economies and individuals, as it leads to a loss of income, an erosion of skills, a higher incidence of health problems and increased risk of social exclusion, poverty and inequality. It also notes that barriers to labour-market integration of jobseekers are diverse, hence helping the long-term unemployed requires a tailor-made, individualised approaches and coordinated service provision.

To tackle long-term unemployment, **the recommendation adopts a two-tier approach:**

- **A preventive approach** – the one that is favourable in terms of efficiency and effectiveness, given that the job-finding probability of the unemployed tends to deteriorate over time³ – based on prevention and activation measures from the very start of the unemployment period.
- **A coping approach, responding to long-lasting unemployment spell by a detailed package of individualised measures – the job-integration agreement** – to be concluded not later than 18 months into unemployment. Given that the introduction of job-integration agreements is a new, concrete, verifiable policy proposal, it represents the thrust of the recommendation. Job-integration agreements should define goals, timelines, and obligations of both the jobseeker and service providers (the latter should include employment, education, training and social support services designed to support and empower a jobseeker in overcoming specific obstacles to employment).

To facilitate the coordination of services and tailoring them according to the multiple needs of long-term unemployed, **the Recommendation also proposes the provision of single point of contact responsible for supporting registered long-term unemployed persons.** Such an entry point would facilitate the assistance provided to long-term unemployed jobseekers on both employment and social support fronts. It would thus help providing more effective access to employment support services as well as pooling together expertise and resources across partner organisations to address possible other obstacles. As emphasized by the Recommendation, this point of contact could be based on inter-institutional coordination and it could be established within existing structures.

Because long-term unemployment is a particular worrisome phenomenon for young people, in 2013 the EU issued also a specific recommendation for youth. While the probability of leaving unemployment for young workers is higher than for older workers, a prolonged unemployment by young jobseekers may have scarring effects on their employment and earnings outcomes. In this context, the 2013 EU Youth Guarantee introduced a policy framework trying to prevent long-term unemployment by offering “every young person under the age of 25 years receives an offer of employment, continued education, an apprenticeship or a traineeship within four months of leaving formal education or becoming unemployed”⁴.

In Slovenia, three largest groups of long-term unemployed can be identified: older workers, young workers, and (overlapping with the previous two groups) low-skilled workers (Figure 1). Reflecting the recent recession, from 2007 to 2014 the share of long-term unemployed increased by just over three percentage points. Interestingly, the increase was driven by workers aged 30 – 39 years (the share of long-term unemployed of other age groups fell), as well as workers with at least college education and upper secondary education. In comparison to OECD and EU countries, in 2015 Slovenia – with its 52.3 percent share of long-term unemployed – ranked among the countries with the highest share of long-term unemployment (Figure 2). Moreover, Slovenia’s increase of the share of long-term unemployed from 2007 to 2015 was higher than average.

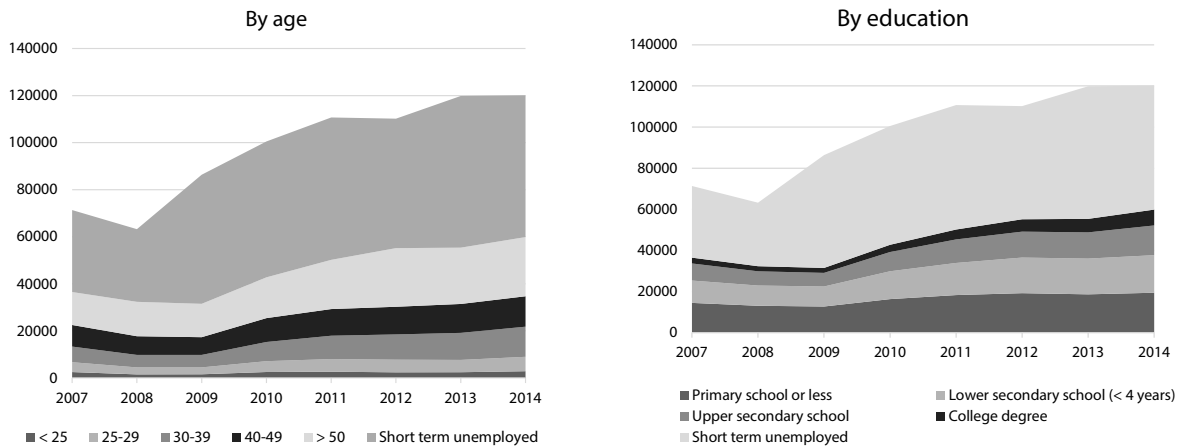
The objective of the paper is to review the experience of other EU and OECD countries with selected measures aimed at combating long-term unemployment, summarise the findings of the review and identify best practices, and provide policy recommendations to Slovenia. The paper focuses on the following strategies for combating long-term unemployment:

1. Among the set of preventive measures, it reviews efforts on improving employment services to jobseekers at risk of long-term unemployment, above all, by profiling the unemployed and, on that basis, intensifying the activation process of those jobseekers deemed at risk of long-term unemployment.
2. Among the coping measures, the paper reviews the use of active labour market programs (ALMPs) by the long-term unemployed. For example, Card, Kluge and Weber (2017) find that ALMP effects, perhaps surprisingly, tend to be more positive for long-term unemployed participants than for other participant groups, and they single out training, subsidised private sector employment and also job-search

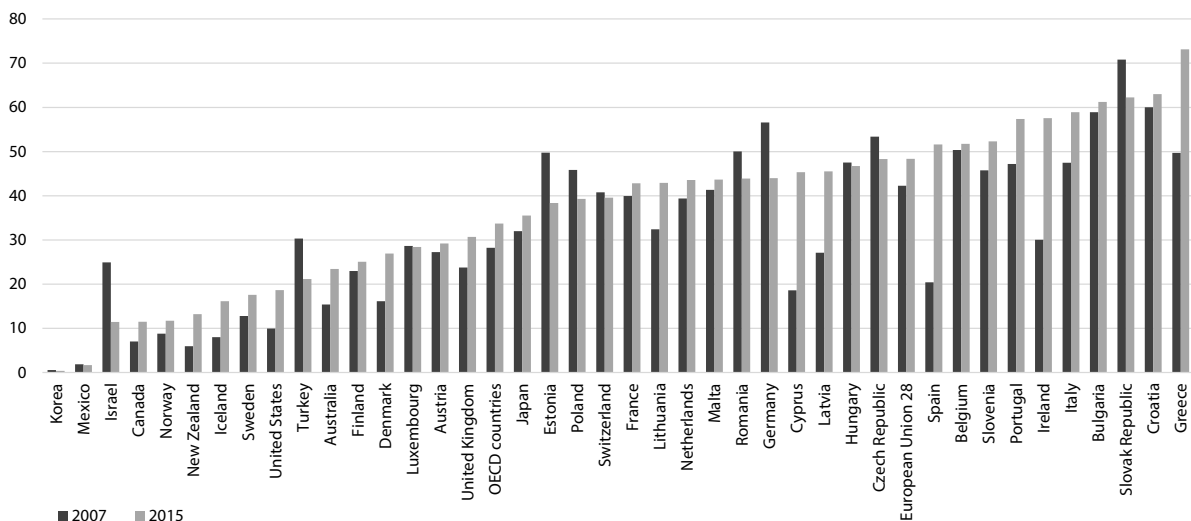
² Council of the European Union (2016), Council recommendation of 15 February 2016 on the integration of the long-term unemployed into the labour market, OJ C 67, 20.2.2016, p. 1–5.

³ See OECD Employment Outlook (2011), Ch. 5.

⁴ Council of the European Union (2013), Council Recommendation of 22 April 2013 on establishing a Youth Guarantee (2013/C 120/1).

Figure 1: The structure of long-term unemployed by age and education, Slovenia, 2007-14

Source: Employment Service of Slovenia (registered unemployment data).

Figure 2: Share of long term unemployment in all unemployment, OECD and EU countries, 2007 and 2015 (in %)

Source: OECD Database (labour force survey data).

assistance as particularly effective for the long-term unemployed.

3. The paper also summarizes the assessment of Csillag and Fertig (2015) about the “remedial” approaches helping the long-term unemployed – the approaches deemed appropriate based on the findings of various theoretical and empirical studies.
4. Moreover, among the coping measures the paper also focuses on the introduction of innovative LM programs for long-term unemployed in two areas:
 - local-response initiatives to long-term unemployment, and
 - programmes focusing on the hardest-to-place jobseekers.

As for methodology, the paper reviews and summarizes findings of empirical studies on OECD countries about the impact of the above selected

measures and programs on labour market outcomes, provides two case studies of successful approaches undertaken by countries in streamlining their services to long-term unemployed jobseekers (Ireland and Finland), and reviews selected innovative programs helping long-term unemployed jobseekers. Based on the accumulated evidence, the paper then draws conclusions and policy recommendations for Slovenia.

The organization of the paper is as follows. We first describe the treatment of long-term unemployed jobseekers by Employment Service of Slovenia (ESS, Section 2). We then review various approaches in combating long-term unemployment, both those aimed at helping those at risk of long-term unemployment as well as those dealing with long-term unemployed jobseekers (Section 3). The final section provides conclusions and policy recommendations.

2. Treatment of Long-Term Unemployed Jobseekers in Slovenia

Employment Service of Slovenia (ESS) provides its services according to a well-established schedule of activities. As usual in all OECD and EU countries, the jobseeker's journey begins with the registration with ESS. All registered jobseekers are assigned a personal counsellor. At the first intensive interview, counsellors classify jobseekers, with a consent from jobseekers, into three categories – directly employable, employable after additional activities, and employable after in-depth interventions (Slovenia thus uses a so-called “counsellor-based” profiling). The subsequent treatment is then agreed upon and recorded in an individual action plan – a mutually agreed document specifying goals and actions to be taken by the jobseeker, as well as and commitments by the employment service.⁵ The scope of services offered ranges from counselling interviews and providing labour market information to referrals to various ALMPs, as well as, for jobseekers deemed more difficult to employ, offering intense counselling and other, specialized services.

The individual action plan is a rather flexible instrument, with its content largely depending on jobseeker needs. For “directly employable” jobseekers (those that are motivated and possess a right set of skills as well as the necessary know-how to conduct job-search activities) a “shortened plan” is made. For other jobseekers – those who are still unemployed four months after registration – an in-depth plan is also prepared (Employment Service of Slovenia, 2011).

Since the announcement of the EU Council Recommendation on the integration of the long-term unemployed, the ESS has intensified services to the long-term unemployed, including preparing a job-integration agreement once jobseekers pass 12 months of unemployment. First, in line with the persuasion of ESS counsellors that intensive counselling is the most effective way of helping long-term unemployed, the ESS improved and intensified individual meeting sessions with them. But there are limits to such efforts, as the number of jobseekers per caseworker is overwhelming, limiting the current frequency of meetings with long-term unemployed to 2 to 3 months.⁶ Second, upon reaching 12 months of being unemployed (when a person is formally recognized as a long-term unemployed jobseeker), an in-depth re-assessment is carried out that includes the review of

past activities and treatments of the jobseeker, as well as the examination of the motivation, job-search skills, and possible additional, yet unidentified obstacles affecting the successfulness of jobsearch. This re-assessment forms the basis for preparing a job-integration agreement, the task done no later than by 18th month within the unemployment spell. Third, the counsellors are trying to improve the quality of counselling to the long-term unemployed, among others by adhering to “work first” approach. To be more effective in helping the long-term unemployed, counsellors have recently undergone special training on this topic.

ESS counsellors rely on several means to identify jobseekers that are at risk of long-term unemployment, combining hard and soft criteria. The likely candidates for long-term unemployment are young people without experience, people with long inactivity gaps, persons of disappearing occupations, people with disabilities, older workers, and persons with health problems. Moreover, a strong determinant is the lack of adequate skills and competencies, as well as the presence of personal or motivational problems. The experience shows that often it is the combination of the above factors that leads to long-term unemployment.

The treatment of long-term unemployed is distinguished by three aspects. First, early treatment – prevention: efforts are focused upon early identification of likely candidates for long-term unemployment. Second, the intensity of the search for solutions: such jobseekers are offered intense, individualized treatment addressing their identified barriers. And third, networking: to find effective job-finding strategies, necessary connections are made to tap into resources of various areas.

In comparison to jobseekers that are more employable, the treatment of long-term unemployed thus differs in the following ways. As mentioned, to be able to concentrate its efforts on jobseekers at risk of becoming long-term unemployed, the ESS performs the profiling (see above). Once jobseekers are classified as being at risk of long-term unemployment, their access to services is provided earlier, and services offered to them are more intense as those offered to other jobseekers – in other words, their services are being “jumpstarted”. Moreover, in addition to job intermediation they are immediately offered other types of services – for example, older workers and persons with disabilities are offered networking as well as “rapid dates” with employers, so as to increase their chances of employment.

It has to be emphasized that, in principle, the treatment of jobseekers – recipients of unemployment benefits does not differ from the treatment of non-recipients. The only exception is the “tacit agreement” that jobseekers who have

⁵ According to the ESS Guidelines on the implementation of the Act on the Regulation of the Labour Market, an individual action plan is made for each unemployed registered with the ESS no later than within 14 days from the registration.

⁶ According to Employment Service of Slovenia, in 2014 the caseworker caseload was 435, dropping to 398 in 2015.

been transferred to ESS system as a de-facto bridging arrangement for retirement are being “parked” (their registration in the ESS enables them to gather additional pensionable service needed to retire), and the same applies to jobseekers who are deemed no longer able to work (for example, those without a profession and having serious health problems).

Ill-health – a common problem experienced by the long-term unemployed – is a problem that is dealt with by various institutions, including the ESS.

The identification of health problems is part of career counselling, and ill-health is typically recognized already at the stage of the preparation of the individual action plan but if not, then at the stage of the preparation of job-integration agreement (for example, on the basis of an interview with the client or materials requested by the ESS). In case health problems are identified, the ESS can invoke the measure of occupational health counselling (as stipulated by the Act on the Regulation of the Labour Market⁷), whereby a physician assesses whether or not the health condition is important enough to prevent the jobseeker from searching for a job. If so, the person can obtain a special status either temporarily or permanently; in the latter case, the jobseeker is given a status of a person with disability and eligible for partial disability payments from the Pension and Disability Insurance Institute of Slovenia. Depending on the degree of the disability, they may still be required to register as unemployed (albeit with restrictions on the type of job they may be offered). Related to health problems are problems with addiction. Such conditions are difficult to detect as jobseekers do not want to reveal them; in cases where registered unemployed are also recipients of financial social assistance, the ESS works together with Centres for Social Work to find most appropriate and effective solutions.

While the division of responsibilities between the employment services (provided via ESS) and social services (provided by the network of Centres for Social Work) is well-defined in theory, in practice the coordination is often inconsistent and arguably ineffective (OECD, 2015). Slovenia is one of the countries where these two services are not unified, and thus two organizational networks of local offices co-exist. Able-bodied recipients of social assistance are obliged to report to the ESS and fulfil their job-search obligations in order to comply with continuing eligibility conditions for the receipt of social assistance, which is administered by the network of Centres for Social Work. The main form of formalised cooperation between the ESS and CSW are the commissions for the assessment of provisional non-employability, which decide on whether individuals should be temporarily exempt from the job-search requirement (IRRSV, 2015). Such committees

meet on an ad-hoc basis to discuss individual cases; however, there is a lack of systematic coordination at the most decentralized level, e.g. between an individual's counsellor at the ESS and the social worker, which would facilitate stronger activation. Furthermore, local ESS offices and the CSW may sometimes be impeded by the fact that FSA recipients must register with the CSW located in their area of residence, whereas they are free to select an ESS office of their choice (e.g., in the region where they are seeking employment and which may differ from the local CSW where they are currently residing).

The share of long-term unemployed among ALMP participants slightly exceeds the share of long-term participants among all unemployed (Table 1).

Of all participants in the selected ALMPs (training, wage subsidies, direct job creation – public works, and self-employment), in 2016 the share of long-term unemployed participants was just below 60 percent (the share of long-term unemployed in total unemployment was 53.4 percent). Long-term unemployed participated in all offered ALMPs, and of course, disproportionately participated in the programs targeted on long-term unemployed (such as “Employ.me” and public works).⁸ Older workers (those over 50), low-educated workers and also recipients of unemployment benefits are under-represented, and women are overrepresented among ALMP participants. The incidence of ALMP participation in Slovenia (the share of unemployed taking part in ALMP measures) lags strongly behind the incidence in Denmark, Finland, Germany, Hungary, Norway, and Sweden (Table 2).

3. The review of approaches for combating long-term unemployment

The subsections below review international experiences and evidence in addressing long-term unemployment in the following areas: (i) improving employment services to jobseekers at risk of long-term unemployment – here also the case studies of Ireland and Finland are included, (ii) participation in ALMPs by long-term unemployed, (iii) selected “remedial” approaches helping the long-term unemployed, and (iv) innovative LM programs targeting long-term unemployed.

⁷ Act on the Regulation of the Labour Market (Zakon o urejanju trga dela), Official Gazette of the Republic of Slovenia, 80/2010.

⁸ The shares of long-term unemployed participating in public works should be qualified. While eligibility criteria allow only long-term unemployed to participate, the shares presented in Table 1 reflect the fact that for a significant proportion of public works participants, the engagement in the program was subject to a break (for example, participants in educational programs typically take a summer break), so that, upon resuming program participation after the break they were not, technically speaking, long-term unemployed any more. In other words, at the onset of their participation, all participants in public works are long-term unemployed.

Table 1: Participation in Active Labour Market Programs, Slovenia (2016)

	Total number of participants	Long-term unemployed	Younger than 29	30-49	50 or more	Low-educated*	Recipients of UB	Recipients of SA	Disabled	Women
1. Training and Education	6.930	56.2	30.4	55.4	14.3	44.3	8.6	44.3	3.8	59.6
1.1.1.1. Informal education and training	390	72.3	0.0	62.8	37.2	54.9	10.8	45.6	5.9	46.2
1.1.1.2. Vocational (NPK) Certification	804	50.1	25.5	58.0	16.5	43.4	10.9	43.3	5.0	54.4
1.1.1.3. Informal education and training for young people	333	33.6	99.1	0.9	0.0	32.4	6.9	51.7	0.3	48.9
1.1.2.2. The inclusion to support and development programs	588	49.1	26.7	62.9	10.4	3.6	11.7	27.6	2.4	93.2
1.1.2.4. PUMo Project learning of young adults	415	25.1	100.0	0.0	0.0	98.6	0.0	52.5	0.5	41.2
1.1.4.1. Work Trial	620	61.6	0.0	83.5	16.5	42.1	6.3	37.4	6.3	66.3
1.1.4.3. On-the-job training 2016/2017	1.340	87.5	0.1	75.2	24.7	38.1	4.3	40.6	4.6	66.7
1.1.4.4. On-the-job training - youth 2016/2017	369	57.7	100.0	0.0	0.0	23.8	0.5	50.4	0.5	65.3
1.1.4.5. I can, because I know how	1.748	43.5	22.8	65.4	11.7	45.1	15.3	44.0	4.1	55.1
1.2.1.1. Programs of formal education	323	55.4	70.6	26.0	3.4	100.0	1.9	80.2	3.1	38.7
3. Employment Incentives (wage subsidies)	5.758	59.4	50.2	20.8	29.0	37.0	6.7	25.2	5.7	52.8
3.1.1.1. The first challenge in 2015	2.896	31.0	99.9	0.1	0.0	26.5	0.4	32.6	1.0	50.3
3.1.1.3. Zaposli.me (Employ.me) 2016/2017	2.862	88.2	0.0	41.7	58.3	47.6	13.1	17.7	10.5	55.3
4. Direct Job Creation	6.932	63.5	16.7	54.6	28.7	43.1	8.1	30.6	15.7	62.0
4.1.1.1. Public works	6.112	66.5	17.3	51.6	31.1	43.7	8.4	32.2	17.5	62.2
4.1.1.2. Public works "Helping Migration Flows"	240	96.3	11.7	53.3	35.0	64.2	0.4	20.0	0.8	62.5
4.1.1.3. Public Works "Assistance in Case of Disaster"	58	27.6	34.5	58.6	6.9	37.9	5.2	27.6	0.0	17.2
4.1.1.4. Public works "Assisting International Protection"	15	93.3	33.3	60.0	6.7	20.0	0.0	33.3	0.0	53.3
4.1.2.1. Internships for first-time jobseekers	45	53.3	100.0	0.0	0.0	0.0	0.0	37.8	0.0	86.7
4.1.2.2. "New opportunity"	462	11.0	0.0	100.0	0.0	31.0	9.5	15.4	4.5	61.7
5. Promoting self-employment	243	67.1	16.5	69.1	14.4	0.0	4.5	13.6	1.6	100.0
5.2.1.1. Promoting women entrepreneurship	243	67.1	16.5	69.1	14.4	0.0	4.5	13.6	1.6	100.0
All ALMPs	19.863	59.8	31.2	45.2	23.6	41.2	7.8	33.6	8.5	59.0
Memorandum item										
Percent of the group in total unemployment	19.3	53.4	21.6	43.1	35.4	56.1	20.1	37.1	15.7	50.8

Source: Employment Service of Slovenia.

Table 2: International comparison of ALMP participation, 2014 (shares of unemployed included in a certain program, in percent)

	Czech Republic	Denmark	Estonia	Finland	Germany	Hungary	Latvia	Norway	Slovak Republic	Slovenia	Sweden
Training	3.6	29.3	4.2	29.2	48.9	4.6	4.9	16.0	0	4.1	8.3
Institutional training	3.6	27.3	3.2	22.1	19.4	4.6	4.9	16.0	0	2.7	8.0
Workplace training	0	0	1.1	4.8	2.7	0	0	0	0	1.2	0.3
Integrated training	0	0	0	0	0	0	0	0	0	0.3	0
Special support for apprenticeship	0	2.0	0	2.3	4.7	0	0	0	0	0	0
Employment incentives	7.2	29.0	2.3	10.6	3.5	11.4	2.4	20.2	7.1	4.7	41.8
Recruitment incentives	7.2	26.5	2.3	8.2	3.5	9.5	2.4	20.2	7.1	4.7	41.8
Employment maintenance incentives	0	0	0	0	0	2.0	0	0	0	0	0
Job rotation and job sharing	0	2.6	0	2.4	0	0	0	0	0	0	0
Sheltered and supported employment and rehabilitation	8.9	35.2	0	3.8	1.6	0	0	18.4	3.1	0	16.8
Sheltered and supported employment	8.9	29.9	0	0.8	0.5	0	0	15.3	3.1	0	13.8
Rehabilitation	0	5.4	0	3.0	1.2	0	0	3.1	0	0	3.1
Direct job creation	5.0	0	0.2	9.8	6.0	52.1	3.8	0	5.3	4.6	0.0
Start-up incentives	1.0	0	1.0	2.2	1.6	0.6	0.1	0	2.8	5.7	0.5
Aggregate participation	25.6	93.6	7.8	55.5	61.5	68.7	11.2	54.7	18.4	19.0	67.5

Source: OECD database.

Note: Values denoted by 0 are smaller than 0.01 percent.

3.1 Improving employment services to jobseekers at risk of long-term unemployment

Jobseekers are heterogeneous – some are more and others are less employable. While the first group may find a job on their own, it is likely that jobseekers in the latter group need assistance with tackling their employment barriers, for example, active case management and placement efforts, possibly coupled by participation in ALMPs. Clearly, profiling is needed to categorize jobseekers so that scarce resources – employment services and participation in ALMPs – are allocated in the most efficient way and so that they best serve the hard-to-place jobseekers.

Maximizing the effects of employment services entails juggling with many questions and trying to address numerous trade-offs. What are the best profiling methods? How to adjust and intensify employment services and participation in ALMPs for jobseekers with employability barriers – hard-to-place jobseekers? What are the best counselling strategies? What is the best timing for placement in ALMPs, and of what type and of what length should such programs be? What is the best timing for revising individual action plan/job-integration agreement? For adjusting/

expanding jobseeker area of job search, or for direct referrals to job vacancies? For imposing the obligation on the long-term unemployed to participate in ALMPs – and in which ones? These questions are addressed below.

The key principle in providing employment services to combat long-term unemployment is early detection – as well as early and more intense treatment. Early detection uses profiling to identify those at risk of falling into long-term unemployment (see below) as early as possible. Estonia also uses elapsed duration of unemployment spells (reaching 100 days, 6 months and 12 months in one's unemployment spell) as triggers for participation of jobseekers in ALMPs. Once identified, those at risk of long-term unemployment are then offered early and more intense treatment while using the same channels and types of services as other jobseekers. Duchemin and Manoudi (2014) notes a notable trend in recent years of improving the quality of such services in terms of staffing and case management, with the individualisation of employment services as the distinguishing characteristic.

The segmentation of jobseekers serves as a basis for differentiating the timing and intensity of employment support. Typically, jobseekers are

segmented into at least two categories: readily employable and those needing employment support; often the latter category is subdivided into those with modest employability deficits and those requiring more intensive support. In Germany, for example, jobseekers with more complex employment barriers are offered a reinforced service called 'employment-oriented case management'. In Austria, jobseekers are divided into three groups: those who only need labour market information; 'service clients' – jobseekers who have been unemployed less than 3 months and are targeted with early intervention and counselling; and 'guidance clients', including long-term unemployed – jobseekers who need intensive support. In Belgium, the segmentation differentiates primarily between young and older jobseekers (Duchemin and Manoudi, 2014).

Tailor-made approaches constitute a backbone of services aimed at helping the jobseekers at risk of long-term unemployment. Duchemin and Manoudi (2014) emphasises the value of rapid, intensive and tailored support to prevent flows into long-term unemployment. It notes that the more distant the jobseekers are from the labour market, the more they can benefit from tailor-made approaches that address specific deficits – including multiple ones – faced by jobseekers at risk of long-term unemployment. It also emphasises the value of having a single person acting as a coach or mentor, as it contributes to building confidence on the part of the jobseeker. In general, tailor-made approaches may also capitalize on combining several employment programs and carefully sequence such interventions to produce optimal impacts.

The intensity of support – and counselling in particular – is key. In general, long-term unemployed are required to meet more frequently with their counsellors. The minimum frequency of meetings varies, often being determined by the perceived needs of jobseekers – and the capacity of the PES. For example, in Denmark (Copenhagen), this frequency is at least once every four weeks, but could be on a weekly basis; in Austria, the frequency of meetings for jobseekers with stronger support needs is at least once a month; and in Portugal, at least once every 45 days (Duchemin and Manoudi, 2014). Impact evaluation studies show that more intense, high quality interactions of counsellors with jobseekers speed reemployment. For Denmark, Pedersen et al. (2012) report that early and frequent meetings with unemployed workers increased employment over the next two years by up to five weeks. Similarly, positive impacts on probability of reemployment in France are found also by Crépon et al. (2005), stressing also that intensive counselling can improve the quality of job matches, thereby reducing unemployment recurrence. For Germany, Hainmuller et al (2015) find that lowering of caseloads by hiring 490 additional caseworkers in 14 of 779 employment offices in Germany resulted in a decrease in the duration of

unemployment and an increase in the re-employment rate of UB recipients.

Personal development activities are also an important part of employment services. The long-term unemployed often face multiple obstacles, and providing soft training and counselling services that aim to increase their motivation can help them regain self-esteem and confidence needed for a successful job search. For example, in Portugal group sessions focused on personal development and motivation have been introduced to address employability. Similarly, in Belgium outsourced services which target older long-term unemployed (via workshops) and address various employment obstacles they may face, ranging from ill-health to personal and housing issues. For young jobseekers, some countries have introduced coaching services (for example, Austria and France). For Austria, Weber and Hofer (2004) find that coaching – i.e., training in job search-focused skills early in the unemployment spell while allowing for simultaneous job search – reduced duration of the unemployment spell by about one third.

Some countries also developed PES in-house counsellors who are specialized on long-term unemployed. Such specialized counsellors are deployed, for example, in Denmark, Austria (for persons with a mental or physical handicap only), and Bulgaria (for helping unemployed Roma). Somewhat more inclusive specialization (on jobseekers who are at some distance from the labour market; this includes the long-term unemployed, but also others) is practiced in France, Germany, Poland and Slovenia, among others.

As for timing of the inclusion of jobseekers in ALMPs, Wunsch (2016) persuasively argues against the use of programs with large "lock-in" effects early in the unemployment spell. She notes that ALMP programs, particularly training and public employment programs, initially produce negative employment effects because of the so-called "lock-in effects" – participants spending less time and effort on job search activities than non-participants. Obviously, for the program to be cost-effective, its lock-in effects need to be offset by sufficiently large post-participation employment or earnings effects, or both. Remembering that starting ALMPs early in the unemployment spell makes it more likely that participants forego good employment chances, as such participation diverts time and effort away from job search, it follows that at least for jobseekers identified as not being at risk of long-term unemployment, it is prudent that their participation in ALMPs does not start early in their unemployment spells.⁹

⁹ Martin (2015) observes a cyclical dimension of lock-in effects – these are less significant at times of high unemployment and therefore at these times the case for investing in training for long-term unemployed is stronger.

Related to the above argument for postponing the start of ALMPs is also the argument for early counselling by Roshholm (2014). As argued above, ALMPs have well-documented lock-in effects and are thus not recommended during the early phases of an unemployment spell. But because an early intervention is needed to prevent long-term unemployment, the use of counselling – the measure that does not create any lock-in effects – early in the unemployment spell is even more important. Roshholm (2014) argues that counselling is an effective and also flexible instrument, as meetings can be easily increased or decreased to accommodate changes in the business cycle.

Very encouraging are also results from experimental programmes providing employment retention and advancement services in UK, implemented during 2003-07. For the long-term unemployed, caseworkers provided a range of job coaching and advisory services, as well as in-work services to improve retention and encourage career advancement, and already in the job-search phase encouraged them to keep in mind the likely longevity of employment and prospects for career advancement. Participants were also eligible for financial incentives for sustained full-time work and for the completion of training or education. OECD (2015) reports that after the first year, the programme increased employment rates by about 10 percent and that there was also a positive impact on job-retention rates. Moreover, the programme proved to be cost-effective.

As mentioned above, a prudent strategy of the PES is to gauge the employability of jobseekers and allocate their resources accordingly. This is achieved via profiling of jobseekers. **Profiling – a tool to categorize jobseekers according to their job-finding probability – assists the PES to provide employment services efficiently by focusing on those with high risk of becoming long-term unemployed** from very early in their unemployment spells. Nowadays, profiling is practised by many countries, and various types of profiling are used.

Loxha and Morgandi (2014) distinguish four different methods of profiling and list the following advantages and disadvantages:

- **Rules-based profiling** (classification is done based on time spent in unemployment and demographic characteristics). It enables fast decision-making, but the underlying classification is often inappropriate especially when there is significant difference among regions in a country.
- **Statistical profiling** (classification based on econometric predictions of the likelihood that a jobseeker find a job): It is highly objective and does not include any personal feelings of caseworkers, it is fast and unbiased. On the other hand, it requires large amount of data and the model should be re-estimated from time to time. Also, in some countries

the majority of counsellors do not find profiling useful and do not believe in the result obtained with the model.

- **Counsellor-based profiling** (classification left to the discretion of the counsellor, based on certain guidelines). Time-consuming, classification may be highly biased, although personal contact with UB recipients may also be helpful.
- **Data-assisted profiling** (statistical profiling, augmented by survey data, with counsellor discretion). The technique may utilize some otherwise undisclosed information (such as health conditions of the jobseeker).

The profiling practices in individual countries vary.

Australia uses a Job Seeker Classification Instrument score assessed on the basis of 18 factors deemed to influence the likelihood of finding a job (OECD, 2015). The score is based on administrative data (about half of the possible points) and on information obtained from a jobseeker survey administered at registration; in addition, factoring in of the disability and medical conditions, as well as psychological, behavioural, and family conditions, is done by specialists.¹⁰ Jobseekers are categorized in four groups ranging from »job ready« to »severe barriers to employment« with different intervention regimes. In the Netherlands, in 2010 a new profiling tool was introduced based completely on the on-line questionnaire. The profiling score determines further support obtained by the jobseeker (including whether or not the jobseeker is entitled to intensive support such as face-to-face interviews).

In some countries counsellors reported non-reliable and unrealistic values for individuals obtained from statistical models (Riipinen, 2011). For example, Denmark completely abandoned classifying newly unemployed individuals with a statistical model while other countries have kept statistical profiling but increased the discretion of counsellors. Statistical profiling is also not practiced by Austria. Instead, counsellors classify jobseekers into three categories, based on the perceived factors of the likelihood of finding a job: an info-zone offering information only; a service zone offering basic services, and a counselling zone offering, from the completion of three-month unemployment period, intensive case-management services. Somewhat more reliance on statistical profiling is used in Germany, which classifies jobseekers, based on software-guided assessment, into six "profiles" based on their estimated "distance from the labour market". A specific employment strategy is then deployed to each jobseeker profile.

¹⁰ If the initial scoring from survey and administrative data shows significant health barriers, or if person applies directly for a disability benefit, jobseekers are referred to a separate in-person 'Employment Services Assessment' which determines type of benefit they receive and the employment services they are referred to.

Case Study #1: Tackling long term unemployment through profiling and reforms to the PES in Ireland

Following the post-2008 economic downturn, **Ireland's strategy for reducing long-term unemployment changed radically with the aim of intensifying contacts with jobseekers, among others by reducing institutional fragmentation and improving the profiling model.** The strategy has been outlined in a succession of 'Pathways to Work' programmes and implemented through multiple reforms designed, amongst other things, to reduce institutional fragmentation and poor targeting of employment services. A key objective has been to increase the intensity of contact with the long-term unemployed. This included the creation of an integrated public employment service called 'Intreo' with a new service delivery model and profiling system. The Government also drew on international best practice and redesigned and reinforced job search and attendance requirements (and related sanctions) that have to be met by the unemployed.

The reforms have played a 'key role' in the economic recovery since 2012 and in the associated fall in long-term unemployment from 9.5 percent in 2012 to 5 percent by the end of 2015. In that period, the number of long-term unemployed claimants fell from a peak of over 200,000 in 2012 to 146,200 in December 2015, when they comprised 45 percent of all unemployed claimants (Gol, 2016, p. 11). This reduction in claimant unemployment has reduced service demand and released resources which are now being invested further in improving the quality and frequency of advisory interviews with the unemployed.

The most recent Pathways to Work strategy document commits the Government to further explicit objectives for the period 2016-2020. These include targets to move 50,000 long-term unemployed people at the start of 2016 into employment by the end of 2020; to reduce the persistence rate (the rate at which short term unemployed people become long-term unemployed) by 25 percent from 27 to 20 percent by the end of 2018; and to increase the exit rate of people claiming unemployment benefit for two years or more by 30 percent (to 52 percent) by the end of 2018.

The Intreo network and preventing long-term unemployment

Between 2012 and 2016 the Department for Social Protection implemented a complex change management process to establish the Intreo network. This included the integration of three previously separate employment and benefit service delivery networks, and related registration processes.

Many staff were retrained and redeployed into front line service roles and there was a redesign and some relocation of offices. This culminated in the creation of a national network of some 60 full-service Intreo offices.

The Department also introduced a new service model intended to activate claimants, together with a new profiling system. The new service model included mandatory participation requirements and related benefit sanctions designed to promote swifter transitions into employment. This approach was underpinned by a new profiling system that allows scarce resources to be more efficiently and effectively targeted at benefit claimants at most risk of becoming long-term unemployed. The model was developed in partnership with the independent Economic and Social Research Institute and is based on 26 characteristics most closely associated with the probability of jobseekers exiting to employment within 12 months that yields a so-called PEX rating.

The new service model works as follows. When unemployed people now claim job-seekers benefits, they must complete a profiling questionnaire, which is used to assign a 'PEX' rating and the claimant must agree to a 'record of mutual commitments'. All claimants must then attend a group information session where they are informed of the role of Intreo, of the mandatory activation process and of range of support available. The results of the PEX rating then determine if a claimant is given an appointment for an advisory interview with a case officer during which a 'Personal Progression Plan' is discussed and agreed.

The subsequent frequency and timing of advisory interviews with an Intreo case officer is shaped by the PEX rating.¹¹ Clients with a high (i.e. positive) PEX rating, about 20 percent of the caseload, are encouraged to search for work but are not required to attend an advisory interview for six months. Clients with a mid-point rating, about 60 percent of the caseload, initially had to attend individual interviews every 3 months, but this was increased to once every two months from August 2016. The remaining 20 percent of clients with a low PEX rating (i.e. those with particularly low probability of exiting to employment), now must meet with an advisor every month (increased from bi-monthly in August 2016). Some of the claimants most at risk of long term unemployment are referred immediately to services provided by external 'Jobpath' providers.

Via institutional and other changes, the adviser caseload has been dramatically reduced. The administrative merger of employment and benefit

¹¹ Advisory interviews complement a simpler 'signing on' regime where unemployed claimants who are not meeting a case officer continue to attend an Intreo office each month to sign a declaration that they remain unemployed and are looking for work, and to declare any other significant changes in their circumstances.

services increased the number of front line Intreo case officers to about 700 and reduced client ratios from 1:800 to 1:500 but further capacity was needed, especially to increase activation services for the stock of already long-term unemployed claimants. After examining outsourcing approaches in other countries, the Government decided to utilise the capacity of the private sector and to emulate the large-scale contracts which had been developed in the UK Work Programme (Lowe, 2014). One key objective was for these contracts to deliver up to an additional 1,000 caseworkers into the system further reducing adviser caseloads to 1:200 (Gol, 2016, p. 52).

The design and procurement of external 'JobPath' services – that emulate the UK experience – took several years. Complex negotiations between the Department for Social Protection, the Ministry of Finance and potential providers, preceded the agreement of a payment system designed to finance an expansion of employment services on the assumed savings to be made from likely future benefit payments to the long-term unemployed. Two prime contractors have since established supply chains delivering services in two 'contract package areas' covering the country. Referrals commenced in July 2015 and in 2016 an estimated 60,000 jobseekers registered with providers (Gol, 2016, p. 7).

One significant issue emerging from the Irish reforms concerns the tension between the 'intense' pace of policy change and the effectiveness of the front line delivery. A priority for the next phase of the strategy involves a period of consolidation. This is intended to allow for the further development of supporting IT, staff development, programme evaluation and employer engagement which have 'lagged' behind legislative and institutional change. The Government has committed also to place greater emphasis on employment retention and progression and to better align employment related performance targets across the different parts of the system. As system consolidation and performance is secured, and resources allow, the Government is extending activation requirements to other groups of long-term welfare claimants. This includes some lone parent families and the Department is now also planning how to 'engage' people with partial work capacity, who are claiming sickness and disability benefits, with Intreo employment services.

Case Study #2: Tackling Long Term Unemployment through multi-sector collaboration in Finland

In Finland, it has long been recognised that many of the most disadvantaged long-term unemployed, especially those with health-related employment barriers, need comprehensive support and that this cannot be provided solely by the public employment

service (PES). **After a period of experimentation, the Government has now introduced a national system of inter-agency collaboration and integrated case management** delivered jointly by the PES, municipal social and health services, and the main social insurance agency.

As in many other European countries, **institutional responsibility for the unemployed in Finland is shared by different agencies.** The PES is responsible for jobseeker registration, job matching, counselling, and the procurement of, and referrals to labour market programmes. A separate national Social Insurance Institution (KELA) and 28 independent unemployment funds are responsible for unemployment insurance and assistance benefits, and disability pensions, with KELA also having a role in the delivery of vocational rehabilitation programmes. Municipalities are responsible also for paying means-tested social assistance which is claimed by many of the long-term unemployed.

The role of the Public Employment Service

Finnish jobseekers are assessed and segmented across three 'service lines' (employment services were highly decentralised but they were reorganised in 2013 – OECD, 2016). The first line of 'employment and enterprise services' promotes online job search and vacancy matching with an expectation that jobseekers are mainly responsible for their own job search. The second line of 'competence development services' concerns jobseekers who need some form of education and training. The third line of 'supported employment services' concerns clients who need more intensive individual support which for many now includes cooperation with other partners, such as the health service, and/or referral to multi-professional services.

The organisation and coordination and co-location of 'multi-professional services' has been developed systematically. The first phase of collaboration took place on a voluntary basis between 2002 and 2014 in a diverse range of 'Labour Force Service Centres' (LAFOS). In 2015, implementation of a nation-wide statutory approach followed the relative success of this voluntary approach. Legislation now requires the PES, municipalities and KELA to work together to meet the needs of the most disadvantaged long-term unemployed in 'Multi Sectoral Joint Services' (MSJSs).

The Labour Force Service Centres and the long-term unemployed

The multi-sector collaboration approach is aimed at tackling a multitude of employment barriers by offering a holistic service, including a realistic work

experience. The concept was piloted in 15 centres between 2002 and 2004, and extended to another 24 centres between 2004 and 2014. The service was targeted at PES or municipal clients with multiple employment barriers who could benefit from a more holistic service. The core idea was to co-locate and coordinate PES, municipal and rehabilitation officials who together developed new case management approaches. This included undertaking a joint assessment and agreeing and implementing an activation plan with each individual participant. Initial client interventions were designed to deal with health barriers, family issues, coping skills, and so on, with the aim of gradually improving employability. This phase was followed by placements in temporary but realistic work experience designed to prepare participants for employment in the open labour market. This included referrals to and placements with a wide range of subsidised work experience providers including social enterprises and 'intermediate labour market' projects, delivered by non-profit organisations. This process was facilitated by allowing the counsellors and centres to work with other providers and flexibly commission services from third sector or for-profit providers.

The LAFOS centres operated through local, rather informal, co-operation contracts between the partners which defined how they were to be managed (Duell et al, 2009). Organisational models varied, with the lead managerial position being taken either by the PES or a municipality, or sometimes shared between them in a rotating system.

Evaluation results from the pilot phase found that the new approach was well received by both clients and staff. Client satisfaction levels improved to over 80 percent, which was higher than that for regular PES services (Ålander, 2016). Participants responded positively to the personalised approach, time available and holistic nature of the process, especially where both the PES officer and social worker operated as a pair and jointly interviewed the participant. Although it proved difficult to overcome some differences in organisational cultures the staff involved were also positive and eager to utilise greater flexibility and the wider resources of the networks they had access to.

But the introduction of the LAFOS system was accompanied with various problems, prompting the Government to introduce legislation making multi-sector collaboration binding. The introduction of LAFOS was coordinated with a 2006 reform which made municipalities jointly responsible for financing unemployment assistance benefits, especially for the long-term unemployed. This change sharpened the incentive for the municipality to activate more long-term unemployed claimants. An OECD assessment concluded that the combined impact of the financing and LAFOS reforms contributed to a fall in long term

unemployment: the numbers receiving unemployment assistance benefits, in particular, fell quite sharply from 2004 to 2008 (Duell et al, 2011). There were, however, significant problems and whilst client satisfaction with LAFOS services was high, transitions into open employment, although higher than previously for these client groups, were not as high as expected.¹² The constraints of data protection legislation and coverage also hampered implementation of joint service delivery, while the availability of multi-professional services was patchy and limited to those areas which chose to participate. In response, in 2014 the Government passed legislation designed to make cooperation between the different agencies more effective and which required all areas in Finland to introduce LAFOS-type services for the most disadvantaged long-term unemployed claimants.

The role of Multi Sectoral Joint Services and municipal funding incentives

A national network of 33 inter-agency MSJSs, established in 2015, works as follows. These units are jointly managed local networks of enhanced cooperation between the PES, municipalities and KELA. KELA is now mandated to be involved because of its direct role in providing vocational rehabilitation services for those people whose work capacity has deteriorated or is at risk of deteriorating over the next few years. The core MSJS personnel are PES counsellors and municipal social workers, with a variable number of rehabilitation-related personnel contributed by KELA. The largest centres also include health workers, such as nurses, doctors, and psychologists, within multi-professional teams.

The legislation to create the MSJSs mandates the three agencies to work together in local management groups with the municipality given the right to nominate the head of the network. The partners must agree the number of shared premises and other service points in their area, the services to be delivered on and off-site, and the management of operations and allocation of funds. There must be at least one delivery point offering co-located services. The legislation enables the agencies to share data for the purposes of the service and a common database, which may include health-related information, can be accessed by counsellors irrespective of which agency they work for.

The target groups for MSJSs include jobseekers with significant barriers, thus needing access to more comprehensive support. Amongst others, these include aged over 25 who have been unemployed for

¹² In 2010, for example, it was reported that of 9,149 completing the service - which could last for between two to three years - about 10% were in open employment and nearly 12% were participating in ALMPs (EJML, 2011).

over a year, and those aged under 25 who have been unemployed for six months. Participation in MSJSs is mandatory for those referred to the service.

Referral to the service is followed by an intensive inter-agency assessment phase that includes agreement of an individual ‘multi-sectoral employment plan’. The plan acts as a ‘road map’ for the client and reflects the distribution of tasks and responsibilities between the different agencies, including close support, follow-up, and assessment of progress. The intensity and content of the measures included in the plans vary according to the needs of the participant but may include a range of intensive services. This may include medical rehabilitation to restore their physical capacity; vocational rehabilitation or work experience to increase their chances of returning to employment; social rehabilitation to improve their social skills; and rehabilitative psychotherapy for those whose employment problems are related to mental health.

There are no formal evaluation results yet available from the MSJSs but it is expected they will continue to play a key role when responsibility for the organisation and procurement of all employment services is devolved to county-regional governments from 2019 (OECD, 2016). This legislation will further enhance municipal incentives to reduce long term unemployment and inter-agency collaboration.

3.2 Participation in active labour market programs by long-term unemployed jobseekers

This subsection deals with the question of how appropriate are ALMPs as a tool to help long-term unemployed jobseekers. Are ALMPs as effective in helping long-term unemployed as short-term unemployed? Which types of ALMPs – typically choosing from job-search assistance, training, wage subsidies, and public works – are relatively more effective for the long-term unemployed? Should these programs be used as part of a comprehensive programs or in isolation? These questions are discussed in what follows.

Conceptual underpinnings for the use of ALMPs, and of choosing a particular type of ALMP, differ between the long-term and other unemployed. First, one difference derives from additional barriers faced by the long-term unemployed. Namely, employers consider the long-term unemployed to be more risky jobseekers – hence the ALMPs should address such risks. This can be done, for example, via subsidized trial periods that both help dispel the mistrust on the part of employers and, at the same time, end the period of long-term unemployment and thus “reset the clock” for jobseekers (Bonoli 2014). Second, as argued above, the opportunity costs of “lock-in” effects of ALMPs are smaller for the

long-term unemployed, hence, other things equal, the efficiency of their participation in ALMPs is larger. And third, long-term unemployed typically experience multiple employment barriers, hence comprehensive ALMPs (offering various types of assistance) may be especially appropriate.

A recent meta-study by Card, Kluge and Weber (2017) provides compelling evidence of the positive effects of ALMPs on long-term unemployed jobseekers. The study includes estimates from 207 published studies and 857 individual estimates (for example, a given study may include different estimates for unemployment benefit recipients, long-term unemployed jobseekers or disadvantaged groups; for different types of ALMP programs; and over different time horizons). The study covers programs beginning in the years spanning the 1980-2012 period, with approximately half evaluating programs in western European countries. It distinguishes between studies based on experimental and non-experimental design, but finds no statistically significant differences on the aggregated estimates on the effects (i.e., no systematic bias in non-experimentally designed studies).

Specifically, **Card, Kluge and Weber (2017) find evidence of positive effects of ALMPs on outcomes for long-term unemployed jobseekers, especially compared to other groups, and particularly when the effects are measured over a longer time horizon.** For all jobseekers, they find that the evaluated programs increase the probability of employment by 1.6, 5.4 and 8.7 percent, respectively, in the short, medium and longer-term (defined as less than a year, 1-2 years, and 2 years and more). For jobseekers, the benefits result in even greater increases in the probability of becoming employed: compared to the controls, the evaluated programs have a mean effect of 5.8, 13.0 and 12.7 percent, respectively, on the job-finding rate. These findings come with a caveat that there is still a large degree of heterogeneity in the individual estimates obtained from the studies, with e.g. only 40 percent of estimates showing a statistically significant positive short-term impact, and 61 percent showing a statistically significant positive longer-term impact. For long-term unemployed jobseekers, the figures are more favourable, with half of estimates showing a statistically significant positive short-term impact, and 63 percent showing a statistically significant positive longer-term impact. This heterogeneity may be due to unobserved determinants that are not included in the meta-analysis, such as the effect of the economic cycle or country-specific institutional factors.

The meta-analysis also shows which types of ALMPs are particularly beneficial for long-term unemployed jobseekers. In particular, long-term unemployed jobseekers benefit considerably more from training compared to other programs; to a lesser extent,

they also benefit from private sector job subsidies. By contrast, job search assistance – on its own or combined with other programs – does not appear to have a strong positive effect for long-term unemployed jobseekers. (Interestingly, for disadvantaged groups – low-income or low labour market attachment individuals – most programs have less of a positive effect, particularly training, while job-search assistance has a slightly more positive effect.) Again, a word of caution: for older workers in general, the meta-analysis shows that the positive effects of the various ALMP programs are not as large. Since many long-term unemployed are also older workers, these effects may not be as large in practice.

But the current knowledge about the effects of ALMPs on long-term unemployed jobseekers is still fragile. For example, Schunemann, Lechner and Wunsch (2013) evaluate a wage subsidy program targeted at long-term unemployed jobseekers in Germany and find no significant impact of the availability of the subsidy on labour market outcomes of the target group.

3.3 Review of “remedial” approaches helping the long-term unemployed

Below we summarize the results of an interesting study – Csillag and Fertig (2015), prepared for the European Commission – that simulates “promising packages of interventions” for long-term unemployed in selected EU countries. Drawing on the theoretical and empirical literature, the report identifies five potentially effective interventions to support the labour market integration of long-term unemployed and, by simulating the introduction of such packages for selected countries, assesses cost-effectiveness of such packages in target countries.

The packages simulated are as follows (Csillag and Fertig, 2015, pp.6-7):

- a) Intensified co-operation (including institutional integration) between municipalities and local labour offices.
- b) Provision of a “standard labour-market oriented service bundle” offering individual standard support and implementation of mutual obligations, the enforcement of rights and duties.
- c) Using ALMP measures in a system of “individual standard support”.
- d) Provision of a “high-intensity labour-market oriented service bundle”.
- e) Combination of “individual standard support” with specialized services for employers.

The simulation results applied to the selected countries are as follows:

(1) Denmark: Regarding the treatment of long-term unemployed, Denmark is in many ways a “model” country:

it has delegated employment services to municipalities; it provides regular, low-caseload counselling to long-term unemployed and assign them extensively to ALMPs; and it has recently introduced more flexibility and individualisation of activation measures and is planning to put more emphasis on company-based programmes and post-employment supportive services. Csillag and Fertig (2015) thus identify just one promising option: offering intensified counselling services only to a subset of long-term unemployed (the 25-30 percent of them who are closer to the labour market), as they estimate the costs of additional services at 250 € and potential gains at 750 € per person.

(2) Germany: A reallocation of ALMP resources towards more promising programs (away from public works) can be expected to result in moderate net financial gains without considerable delays in exit from unemployment. Moreover, the report advocates the extension of employer services by introduction of “job-hunters” and employer-employee-coaches (although admitting that evidence on the effectiveness of specialized employer services in Germany is missing). (Note that Germany has institutionally integrated its employment services and hence further advancement on this front is not meaningful.)

(3) Hungary: Institutional co-operation or integration is not found useful. Already planned changes under a universal individual service package is estimated to result in small, but significant gains. Moreover, the analysis shows that for long-term unemployed jobseekers closer to the labour market, more intensified support would yield gains that outweigh the costs, and that for long-term unemployed jobseekers lacking education, net gains can be expected from providing complex, individualised programs involving ALMPs. This could be achieved at the expense of public works programmes. Providing additional services to employers is also catalogued as an appealing option.

(4) Italy: Because the country’s employment services are heterogeneous and fragmented, with low interaction between different institutions (there is little co-ordination between social assistance and local labour offices), the report argues that significant gains would result from institutional integration. As for other options, the report proposes further investments to implement a fully functional individual standard support service bundle, but stops short of costing other measures (intensified individual support, intensifying the use of ALMP measures and extending support by integrating employers).

(5) Lithuania: The report notes that no significant impact can be expected from more co-operation or institutional integration between social assistance and labour offices. It argues that a move towards more intense individual counselling might be beneficial,

without a need for major additional resources. Given the caseload of about 136 long-term unemployed per caseworker in Lithuania, the proposed reduction of this ratio to 100 could be achieved by reallocating resources to those closer to the labour market, and even a more ambitious reduction of the caseload to 70 is estimated to be cost effective. Moreover, given the bad reputation of public works program about the employment outcomes of its participants, the report argues that a cost-neutral reallocation of ALMP resources towards more promising programmes is possible, and recommends an individualised combination of vocational training and employment subsidies. It also argues for intensifying contacts with employers as part of providing employment services.

3.4 Introduction of innovative LM programs for long-term unemployed

Typically, long-term unemployed jobseekers confront a variety of constraints, including insufficient or inappropriate vocational skills, unrealistic expectations, lack of motivation, lack of self-confidence, and social constraints that may be restraining their labour market activity. Finding an effective way of dealing with such constraints – and of dealing with the corresponding needs of the jobseekers – is key. Various stakeholders have been trying to devise effective programs helping hard-to-employ jobseekers for a long time. **Below we review two types of such programs trying to find new way of helping long-term unemployed jobseekers, one consisting of local-response initiatives and the other of programs focusing on the hardest-to-place jobseekers.**

a) A review of local-response initiatives to long-term unemployment

This subsection studies innovative local-response initiatives to long-term unemployment in the OECD countries in order to gain knowledge of suitable approaches at the local level and learn about features that contribute to successful labour market integration of vulnerable groups.¹³ The reviewed programs target disadvantaged groups of workers and rely on engagement of local communities and local partnerships. The following programs were selected:

- i. Gloucester Works Program (UK),
- ii. BladeRunners Program (Canada), and
- iii. Targeted Trajectories activities (cities of Antwerp and Alost, Belgium).

Gloucester Works Program

The Gloucester Works Program is a coordinated approach aimed both to enhance skills of jobseekers

to help them finding a job as well as to provide them with in-work support to retain and progress in employment. It is an area-based initiative, targeted at particular neighbourhoods within the City of Gloucester (UK) with high concentration of people out of work and in low-skilled occupations. The program was implemented as a part of City Employment and Skills Plan for Gloucester, developed in 2008, that aimed to develop a model of employment and skills that would fit the needs of employers, to ensure that individuals possess skills necessary to compete in the economy, and to help meeting employment needs arising from a number of major regeneration investments in the City.

The Gloucester Works program provides an integrated support for both individuals and employers. The main features of the program are (i) a common approach to employer engagement; (ii) a central Jobs Bank; (iii) integrated service for employment, skills and aftercare; (iv) personal support and tailor-made training for individuals; and (v) engagement of neighbourhood by providing linkages to other services (welfare, health and housing).

Participants of the Gloucester Works program were assigned a caseworker who provided a support tailored to their individual needs. When moving to (new) employment, jobseekers underwent various stages of their “client journey”:

- *Identification and engagement* – to target and engage clients, the program used the existing engagement infrastructure, including neighbourhood projects and community-based Jobs Hubs, local organizations and groups, other public services, providers and self-referrals.
- *Assessment and action planning* – after the identification, clients first underwent a detailed assessment of their skills, followed by development of employment and skills action plan. The assessment and action plan was developed during a personal one-to-one interview performed by a local private company. This process included advice related to career planning (i.e., potential career options, job opportunities and vacancies in the local economy, examination of job preferences), identification of current vocational and core skills (e.g., motivation, attitude, confidence levels, communication skills) as well as work experience and skills they needed support with, and identification of any personal barriers to employment and associated personal support issues such as childcare, financial problems, transport, addictions, and illness.
- *Tailor-made training and personal support* – clients were involved in one or more free training and qualifications and offered support to identify childcare and transport options. To address various needs of clients training was offered by more than 30 providers, including small specialist providers,

¹³ The subsection draws heavily on OECD (2013).

voluntary sector providers, large community colleges and large private sector providers.

- *Job readiness and vacancy matching* – based on partnership with job centres and employers and through the Jobs bank, the program linked the client with appropriate jobs and offered a work trial and guaranteed interviews to job- ready jobseekers.
- *After care and retention* – if the recruitment was successful, client received ongoing support during employment and further training to enable progression in employment. If recruitment was less successful, the clients could access redundancy advice and support to help them obtain relevant qualification and training that could enhance their future job prospects.

The Gloucester Works program relies heavily on the engagement of employers. Through its linkages with employers, the Gloucester Works program was able to identify vacancies, understand recruitment practices and job requirements and to scope the job and skills content of vacancies. Based on this, caseworkers were able to choose suitable candidates trained and signpost them to appropriate employers. Furthermore, based on cooperation with employers, the program was able to develop themed training packages suited to different sectors and to develop tailor-made recruitment and training package to meet employer requirements. This encouraged employers to invest in the ongoing development of their workforce.

The success of the Gloucester Works program can be attributed to several factors. First, the project relied on the effective engagement with individuals at the neighbourhood level. For example, the program established a community-based Jobs Hubs that provided effective outreach around the city and offered help, information and support with job search. Second, participants of the program were tracked and monitored through various stages of their journey. Third, an important feature of the program was ongoing communication between caseworkers, set up through case conferencing procedures, which enabled them to share information and good practices in developing pathways for participants. Fourth, the program was based on strong linkages with employers, with a large number of diverse organization being joined under one title which enabled to deliver holistic support and simplified the offer and access.

BladeRunners Program

The BladeRunners Program is an extensive support service targeted at young people (15 to 30 years of age) with multiple barriers to employment, implemented in construction and other industries in the province of British Columbia, Canada. The main objective of the program is to ensure that participants are able to be placed in jobs and to maintain stable

employment and long-term attachment to the labour market. It is an example of public private partnership, funded partly by the government and partly by the community/industry. Partners of the program also show their support through cost sharing for courses, buying equipment and waiving wage subsidies.

The 24/7 support service, provided by a personal coordinator, is tailored to meet specific needs of each participant and provides support with issues on or off the job. Each participant is paired up with one BladeRunners coordinator, chosen by the participant. Coordinators are not employed by a certain organization, but are mostly people with history in the community, who have encountered in the past similar difficulties faced by the participants. Therefore they can understand participant's situation and are able to communicate with them and support them directly or through their network of contacts in the community. In the first phase, the coordinator conducts screening interviews and orientation sessions that allow him or her to evaluate whether the participant is ready to enter the program. If the coordinator finds that the individual must deal with other issues before entering the program (e.g., alcohol and drug abuse), the individual is referred to other services in the community (e.g., rehabilitation programs). If the individual is ready and motivated for employment placement, the coordinator chooses the employment placement and accompanies participant to the site on the first day of work. The coordinator returns to the work site every two or three days during the first weeks of employment to check on progress and to make sure that no issues are arising that may affect participant's punctuality or productivity at work. With direct and frequent communication with employers and on-site visits coordinator ensures that employment placement is successful for both employers and participants.¹⁴

To keep participants in employment, additional off-the job support is available. Coordinators can refer participants to health, education and social services providers; assist them with housing and transportation needs; and counsel them about further training and permanent job opportunities. Participants can also receive financial support for housing (i.e., funds to cover rent for first months and damage deposit), for transportation and meals at work and for additional training program fees. There is no time limit of the availability of the support, meaning that participants can contact coordinators for support also after successful employment.

The training of participants is focused on obtaining basic skills, which can be further developed once in employment. Before employment placement,

¹⁴ An important aspect of the employment placement is that employers do not differentiate participants from other workers. They are also paid at the market rate and not less than they would other employees in the same jobs.

participants receive short-term training that is adapted to their needs and abilities in order to receive basic skills they need to enter workplace. Participants develop other skills at the job and undertake specialized training after they gain some work experience. In this way participants are offered a possibility to quickly enter the employment and gain confidence in their abilities.

Local employers – having a key role in providing opportunities and training for participants – are an important factor of success of the BladeRunners program. The program has developed a large network of local employer interested to taking on program participants. The network also provides information about projects to start in the near future, thereby alerting about skills to be demanded soon on the market. The program is also well-known locally and supported by communities.

“Targeted Trajectories” activities in Antwerp and Alost, Belgium

As a response to the economic crisis, **two Belgian cities, Antwerp and Alost, implemented programs that devised targeted trajectories – tailor made, specific pathways designed to bring each jobseeker “from welfare to work”, that is, to help people living in poverty to find jobs.** The projects took a form of a non-fragmented, cyclical guidance model which integrated both work and welfare support. The projects were a part of the Work and Investment Plan, concluded in 2009 by the Flemish Government and the Flemish social partners.¹⁵ They were implemented by the local public employment services in partnership with local network of organisations of people from impoverished background, welfare agencies already engaged in activities with this target groups and local authorities (Van de Vorde et al., 2012).

Designing tailor-made interventions and having a single person as a contact were crucial for the project’s success. Every jobseeker was assigned one work-welfare (W^2) counsellor, who remained with the jobseeker throughout his or her time in the project (the project could last more than 18 months) and offered him or her permanent support with both work and welfare issues. The main role of the counsellor was to identify jobseeker’s ambitions, strengths and competences and to match them with the needs, demands and expectations of the employer. The permanent contact and a strong relationship between counsellor and jobseeker helped jobseekers to set realistic, achievable

employment goals and to recognise unrealistic work perceptions and expectations. At the same time, the counsellor worked as an intermediate between the jobseeker and different welfare organisations and partners delivering the training or employment activity. Knowing the jobseeker’s strengths, potential and competencies, they could arrange a tailor-made training that fitted the jobseeker’s needs best (Van de Vorde et al., 2012).

The overall results of the Antwerp and Alost projects were good. The projects supported more than 500 jobseekers living in poverty to find work a year. Moreover, it offered rich lessons learned that helped to produce, in co-operation with the Leuven University and an Antwerp high school, a program manual was enabling to transfer the program methodology and the instruments used to other cities in Belgium.

b) A review of innovative programs focusing on the hardest-to-place jobseekers

This subsection studies innovative, internationally acclaimed programs focusing on the hardest-to-place jobseekers in OECD countries in order to learn about suitable approaches and success factors contributing to an effective integration of such jobseekers in the labour market. **The reviewed programs** (i) target hard-to-place individuals, (ii) provide intensive services and require substantial the effort and time commitment on the part of jobseekers, and (iii) are deemed successful and innovative, and they are known internationally. The following programs were selected:

- iv. Employment Training Centers (UK and the Netherlands),
- v. Intermediate Labor Markets (UK), and
- vi. Transitional Jobs Network (USA).

Employment Training Centers (ETC) program

The ETC program is a highly innovative intervention, consisting of a ‘one stop shop’ that combines a variety of activities in a unique place. ETCs target long-term unemployed jobseekers who have already accessed a range of other jobsearch support but remain out of work. The jobseekers are placed in simulated work environments – typically located in large warehouses – in which jobseekers undertake ‘work’ that is relevant to their ultimate job goal, with the support of trainers, jobsearch advisors and other specialist staff, alongside targeted vocational training and jobsearch support. The choice of work offered, and the associated training, is determined in close collaboration with local employers, often linked to actual vacancies. The objective is to develop positive work habits alongside vocational skills, quickly matching the jobseekers with local employment opportunities. The model was developed in the Netherlands by an organization called Fourstar, now

¹⁵ The Antwerp and Alost projects were very similar with two major differences: (i) the Alost project also targeted intergenerational poverty, meaning that participants were poor people, whose parents had also lived in poverty; (ii) in Alost jobseeker were assigned two counsellors – the »work« counsellor and »welfare« counsellor (a well-trained individual, who has several years lived in similar intergenerational poverty), whereas in Antwerp counselling was performed by one, the Work Welfare (W^2) counsellor. (OECD 2013).

delivered in the UK by the EOS group, under contract to the Department for Work and Pensions (in UK's program, referred jobseekers are typically unemployment benefit recipients, for whom failure to sign up and participate is likely to result in a sanction with a loss of benefits).

In its largest UK location, the ETC houses a variety of work areas that operate alongside a suite of training rooms used by sub-contractors to deliver specialist services. The work areas are dedicated to retail, car repair, warehouse, health and beauty, gymnasium, cafeteria, and business administration. The health and beauty room, for example, is furnished to look like a beauty salon and is operated by a College of Further Education that delivers short accredited training courses to jobseekers. The cafeteria provides seating for up to 100 people. It has a paid chef and is staffed by up to 15 jobseekers who gain catering experience in a live environment. It serves meals and snacks to jobseekers and staff, and is run as a business in its own right. And a car building area has a car chassis placed in and jobseekers learn how to put it together and take it apart. In UK, each ETC can service about 350 clients every day and has about 70 staff members.

All jobseekers complete an initial assessment and are assigned a personal case manager. The assessment is intended to help match the jobseeker with their job goals, their skills (and any skills deficit) and their wider needs, and ends up with the preparation of individual action plan/job-integration agreement. Each jobseeker is allocated a personal advisor who monitors and supports progression against the Plan. Specialist assistance is available for jobseekers with more complex needs. If, following the initial assessment, or as a result of later meetings, individuals are deemed to need additional help, they are referred to Specialist Key Workers. These Key Workers address individual barriers related to health, literacy, numeracy and English language ability. Jobseekers are also offered in-work support.

The key success factor of the ETC model is its emphasis on work experience. ETCs are set up to look and feel like a real work place.¹⁶ Walking into an ETC, jobseekers feel they are starting a job and are encouraged to adopt the right mindset and attitude towards work. They become accustomed to having a work 'routine' that includes arriving at the work place at the same time every day. This daily routine helps them cultivate structure in their lives. Moreover, jobseekers receive hands-on, work-focused training,

closely linked to employers. The type of 'real' work experience received through the various work units exposes the jobseekers not only to theory, but also to practical training. Employers are present to coach and supervise. This can have a positive impact on employer attitudes, any prejudices they hold towards long-term unemployed people are challenged, and they may become more inclined to hire them. It is also noteworthy that ETCs offer a range of career choices, relevant to the local labour market, and that they build and maintain excellent relationships with employers.

Intermediate Labour Markets (ILMs)

ILMs are protected, supported work environments where long-term unemployed people are 'employed' on a project of community benefit, thereby developing positive work habits, soft skills and some vocational skills. The work is temporary (normally six to 12 months) and participants are paid, with the jobseeker assisted to move on to further unsubsidized, sustainable employment elsewhere afterwards. The target group is jobseekers who have failed to achieve employment through any mainstream provision and who have multiple, complex challenges. Given the potentially wide range of personal issues faced by these individuals, the work is undertaken alongside intensive personal support. Given the objective of using this as stepping stone to 'real' employment, job search is also integrated – ILMs are not training courses for a specific career and there is no expectation that placements will transform into unsubsidized jobs.

ILMs are delivered by 'intermediaries': these are organizations which sit between employers and excluded groups, with strong community links. They are third sector organizations or social enterprises, either utilizing existing business activity or creating new businesses. The sort of enterprises run include white goods recycling, garden maintenance or community transport. The 'jobs' undertaken in the ILMs must not displace other workers and must have discernible community benefits. The ILMs employ a mix of full-time, permanent staff, alongside the ILM participants in subsidized, supported positions. The first ILM was set up by the Wise Group, a charity established in 1983 in response to unemployment in Glasgow.

An understanding of the target group, and indeed the specific make up of a participant group, is deemed integral to selecting the activities and focus of a particular ILM. Within the wider target group of long-term unemployed people, they may also be made up of a particular group with particular interests, needs or constraints. The low dropout rates from ILM placements are correlated to the effective matching of particular target groups to ILMs. For example, if the group is comprised of single parents then the opportunities sourced need to cover a wide variety of

¹⁶ While rigorous evaluations of ETC performance are non-existent, for 2012/13 simple comparisons of the proportion of referrals who achieved a job outcome payment show that the program ranks above average with both younger jobseekers (18-24) and Employment and Support Allowance, while their results are slightly lower than the average among jobseekers older than 25 years (<https://www.gov.uk/government/collections/work-programme-statistics-2>).

interesting roles with short travel-to-work distances, flexible hours and childcare support. If, on the other hand, they are unskilled men, then the most effective approach is deemed to be manual or sports-based work and then later the opportunity to transfer to learn skills in other areas such as computing.

A comprehensive review by the Rowntree Foundation found that ILMs offered good value for money and that they outperform mainstream welfare-to-work programs, particularly regarding sustainability of outcomes (Marshall and Macfarlane, 2000). The report found favourable employment outcome rates (60 percent of leavers into work against 40 percent of leavers in a comparable ALMP such as New Deal), and particularly strong improvement in the sustainability of those outcomes (90 percent of ILM participants who exit the program into a job are still in work 6 months later, compared to 40 percent of those on New Deal). ILMs also have lower drop-out rates than comparable programs.

The success of the ILMs can be attributed to their ability to manage various, potentially conflicting demands. The jobseekers are engaged in jobs that seem real, work in a real working environment, and produce something with real commercial value. At the same time, the ILMs do not seek to find and match individuals with employers, supporting both employee and employer in the hope and expectation of an ongoing position. Moreover, each ILM, built around a group of jobseekers and a particular community, must be designed differently – and it does not work when the model is changed to fit in with a wider program's prescription. Perhaps most importantly, the focus is on generic employability rather than specific job skills, and, above all, on moving participants beyond the program into a sustainable, independent jobs.

Transitional Jobs Network

Transitional Jobs combine wage-paid work, job skills training, and supportive services to help individuals facing barriers to employment succeed in the workforce.¹⁷ The philosophy of transitional jobs programs is 'learning by doing' – placing jobseekers to a real work setting while helping them to address their employment barriers to prepare for unsubsidized jobs. During the program jobseekers are employed by Transitional Work Corporation (TWC) who pays them the minimum wage, with placements lasting up to six months. Participants typically work four days a week and receive training and jobsearch support one day a week. The work placement is preceded by a two-week induction or orientation course covering jobsearch and life skills.

Transitional jobs programs find real job opportunities in the private, public and non-profit sectors, and then work with employers to turn them into transitional jobs. The types of jobs found have community benefit and include repair and maintenance, home improvement, landscaping, clothing and retail stores, childcare centres, and schools. Transitional jobs can be 'individual placements' within an unsubsidized workplace (the most common model), or 'work crew' placements, where groups of jobseekers, under supervision, are sent out to undertake special projects in various locations. Some transitional jobs are also offered via social enterprises.

Individual placements are the most common model. They offer more choice as the opportunity can be matched to jobseeker skills and interests. They are also the most 'real' as the jobseeker is working with a wide range of colleagues, rather than peers on an employment program. This enables jobseekers to build social capital and networks that may be helpful in their search for unsubsidized sustainable work. The presence of a workplace mentor to oversee and support the placement is essential. This process requires significant provider capacity.

The transitional job program shows good performance. Bloom et al (2009) shows that program participation significantly increased the probability of employment and overall earnings. The impact of increased earnings, however, appears to fade after the first year of the follow up period. The study also shows that few jobseekers actually worked for the full six months in the transitional job.

There are various success factors of the program. Perhaps most important is the fact that learning by doing takes place within a work environment, which suits the needs and backgrounds of the jobseekers. Transitional jobs programs are also attractive for employers. They can reduce the cost of hiring new employees, increase business productivity, financial well-being, and customer satisfaction (Social Impact Research Centre, 2010). Strong links with local employers, and actual local work, also increases the chances of conversion into unsubsidized employment.

4. Conclusions and Recommendations

The share of long-term unemployed in Slovenia is one of the highest among EU and EOCED countries. Because long-term unemployment is very costly both to individuals and the society, the country should take aggressive measures to reduce it. This paper reviewed international experience with interventions aimed at combating long-term unemployment, both those trying to reduce the inflow to long-term unemployment

¹⁷ See <https://www.heartlandalliance.org/nationalinitiatives/our-initiatives/national-transitional-jobs/>.

as well as providing support to jobseekers experiencing long-term unemployment. **The key lessons learned from the above review of approaches and initiatives are as follows:**

Improving employment services to those at risk of long-term unemployment

The review of good international practice shows that in addressing heterogeneous needs of jobseekers, the PES – very much in line with the February 2016 EU Council recommendation – combats long-term unemployment by early detection of jobseekers at risk of long-term unemployment as well as by their early and more intense treatment. **In order to reduce the likelihood of becoming long-term unemployed, to those recognized to be at risk the PES offers rapid, intensive and tailored employment support.** In particular:

- By **segmenting jobseekers** according to their job-finding probability, the PES is able to offer reinforced services for those with high risk of becoming long-term unemployed from very early in their unemployment spell. While profiling practices in individual countries vary, jobseekers are typically segmented into two or three categories using a combination of counsellor-based and statistical profiling.
- Early in the unemployment spell the most efficient intervention seems to be **intensified counselling**. In contrast to ALMP programs such as training and public employment programs that initially reduce (re)employment probability because of the so-called “lock-in effects”, counselling is free of lock-in effects – and it has been shown to be an effective and flexible instrument. The minimum frequency of meetings varies, but in several countries it is very high: in Denmark, it could be on a weekly basis; in Austria, at least once a month; and in Portugal at least once in 45 days. Some countries also report a positive experience with having a single person acting as a coach or mentor, as it contributes to building confidence on the part of the jobseeker. And as emphasised by OECD (2015), among others, apart from being intense, counselling needs to be of high quality. The new Irish service model offers important insights about the possibilities of institutional integration and modernizing the profiling system as ways to reduce the caseload in order to activate jobseekers.
- **Tailor-made approaches** constitute a backbone of employment services aimed at helping the jobseekers at risk of long-term unemployment, as they may face the multitude of employment barriers, possibly requiring special combinations and sequencing of programs, as well as help from various specialists from different backgrounds. In helping the long-term unemployed, some countries

use specialized PES counsellors.

- **Among innovative employment services provided to long-term unemployed jobseekers**, employment retention and advancement services yielded encouraging results (the UK is a good example). Another promising approach is the Finnish example of multi-sector collaboration between PES, municipal and rehabilitation officials who – based on local, rather informal contracts – jointly agree on and implement activation plans for jobseekers. That approach allows designing individual interventions that effectively address employability obstacles, health barriers, family issues, and coping skills, and includes temporary but realistic work experience placements.

Participation in ALMPs by long-term unemployed jobseekers

There is recent, compelling evidence that **participation in ALMPs by long-term unemployed jobseekers increases their probability of (re)employment – and that effects of such participation compare favourably to other groups**. Evidence from meta-studies also shows that in comparison to other programs, long-term unemployed jobseekers benefit considerably more from training, as well as, to somewhat lesser extent, from private sector job subsidies. But the results of current studies about some ALMPs on long-term unemployed jobseekers are often conflicting (for example, on wage subsidies), with some studies showing positive and some negative results, so further research is warranted.

Assessment of “remedial” approaches helping the long-term unemployed

Drawing on the theoretical and empirical literature to identify five potentially effective interventions to support the labour market integration of long-term unemployed, **simulations by Csillag and Fertig (2015) find that there are opportunities for cost-effective changes in the institutional set-up or in the portfolio of PES interventions, or both, in the five EU countries studied – and, by extrapolation, mostly likely also in other countries**. For example, for Germany and Lithuania the study suggests that a reallocation of ALMP resources away from public works towards more promising programs would produce moderate financial gains without worsening chances of jobseeker to exit from unemployment. Promising options identified for other countries include providing more intense support to those long-term unemployed jobseekers that are closer to the labour market, and providing complex, individualised programs involving ALMPs to low-educated long-term unemployed jobseekers. The study also finds that a move towards more

individual counselling would be beneficial in Lithuania, a country with a relatively large caseload (136 long-term unemployed per caseworker). Moreover, offering additional services to employers by PES has been found beneficial in several studied countries. Unsurprisingly, for Denmark – a “model” country regarding the treatment of long-term unemployed – only modest possibilities for budget-neutral modifications have been found.

Interestingly, **strengthening of institutional co-operation or integration between employment and social services offices has been found beneficial just for one of the studied countries – Italy.** Such strengthening has not been found useful neither in Hungary nor in Lithuania; in contrast, it has been suggested for Italy, given its highly heterogeneous and fragmented systems dealing with long-term unemployed.

Introduction of innovative LM programs for long-term unemployed

Long-term unemployed jobseekers often confront a variety of employment constraints, hence a productive way of finding effective means of helping them includes experimentation with innovative LM programs. Above we reviewed two strands of such programs – local-response initiatives and programs focusing on the hardest-to-place jobseekers. **Among their apparent strengths (factors of success), we can point to the following features:**

- A particular focus and strength of both strands of the featured programs is **understanding the needs of jobseekers and addressing them with tailor-made approaches, including personal support.** They all engage personal case managers whose role it is to understand and make sure jobseekers’ needs in terms of both personal and career development are appropriately met. The case managers must adapt the program to the individual and where necessary can bring in specialist assistance, such as counselling or basic skills training or help managing a personal budget. Interestingly, all three reviewed local-response programs relied heavily on a deployment of a single personal coordinator/counsellor (in the case of BladeRunners, available on a 24/7 basis throughout the program). Quite remarkably, all programs offered such intense, personalized service from the first meeting through to training and work placement, and several also provide in-work support.
- **Local-response interventions point to the critical importance of understanding the needs of both local labour market as well as of jobseeker target groups.** Among others, such an understanding is obtained via effective engagement with individuals at the neighbourhood level, possibly via the help of community-level organisations who can access

target groups from a position of trust.

- All three reviewed programmes aimed at the hardest-to-place jobseekers are **‘work first’ programs.** They put a strong emphasis on work, putting jobseekers into real work environments in jobs which pay, or workplaces that mimic many of the characteristics of real ones.
- All reviewed programs put **a strong emphasis on personal development, including work habits and socialization.** The development of work-related ‘soft’ skills is an extremely important goal of all the featured programs, often emphasized as much as if not more than the acquisition of vocational skills.
- Moreover, all of the programs have **strong ties with employers and local communities.** In some cases employers assist to set up ‘work spaces’, where they coach and supervise jobseekers in preparation for specific vacancies.

Among weaknesses, note that **all reviewed programs are relatively expensive.** Attempts to cut their cost (such as by reducing or removing wage subsidy elements) reduced the success rates of programs focusing on the hardest-to-place jobseekers. The ILM program also seemed to create additional costs by seeking to design new programs to fit the particular needs of jobseekers in particular communities. And although the programs are all personalized, the ETC program may be unsuitable for jobseekers with good existing vocational qualifications.

Policy recommendations

In dealing with long-term unemployment, Slovenia is already carrying out many of good practices reviewed above: it has a long-standing practice of profiling and, based on that, of providing early and more intense treatment to those at risk of becoming long-term unemployed. It also offers a rich menu of ALMPs to long-term unemployed, and coordinates the provision of employment, social and medical services to them. **To help improve these services in view of the paper’s review of good practices, the following recommendations are offered:**¹⁸

1. **Reducing the caseload of jobseekers at risk for long-term unemployment in order to expose them to high-intensity, high-quality counselling.** This is perhaps the most important recommendations that follows from the above review of international best practice: intense,

¹⁸ Many of the recommendations below can also be applied to help with labour market integration of another important group: school dropouts. Employment Service of Slovenia has recently launched a program designed for this group (Project Learning for Young Adults – “PUM: Projektno učenje za mlajše odrasle”) and particularly via piloting of innovative employment programs for hard-to-place unemployed (see recommendations no. 7. and 8. below), international experience reviewed in this paper can be harnessed and put to productive use to help the group of school dropouts, too.

high quality counselling has been proven to help jobseekers to find a job and – particularly in the early phase of unemployment – compares favourably to other employment services as it is free of the “lock-in” effect. The frequency should be increased to at least one meeting per 45 days (see above for comparisons with other countries) – undoubtedly, given the current frequency of 2 to 3 month dictated by the shortage of caseworkers, a difficult task that will require more resources.

2. **Modernizing the profiling/activation system as one way to reduce the caseload.** The current system seems to leave a lot of discretion about classification of jobseekers to counsellors; the classification, in turn, determines the level of assistance the client receives in terms of employment services. Following the Irish example, a profiling system could be enhanced, allowing resources to be allocated more efficiently by more effective targeting of jobseekers most at risk of becoming long-term unemployed (including benefit claimants).¹⁹
3. **Strengthening activation by subjecting jobseekers to more demanding job search requirements, together with the increased monitoring of the compliance with these requirements.** Together with the new profiling system, a service delivery model could be amplified to entail more frequent contacting of employment offices for the selected groups of jobseekers and increased quality of services during such contacts, including increased acquisition of vacancies as well as of frequency of vacancy referrals, improved job interview training.²⁰ Moreover, if the jobseeker is still unsuccessful after a certain period, mandatory participation in ALMPs could also be included.
4. **Introducing additional, new employment services to long-term unemployed** – employment retention and advancement services. The UK example described provides a very positive experience with providing long-term unemployed a range of job coaching and advisory services, as well as in-work services to improve retention and encourage career advancement – a programme that proved to be cost-effective. Worthwhile a consideration is also the Finnish example of multi-sector collaboration between PES, municipal and rehabilitation officials that allows designing

individualised interventions that effectively address various employability obstacles, including health barriers and family issues.

5. **Increasing the participation of long-term unemployed jobseekers in ALMPs.** This is in line with recent evidence that participation in ALMPs by long-term unemployed is more beneficial than such participation by other groups of jobseekers. Moreover, evidence also shows that training and, to a lesser extent, private sector job subsidies are particularly suitable types of ALMPs for long-term unemployed jobseekers. (Because impact evaluations of ALMPs are often conflicting, obtaining estimates on the effectiveness and efficiency of Slovenia's current ALMPs is of high importance.)
6. **Introducing cost-saving changes in the portfolio of ALMPs offered to long-term unemployed.** Following simulations by Csillag and Fertig (2015) about opportunities of cost-effective changes in the portfolio of PES interventions, certain reallocation of ALMP resources – away from public works, for example – could produce cost savings or increase jobseeker probability of exit to employment, or both. Another promising possibility identified by Csillag and Fertig is providing more intense support to those long-term unemployed jobseekers that are closer to the labour market, and providing complex, individualised programs involving ALMPs to low-educated long-term unemployed jobseekers. As for the single point coordination provided to long-term unemployed jobseekers (as stipulated by the February 2016 EU Council Recommendation), Slovenia's current coordination of employment and social services could indeed be improved, although seem to be effective enough and thus an institutional integration of the two agencies is likely not necessarily be warranted (similar conclusion has been arrived at by Csillag and Fertig for both Hungary and Lithuania). Cooperation between the CSW and ESS could indeed be strengthened, with the authority of the joint commissions for the assessment of provisional non-employability expanded to include long-term incapacity for job-search (as suggested in the survey reported in IRRSV, 2015). Furthermore, cooperation could be formalized at the most disaggregated level, between individual counsellors responsible for an individual at the ESS and CSW, respectively.
7. **Piloting innovative employment programs for long-term unemployed.** As emphasized throughout the paper, long-term unemployed jobseekers typically face a multitude of barriers and constraints, hence finding successful way of confronting these barriers and constraints often means trying new things and taking advantage of various alliances and resources – above all, those existing locally. As the above review of innovative approaches shows, the *sine qua non* of such approaches is understanding the needs of jobseekers and addressing them

¹⁹ Slovenia possess extremely rich, individual-level data databases on jobseekers (comprising complete work history covering both employment and unemployment spells as well as wage data, the history that goes well beyond unemployment spells), so current way of profiling could be contrasted by statistical profiling, and the predictive power increased if the analysis shows the potential of doing so.

²⁰ Exceptionally strong role of Employment Services of Slovenia as a job broker needs to be emphasized. According to OECD (2016), more than 18 percent of Slovenian workers who recently started a new job indicated involvement of public employment service in finding their present job – the highest share among all EU countries. Similarly, among methods used to find work, the likelihood of contacting PES in Slovenia was much above European average.

with tailor-made approaches. This includes strong engagement of personal case managers (if possible, retaining one single personal manager throughout the program), coordination with and help from specialists of various backgrounds, including social workers and doctors, and offering such intense, personalized service from the first meeting all the way to training and to work placement, as well as to the provision of in-work support. Of extreme importance is the help of community-level organisations who can access target groups of jobseekers from a position of trust. The programs aimed at the hardest-to-place jobseekers should also be 'work first' programs; they should put a strong emphasis on personal development, including work habits and socialization; and last but certainly not least, they should have strong ties with employers and local communities.

8. In particular, **consider an intense program for hard-to-place unemployed – particularly suited to high-school dropouts – along the following lines.** The program would follow a period of standard employment service activity, or jobseekers with complex needs might be fast-tracked to it, so as to maximize their placement chances. Mimicking the above-reviewed examples, the program would offer tailor-made services focusing on work experience, but at the same time, it would develop a battery of soft and vocational skills as well as address the activation, motivation and socialization needs of participants. The content learned should be perceived as immediately relevant to the work place, reflecting actual opportunities in the local labour market. Among others, the program should establish strong links with employers to stay informed on the needs of hiring employers, to access vacancies as they become available, to help design and provide custom-made training, and to raise their interest in hosting participants as interns. Training could be delivered as both off-site and on-the-job training, and involve both vocational, soft- and life- skills training. One of the target groups could be early school leavers from high-schools/secondary schools – the group who is exposed to serious scarring effects from being exposed to long-term unemployed. Note that high-school dropouts undoubtedly possess talent and abilities that, if adequately channelled, would enable them to do well in the future, yet current options do not serve them well.²¹

²¹ In their comprehensive study of world-wide youth employment programmes, Betcherman et al (2007) examine eight second-chance programmes for school drop (one example is the Danish Youth Unemployment Programme aiming to strengthen the employment possibilities for unemployed, low-educated youth). The authors find small but positive effects on employment, with the mechanism of change often being involving increased chances of transition from unemployment to schooling rather than to employment.

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