



The challenge of integrated support to long-term unemployment

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The challenge of integrated support to long-term unemployment

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Executive summary

MAIN OBJECTIVES

The reinsertion of long-term unemployed persons poses enormous challenges. However, the evidence shows that active labour market policies help to improve their labour market position when the interventions are well-designed, and this conclusion holds even when overall unemployment is high. The objective of this report is to identify the weaknesses in the existing support to the long-term unemployed in Spain and to propose measures that would help to overcome these weaknesses and to offer the best possible individualised support to the long-term unemployed. The ultimate goal is to achieve their re-employment in the private sector.

ECONOMIC AND POLITICAL CONTEXT

The Spanish labour market shows strong signs of recovery, but there is widespread concern about the persistently high levels of long-term unemployment. At the end of the second quarter of 2016, the long-term unemployment rate was still close to 12% and two million persons had been out of employment for over two years.

A previous report of New Skills at Work showed that this situation creates a clear risk of social and economic exclusion, especially among the most vulnerable groups. Their job finding rates are very low and Spain lacks well-designed policies and institutions to support them. The Public Employment Services (PES) are understaffed and have a poor track record in the field of active labour market policies (ALMPs). Moreover, the available evidence shows that they play a marginal role as labor market intermediaries. Finally, the existing policies mainly focus on the provision of financial support, while little is done to improve the employability of the long-term unemployed or to avoid their marginalisation.

Fortunately, however, the tide is turning. Following a recommendation of the European Council, the central government and the regions have

recently reached agreement on a joint plan – Programa de Acción Conjunta para Desempleados de Larga Duración – with a budget of 515 million euros to provide individualised support to 1 million long-term unemployed persons in the period until 2018.

The reintegration of the long-term unemployed is an arduous task because problems tend to accumulate over time and many of the long-term unemployed find themselves at the margins of the labour market. The European Commission therefore stresses the need for integrated support systems with three pillars: (i) a well-designed system of benefits and social services, (ii) close coordination between all relevant authorities and organizations and (iii) a sufficient capacity to offer individualised support tailored to the individual's needs. As the report makes clear, the Spanish system of active and passive labour market policies presents considerable weaknesses on all three scores. However, its true Achilles heel is the limited capacity of the Public Employment Services to offer individually tailored solutions. The poor performance of the PES on this score is the combined result of underinvestment in placement services, excessive case workloads for its officers, and structural weaknesses in the design of active labour market policies. Furthermore, the crisis has exacerbated these problems due to the unprecedented rise in the number of long-term unemployed.

SUMMARY OF THE FINDINGS

The report is divided in four parts. The first one provides descriptive evidence on the incidence of long-term unemployment, benefit coverage rates and participation rates in ALMPs. We document a steep drop in benefit coverage rates and a marked deterioration in the access to ALMPs during the crisis. According to data from the Spanish Labour Force Survey (EPA) less than 30% of the LTU received some form of benefit or subsidy in the first quarter of 2016. Moreover, using administrative data compiled by the national PES (SEPE), we find that only one out of six unemployed and one out of eight low-educated unemployed registered in January 2015 received some service from the PES during the next three months. Furthermore, we observe remarkably little variation in participation rates when we disaggregate the clients of the PES by age, level of education or duration of the unemployment spell. The evidence points at an urgent need for targeted interventions that are tailored to the needs of the unemployed.

The second part of the report reviews the institutional aspects that need to be addressed to achieve this goal. In the case of the PES, it highlights the need to adopt modern profiling tools. Such tools can provide useful assistance to caseworkers and allow the PES to differentiate the type, intensity and duration of its services on the basis of objective indicators of a person's employability. In the future, the adoption of profiling tools will also enable the PES to undertake preventive actions that are essential for reducing the incidence of long-term unemployment.

Spain's experience with poorly designed ALMPs has generated scepticism about their effectiveness. The third part of the report is therefore devoted to a review of the recent empirical literature that tries to measure the impact of ALMPs on the labour market outcomes of the long-term unemployed. The first part of our review considers the gains from improvements in the institutional design of the support to the long-term unemployed. It highlights quite a few examples of cost-efficient programs for the long-term unemployed that were implemented during the recent crisis. Common elements of these programs are the creation of one-stop shops and the reduction in the workload of caseworkers. More intensive support to the long-term unemployed is found to improve their job finding rates and tends to reduce the use of standard ALMP measures, reflecting the improved ability of caseworkers to design tailored solutions. The available evidence does not support the view that private provision is necessarily more effective than public provision, but the report offers several arguments in favor of a more intensive use of external partners.

Next, the review proceeds with a discussion of the evidence on the impact of specific ALMP measures. Investment in training and targeted hiring incentives are shown to deliver the best long-run results, while public employment generally delivers the worst outcomes. Furthermore, a recent comprehensive analysis of all published impact evaluations indicates that ALMPs tend to have a larger impact in downturns and when they are targeted at long-term unemployed persons. These findings clearly suggest that well-designed ALMPs are an effective tool to combat long-term unemployment.

MAIN RECOMMENDATIONS

The last part of the report contains a number of policy recommendations.

- The main priority must be to improve the capacity of the PES and its partners to offer individualised support to the long term unemployed. This requires the adoption of modern profiling tools and the definition of a clear activation strategy that specifies the timing and the type of support to be provided for each relevant group as well as the identification of the providers of each service.
- The PES should intensify their collaboration with external partners such as private placement agencies and specialised entities from the third sector. The direct provision of services by the PES at the levels that are currently required would involve a very substantial investment in the recruitment and preparation of caseworkers that may be very difficult to complete within a short time span and hard to reverse in the future once the unemployment rates have returned to normal levels. The regions should therefore also intensify their collaboration with external partners. These partner organisations often have a very good knowledge of the local labour market and many NGOs have considerable experience with the integration of vulnerable groups at risk of social exclusion.
- The report identifies considerable scope for improvements in the degree of coordination at the local level. A primary objective in this regard should be to strengthen the coordination between the PES and the local social services. The regions could follow the example of the Basque country and transfer the management of the social assistance subsidies to the regional PES. Another interesting option would be the creation of specialised centers for the reinsertion of the long-term unemployed with representatives from the relevant authorities and their partners. Physical proximity fosters team work and may make it easier to design individual action plans that involve specialists from different fields.
- The PES need to reconsider their mix of ALMPs. In particular, the PES should reduce their recourse to public employment programs and intensify the use of hiring subsidies and training programs. The former should be carefully targeted at the long-term unemployed,

while training programs should be designed in close cooperation with local employers. An even better option would be an increased use of traineeships for the long-term unemployed.

- Rules and administrative procedures should be simplified to allow a more flexible use of the available funds for ALMP measures. The ideal situation would be the creation of a system of personal budgets that are linked to objective indicators of employability, so that the PES can invest more in the persons that need more support, but the design of such a system will take time. A useful first step would be the introduction of training vouchers. In addition, Spain should also consider the introduction of intermediation vouchers that would allow the unemployed to choose among service providers. The introduction of these vouchers would provide incentives for training institutions and placement agencies to improve the quality of their services and may also lead to cost savings through increased competition.
- The PES should strengthen their links with local employers. A first objective is to secure job vacancies that could be filled by long-term unemployed persons, but this may not be sufficient. The reintegration of a long-term unemployed person is often a challenge for employers. The PES should therefore also develop services, such as post-placement counselling, that facilitate this task for employers.
- Last but not least, despite the evidence that ALMPs can be an efficient tool to combat long-term unemployment if they are tailored to a person's needs, there are still many open questions about the best design of the interventions and the selection of participants. The regions should therefore experiment with different solutions and carefully evaluate the results in order to identify the programs that deliver the best outcomes.

1 Introduction

The Spanish labour market shows strong signs of recovery, but there is widespread concern about the persistently high levels of long-term unemployment. Traditionally, the term long-term unemployment is reserved for persons who have been without a job and actively seeking employment for more than a year. But in the case of Spain almost 44% of the unemployed - 2.1 million persons - have been out of a job for more than two years. A careful inspection of the data shows that the economic recovery has not yet led to a noticeable improvement in the job finding rate of this large group of very long-term unemployed persons.

Until recently, the policy response mainly consisted in the creation of temporary subsidy programs for the most vulnerable groups of long-term unemployed, mostly persons above the age of 45 with family responsibility, while little was done to improve the employability of the long-term unemployed or to avoid their marginalisation. Indeed, the budget for active labour market policies (ALMP), and in particular the funding for training policies directed at the unemployed, suffered considerable cuts during the crisis, in sharp contrast to most Northern-European countries in which the expenditure on ALMP was raised during the crisis to mitigate its adverse effects on the unemployed.

Fortunately, the tide is turning. A recent recommendation of the European Council calls on Member States to provide personalised assistance to the long-term unemployed and “to make a specific offer of a job-integration agreement at the very latest when a long-term unemployed person has reached 18 months of unemployment”.¹ The European Council recognises the high social cost of the current levels of long-term unemployment and the risks it entails for the economic recovery. The Council Recommendation has led to a prompt reply from the Spanish authorities. The central government and the regions reached agreement on a joint plan – *Programa de Acción Conjunta para*

¹ Council Recommendation of 15 February 2016 on the integration of the long-term unemployed into the labour market (2016/C 67/01).

Desempleados de Larga Duración – with a budget of 515 million euros to provide individualised assistance to 1 million long-term unemployed persons in the period until 2018. In parallel, the budget for ALMP has been increased for the second year in a row.

The reintegration of long-term unemployed persons into the labour market poses important challenges. Problems tend to accumulate over time and the distance from the labour market tends to grow as a person spends more time without a job. In addition, the assistance to the long-term unemployed typically involves various administrations which often collaborate with third parties like private employment agencies, training centres and entities from the third sector. The European Commission therefore stresses the need for integrated support systems with three pillars: (i) A well-designed system of benefits and social services that provides income support conditional on participation in activation, (ii) Close coordination between all relevant authorities, (iii) A capacity to offer individualised support tailored to the individual's need. The Spanish system of active and passive labour market policies presents considerable weaknesses on all three scores, as the report will make clear, but the true Achilles heel of the system is the low capacity of the Public Employment Services (PES) to offer tailored solutions. The poor performance of the PES on this score is the combined result of underinvestment, leading to excessive caseloads, and traditional weaknesses in the design of ALMP in Spain. Moreover, the crisis has exacerbated these problems due to the inflow of an unprecedented number of unemployed persons in need of counselling and and/or training.

The main objective of this report is to identify the measures that would be necessary to overcome these weaknesses and to provide the best possible attention to the long-term unemployed. Moreover, throughout the report we emphasize structural measures that can improve the design of ALMP and contribute to the necessary modernisation of the Spanish PES.

The report is divided in four parts. The first part presents descriptive evidence on the incidence of long-term unemployment, benefit coverage rates and the services of the the PES. The reported evidence documents a steep drop in benefit coverage rates and a marked deterioration in the access to ALMP during the crisis. Only a small fraction of the unemployed participate in labour-market oriented services and ALMP measures at any given point of time and we observe remarkably little variation in the type

of services when we disaggregate the clients of the PES by age, level of education or duration of the unemployment spell. The observed patterns seem to be the outcome of routine referrals to standard ALMP measures and there is an apparent lack of targeted services.

The second part of the report reviews the institutional aspects that need to be addressed to strengthen the support to the long-term unemployed. The discussion covers all three pillars mentioned above and in the case of the PES it highlights the need to adopt modern profiling tools. The design of tailor-made solutions has to be based on an in-depth analysis of the profile of the unemployed that can help us measure the distance of each person to the labour market. Statistical profiling tools help the caseworkers in this diagnostic process and can also provide useful information about the relative efficacy of the available instruments. Furthermore, profiling tools can be used to structure the interventions of the PES and to allow the PES to differentiate the type, intensity and duration of its services on the basis of objective indicators of the risk that each of its clients may end up in a situation of long-term unemployment. In the future, the adoption of profiling tools will therefore also allow the PES to undertake preventive actions.

The past experience with poorly designed ALMP policies has generated a widespread scepticism about their efficacy. The third part of the report is therefore devoted to a review of the relevant empirical literature. Given the lack of rigorous evaluations that measure the causal impact of ALMP in Spain, we have to rely mostly on international evidence. Our review includes issues such as the gains from the creation of one-stop shops (in which a single caseworker decides about all relevant aspects of the support to an unemployed person, including benefits), the impact of caseloads on the transition rates from benefits to employment, the relative merits of public and private service provision to the unemployed and, last but not least, the measurement of the causal impact of different ALMP measures on the employment opportunities of the long-term unemployed. It is not always clear how this evidence can be translated to the Spanish context, but the recent empirical literature contains quite a few examples of effective and cost-efficient programs for the long-term unemployed that were implemented during the recent crisis. An important ingredient of these programs is the reduction in the maximum caseload and more frequent meetings between the unemployed and their caseworker. Interestingly, more intensive support seems to reduce the rate of referral to standard ALMP measures, reflecting the improved

ability of caseworkers to design tailored solutions. Finally, even though it is not possible to predict the precise impact of different programs in the Spanish context, there are robust findings about the relative efficacy of different ALMP measures. The findings indicate that investments in training and hiring incentives for firms in the private sector deliver the best results, albeit after one or two years, while public employment generally delivers the worst outcome. Policy makers in Spain should carefully consider these findings in the design of their future interventions along with a number of other recommendations that are summarised in the final section of the report.

2 Long-term unemployment and benefit coverage rates at a glance

We start the analysis with a brief review of the relevant evidence.

2.1 DURATION DEPENDENT UNEMPLOYMENT RATES

According to the latest available data, long-term unemployment still affects more than 12% of the active population. As mentioned in the Introduction, a particular source of concern is the large number of very long-term unemployed (VLTU) persons. These are persons who have been without a job for at least two years.

Table 1. Duration-dependent unemployment rates by worker characteristics, Spanish Labour Force Survey 2016:1

	Total	Durations			
		0-1	1-2	2-4	4+
Male	19,5	8,3	2,7	3,8	4,8
Female	22,8	9,1	3,6	4,6	5,4
16-24	46,5	28,6	8,1	6,7	3,1
25-34	23,9	11,1	3,8	4,4	4,5
35-44	17,8	7,4	2,5	3,8	4,1
45-54	18,4	6,1	2,7	3,8	5,9
55-64	17,3	3,9	2,2	4	7,1
Primary	38	14,2	5	7,6	11,1
Lower-secondary	26,2	10,1	3,6	5,3	7,2
Upper-secondary	20,7	9,2	3,6	4,1	3,9
Tertiary	12,2	5,5	2	2,3	2,4
Nationals	19,5	7,8	2,8	3,9	5
Foreigners	29,4	13,8	4,9	5,5	5,3
Total	21	8,7	3,1	4,2	5,1

Source: Own elaboration using micro data from the Spanish Labour Force Survey (EPA).

According to the Spanish Labour Force Survey for the first quarter of 2016, VLTU still affects 9.3% of the civilian labour force in Spain after reaching a peak of 10.5% in 2014. Moreover, almost one in four unemployed has been searching for a job for more than four years. The exceptionally high incidence of very long unemployment spells is a reflection of the persistent lack of labour demand during the crisis (e.g. Jansen et al. 2015), but worker characteristics also play a relevant role as shown in Table 1. The Table reports standard unemployment rates (Column 1) and so-called duration-dependent unemployment rates (Columns 2-5)² for different cohorts of workers. The duration-specific unemployment rates are useful to gauge the probability that an unemployed person ends up in a situation of (very) long-term unemployment. Inspection of Table 1 indicates that this risk is particularly pronounced for older persons and unqualified workers with at most primary education. 18.7% of the active persons without secondary education and 49.5% of the unemployed without secondary education are VLTU. By contrast, in the case of the oldest age cohort the VLTU make up 11.1% of the active population and almost two-thirds of the unemployed in this age group. Hence, relatively few older workers enter unemployment, but the vast majority of those who do end up in VLTU. The previous occupation of workers also plays a significant role as shown in Jansen et al. (2015) who report that construction workers are strongly over-represented in the pool of VLTU. By contrast, nationality or immigrant status play no significant role. Foreigners enter unemployment more frequently than nationals, but they also tend to exit unemployed quicker than nationals which helps to explain why the proportion of VLTU is similar for both groups.

Throughout the analysis we stress the incidence of VLTU because the employment prospects of the unemployed tend to deteriorate as time passes. This negative duration-dependence may be due to a loss of motivation, leading to reduced search intensity, the erosion of the unemployed person's skills or a preference on part of employers for persons with recent work experience. Recent estimates of the negative impact of duration suggest that two or more years of unemployment causes a 13 percentage point drop in the job finding probability of the average unemployed person (Jansen et al. (2015) or Bentolila et al. (2016)). In absolute size this drop is larger than the difference in the job finding

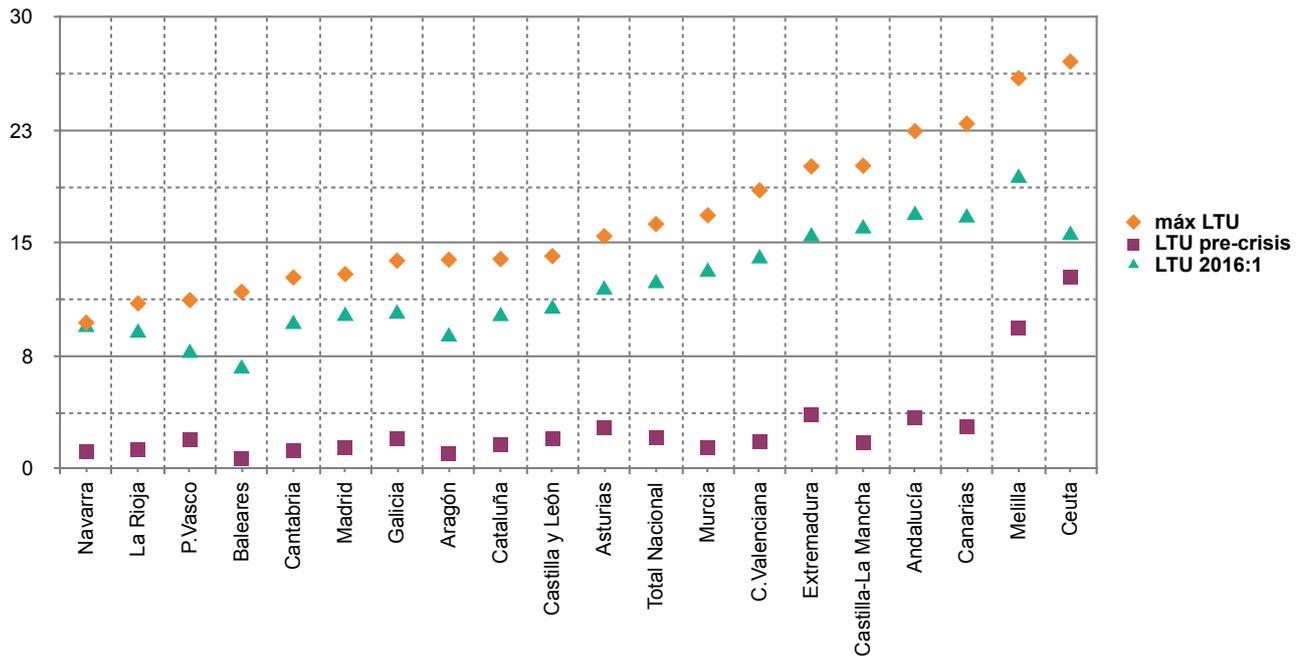
² Duration-dependent unemployment rates are defined as the ratio between the number of unemployed persons with a spell length that lies within a certain interval and the total number of active persons. Summing up the duration-dependence unemployment rates over all possible durations yields the standard unemployment rate.

rates of university graduates and unemployed persons with at most primary education. Moreover, the spell length of two years that is used to define VLTU coincides with the maximum duration of contribution-based unemployment benefits in Spain. As a general rule the entitlements of VLTU persons are therefore limited to means-tested unemployment subsidies or social assistance payments that are unrelated to previous earnings. But before we analyse the stringent criteria for these alternative assistance mechanisms, we first proceed with a brief analysis of the pronounced differences in the incidence of long-term unemployment across regions.

2.2 REGIONAL VARIATION IN THE INCIDENCE OF LTU

Figure 1 provides evidence on the evolution of LTU in the seventeen autonomous regions plus the two autonomous cities Ceuta and Melilla. The Figure reports the pre-crisis level of the long-term unemployment rate in 2007, its maximum level during the crisis and its level at the start of 2016. The data reveal striking differences in the incidence of LTU. At the height of the crisis the incidence of LTU ranged from 10% in Navarra to rates above 25% in Ceuta and Melilla. It may be argued that these autonomous cities are outliers as they already experienced high long-term unemployment rates before the crisis, but even with respect to Andalusia, Spain's largest region, the differences are considerable. At the height of the crisis this region more than doubled the share of LTU of the best-performing regions, reaching a peak of 22.44%, and even nowadays the difference between Andalusia and Navarra is still in the range of 7 percentage points (pp). These pronounced differences are a reflection of regional differences in the composition of the labour force and the depth of the crisis but the quality of the local institutions and in particular the regional PES also plays a role as we will argue below.

Figure 1. Regional variation in the incidence of long-term unemployment (%)



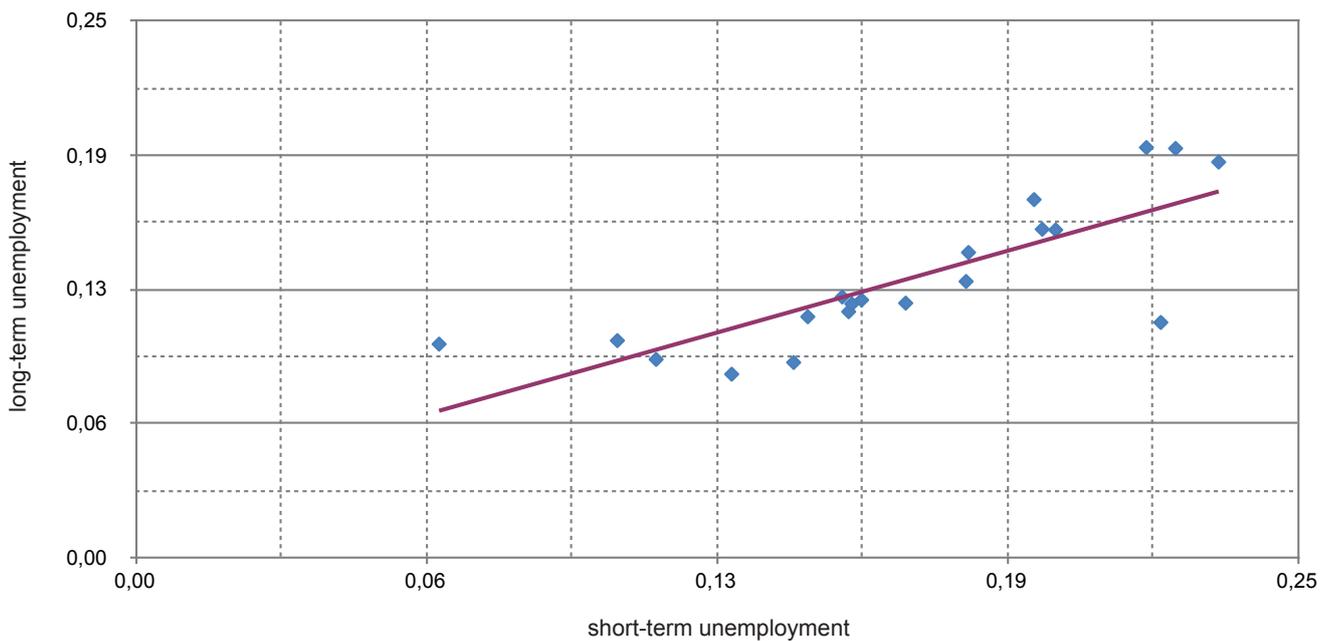
Source: Own elaboration on the basis of micro data from the Spanish Labour Force Survey. The incidence of LTU is defined as the percentage of active persons in each region who report to be unemployed for at least 12 months.

The relevance of the cross-regional differences in the magnitude of the drop in labour demand is illustrated in Figure 2. It compares the pp increase in the unemployment rate and in the long-term unemployment rate in each of the regions during the period between the third quarters of 2007 and 2014.³ Inspection of this scatter-plot shows a strong correlation between the increase in the level of short- and long-term unemployment at the regional level, indicating that the drop in labour demand is a dominant driver of the rise in LTU at the regional level while the initial conditions in 2008 seem to matter less.⁴

³ This time period is chosen because 2007:3 marked the end of employment growth before the crisis, while the incidence of LTU reached its peak in 2014:3..

⁴ The outliers correspond to Melilla and the Balearic Islands. Melilla suffered a comparatively small increase in overall unemployment combined with a strong rise in the proportion of LTU, while the opposite is true in the case of the Balearic Islands.

Figure 2. The strong correlation between the rise in short- and long-term unemployment (percentage points)

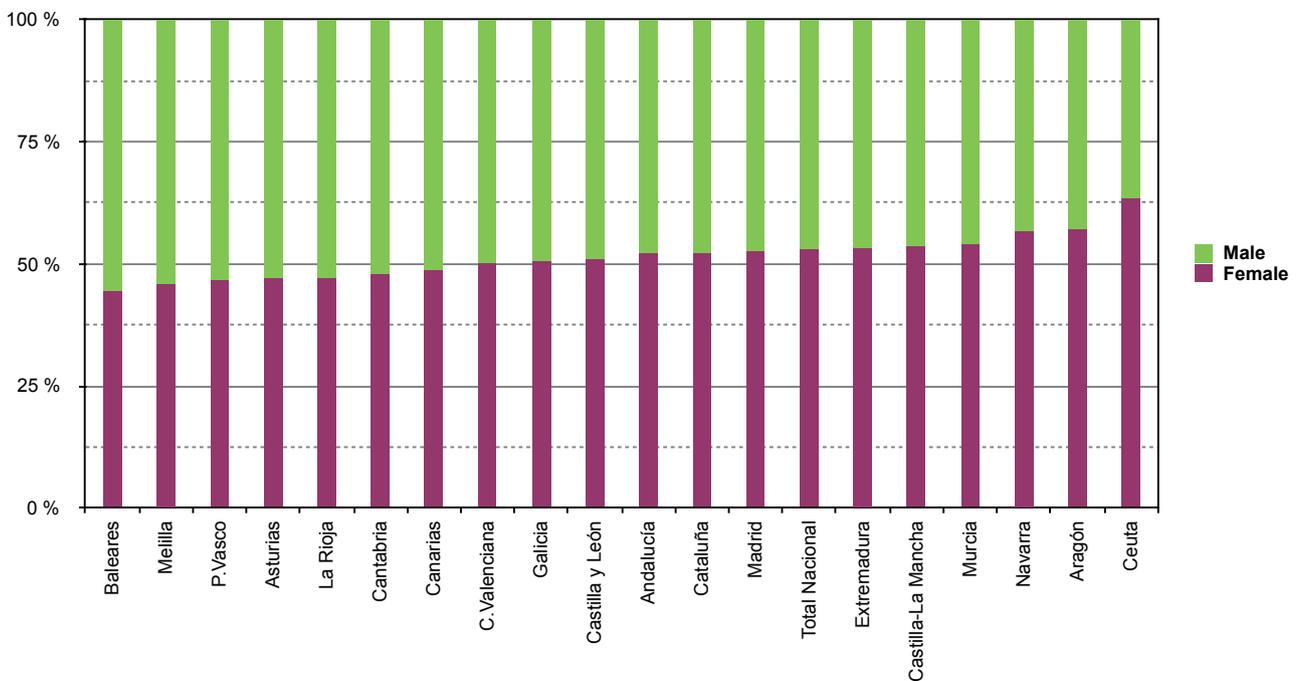


Source: Own elaboration on the basis of micro data from the Spanish Labour Force Survey.

The next aspect of interest is the cross-regional differences in the composition of the pool of LTU. Below we consider three worker characteristics: age, gender and educational attainments. It should be noted from the outset that there is no clear-cut relationship between the current levels and the composition of LTU at the regional level. In some regions the strong presence of vulnerable workers such as low-educated workers may contribute to the incidence of LTU. Alternatively, in the best-performing regions we may expect LTU to be low and much more concentrated among vulnerable groups as the rest of the workforce may find it easier to access employment in these regions than in poor-performing regions.

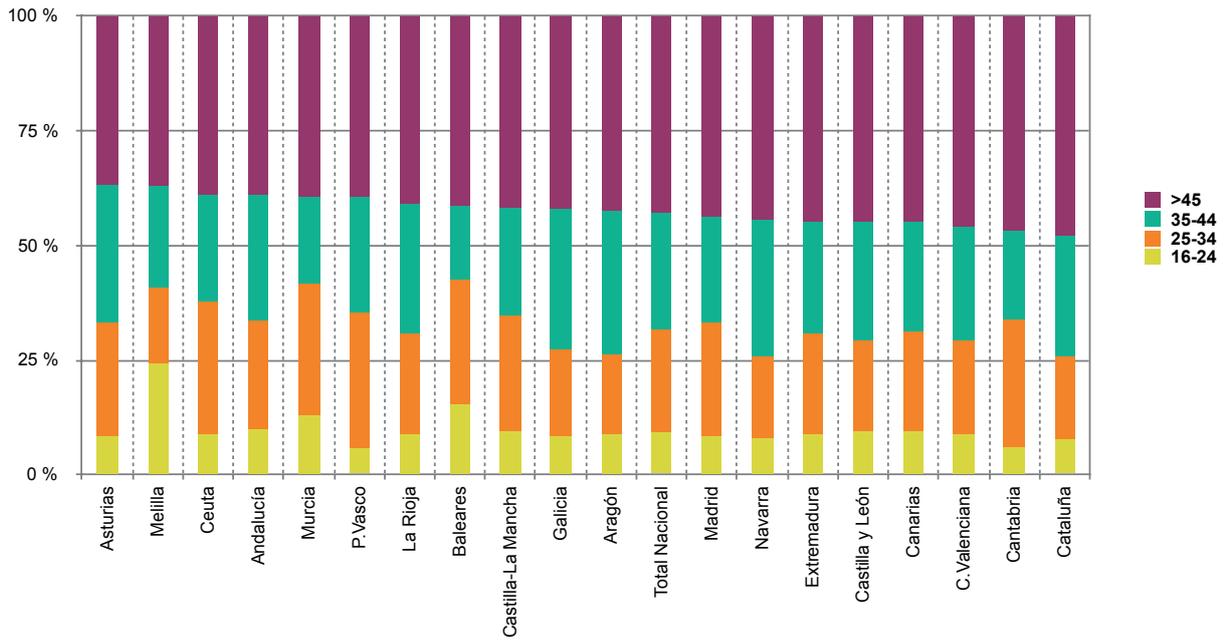
Figure 3 illustrates the gender distribution of LTU. The collapse of the construction sector induced a disproportionately large destruction of jobs that were occupied by males, but nowadays women account for a small majority of the LTU at the national level and in a majority of the regions. By contrast, older workers managed to hold on to their jobs better than the younger age cohorts, but nonetheless they are strongly over-represented among the LTU. The data reported in Figure 4 show that older persons above 45 years of age make up more than 40% of all the LTU at the national level and in 15 out of 17 regions. The region with the largest share of older LTU is Catalonia, one of the richest regions of Spain with an intermediate level of LTU.

Figure 3. Regional variation in the gender composition of long-term unemployment, SLFS 2016:1



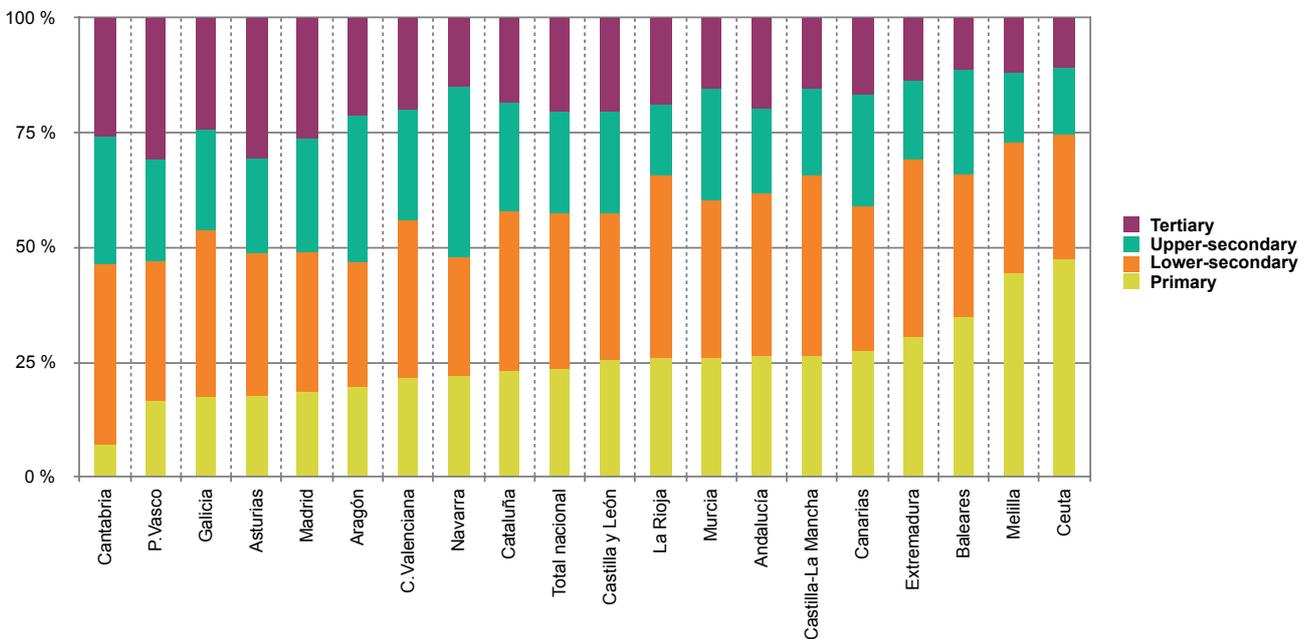
Source: Own elaboration on the basis of micro data from the Spanish Labour Force Survey.

Figure 4. Regional variation in the age composition of long-term unemployment, SLFS 2016:1



Source: Own elaboration on the basis of micro data from the Spanish Labour Force Survey.

Figure 5. Regional variation in the educational attainments of the long-term unemployed, SLFS 2016:1

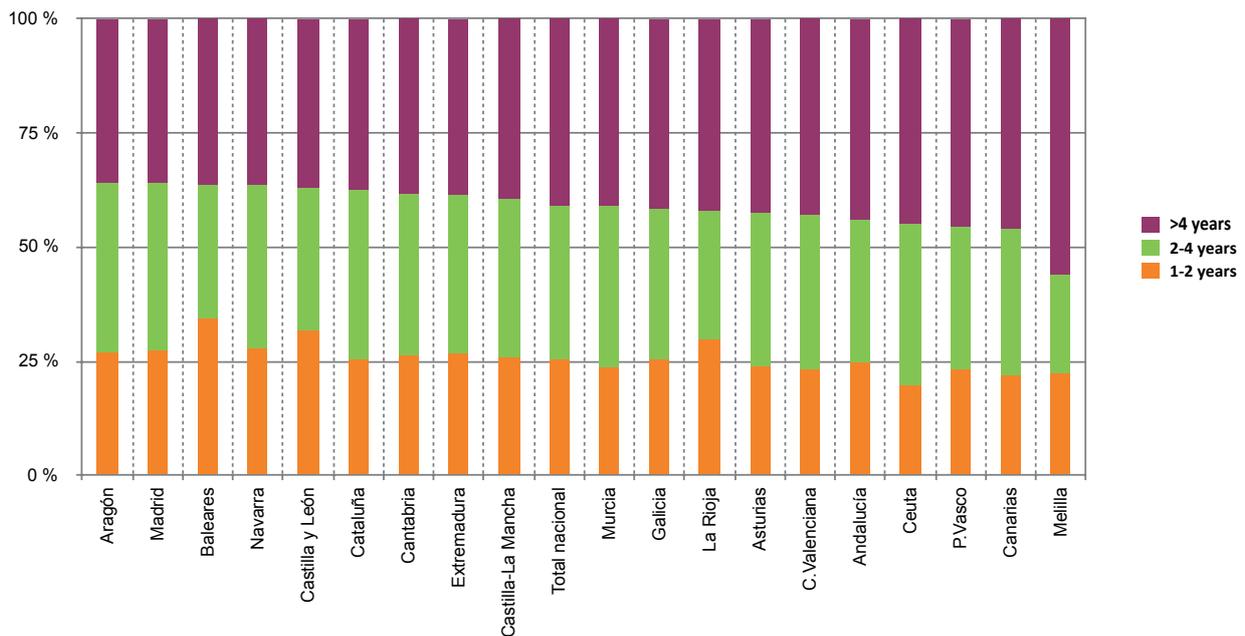


Source: Own elaboration on the basis of micro data from the Spanish Labour Force Survey.

The only dimension for which we do observe a clear relationship between a relatively high incidence of LTU and an unfavourable composition of the pool of LTU is the case of education. Five of the six

regions with the largest share of unqualified workers (at most primary education) also appear among the six regions with the largest share of LTU as can be seen by comparing Figures 1 and 5. This correlation is no surprise given the skill-biased nature of the crisis. In net terms nearly 3 million jobs, previously occupied by workers with at most lower-secondary education, were destroyed, while the employment of workers with a university degree grew by almost 1 million (Jansen et al. 2015).

Figure 6. Regional variation in the spell lengths of the long-term unemployment, SLFS 2016:1



Source: Own elaboration on the basis of micro data from the Spanish Labour Force Survey.

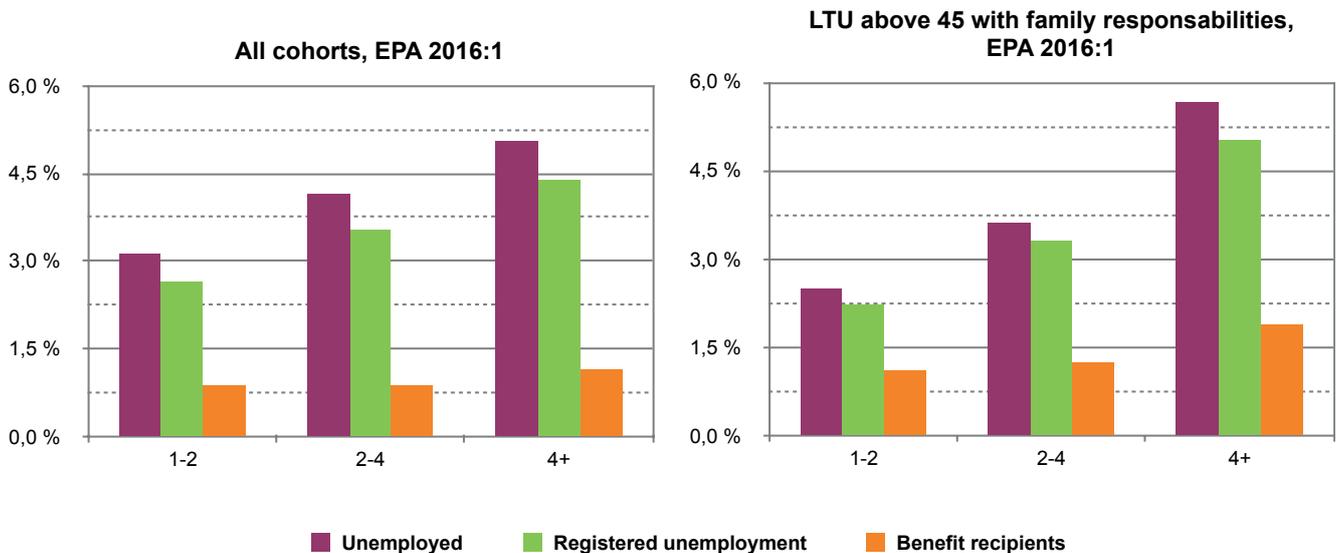
Finally, Figure 6 explores to what extent the distribution of the length of unemployment spells differs across regions. The most striking fact is the large share of persons who accumulate spells that last for more than four years. Once again we observe a considerable degree of inter-regional dispersion in the relevant shares, but even in the best performing regions more than one-third of the LTU accumulate spells of four or more years. This is an indication that all regions face considerable challenges to bring unemployment rates, and especially employment rates, back to their pre-crisis levels. The design of effective policies to foster the reinsertion of the long-term unemployed is the primary objective of this report, but we cannot ignore the related challenge to offer an appropriate level of protection to the vast group of unemployed persons who have exhausted their rights to contribution-based unemployment benefits.

2.3 LOW LEVELS OF PROTECTION

To construct a first approximation to the coverage rate of the existing benefit schemes, we can use data from the Spanish Labour Force Survey. This data source allows us to determine what share of the unemployed acknowledges that he or she is receiving some type of benefit or subsidy and how this percentage varies with duration. The results are reported in Figure 7 which presents coverage rates for various cohorts of LTU.

The purple bars reproduce the duration-dependent unemployment rates, while the green bars represent the corresponding percentages of the registered unemployed by duration. The periodic renewal of the registration as unemployed job seeker is a prerequisite for the entitlement to most benefits and subsidies. Finally, the orange bars represent the percentages of the persons who declared they were receiving a benefit at the start of 2016.

Figure 7. Benefit entitlements of the LTU by age, duration of unemployment and familiar composition † (% of Labour Force)



Source: Own elaboration on the basis of micro data from the Spanish Labour Force Survey.
 †The definition of benefit includes all types of subsidies, at national, regional or local level.

The left panel of Figure 7 indicates that the vast majority of LTU are registered as unemployed, independently of duration: even for the cohort with unemployment spells longer than four years, we observe a registration rate of over 80%. By contrast, the coverage rate of benefits (benefit recipients as a percentage of the unemployed) is very low and diminishes with duration from a level of 28% for persons with spells between 1 and 2 years to approximately 22% of the VLTU

with spells longer than 4 years. Several factors help to explain these low coverage rates. As explained above, the maximum duration for contribution-based unemployment benefits is two years. Moreover, both unemployment subsidies and social assistance benefits are means-tested at the household level and of limited duration and in the case of the unemployment subsidies the criteria for eligibility have been tightened in recent years (See Box 1 for further details). The group that receives the most favourable treatment in the existing benefit system are older LTU above 45 years of age with family responsibility. For this group, the benefit coverage rates vary between 44% for the LTU with spells between 1 and 2 years and 33% for the unemployed heads of family with spells longer than 4 years. Hence, for this target group we observe substantially higher coverage rates but even for this group the majority is not receiving any form of financial assistance according to the self-reported data from the Labour Force Survey.

The above results suggest that Spain may need to be strengthen its benefit system. However, the above-mentioned coverage rates have to be interpreted with caution as they are hard to reconcile with the official statistics of the Ministry of Employment. The administrative data indicate 51.3% of the actual registered unemployed in June 2016 either received an unemployment benefit or an unemployment subsidy. It should be noted that these figures exclude the beneficiaries of social assistance benefits. In other words the benefit coverage rate would be even higher if we were to take these social assistance beneficiaries into account.⁵ The differences between the administrative data sources and the information of the Labour Force Survey are striking and deserve to be analysed in more depth⁶, but this is beyond the scope of this report. In the rest of this report we mainly focus on the quality of the services offered by the PES.

⁵ The social assistance benefits are managed and financed by the regions and aggregate data on the level, duration and recipients is not readily available.

⁶ The differences are in part driven by definitions because the official coverage rate is calculated as a percentage of the registered unemployed. This biases the coverage rate upwards as it excludes the unemployed who do not register as such because they are not entitled to benefits. However, this alternative definition offers at best a partial explanation for the observed differences. Applying the same methodology to the data from the Labour Force Survey raises the overall coverage rate by 5pp to 33% but this is still far below the administrative coverage rate. The main problems seems to be that the Labour Force Survey underestimates the number of benefit recipients. For the first quarter of 2016 it reports a total of approximately 1,300,000 benefit recipients. By contrast, the official data report a total of more than 1,900,000 persons who receive either an unemployment benefit or subsidy.

3 Performance indicators of the Spanish PES

In the view of the European Commission, the Public Employment Services (PES) have to play a leading role in a European-wide initiative to reduce long-term unemployment. In a recent Council Recommendation⁷, the member states are called upon to provide individualised assistance to all the long-term unemployed. The intensified support for this group should start at the latest six months after someone enters long-term unemployment, but the Commission also calls for preventive action. The evidence presented below indicates that it will be difficult to meet these objectives unless Spain adopts ambitious measures to strengthen its PES and to improve the quality of their services.

3.1 THE MARGINAL ROLE OF THE PES IN JOB FINDING

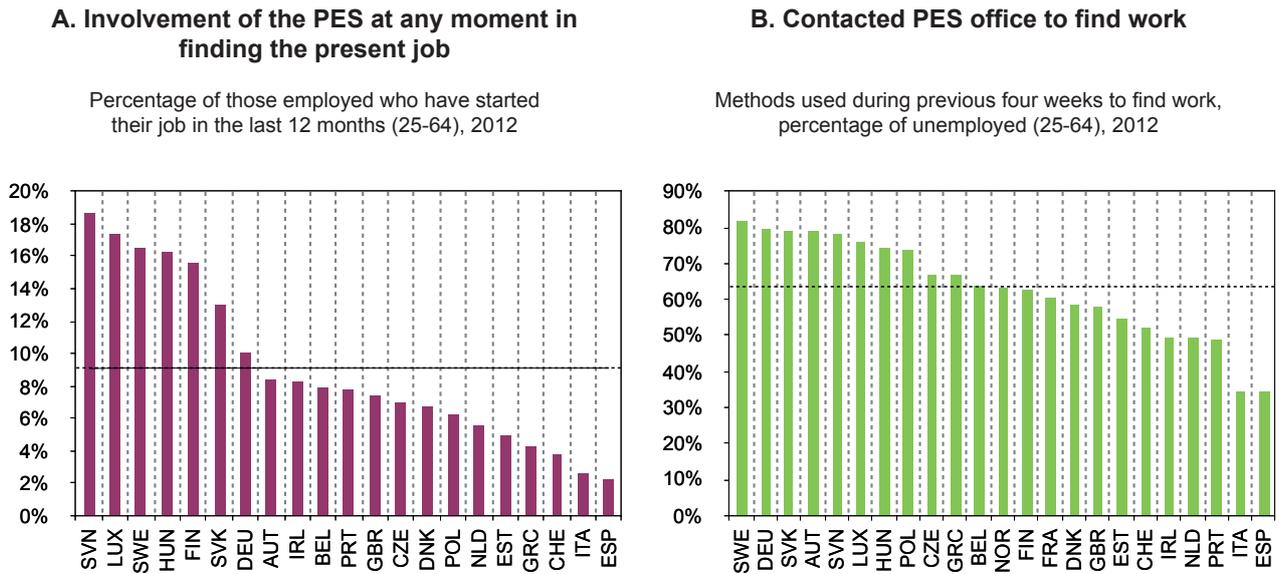
The available evidence indicates that the Spanish PES play a marginal role in the creation of new employment relationships. A mere 2 percent of the persons who have started their job in 2012 acknowledge any involvement of the PES during the job search process that led to the creation of this employment relationship (Figure 8a). Similarly, less than one out of three Spanish unemployed contacted a PES office in the month prior to their interview (Figure 8b). On both scores Spain occupies the bottom position among the member states of the OECD.

Below we will link this poor performance to a lack of reforms and a shortage of resources to attend the unusually large number of unemployed, but these are not the only factors that explain the observed differences. International differences in the regulation of the PES and the strong competition by private intermediaries also play a role. By way of example, firms in Germany are legally obliged to register their vacancies with the PES and information about these jobs is readily available online. This feature may help explain why almost 80% of the German unemployed contact the PES in their endeavour to find a job. By contrast,

⁷ Council Recommendation of 15 February 2016 on the integration of the long-term unemployed into the labour market (2016/C 67/01).

in Spain registration is voluntary and the official web portal of the PES (Empléate), launched in 2014, only contains information about 36,000 job vacancies. Moreover, the growing competition from private providers and Temporary Work Agencies (TWA) places further pressure on the PES. Experts generally praise the service level of the Dutch PES (e.g. European Commission, 2015)⁸, but even so the Dutch PES only intermediate in 5% of the newly-created jobs.

Figure 8. The marginal role of the PES in intermediation

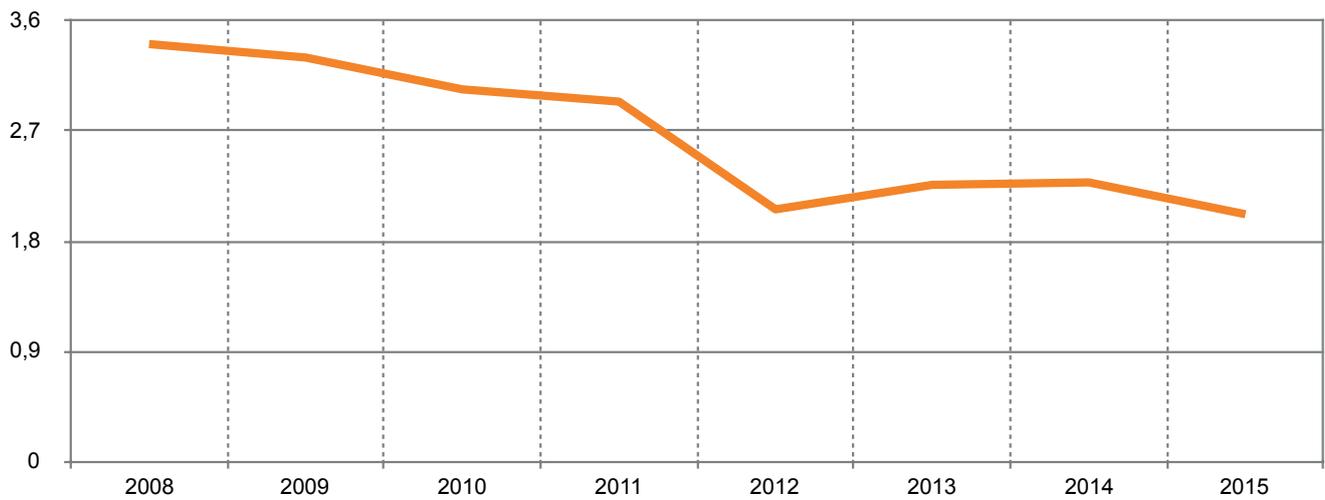


Note: Unweighted averages. In Panel A, France and Norway are excluded due to high incidence of non-response in data (more than 30%); data for Germany and Slovenia have 18% and 7% missing values respectively and data refer to 2010 for Portugal. Source: OECD calculations based on EU Labour Force Survey.

⁸ Integrated support for the long-term unemployed.

A closer inspection of the data for Spain indicates that the role of the PES has come under additional pressure during the crisis. During the period 2008–2012 the involvement of the PES in job intermediation fell by 1.5pp from an initial level of 3.5% to a current level of 2% (see Figure 9). At the regional level (Table A1 in the Annex) we observe some dispersion in the percentage of jobs that were found with the help of the PES, with a slightly more prominent position of the PES in sparsely populated regions, but in all of the regions we observe a drop in this statistic during the crisis.

Figure 9. Involvement of the PES in finding the present job (% of total)

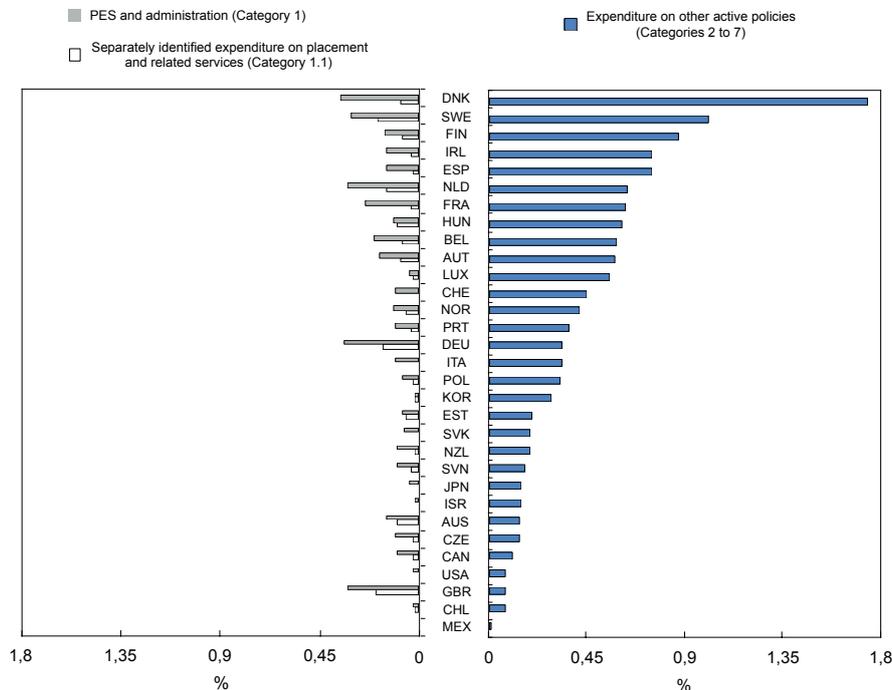


Source: Own elaboration using micro data from the yearly subsample of the Spanish Labour Force Survey.

3.2 LOW EXPENDITURE ON PES SERVICES AND ALMP MEASURES

The marginal role of the Spanish PES in labour market intermediation and its diminishing importance in recent years is likely to be related to the low level of funding of the PES and, in particular, the comparatively low expenditure on placement and related services. This feature is highlighted in Figure 8 which offers a decomposition of the expenditure on active labour market programs using the latest available data (2011 in the case of Spain).

Figure 10. Expenditure on active labour market programmes in OECD countries, 2012



Note: Data refer to 2010 for the United Kingdom; data refer to 2011 for Australia, Ireland, Israel, Luxembourg, Poland and Spain.

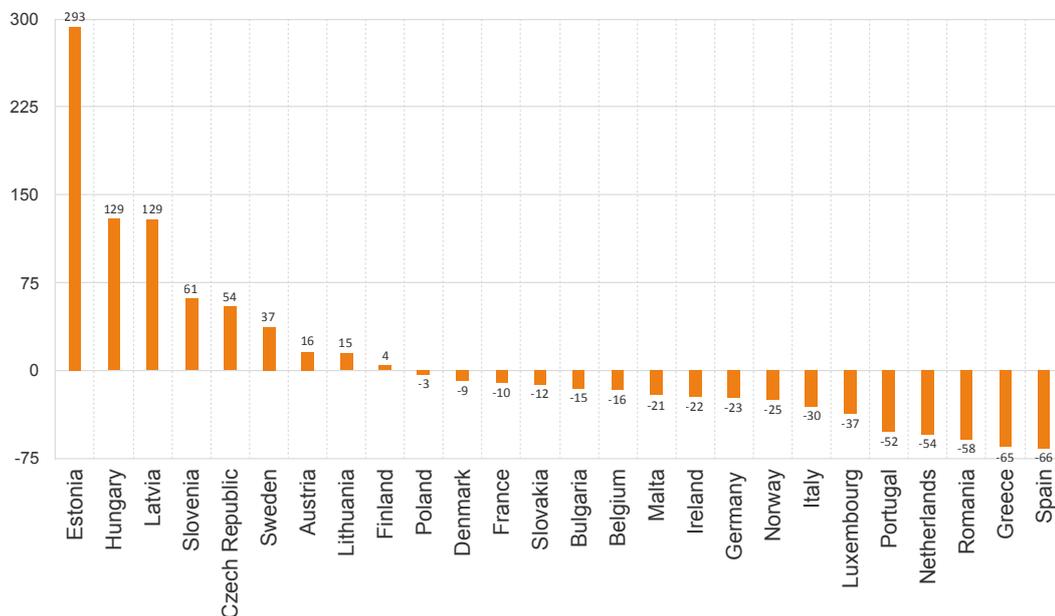
Source: OECD (2013), "Labour market programmes: expenditure and participants", OECD Employment and Labour Market Statistics (database). DOI: <http://dx.doi.org/10.1787/data-00312-en>

Inspection of the table reveals that Spain's expenditure on placement and related services provided by the PES amounted to 0.03% of GDP, compared to 0.15% in the Netherlands or 0.17% in Germany. By contrast, as far as total expenditure on all other active labour market policies and services is concerned (right-hand panel of Figure 10), Spain occupied the fifth position among the member states of the OECD, well ahead of Germany and one position ahead of the Netherlands.

However, once again these numbers have to be interpreted with caution because the number of unemployed and non-employed persons willing to work experienced a strong growth during the second recession while the budget for ALMP measures suffered strong cuts in 2012 and 2013. Indeed, according to the official statistics of Eurostat⁹, total expenditure on ALMP measures fell from a level of 7.4 billion euros in 2011 (0.75% of GDP) to 4.3 billion euros in 2013 and this drop has only been partially reversed in recent years.

A direct consequence of the rise in the number of (potential) participants and the cut in expenditure is a steep drop in expenditure per participant in ALMP measures and the same is true if we consider the expenditure per person willing to work¹⁰. The latter is shown in Figure 11. In six years' time, total spending per person willing to work dropped by almost 66% from a level of 1.762 euros per person and year in 2008 to a level of 602 euros in 2013. In percentage terms this is the largest drop in ALMP measures per person willing to work among all the EU countries for which data is available.

Figure 11. Change in expenditure on ALMP (cat. 2-7) per person wanting to work (in PPS) between 2008 and 2013



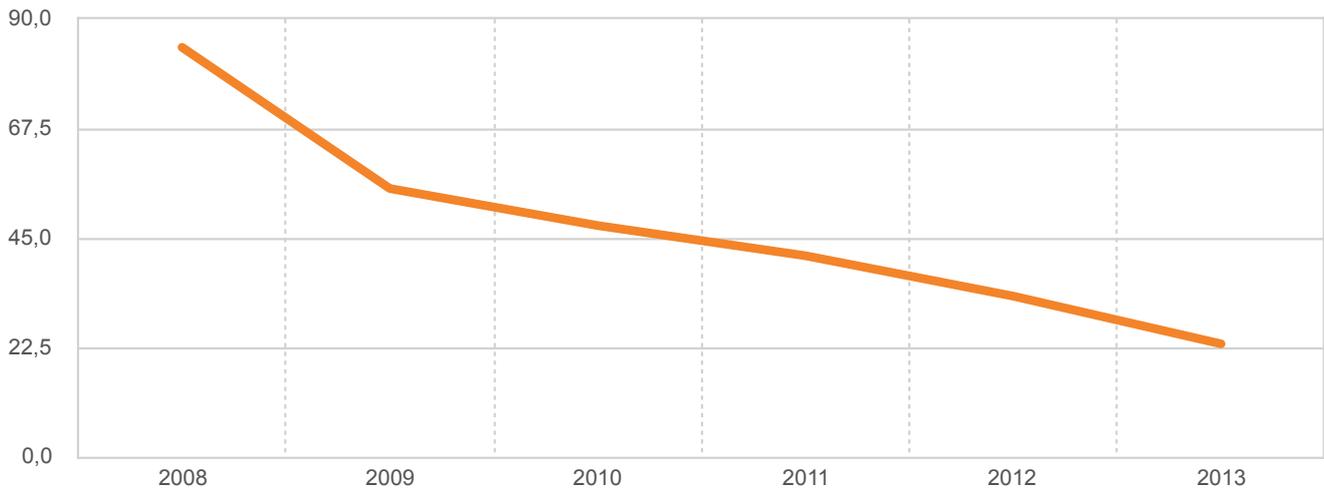
Source: Eurostat labour market policy database (code: limp_ind_exp). The data are in measures in purchasing power standard which is an artificial currency unit to control for price differences across countries. The pps data is obtained by dividing the macroeconomic aggregates of a country measured in the domestic currency by its purchasing power parity.

⁹ http://appsso.eurostat.ec.europa.eu/nui/show.do?dataset=limp_expme_es&lang=en

¹⁰ Willingness to work is assumed if an individual explicitly states that he or she is willing to work. Besides the unemployed, either registered or not, this includes discouraged workers who are willing to work but do not actively search for a job.

In parallel, we also observe a steep drop in the share of participants in ALMP, measured as a percentage of the non-employed who are willing to work¹¹. While over 80% of those wanting to work benefitted from at least one ALMP measure in 2008, by 2013 this number had fallen to slightly over 20%. Once again we do not have comparable figures for the period 2014-2016, but below we will present detailed information on ALMP measures from the database of the Spanish PES that deliver similar figures for 2015.

Figure 12. ALMP participants per 100 persons wanting to work



Source: Eurostat labour market policy database (limp_ind_actsup).

Finally, over the last few years we also observe pronounced shifts in the composition of the expenditure on ALMP. Traditionally, Spain used to spend a comparatively large fraction of its total funding of ALMP measures on hiring incentives and relatively little on training measures. In 2008, the economic incentives for employment in the private sector amounted to 0.23% of GDP which is equivalent to more than one-third of total expenditure on ALMP. Economic research indicates that hiring incentives for ample groups of workers tend to yield inefficient outcomes. Poorly targeted hiring subsidies tend to produce substantial deadweight losses and at the same time they may produce undesirable substitution effects (e.g. García-Pérez and Rebollo, 2009). Motivated by these findings, the use of hiring incentives was rationalised substantially between 2011 and 2013: during this time period the expenditure on this type of economic incentives was reduced to 0.07% of GDP or one-sixth of total expenditure on ALMP measures in that year. However, once again we observe a reversal of the tendencies in recent years due to the introduction of large-

¹¹ Comparable data for the member states of the OECD is presented in Table AX in the Annex.

scale social security rebates for hires on permanent contracts.

The second budget item that suffered severe cuts in recent years is the funding for training programs. During the period between 2011 and 2013 public funding for training fell from 0.19% of GDP in 2011 to 0.12% of GDP in 2013. This figure is somewhat higher than the OECD average (0.14%) but once we correct for the number of persons willing to work, Spain falls to the bottom positions in the OECD.

3.3 A LIMITED CAPACITY OF THE PES TO OFFER INDIVIDUALISED ATTENTION

So far we have highlighted the low expenditure on PES services, the fall in total expenditure on ALMP measures per person willing to work and the minimal role of the Spanish PES in job-brokerage. A last aspect that we wish to highlight before we turn our attention to more institutional aspects is the limited capacity of the Spanish PES to offer individualised attention to its clients.

The quality of the services provided by the PES depends critically on the ability of caseworkers to make a proper diagnosis of the situation of each unemployed person and to refer him or her to the right type of service or ALMP measure if this is deemed to improve this person's chances of employment. This type of individualised attention would show up in the data in the form of different patterns for the timing, duration and type of services depending on the personal characteristics and the employment histories of job seekers. As it turns out, in the case of the Spanish PES it is difficult to discern such systematic patterns and whenever a pattern exists, it appears to be the outcome of routine referral decisions rather than of an in-depth analysis of job seekers' needs.

To analyse the extent to which individualised attention is provided, we analyse administrative data compiled by the national PES on the basis of the information provided by the regional PES. The original dataset contains information on the universe of services and ALMP measures to all registered job seekers in Spain. Here we use data for a representative sample of 500,000 individuals who appear in the data as registered unemployed in January of 2015 and we register the services that these persons received during a three-month period (January-March). For

convenience the services are grouped in nine categories¹². In particular, we distinguish between six categories of labour market-oriented services and three types of ALMP measures: training, employment incentives and start-up incentives¹³.

To simplify the analysis we only consider three levels of education (low, medium and high) and three intervals for unemployment duration (0-1 years, 1-2 years, more than two years). This creates a total of 9 profiles. Moreover, we repeat the same exercise for the cohort of unemployed who are older than 45. This allows us to determine to what degree the services of the PES are age-related.

Participation rates

The results are reported in Tables A2-A5 in the Annex. The first table reports participation rates in each of the nine services for the full sample of workers of all ages. Since one and the same person may receive more than one service, we also report the percentage of treated individuals who receive at least one service in the bottom row of the table. A first noteworthy feature is that the participation rates are monotonically increasing in the educational attainment of the participants for six out of nine services and measures. This pattern is observed for all three durations and includes the case of training. The data do not allow us to distinguish whether the services are offered on the initiative of the caseworker or whether it is the job seeker who solicited them, but it is somewhat surprising that the low-educated unemployed do not participate more frequently in any of the ALMP measures.

Next, comparing across different durations, we find little variation in participation rates. Services like professional orientation and assistance in the preparation of CV's are offered somewhat more frequently in the first year rather than in later years, while the opposite is true for more intensive and personalised services like the preparation of an Individual Action Plan or the assignment of a personal tutor. One might expect that the preparation of individual action plans would lead to more frequent referrals to ALMP measures, but this presumption does not seem to be supported by the data. A striking case at hand is the participation rates for training. Less than one percent of the low-educated unemployed were engaged in a training program of the PES and in the case of the very

¹² Our sampling procedure is restricted to the services with a common nation-wide code. The services that appear with a region-specific code are excluded due to a lack of information on their true content.

¹³ Ideally we would also like to report data on social security rebates but unfortunately we do not have access to these data.

long-term unemployed this number drops to 0.29% while 6.23% of these persons were assigned to a tutor¹⁴.

So far, we have only looked at the participation rates for individual services and programs, but it is also interesting to look at overall participation rates. Inspection of the bottom row of table A2 indicates that no more than one out of six persons in our sample received some service during the first quarter of 2015, and in the case of the least educated this ratio drops to one out of eight persons. Further analysis of the data (not reported here) indicates that the average number of months between the moment of registration and the first service is around 9.5 months with no more than a few days of difference between the persons with low, medium and high levels of education. Similarly, slightly more than one-third of all job seekers have already fallen into long-term unemployment when they receive their first service. And once again these shares are virtually identical for all three levels of education. Overall these numbers indicate that activation takes place rather late and that for most groups of workers the intensity of the assistance that is provided is low. For the purpose of this report, these numbers are important as they suggest that the PES undertakes very little action to achieve a durable improvement in the employability of disadvantaged groups. But late activation also has other negative implications that need to be taken into consideration in an overall assessment of the Spanish PES. The most important one is the observed delay in the moment at which persons with benefit entitlements exit unemployment. Recent research by Bentolila et al. (2015) indicates that unemployed workers who receive benefits exit unemployment at a substantially lower rate than similar workers without benefits, and the exit rates of the former tend to increase towards the end of the benefit entitlement period. These findings clearly suggest that early activation of the unemployed who are ready for a return to the labour market could yield important savings in outlays on benefits.

Let us now turn to a comparison between the participation rates for the full sample and the subsample of unemployed persons above the age of 45. Given the comparatively low job finding probabilities of the older unemployed one would expect this group to be one of the target groups of the PES, with higher participation rates and possibly

¹⁴ In the Table we only report participation rates for individual services. Hence, it could be the case that the participants in training programs previously participated in the preparation of an individual action plan with the help of a tutor. But even if this were the case at most one out of twenty low-educated unemployed would be referred to a training program by his or her tutor beyond the second year of unemployment.

also more intensive services. Yet, the data reported in table A3 indicate that the opposite is true. If anything, the older unemployed participate in fewer labour market services and ALMP measures than the average unemployed person with the same level of education and the same duration. Indeed beyond the second year of unemployment only one out of ten of the low-educated and one out of eight of the high-educated persons in this age group participated in any activity during the first quarter of 2015..

The duration of activation measures

Finally, a last dimension of interest is the duration of the services provided by the PES. Along this dimension the results are more comforting, at least when we consider the entire sample. As shown in Table A4, when we consider job seekers of all ages we find that the duration of the services is inversely related to education independently of duration, with the only exception of the case of start-up incentives where duration tends to increase with education. Similarly, persons who have spent more time in unemployment also seem to receive uninterrupted assistance for longer periods. But in this case the numbers have to be interpreted with caution. Since job finding probabilities are decreasing in duration, the short-term unemployed may be somewhat more likely to interrupt a particular service than the long-term or very-long-term unemployed.

The above numbers suggest that the lower participation rates of low-educated job seekers are compensated to some extent by the fact that they tend to receive services that last somewhat longer. Yet, this pattern is much less clear when we restrict attention to the unemployed above 45 years of age. For this group it is still true that the average duration of almost all services increases when they enter the second year of unemployment, but there is no further increase beyond the second year. And what is more important, making a cell-wise comparison between the durations of the services offered to older workers and to job seekers of all ages, we find that the ones offered to older job seekers last less than the services provided to the average job seeker with the same level of education and the same spell length. Hence, despite the fact that the older LTU are a priority group with privileged access to unemployment subsidy programmes with mandatory activation measures, we find that these job seekers participate in fewer programmes than similar younger job seekers and that their services are also of a shorter duration.

4 How to deliver integrated support to the long-term unemployed?

In recent years, policy makers throughout Europe have become increasingly concerned about the persistence of high levels of long-term unemployment in the aftermath of the crisis. This has motivated a series of policy reports with recommendations on how to deliver integrated support to the long-term unemployed (e.g. European Commission 2014, 2015b,c). The general consensus is that effective and sustained support for the long-term unemployed involves three dimensions:

- A well-designed system of benefits and social services that provides income support conditional on active search or participation in activation;
- Close coordination between all relevant authorities such as public employment services, benefit agencies and social service agencies;
- A capacity to offer individualised support tailored to the individual's needs;

In the previous section we already offered descriptive evidence on two of these aspects. In this section the focus is shifted to institutional aspects. For Spain, the available studies identify comparatively strong weaknesses on all three scores (e.g. European Commission, 2015c). Below we review the main gaps, starting with the difficult access to income support.

4.1 THE FRAGMENTED BENEFIT SYSTEM

In Section 2.3 we already stressed the low coverage rates of Spain's benefit system, but it is useful to briefly analyse its fragmented and multi-layered structure. The coexistence of several permanent and temporary benefit programs that are administered by different administrations creates coordination problems and undesirable interruptions in the attention to the long-term unemployed.

As in most other European countries, Spain's benefit system is composed of contribution-based unemployment benefits and means-

Spain currently has three subsidy programmes for the long-term unemployed who have exhausted their entitlements to unemployment benefits or subsidies. The “Renta Activa de Inserción” (RAI) is a permanent subsidy program for LTU older than 45 years of age. By contrast, PREPARA (and its predecessor PRODI) and the “Programa de Activación para el Empleo” (PAE) are temporary programs. PREPARA was introduced to offer support to long-term unemployed persons of all ages and to unemployed persons with family responsibilities. Programs of this type exist since 2011, while the PAE was introduced in december of 2014. The entitlement to benefits under the latter program is restricted to LTU who have previously benefitted from one of the other subsidy programmes. This feature illustrated the multilayered structure of the subsidy programmes.

All three subsidy programs are means-tested at the household level and offer income support conditional on activation. The criteria for eligibility have been tightened considerably over the years, but at the same time the government has relaxed the rules for the compatibility of the subsidy with paid employment. Moreover, the beneficiaries of the PAE are assigned to a personal tutor. This is a clear improvement upon its predecessors but it remains to be seen if this has resulted in a significant improvement in the job finding probability of the participants.

Unemployed workers who satisfy the eligibility conditions of the PAE can apply for a subsidy until April 2017. By contrast, under the existing rules the PREPARA programme will be renewed automatically as long as the unemployment rate lies above 18%. Given the current trends, this means that a future renewal will require a change in this threshold.

tested unemployment subsidies and social assistance payments. The former are managed by the national PES while the social assistance benefits are financed by the regions. During the initial stages of the crisis this system offered a satisfactory level of protection with benefit coverage rates reaching a record level of approximately 75% at the end of 2009 (Conde-Ruiz and Marra, 2015). But as long-term unemployment started to build up, more and more unemployed persons exhausted their right to benefits. To alleviate this situation, the national authorities introduced three consecutive subsidy programmes to provide temporary assistance to the most vulnerable groups of long-term unemployed: the Renta Activa de Inserción, *PREPARA* and finally a third program called Programa

Main characteristics of the unemployment subsidy programmes for LTU

Eligibility criteria	Renta Activa de Inserción	PREPARA	Programa de Activación para el Empleo
Age	45-65 years	All cohorts	All cohorts
Duration of unemployment	At least 12 months	12 of the last 18 months	12 of the last 18 months
Duration of registration as unemployed	Idem	Idem	Idem
Having exhausted the right to a benefit or subsidy	Yes	Yes	RAI, PREPARA or PRODI 6 months earlier
Lack of income higher than 75% of the MW per person	Yes	Yes	Yes
Benefits			
Individual counseling	Yes	Yes	Yes
Tutor	No	No	Yes
Level of subsidy	80% IPREM (426€)	75% IPREM (399€)	75% IPREM (399€)
Max. duration (months)	11	6	6
Renewals	3 times	No	No
Obligations			
Active search for jobs	Yes	Yes	Yes
Participation in ALMPs	Yes	Yes	Yes
Acceptance of job offers	Yes	Yes	Yes
Compatibility			
Part-time employment	Yes	No	Yes (max. 5 months)
Full-time employment	No	No	Yes (max. 5 months)
Duration of subsidy programme	Unlimited	Temporary	No Temporary

de Activación para el Empleo (for further details see Box 1). All three programs include an explicit activation requirement and the participants of the third program are assigned to a personal tutor. This caseworker is charged with the task of drawing up an Individual Action Plan (*itinerario de inserción*)¹⁵ and monitors its implementation. Another novelty of this program is the compatibility between the unemployment subsidy and

¹⁵ Throughout this report we follow the terminology of the European Commission and we make a distinction between Individual Action Plans and Individual Integration Plans. The Individual Action Plans are prepared at an early stage of the unemployment spell for broad groups of benefit recipients, while the integration agreements refer to detailed agreements that are prepared as part of the intensified attention to groups of disadvantaged workers and that are typically prepared at a later stage of the unemployment spell and/or as part of a specific program that foresees intensified support for certain target groups.

paid work. In case the worker is hired at some point during the six month period of the program, the employer is allowed to deduct the full amount of the subsidy from the worker's salary. The subsidy therefore provides both income support to the unemployed person and an economic incentive for firms to hire the participants in this program.

While these are steps in the right direction there are still important unresolved issues. A first priority is to revise the eligibility criteria to make sure that the subsidy programs do not leave people unattended that are at risk of social and economic exclusion. Currently, the three programs establish very stringent entry conditions and only offer income support during a limited time period. In the case of the *Renta Activa de Inserción* the participants may requalify for support but this option only exists after one year and in the meantime the person may not be entitled to any other form of assistance. The other two subsidy programs are not renewable. Finally, anyone who is not entitled to support under these national schemes has to rely on social assistance subsidies (*Renta Mínima de Inserción*) which are administered and financed by the regions. The eligibility criteria and the amount of the social assistance subsidies vary considerably across regions.

The fragmented and multi-layered structure of the benefit system hinders the support to the long-term unemployed. To start with, the duration of the non-renewable benefit schemes is too short to implement complex Individual Action Plans that involve several consecutive steps to bring the unemployed person back to the labour market. Under the *Programa de Activación para el Empleo* the implementation of the integration plans may be scheduled to continue after the benefit period ends, but the loss of income support may weaken the motivation of the person. Moreover, some participants may leave the program to take up activities in the shadow economy while others may qualify for social assistance. In the latter case, the continuity of the planned activation measures can only be guaranteed if there are protocols that regulate the exchange of information and client transfers between the regional PES and the department in charge of social services or if the recipients of social assistance benefits are granted unlimited access to the placement services of the PES.

The risk of interruption of the integration plan has obvious negative effects on the employment prospects of the person involved, but the multi-layered structure of the benefit programs also poses a challenge

for the benefit administrations and may lead to cost-shifting between the various levels of the administration. Since the social assistance benefits are financed out of the regional budgets, the social services may have an incentive to place persons on public employment programs that do little to improve the person's employability but grant him or her access to centrally-financed unemployment benefits upon termination. Reversely, the national PES may have an incentive to focus its scarce resources on the unemployed with entitlements to unemployment benefits. These risks can only be avoided through close cooperation and coordination among the various levels of the administration.

4.2 HORIZONTAL AND VERTICAL COORDINATION

Assistance to the long-term unemployed typically involves a number of administrations and organisations. The previous section focused on the benefit administration, the public employment services and the social services. However, besides these public bodies the PES often work together with the social partners and training providers. Moreover, in recent years it has become common for the PES to outsource specific services and to refer job seekers to private placement agencies. Spain is no exception in this respect, although the use of outsourcing and public-private partnerships is somewhat more limited than in most other European countries.

In recent years, many European countries have undertaken reforms to strengthen coordination, both between the different levels of the administration (*vertical coordination*) and between the administrations that offer services to the same persons (*horizontal coordination*). To improve the degree of horizontal coordination the general tendency is to move towards a one-stop shop model. In this setup, job seekers are assigned to a single caseworker who deals with all relevant aspects of the assistance to the unemployed person, including benefits and activation measures. Similarly, to further strengthen the link between active and passive labour market policies some countries have merged the national benefit administration and the PES creating a new entity with full powers over benefits and PES services such as *Pôle Emploi* in France or *Intreo* in Ireland. Furthermore, Ireland decided to recentralise the control over its active labour market policies to make sure that the decisions over benefits and ALMP are taken at the same level of the administration. Italy is planning to take similar measures. For the moment, it has already created a national agency that is supposed to monitor and coordinate the implementation of the ALMP policies at the regional level.

Spain faces similar challenges as Italy and Ireland as the competences over active labour market policies have been transferred to the regions while the benefit system is administered by the national PES. A reform that would eliminate this division of responsibilities is not being considered in Spain. Instead the authorities are undertaking efforts to improve the coordination between the national and regional PES. Both administrations share a common information system (SISPE) and the priorities in the area of ALMP are negotiated by representatives of both levels of the PES within a body called the *Conferencia Sectoral* and laid down in annual action plans (*Plan Anual de Políticas de Empleo*) that also stipulate the regional distribution of the national budget. Since 2014 this allocation is partially based on performance indicators. The share of the budget that is allocated on the basis of these performance indicators will reach a maximum level of 70% in 2017. Finally, in an attempt to guarantee that job seekers throughout Spain have access to services of comparable quality, the representatives of the national and regional PES have agreed on a basket of services that need to be provided by all regional PES (*Cartera Común de Servicios del Sistema Nacional de Empleo*) and a series of protocols for the delivery of these services that are intended to safeguard quality. Importantly, within the boundaries of the annual plan the regions are free to choose their own priorities and instruments and to top up the national funding of ALMP measures with additional resources from the regional budget. In other words, the regions are given room to adapt the policies to local needs and the system includes a limited degree of fiscal co-responsibility : the regions that wish to offer more or better services can do so but these additional services have to be paid out of the regional budget.

Once again these are all useful steps in the right direction, but further fine-tuning of the performance indicators and the protocols is required. Many of the current indicators measure inputs rather than outputs and, given the tight fiscal limits some regions face, they may be more concerned about the possibility to secure funding through the choice of easy-to-place groups or low-intensity services that can be offered to many people at little cost, rather than concentrating their efforts on the large group of difficult-to-place, long-term unemployed. Indeed, in the *Plan Anual de Políticas de Empleo* for 2015 there are almost no programs that are targeted at the long-term unemployed beyond the programs that are promoted and funded by the national PES. Moreover, the protocols regulate many formal aspects of the attention to the unemployed, but they do not contain binding commitments on issues such as caseloads, client satisfaction, or placements etc., that would help safeguard the quality of the services.

Overall, increased coordination between the different levels of the administration remains a priority in order to develop a national strategy to address the problem of long-term unemployment that involves mutually reinforcing actions of the different administrations. In particular, the focus has to shift from developing procedures to overcome potential conflicts of interest between the national and regional PES to reforms that would make the PES a more client-oriented organisation with a service level that is comparable to the PES in other countries.

As regards the degree of horizontal coordination, expert opinion tends to be more benign. The unemployed in Spain still have to register as job seekers with the regional PES before they can apply for benefits at the office of the national PES. But the two administrations are mostly located side-by-side or in the same building and representatives of both administrations tend to meet regularly at the local, provincial and regional level. Similarly, in many regions there exist protocols for automatic referrals of persons on social assistance to the regional PES for activation measures. Nevertheless, there is only one region — the Basque country — that has transferred the management of the social assistance subsidy to the regional PES (see Box 2 for details).

Regional governments throughout Spain should consider following the Basque example as the transfer of the social assistance benefits to the PES seems to facilitate the transition from benefits to paid employment. Moreover, while the creation of formal one-stop shop models seems unfeasible due to the division of responsibility over benefits and ALMP policies, there is ample scope to improve coordination at the local level. An interesting option would be the creation of regional centres with representatives from all the institutions that offer services to the unemployed along the lines of the *Werkpleinen* of the Dutch PES or the recently created *Activation Centres* in Germany. This would facilitate the creation of case teams to deal with specific groups of benefit claimants who need sustained support from various institutions.

BOX 2**SOCIAL ASSISTANCE PAYMENTS
IN THE BASQUE COUNTRY**

The Renta de Garantía de Ingresos (RGI) was introduced in 1989. Originally, the RGI was jointly managed by the social services and the public employment services of the Basque Country (Lanbide), but in 2011 the entire responsibilities were handed over to Lanbide.

The objective of the reform, the only one of its kind in Spain, was to improve the management of the social assistance payments by integrating the responsibilities over benefits and labour-market oriented services and ALMP measures, with the aim to foster the activation and labour market integration of the social welfare recipients.

An interesting feature of the regulation of the RGI is the strong activation clause that is extended to all household members who are able to work. A recent study of Gorjón and De la Rica (2016) uses data for 2015 to analyse how the entitlement to the RGI and the associated activation requirement affect the job finding probabilities of the able-to-work. In doing so, the study controls for the fact that there are substantial differences in the characteristics of the unemployed RGI-recipients and the rest of the unemployed that serve as a control group. Almost 60% of the unemployed RGI-recipients have no secondary education and the majority (52.2%) are very long-term unemployed with spells longer than two years. The corresponding figures for the rest of the unemployed are, respectively, 32.9% and 26.7%.

The study of Gorjón and De la Rica (2016) contains several interesting results. First, despite mandatory participation in activation only one third of the beneficiaries participate in some form of activation measure. Second, the average monthly job finding rate of the unemployed RGI-recipients (3%) is three times lower than the job finding rate of the rest of the unemployed (9%), but the difference disappears once the authors control for the differences in the characteristics of the unemployed in both groups using inverse probability weighting. Hence, the receipt of the RGI does not delay the return to employment. This is good news as the Basque Country gained full control over their ALMPs only months before it transferred the management of the RGI to Lanbide. Finally, the authors find a positive impact of all activation measures, but there seems to be scope for improvements. Training is shown to double the job finding probability, but only 2% of the RGI-recipients participated in a training program during the sample period.

4.3 THE PLANNING, DESIGN AND IMPLEMENTATION OF INDIVIDUAL ACTION PLANS

The third aspect of integrated support to the long-term unemployed is the system's capacity to offer individualised support that is tailored to each person's needs. This is the true "Achilles heel" of the Spanish PES.

Indeed, the European Commission has repeatedly raised concerns about the slow progress of the reforms in this area and the limited capacity of the Spanish PES to offer individualised support (European Commission, COM(2016) 329 final). The limited degree of individualised support is commonly attributed to the comparatively high case workload of the staff of the Spanish PES (e.g. European Commission, 2015c). But a review of the practices of PES throughout Europe reveals that are several other fundamental issues that also deserve attention. Two of the main issues are the lack of modern profiling tools and a coherent activation strategy that structures service delivery by the PES. Profiling tools serve to measure the distance of an unemployed person to the labour market and, in particular, the probability that a specific unemployed worker may end up in a situation of long-term unemployment. Profiling tools are a prerequisite for the development of targeted or personalised services, while the activation strategy should clarify the course of action of the PES by stating who is supposed to receive support, of what type, at what moment during the spell and, last but not least, from whom.

The use of profiling techniques is common throughout Europe and their implementation is a necessary first step in the modernisation of the Spanish PES. Currently, the PES basically conditions its services on personal characteristics as age and duration leaving ample scope for discretionary decisions by caseworkers¹⁶. But in Section 3.3 we saw that this procedure leads to rather late and routine referrals to standard services and programs. By contrast, the use of profiling tools would allow the PES to split their clients in various groups and to offer tailored support from the very start of each person's unemployment spell based on the predictions about his or her job finding probability.

In an attempt to stimulate the use of such profiling tools, researchers from Fedea are currently developing what is known as a statistical

¹⁶ The only exception is Cataluña. The public employment services (Servei d'Ocupació de Catalunya) in this region developed its own profiling tool that ranks unemployed persons on the basis of a rich set of personal characteristics. However, the relative weights of each of these personal characteristics is determined ad hoc and is not based on statistical analysis.

BOX 3**THE DESIGN OF A STATISTICAL PROFILING TOOL FOR SPAIN**

The term profiling refers to the classification of unemployed workers in different groups that share a number of common characteristics. The classification serves to offer the unemployed services that match their needs. In the case of statistical profiling tools the classification is based on the outcome of economic models that measure either a particular risk, such as the probability that a person ends up in long-term unemployment, or that provide an indicator of a person's employability.

Many statistical profiling tools use logistic models to estimate the probability that an unemployed job seeker ends up in long-term unemployment. The tool developed by the researchers of Fedea is more advanced. The basic probability model is very similar to the existing profiling tools since it evaluates the probability that any unemployed person will find a job before X months. This indicator of the person's employability is estimated using exhaustive information about personal characteristics, competencies acquired in previous jobs and information about the state of the labour market. On the basis of the estimation results, the unemployed job seekers are classified in four groups depending on their chances to find a job within 3, 6 or 12 months. The data that is used for the estimations is obtained from the Spanish PES. It contains detailed information on the characteristics of registered job seekers and their working histories, including any contract signed until late 2015.

This basic profiling exercise provides a first indication of the employability of a person. Once the design of the profiling tool is completed, this basic profile will be complemented by a second and more detailed profiling stage that combines detailed information about the job seeker's competences and soft skills obtained in structured interviews and complementary information about employers' demand.

The advantage of the statistical profiling tools is that the empirical model can be used to simulate the impact of different labour-market oriented services and standard ALMP measures on a person's employability. The profiling tool can be used to identify the occupations that offer the best employment prospects or to estimate the marginal impact of orientation, training, or work experience on a person's job finding probabilities. This output is extremely helpful in the design of personal action plans. Moreover, in the future the profiling tool can be used to evaluate the impact of different (combinations of) ALMP measures.

The appropriate use of statistical profiling tool therefore give rise to significant improvements in both the efficacy and the efficiency of Spain ALMPs. However, to achieve these gains, the regions should adapt the profiling tool to their local labour market and the model has to be re-estimated periodically in order to guarantee a high level of accuracy and predictive power.

profiling tool (for details, see Box 3). This tool uses the information that is stored in the information system of the PES to obtain estimates of the probability that workers are able to find employment within the next three to twelve months. Moreover, using longitudinal data on the working histories of a large sample of persons who recently registered as unemployed and their participation in activation measures, the same tool is also able to provide estimates of the relative effectiveness of some of the available services for specific types of job seekers.

Both types of information would allow the caseworkers of the PES to make a much more informed assessment of the employment prospects of each person and the appropriate course of action to bring him or her back to work. This is especially true if the objective information about education, skills and experience is combined with further information on issues such as the person's motivation, non-cognitive skills and preferred occupations. This additional information can either be obtained during the take-in or follow-up interviews but may be also be collected with the help of online tools.

In sum, profiling tools can help improve the quality of the initial diagnosis and it should be expected that this fosters the design of more effective individual action plans. Furthermore, the use of profiling tools also allows a more systematic and efficient use of the resources of the PES. The beta-version of the statistical profiling tool for Spain divides job seekers into four different categories. For each of these four categories, the PES can help identify the most cost-efficient services that caseworkers are allowed to offer. Furthermore, the PES could differentiate the frequency of follow-up meetings and the outcome of the profiling procedure could even serve as the basis for referrals to private placement agencies. However, it is important to stress that the implementation of profiling tools is by no means a substitute for the necessary investment in the recruitment and training of job coaches. Especially in the case of the long-term unemployed, it is crucial that the person should be assigned to an experienced counsellor with the capacity to motivate the person and to design a feasible plan that may lead to a job. Indeed, intensive support by experienced job coaches with a reduced caseload is the key element of the proposals that we will lay out in the next section.

This brings us to the issue of the implementation and enforcement of individual action plans. For the development of individual action plans to make sense, they have to take the form of a written agreement that clearly stipulates the rights and obligations of the unemployed person. Moreover, the caseworker and the unemployed person should meet on a regular basis to evaluate its progress and the caseworker should have the power to impose sanctions if the unemployed workers fail to comply with the agreement. Some elements of this mutual obligations approach already exist in Spain. The unemployed sign an activation commitment (*compromiso de activación*) and search activities are monitored by the PES. By contrast, individual action plans mostly seem to be informal agreements, which makes their enforcement almost impossible. To remedy this problem, the stated objectives, the agreed actions and the time frame of the action plan should all be made explicit and written down in a formal agreement that is part of the person's file and that is accessible to other caseworkers in case the person re-enters unemployment again at a later stage.

A useful reference in this respect is the so-called "4-phase model"¹⁷ that is in place in co-operating job centres in Germany. These centres are jointly run by the municipality and the local branch of the PES and offer services to those who are entitled to means-tested unemployment subsidies (UB2)¹⁸. This model demands that counselling and service provision to each and every able-to-work person in need is organised as follows: (1) assessment of employment potential (profiling) (2) choice of target occupation (3) choice of individual integration strategy, including the signing of an IAP (4) follow-up of the integration strategy.

All job centres provide a standard service bundle for all of their job seeking clients who receive means-tested unemployment subsidies (UB2). The latter involves the assignment to a personal contact person, access to the full range of standard ALMP measures subject to discretionary approval by the caseworker and regular follow-up interviews with a contact interval of between three and six months. Moreover, this standard bundle is typically provided with caseloads of between 1:150 and 1:200 for UB2-recipients above 25 years. Moreover, in recent years several pilot projects were launched to evaluate the benefits of intensified

¹⁷ The complete name of this model is the 4-phase model of an individual integration approach.

¹⁸ The UB2 subsidy system replaced the systems of unemployment subsidies and social assistance subsidies that existed before the Hartz reforms. The vast majority of UB2-recipients are long-term unemployed persons but also employed workers with low wages may be entitled to an income transfer under this benefit scheme..

counselling with reduced caseloads (up to 1:100) and shorter contact intervals of four weeks. The positive experience with this so-called “Berlin Job-Offensive” and a similar program for older LTU has motivated the recent changes in Germany’s strategy to fight long-term unemployment. This brings us to the next question: What policies and ALMP measures actually contribute to the reinsertion of the LTU?

5 Empirical support for the provision of integrated support to the long-term unemployed

In this section we review the available empirical evidence on the costs and benefits of intensive support for long-term job seekers. We will include a brief review of the available evidence on the causal impact of individual ALMP measures, but our main interest is in the gains from the introduction of an integrated system of support to the long-term unemployed¹⁹. Our review of the evidence tries to quantify the impact of intensive counselling on the job finding rates of hard-to-place or long-term unemployed job seekers and also addresses the issue of the relative efficiency of public and private employment agencies in the provision of intensive support to the long-term unemployed.

5.1 THE GAINS FROM IMPROVED COORDINATION OR INSTITUTIONAL INTEGRATION

In recent years, Spain has undertaken considerable efforts to improve the co-ordination between the national and the regional PES and at the regional levels some regions have improved the coordination between the PES and the social services. The available evidence suggest that intensified cooperation and, in particular, institutional integration tends to be both effective and cost-efficient. However, this evidence refers to ambitious institutional reforms that culminated in the creation of one-stop shops and in the case of the UK in the merger of the PES and the benefit administration.

For Germany there is abundant evidence that close cooperation between local labour offices and the municipalities produced gains in

¹⁹ Our review of the evidence on the provision of integrated support draws on a report prepared by Csillag and Fertig for the European Commission (European Commission, 2015a). This study contains an exhaustive list of references to formal evaluation studies. Here we restrict ourselves to a summary of the main findings.

terms of higher employment rates and larger outflow rates from social and unemployment subsidies. Before the introduction of the Hartz-reforms, Germany performed a large scale pilot project (called MoZArT) to evaluate the gains from different levels of cooperation that ranged from the creation of one-stop shops to loose, case-based cooperation between the local labour offices and the municipalities. The findings indicated that the creation of one-stop shops improved the sustainable integration (seven months or more) of workers into the primary labour market by as much as 14%, generating cost-savings of 640 to 840 euros per benefit recipient. By contrast, looser forms of cooperation either produced smaller and sometimes even negative results (Infas, 2004).

The positive experiences with the MoZArT project motivated the introduction of the UB2 benefit system: a single subsidy scheme that is either managed by a municipal job center or a co-operative job center that is jointly run by the municipality and the local labour office. Under the first system the provision of labour-market oriented services is handed over to the municipalities. In contrast, in the case of the co-operative job centres the municipalities and the local labour offices created a new legal entity, called ARGE, with representatives from both institutions. A formal evaluation study indicates that the co-operative job centres performed better than municipal job centres, with with 2 to 4 pp higher reemployment rates in the primary labour market and overall cost savings of approximately 660€ per participant. A tentative conclusion from this second evaluation exercise points to the importance of preserving the existing institutional knowledge and experience in any attempt to streamline service provision to the long-term unemployed.

A second example of the introduction of an integrated institutional arrangement for the delivery of labour market oriented services and benefit payments, this time for all working-age individuals, is the creation of Jobcentre Plus in the UK. Jobcentre Plus resulted from the merger of the Employment Service and the Benefit Agency. A formal evaluation study that exploits the incremental implementation of this new institutional arrangement indicates that the integrated delivery of benefits and labour-market oriented services generated a persistent increase of 3 to 4% in the quarterly outflow rates from benefits (the so-called Job Seeker Allowance) to jobs. Moreover, according to the evaluation study of the Department of Work and Pensions the new system is cost efficient over a fifteen year horizon (Riley, Bewly, Kirby Rincon-Aznar and Goerge, 2012).

The above evidence suggests that there is still considerable scope for gains from further institutional reform in Spain. However, it is important to bear in mind that the above-mentioned institutional reforms were accompanied by further reforms to improve the efficiency of the PES and to strengthen their role as job brokers. Furthermore, the institutional reforms were complementary to fundamental changes in the welfare-to-work policies that were introduced previously in both countries. In practice it is therefore difficult to isolate the independent effects of stronger cooperation or integration²⁰.

5.2 THE COSTS AND BENEFITS OF INTENSIVE SUPPORT TO THE LONG-TERM UNEMPLOYED

An interesting aspect of the survey of Csillag and Fertig (2015) is their attempt to gauge the costs and benefits of the provision of the standard bundle of labour market oriented services that is currently offered to UB2 beneficiaries in Germany. This issue is relevant for our purposes because the European Commission urges Member States to adopt a similar standard of support. In line with this recommendation, the recently approved *Programa de Acción Conjunta para Desempleados de Larga Duración* envisages the provision of a similar package of services to a total of 1 million long-term unemployed over the next three years.

From the outset it is important to stress that the provision of this standard bundle of services requires a substantial investment in the recruitment and training of job coaches. Moreover, the operating costs are also substantially higher than under the prevailing service level of the Spanish PES because the standard bundle includes new features such as profiling and other services such as the preparation of an IAP and the assignment to a single contact person that are currently only offered to a small subset of the long-term unemployed.

For Germany, Csillag and Fertig (2015) estimate that the introduction of the service bundle for the persons entitled to UB2, which entailed a substantial upgrading of the previously existing services, can be considered to be cost efficient if 9 to 13% of the actual outflows out of benefits can be causally attributed to the improvement in the labour-

²⁰ Moreover, the available studies do not provide a clear indication of the exact channels that lead to better outcomes or lower costs. Closer cooperation or full institutional integration may facilitate the implementation of the most efficient decisions due to the internalisation of all the relevant costs and benefits; they may also strengthen the link between active and passive labour market policies and, last but not least, they may help to avoid costly duplications and improve the flow of information between caseworkers.

market oriented services. However, this estimate is nothing more than an approximation based on aggregate cost figures and outflow rates and their calculations do not include the additional taxes and social security contributions of those who leave the benefit system.²¹ Some evidence on the causal impact of the incremental move towards the provision of individualised services can be obtained from an evaluation of the modernisation of the Hungarian PES. In a pilot project 71 local labour offices adopted a new service model based on profiling and targeted referrals to ALMP measures. The findings suggest that the new service model led to a 6 to 10% rise in the transition rate from unemployment to employment in the primary labour market. Yet it has to be stressed that the introduction of the new service bundle was part of a wider package of measures that included investments to modernise local offices, a new system of quality control and the training of the PES staff (see European Commission 2015a for details).

The adoption of an accurate profiling system is a prerequisite for the provision of personalised assistance to job seekers. There is no experimental evidence about the gains from the adoption of a profiling system. Even in a randomised control trial it would be challenging to evaluate the benefits of such a system as profiling tools alter many crucial aspects of service delivery to the unemployed. Nonetheless, there is evidence that a pure caseworker allocation of unemployed workers to ALMP measures (the system currently in place in most Spanish regions) tends to perform no better than the purely random assignment of job seekers to ALMP measures and that the adoption of targeting systems can significantly increase the re-employment rates of the unemployed by assigning each type of unemployed to the most effective measures (Lechner and Smith (2007), Staghoj, Svarer and Rosholm (2010) and Huber, Lechner, Wunsch and Walter (2011)). The descriptive evidence presented in Section 3.3 indicate that improvements in the targeting of ALMP measures could also generate substantial gains in Spain, but we are not aware of any attempt to quantify these potential gains.

Next, there is compelling evidence that reduced case workloads and intensified counselling (within a well-structured system of individualised support) exert a positive impact on the re-employment opportunities of

²¹ Csillag and Fertig estimate the incremental administrative costs from the introduction of the UB2 system amounted to 590€ per participant. By comparison, the Programa de Acción Conjunta para los Desempleados de Larga Duración places 500 million euros at the disposal of the regions to assist a total of 1 million unemployed persons. This figure seems reasonable given the experience in Germany.

the unemployment. Over the last fifteen years Germany has performed many experiments to evaluate the effects of intensified counselling and reduced case workloads. A recent example is the so-called “Berlin Job-Offensive”²². This pilot project consisted of intensified counselling and guidance (with caseloads up to 1:100) and shorter contact intervals (max. four weeks) for a selected group of UB2-beneficiaries that were classified as being “near the market” based on systematic profiling. The evaluations of this program delivered three important findings: Intensified counselling not only improved the employment prospects of the target group on the primary labour market. It also reduced the probability of referral to standard ALMP measures. The higher contact frequency allows caseworkers to obtain a better understanding of the needs of their clients and this translates into tailor-made solutions rather than routine referrals to standard ALMP measures. Furthermore, the evaluation studies found no evidence of negative spill over effects on other, hard-to-place, UB2 recipients. The first two results confirm findings for earlier studies, both in Germany and in other countries such as Denmark. By contrast, the evidence on spill over effects is scarce, but a priori there is no reason to believe that intensified counselling support to selected groups of hard-to-place job seekers should produce adverse effects on the rest of the job seekers, unless this intensive support comes at the expense of a reduction in the service level that is offered to the rest of the job seekers.

5.3 PUBLIC OR PRIVATE PROVISION?

A related and extremely relevant question is who should deliver the intensive support to the long-term unemployed. Should the support be delivered in-house by specialised staff of the PES or is it more efficient to externalise these services to private employment agencies or specialised organisations from the third sector?

Private employment agencies play a prominent role in the provision of placement services to hard-to-place job seekers in countries like Australia, the Netherlands and the UK²³. In recent years their role has expanded throughout Europe and the Spanish PES has started to use the services

²² Earlier experiments include the Fair project, directed at long-term unemployed, and a pilot project named “1:70” that was directed exclusively at job seekers under the UB1 system. Both projects involved the recruitment of additional counsellors in a selected set of local labour offices. In both experiments this generated a significant increase in the re-employment rates, but the Fair project failed to be cost efficient because many job seekers fell back into the benefit system at later dates.

²³ In Australia job seekers only have access to services from private providers who compete on a so-called quasi-market. The Netherlands maintains its public employment services, but individual job seekers can choose their service provider, which may either be the Dutch PES or a private provider. Finally, in the UK job seekers are automatically referred to external service providers, mostly organisations from the third sector, after six months.

of private placement agencies. In particular, as part of a pilot project that started in 2015, almost 200,000 job seekers have been referred to private agencies (so-called *agencias de colocación*) including many long-term unemployed who receive an unemployment subsidy under the *PREPARA* program.

In most cases, the switch to private employment agencies is motivated by the perceived inefficiency of the PES and a lack of incentives to improve the quality of their services or to make a more efficient use of the available resources. Private employment agencies are subject to market discipline and thus perceive stronger economic incentives to place job seekers into employment than the PES. However, many aspects of the service provision of the private agencies are not (perfectly) observable to the PES and this creates well-known agency problems. Contracts with high-powered incentives that pay agencies exclusively for successful placements into employment (often for a minimum period of six months) may lead the private agencies to focus their effort on the best job seekers (“cream-skimming”). Similarly, contracts that rely on a high flat rate per job seeker to finance the fixed costs of the agencies may induce them to accept too many job seekers who are subsequently left unattended (“parking”). To deal with these problems, the PES often opt for a mixed payment structure. Moreover, the contracts may stipulate minimum service levels (meeting frequencies) and agency problems can be further mitigated through the design of quality control mechanisms.

So far there is no conclusive evidence that the private provision of support to the long-term unemployed delivers better outcomes than the in-house provision by staff members of the PES. On the contrary, according to the findings of two recent randomised experiments in France and Germany in-house delivery by the PES seems to provide better outcomes than outsourcing, at least in the short run. In the French experiment over 40,000 job seekers at risk of long-term unemployed were randomly assigned to three groups: a first group that received standard support from the PES with caseloads up to 1:120, a second group that received intensive support from special teams within the PES with a reduced caseload of 1:40 and a third group that received intensified support from private agencies under the same conditions, i.e. with a caseload of 1:40. Selected participants were allowed to refuse intensive counselling in which case they were reassigned to the control group that received standard treatment. A recent evaluation of the program (Behagel, Crépon and Gurgand, 2013) finds striking results. After controlling for

selective treatment rejections, the authors find that the public program increases the exit to employment by 10.2 pp after six months, compared to a baseline exit rate of 20%. By contrast, in the case of the private agencies the positive program impact is estimated to be 4.5 pp. The result confirms that intensified support improves the employment prospects of the long-term unemployed but the effect is much stronger for the public than for the private program.

The German experiment has a similar design, but in this case the participants are randomly assigned to two groups. A control group that received intensive support from private agencies and a treatment group that received intensive support from special teams within the PES. In both cases the maximum duration of the support is eight months and caseloads were set at 1:40. The evaluation of this randomised experiment (Krug and Stephan, 2013) shows that public provision reduces the accumulated time on unemployment by one to two months during the length of the program compared to the case of private provision. However, only a third of this difference in duration can be attributed to exits to employment and the differences tend to wither away over time. In other words, public provision does not seem to produce sustainable improvements in the insertion of the long-term unemployed in comparison to private provision. This result confirms earlier results from non-experimental research setups for Germany (see the discussion in Krug and Stephan, 2013).

Finally, it is worth mentioning that both studies point at flaws in the design of the contracts of the private providers that may have biased the results. More research is therefore needed to determine whether a better design of the contracts can tip the balance in favour of public service provision.²⁴

In the case of Spain the Spanish Ministry of Employment and Social Affairs has just published the first data on the performance of the *agencias de colocación*. The numbers indicate that the private agencies only attended a minority (43%) of the job seekers that were assigned to them and out of this group 9.8% was inserted into employment for at least 6 months. At first sight this seems an acceptable insertion rate as many of the job seekers had accumulated extremely long spells of

²⁴ A second factor that may have biased the results is the non-random selection of personnel in the PES. In both countries the PES was allowed to select its most experienced caseworkers to attend the participants in the experiment.

unemployment. However, the rates of insertion vary considerably across regions and without a rigorous evaluation it is impossible to draw any conclusion about the relative performance of the PES and the private placement agencies. Furthermore, the high percentage of unattended job seekers may be a reflection of cream-skimming on part of the private agencies. This would call for a correction of the payment structure or better procedures to guarantee the quality of the service delivery by the private agencies.

Nonetheless, despite the somewhat unfavourable evidence, there are sound arguments in favor of a more intensive use of subcontracting with external partners. First of all, in the future, both the referral decisions and the tariff structure could be based on the outcome of profiling tools. In principle, this should make it easier to provide the correct incentives to the private placement agencies.

Second, the PES do not have sufficient capacity to deal with the unusually high number of unemployed. The necessary capacity could be built up in-house, but this requires large upfront investments that may be difficult to reverse once unemployment has gone down. By contrast, by means of subcontracting the PES may achieve a temporary upscaling of its services at relatively low risk. The payments to the private agencies depend on results – i.e. placements for periods longer than six months – and the PES can terminate the collaboration with the agencies that do not deliver the desired results and intensify its collaboration with the agencies that obtain the best results. Neither of these options is available in the case of in-house provision.

Last but not least, private placement agencies and many NGOs have more experience in the placement of unemployment persons than the PES and often maintain close relationships with local employers. These factors may contribute favourably to the quality of the services that these entities can provide to long-term unemployed persons.

5.4 THE CAUSAL IMPACT OF ALMP MEASURES

To round off our discussion of the empirical evidence, we briefly review the main conclusions from the empirical literature on the causal impact of specific ALMP measures. Generally speaking, this literature does not deliver compelling evidence of a positive impact of ALMP measures. There is a considerable degree of variation in impact estimates both

across different types of programs and for each given ALMP measure and it is not unusual to obtain zero or even negative impact estimates. Nonetheless, the most recent findings suggest that well-targeted ALMP measures are an effective and cost-efficient tool in the fight against long-term unemployment.

A useful starting point is the recent study of Card, Kluve and Weber (2015). Building on earlier work, the authors perform a meta-analysis of the recent ALMP evaluation literature. In total, the authors collected impact estimates from over 200 econometric evaluations of active labour market programs, including many programs that were implemented during the current crisis. The estimates are classified by program type and participant group and the authors distinguish between three different time-horizons to measure the program impact.

The meta-analysis of Card *et al.* (2015) delivers four basic conclusions.

1. The average impact of ALMP measures is growing over

time. In the short run (less than one year), the average impact is not statistically different from zero, but in the medium run (one to two years) and long run (more than two years) the average impact is positive and highly significant. In particular, for the subset of studies that measure the impact of ALMP measures on employment rates, the authors find a positive impact of 0,2 standard deviations.²⁵

2. The time profile of the impacts varies by program type. Job search assistance and the imposition of sanctions if the unemployed worker fails to comply with his or her obligations produce the largest short-term effects, but these positive effects tend to wither away over time. By contrast, training and economic incentives for employment in the private sector have smaller impacts in the short-run but larger impacts in the medium- and long-run. Finally, public sector employment produces the worst outcomes with negligible or negative impacts at all three time horizons.

3. The average impacts of ALMP programs varies systematically with the characteristics of the participants.

Interestingly, one of the groups for which the authors find the largest average impact are the long-term unemployed, but the study also finds that the correct choice of ALMP measure is crucial. The two types of programs that

²⁵ To obtain a comparable impact measure the authors divide the impact of the ALMP program on the average employment rate of the participants (the so-called treatment effect) by the standard deviation of the employment rate of the comparison group.

deliver the best outcomes in the case of long-term unemployed are training programs and economic incentives for employment in the private sector. By contrast, the average impact of job search assistance is not statistically different from zero while sanctions tend to produce a negative impact.²⁶

4. On average, ALMP measures produce larger average impacts in periods of slow growth and relatively high unemployment.

Last but not least the authors analyse the relationship between the average impact effects and the state of the business cycle. Contrary to popular belief, they find higher average impacts in periods of low growth and relatively high levels of unemployment than in periods of high growth and low levels of unemployment.

The first two predictions confirm the results from earlier studies by the same authors (Card, Kluve and Weber (2010), Kluve (2010)). By contrast, the last two results are somewhat new and of particular importance for the purpose of this report. They indicate that ALMP measures have been effective in reducing long-term unemployment and more so in periods of high unemployment. Nonetheless, it is important to stress that the meta-analysis does not provide evidence of an univocal causal relationship between the unemployment rate and the effectiveness of ALMP measures. The analysis simply indicates that the average impact is systematically higher in periods of high unemployment, but this result may reflect a composition effect²⁷. For instance, in periods of high unemployment the authorities may opt for more intensive programs or exert greater care in the selection of participants than in periods of low unemployment or participants may be of a higher quality than when unemployment is low. By the same token it would also be incorrect to conclude there is a causal relationship between the length of unemployment and the effectiveness of ALMP measures. Nonetheless, the study of Card et al. (2015) clearly indicate that well-designed ALMP programs are an effective tool in the fight against long-term unemployment.

Next, it is frequently argued that the optimal mix of ALMP policies should vary over the cycle (eg. Katz, Kroft, Lange and Notowidigdo, 2016).

²⁶ For the case of the long-term unemployment, the authors find an average program impact of 0.19 standard deviations (sd). The average impact estimates for the five types of ALMP measures are as follows: training 0.306 sd, private sector incentives 0.274 sd, public sector employment 0.143, job search assistance 0.06, sanctions -0.239.

²⁷ The meta-analysis includes controls for a small number of program characteristics and personal characteristics of the participants. Composition effects therefore only play a role if there are some unobservable characteristics that vary systematically over the cycle and that have a significant impact on the effectiveness of ALMP policies.

This is typically described as a shift from a “work-first” to a “train-first” approach during economic downturns followed by an opposite shift in a recovery. The rationale for such a shift is that the opportunity costs of investment in training fall during a steep downturn. Recessions are therefore a good moment to invest in human capital. The results of Card et al. (2015) lend some support to this view, but there are also counter-arguments. Investment in training tends to be more costly than spending on alternative ALMP measures and in downturns it may be difficult to predict the future skill needs of employers. Both issues are of paramount importance in Spain. High public deficits limit the available funds for publicly-financed training and a very large proportion of the persons who lost their job in the crisis will have to reorient their working careers towards other sectors or occupations.

In fact, it is not even clear that a work-first approach is necessarily less effective in periods of high unemployment. Michealides (2013) provides experimental evidence from a reemployment programme which was implemented in the state of Nevada during the Great Recession. During the experiment a random sample of new unemployment insurance claimants were required to attend a one-to-one meeting with a caseworker during the first three weeks after their registration. The purpose of the meeting was to determine whether the claimant was indeed eligible for benefits and actively seeking a job. Claimants who failed to show up at the interview or who failed the eligibility test were immediately disqualified from benefits. The results showed a significant cut in the average duration of unemployment and in public spending on benefits. An example closer to home is the “Convocatórias” program that was launched in Portugal in 2012. The large-scale program, targeted at job seekers with unemployment spells longer than six months and older unemployed above 45, included mandatory participation in intensive counselling sessions, followed by targeted ALMP measures or a referral to available job openings. A recent evaluation of the program (Martins and Pessoa e Costa, 2014) for job seekers below 45 years showed that the program led to a 50% increase in the re-employment probabilities of the job seekers with spells below six months compared to a control group with spells just above six months. In sum, a work-first approach may work well even in depressed labour markets and the obtained cost savings may be used to finance training programs for selected groups of (long-term) unemployed with clearly identified training needs.

A shortcoming of the existing literature is that it provides very little practical guidance to policy makers. The impact estimates vary considerably across different programs and depend crucially on details of the program and the precise criteria for the selection of participants. Nonetheless, a closer inspection of the available results delivers some broad guidelines that Spanish policy makers should bear in mind. Our review combines evidence reported in Csillag and Fertig (2015) with the few available findings for Spain.

Training

Short-term training courses are widely used and in the case of UB2-recipients they are considered to be the most effective measure to promote employment in the private sector, while long-term training programs are often found to produce negative lock-in effects. Next, comparing different types of training programs, there is evidence for Germany that training measures in private companies produce the best results.

Training courses are traditionally also one of the most-used ALMP measures in Spain. Unfortunately there is hardly any evidence regarding the causal impact of existing training programs on the employment prospects of the participants²⁸, but there is widespread agreement that most of these programs are of low quality and fail to deliver occupationally-relevant skills that are valued by employers. Recent reforms strengthened the competition among training providers to improve the quality of these programs, but it is too early to judge their success.

Employment incentives

The available evidence for Spain suggests that the generic use of hiring subsidies for broad categories of workers is not effective (García-Pérez and Rebollo, 2009). Such policies tend to have substantial deadweight costs and may lead to undesirable substitution effects. Nonetheless, there is growing evidence that carefully targeted hiring subsidies may be an effective and cost-efficient measure in periods of recessions (for a recent overview of the literature see Brown (2015)). Especially relevant in this respect are the recent findings for Denmark. The Danish PES makes an extensive use of both short-term training courses and short-term

²⁸ Arrelano (2005) is one of the few studies that has evaluated the impact of training programs on the reemployment opportunities of disadvantaged unemployed in Spain. His study finds a moderately positive impact of medium-level training programs that is stronger for females than for males.

wage subsidies and a comparison of these two measures indicates that wage subsidies produced a larger long-run impact on the employment opportunities of disadvantaged groups, including elderly, low-educated and long-term unemployed. Indeed, for the latter group the findings indicate that short-term wage subsidies are the most cost-effective intervention for the long-term unemployed.

Public employment programs

Next, public employment programs only produce a moderately positive impact if they are carefully targeted to job seekers who have no realistic employment opportunities in the primary labour market. Indeed, the findings of Card et al. (2015) indicate that public employment programs produce a negative impact for all types of job seekers and at all time horizons with the exception of the long-term unemployed for whom they obtain a small positive impact. In other words, in some cases employers seem to value the skills or the experience that long-term unemployed acquire during these programs. However, the careful targeting of the measures is crucial. In Germany the so-called 1€ jobs (additional, non-competitive jobs with a public interest) have been a widely used ALMP measure that is exclusively available for UB2 recipients. For the average participant in these programs, the available evaluations obtain either a zero or a negative impact. The estimated treatment effects are only positive for a small group of selected participants (for a review of the evidence see Csillag and Fertig, 2015).

Complex programs

So far, we have only considered the impact of individual ALMP measures. However, the PES in several countries make an increasing use of complex programs that combine several measures to promote the stable employment of disadvantaged groups, including lone parents and long-term unemployed. A good example of such a complex program is the UK “Employment Retention and Advancement Demonstration”. This randomized control experiment featured a package of measures designed to help participants to enter, remain in and advance in full-time work. The financial incentives include an employment retention bonus and financial incentives for the completion of training. Furthermore, the participants received personalised advice on how to advance in their job. In other words, counselling continued during employment. The evaluation of this pilot project show that it delivered a small positive impact on employment that was still present after five years. Moreover, the program stimulated the take-up of occupationally relevant courses

and increased training among low-educated persons. In 2014 Germany has adopted a similar package of services as part of an ESF program directed at very long-term unemployed persons. Besides intensified pre-placement counselling, these workers are entitled to generous wage subsidies, short-term training (if deemed necessary) and mandatory on-the-job counselling that involves both employees and their employers. Finally, the participating job centres have to recruit specialised “job hunters” who contact firms to secure job offers for the participants in the program. A survey among the participating job centres reveals that on-the-job coaching and direct access to employers to secure job offers are perceived to be the most promising aspects of the program (Fertig, 2016).

6 Moving forward

The aim of this final section is to define short- and medium-term priorities for Spain in its struggle against long-term unemployment. The starting points of our discussion are the Council Recommendation of February 2016 that formulates a set of guidelines for the provision of personalised support to the long-term unemployed and the recently approved *Programa de Acción Conjunta para Desempleados de Larga Duración* (henceforth *Programa de Acción Conjunta*).

The Council Recommendation formulates an ambitious set of objectives. Member states are called upon to provide personalised assistance to the long-term unemployed and “to make a specific offer of a job-integration agreement at the very latest when a long-term unemployed person has reached 18 months of unemployment”. The job-integration agreement is understood to be a written agreement between the job seeker and the caseworker that clearly sets out the goals, the timeline and the rights and obligations of the job seeker and the two parties should meet regularly to monitor progress. An important aspect of the Council Recommendation are the repeated references to the need to strengthen the links with employers and to foster their involvement in the integration of the long-term unemployed. In particular, it mentions the need to create strong local networks that involve all relevant stakeholders, including employers, and to develop specific services for employers that include inter alia the screening of job vacancies, workplace mentoring and training and post-placement support to facilitate the professional reintegration of the long-term unemployed.

The philosophy behind the Council Recommendation for the long-term unemployed is similar to the idea behind the Youth Guarantee. Both plans stipulate a maximum time period in which Member States are supposed to make a service offer to the unemployed persons in the target groups that improves their employment prospects. While this is certainly a step in the right direction, the two plans also share a fundamental weakness. They build on years of institutional innovation in Northern-European countries and envisage service levels that are far

superior to the ones existing in countries like Spain. Moreover, tight fiscal limits and the unprecedented incidence of long-term unemployment place further limits on the capacity of Spain to achieve the targets set out by the European Council.

Having said so, the Spanish plan offers an excellent opportunity to improve the attention offered to the long-term unemployed and to scale up the level of attention. Over the next three years, the regions will receive a total amount of 515 million euros to offer personalised assistance to 1 million long-term unemployed. The funds are meant to cover the additional administrative costs of the system, while ALMP measures have to be financed out of the regular funds for active labour market policies. The implementation of the plan is a responsibility of the regional authorities. Our discussion will therefore primarily focus on measures that can be taken by the regions to make the best possible use of the available funds. Moreover, we focus on structural measures that improve the design of active policies and would constitute useful steps forward in the necessary modernisation of the Spanish PES.

Investment in the recruitment and preparation of caseworkers

The poor performance of the PES is the combined result of underinvestment in placement services and an inadequate institutional design. Before the regions decide to scale up the level of their services to the long-term unemployed they should first address both problems. The *programa de acción conjunta* stipulates a maximum caseload of 1:120. To comply with this standard, many regions will have to recruit additional caseworkers if they opt for in-house provision of these services. But this is not sufficient. The attention to the long-term unemployed should be provided by experienced caseworkers who should receive the necessary training to engage in active case management. The training programs should focus on the specific problems of the long-term unemployed they will be asked to assist and on the design of feasible action plans to overcome these problems. On paper such individual action plans are already part of the service package of the PES, but as mentioned before, in practice this has often been perceived as a mere formality to safeguard the person's right to financial support.

The implementation of profiling tools to assist caseworkers

The design of effective action plans places a very high demand on caseworkers. Caseworkers will not only have to make the right diagnosis, but they will also need to have a thorough understanding of the available

services and of the needs of local employers and will have to act much more pro-actively than before in order to place their clients into work. For many regional PES this will require a profound cultural change. The gains from personalised support and lower caseloads may therefore take time to materialise. Strong leadership from the managers of the regional PES may speed up this process of institutional change and motivated caseworkers may become more efficient as they accumulate more experience. But the evidence clearly indicates that a purely caseworker-based system does not deliver satisfactory outcomes. One of the first steps that regions should take, besides the recruitment and preparation of caseworkers, is to invest in a statistical profiling tool and other related instruments to assist caseworkers in their choices and to structure the interventions of the regional PES. Efforts in this direction are underway as we explained before, but more work is needed so that the newly developed profiling tool can be incorporated into the software of the PES. The central government can play a useful role in this respect, but the decision about the adoption of the profiling tool and its adaptation to the local labour market are competences of the regions.

The importance of the above-mentioned improvements in the infrastructure of the regional PES and the preparation of caseworkers cannot be stressed enough. Funding should not be an issue. The *programa de acción conjunta* includes funds to finance this type of investments – under the label of actuaciones específicas -. Moreover, the empirical evidence indicates that a better targeting of the interventions of the PES can lead to substantial costs savings and a reduced use of standard ALMP measures.

Expanding the role of private placement agencies

The regions are granted a considerable degree of freedom in the implementation of the plan. This includes the choice between public and private service delivery. The empirical evidence from randomised controlled trials shows that private providers do not necessarily provide better services than public providers, but these experiments do not capture the systemic changes resulting from a large-scale use of public-private partnerships.

On the positive side, the introduction of market forces may lead to improvements in the service level of both the public and private providers and a more efficient use of the available resources. Moreover, the use of performance contracts means that regions can quickly scale

up the service level without the need of large initial outlays. This is an interesting option if the use of public-private partnerships turns out to be cost-efficient. Finally, the careful selection of private agencies and/or organisations from the third sector may lead to gains from specialisation. On the negative side a more intensive use of the services of private agencies may exacerbate problems of cream-skimming or parking as the PES may not be able to effectively monitor a large number of providers, and the selective outsourcing of certain services could lead to a fragmentation of the support to the long-term unemployed. Regions should therefore consider the option to expand the use of such partnerships but they should carefully evaluate the results to avoid undesirable outcomes. These evaluations should also serve as an input to the decision about the future role that these agencies and NGOs should play in the reinsertion of the unemployed once the unemployment rates have returned to normal levels.

The use of public-private partnerships in the transition from welfare to work is still somewhat controversial in Spain. Rather than using referrals to private agencies on the initiative of the PES, the regions could experiment with an intermediation voucher, granting the unemployed person a choice between a public or a private service provider.

Better coordination

The regions can achieve further gains by strengthening the degree of local coordination. A worthwhile alternative is the creation of specialised centres, like the activation centres in Germany or the “werkpleinen” in the Netherlands, where the beneficiaries can meet with representatives from all the relevant entities. Proximity facilitates coordination and may foster the design of tailor-made solutions with the contributions of various institutions. Furthermore, the regions should take actions to reduce the current fragmentation of the programs and the overlap between them. In some regions, services are offered at three distinct levels (region, province and municipality) without a minimum degree of coordination.

Integrated support

Unlike the existing subsidy programs, the programa de acción conjunta does not entitle beneficiaries to any form of financial support. This could lead to the exclusion of vulnerable groups of unemployed workers who lack the resources to finance their basic needs or to pay for transportation costs. Caseworkers should take these financial considerations into account and regions should consider the option to create a small fund at

the disposal of the caseworkers to overcome these financial hurdles. In parallel the central government should revise the rules for eligibility to the existing unemployment subsidies in order to make sure that the widest possible group of persons at risk of social or economic exclusion receive some support. Finally, as mentioned before, the regions should consider the option of shifting the control over their social assistance benefits to the local PES.

Sustained integration in the private sector

The use of public employment programs is widespread in Spain. Many regions have programs that combine training and temporary employment in the public sector, mostly in municipalities. The existing evidence is crystal clear on this issue. Public-sector employment tends to produce the worst results of all standard ALMP-measures unless the programs are carefully targeted at the most vulnerable persons for whom employment in the private sector is not a realistic option. Regions should therefore adopt the explicit objective of sustained integration into private-sector jobs and they should closely monitor the achievements of the local PES offices in this respect. Self-employment or the creation of a new business are also valuable options, that certainly deserve support, but this option is only relevant for long-term unemployed with an adequate preparation and relevant experience.

Rethinking the mix of active labour market policies

The design of tailor-made solutions will force many regions to rethink the optimal mix of their policies. For many of the long-term unemployed some form of training is indispensable, but rather than promoting the referral to standardised training courses it might be a better option to rely more on work-based training. Ireland has recently created subsidised traineeships for long-term unemployment persons. Another option could be to use a combination of a hiring subsidy and a training voucher that can be used by the employer to finance a short-term training program. As we explained at the end of the previous section, the experience with the Employment Retention and Advancement Act in the UK suggest that such a mix of financial incentives fosters the acquisition of occupationally-relevant skills among low-educated workers. Finally, we reported evidence for Denmark that suggest that targeted hiring subsidies may produce better results than training programs. The latter option seems particularly relevant in sectors or occupations in which the necessary skills can be learned on the job without the need for external training courses.

All these pieces of evidence suggest that a reorientation towards work-based training may lead to better outcomes, but the evidence is still not as firm as we would like and it is unclear a priori the extent to which these results will hold in the Spanish context. The only way forward is through experimentation. The regions should design pilot projects to experiment with novel strategies to insert the long-term unemployed and a careful evaluation of the results should clarify the efficacy and the cost efficiency of these programs. In this respect, the decentralisation of the active labour market policies offers an important advantage: the seventeen regions can each experiment with different programs and information sharing among them within the existing mutual learning programs can lead to a rapid dissemination of the best practices.

The introduction of personal budgets

The objective of providing personally tailored solutions is hard to achieve without a simplification of administrative rules in order to allow a more flexible use of the available funds for ALMP measures. Currently, unemployed persons are mostly granted access to ALMP measures if they qualify for some program. In other words, individuals have to adapt to existing programs rather than the other way around. To overcome this problem, it is important to avoid an excessive earmarking of the available funds for specific ALMP measures. In the future, profiling systems should serve to establish a clear link between the entitlements of a job seeker and his or her distance to the labour market. As a first step, regions could specify a basket of services that caseworkers may offer to job seekers with a low, moderate or high probability to end up in long-term unemployment. But an even more ambitious option would be to assign a personal budget or voucher to job seekers that is linked to the outcome of the profiling process. The budget could serve to finance services such as orientation or training and could even be made transferable, at the discretion of the caseworker, so that it can act as a hiring subsidy.

Strengthening the involvement of employers

The above discussion brings us to the last element of our discussion: how to strengthen the involvement of employers in the reinsertion of the long-term unemployed? One possibility is to call on employers' social responsibility to provide an opportunity to persons who are in danger of losing their connection to the labour market. But a probably more efficient strategy is to develop services for employers that make it easier for them to incorporate a long-term unemployed person. Despite the fact that unemployment rates are still very high, there are many employers who

face difficulties in finding qualified employees. The local offices of the PES should make an effort to identify these employers and, together with the employer, they should explore the possibilities to fill this position with a person who is long-term unemployed. Moreover, in selected cases the PES could offer a continuation of their counselling services during the initial stages of the job or this task could be outsourced to third parties with a proven track record in the insertion of similar collectives.

7 Concluding remarks

The recovery from the financial and economic crisis will not be completed until Spain manages to reduce unemployment to the levels that prevailed before the crisis. One of the key challenges is to design effective policies that help reduce the degree of long-term unemployment. To contribute to this task, this report offered a review of feasible strategies to overcome some of the traditional weaknesses of active labour market policies in Spain and that improve the labour market prospects of the long-term unemployed. Since the competences over active labour market policies are transferred to the regions, we have focused our policy recommendations on measures that can be adopted by the regions within the scope of their competences. Nonetheless, it is evident that the struggle against long-term unemployment requires a high degree of coordination between the central and the regional governments and a consistent set of policies.

While the regions should focus on ways to provide individualised attention to the long-term unemployed, the central government should concentrate on policies to support the demand for this collective. One of the priorities is to revise the recent proliferation of hiring subsidies and social security rebates. Economic research indicates that the widespread use of untargeted hiring incentives does not have a clear impact on aggregate employment and in practice may discourage the recruitment of vulnerable groups. A future reform should therefore limit the use of these financial incentives to vulnerable groups such as youth and the long-term unemployed. Furthermore, some of the long-term unemployed may even need financial support after they are hired by firms. Discussions on how to make work pay and avoid poverty among the long-term unemployed are a central element in an ongoing political debate which will hopefully result in a broad consensus.

The central government can also take further measures to improve the degree of coordination between the initiatives taken at different levels of the administration. One of the options that is on the table is the creation of a national agency for active labour market policies,

separate from the PES. Its main functions would be to coordinate the ALMP policies undertaken at different levels of the administration, to identify and promote good practices and to provide technical assistance to the regions to obtain reliable impact evaluations. But it would be a mistake to focus the debate exclusively on the role of the different levels of the administration. The struggle against long-term unemployment is a responsibility of the entire Spanish society and requires the effective collaboration by all relevant stakeholders, including unions, employers' organisations, the third sector and training and education centres.

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9 Annex

Table A1. Involvement of the regional PES in finding the present job†

	2008	2015
National level	3,41	2,02
Andalucía	2,47	1,87
Aragón	5,24	3,45
Asturias	5,43	1,99
Baleares	1,59	1,07
Canarias	1,85	0,8
Cantabria	3,77	3,22
Castilla-León	4,36	2,61
Castilla-La Mancha	4,67	2,17
Cataluña	1,79	1,02
Comunidad de Valencia	3,86	1,89
Extremadura	5,12	4,18
Galicia	4,71	1,9
Comunidad de Madrid	2,15	2,06
Murcia	2,64	0,75
Navarra	3,34	1,89
País Vasco	2,87	2,1
Rioja	4,62	2,72
Cueta	12,5	6,98
Melilla	8,06	6,58

Source: Own elaboration with micro data from the yearly subsample of the Spanish Labour Force Survey
 †Percentage of those employed who have started their job in the last twelve months.

Table A2. Participation in PES services and activation measures by duration of unemployment and level of education (%), 2015

	Short-term unemployed			Long-term unemployed			Very long-term unemployed		
	Low	Medium	High	Low	Medium	High	Low	Medium	High
LM Services	11,23	13,04	13,58	12,54	13,02	13,58	11,83	12,17	13,09
Job search assistance	0,86	0,77	0,95	1,21	1,08	0,83	1,22	1,06	1,19
Professional orientation	3,11	0,72	0,78	3,11	0,64	0,84	2,81	0,51	0,5
CV preparation	1,69	1,89	1,93	1,73	2,27	1,61	1,29	1,48	1,33
Individual counseling	4,41	5,47	5,63	5,45	5,78	5,85	4,7	4,76	5,33
Individual action plan	2,4	1,84	1,59	2,96	2,32	2,06	3,59	3,22	3,05
Personal tutor	4,63	4,98	5,29	5,71	5,56	5,42	6,23	6,12	6,37
Training	0,58	1,42	1,8	0,49	1,13	1,65	0,29	0,89	1,1
Employment incentives	0,31	0,48	0,71	0,3	0,3	0,57	0,21	0,22	0,49
Start-up incentives	0,22	0,26	0,44	0,23	0,19	0,55	0,15	0,25	0,29
Treated individuals	11,99	14,54	15,64	13,17	13,95	15,47	12,24	12,97	14,3

Source: Own elaboration using microdata provided by the National Employment Services (datos de servicios). The calculations are based on a representative sample of all registered unemployed at the national level in January 2015. The reported services correspond to the measures or services received during the first three months of 2015. The classification of short-term, long-term and very long-term unemployed is the same as in the main text. Low and medium refer to persons with at most completed lower-secondary or upper-secondary education. High refers to persons with a university or equivalent degree.

Table A3. Participation in PES services and activation measures by unemployed persons older than 45, 2015

	Short-term unemployed			Long-term unemployed			Very long-term unemployed		
	Low	Medium	High	Low	Medium	High	Low	Medium	High
LM Services	9,96	11,49	11,49	11,4	11,76	13,37	9,86	9,81	11,27
Job search assistance	0,82	0,92	1,08	0,94	1,47	0,64	0,88	0,52	1,06
Professional orientation	2,72	0,57	0,42	2,68	0,47	0,56	2,46	0,4	0,27
CV preparation	1,44	1,42	1,61	1,61	2,28	2,14	1,2	1,48	1,34
Individual counseling	4,48	4,84	4,61	6,64	6,24	6,36	4,81	4,73	5,81
Individual action plan	1,47	1,27	1,27	1,06	1,12	0,43	1,64	1,12	1
Personal tutor	4,13	4,73	4,46	4,26	4,82	3,86	4,41	3,91	4,56
Training	0,33	1,45	1,65	0,36	1,17	1,79	0,16	0,7	1,15
Employment incentives	0,21	0,24	0,23	0,15	0,25	0,36	0,15	0,12	0,03
Start-up incentives	0,17	0,32	0,31	0,24	0,1	0,57	0,09	0,2	0,44
Treated individuals	10,42	13,02	12,91	11,78	12,63	15,08	10,14	10,41	12,3

Table A4. Duration of PES services and activation measures by spell length and level of education (%), 2015

	Short-term unemployed			Long-term unemployed			Very long-term unemployed		
	Low	Medium	High	Low	Medium	High	Low	Medium	High
LM Services	3,04	2,59	2,61	4	3,44	3,37	4,13	4,28	3,95
Job search assistance	4,58	3,81	4,31	4,92	4,25	5,92	4,94	5,85	6,47
Professional orientation	3,62	3,09	2,95	4,68	3,81	3,62	4,39	4,75	3,78
Individual counseling	3,06	2,41	2,19	4,49	3,56	3,16	4,71	4,5	3,83
Individual action plan	4,52	4,07	4,1	5,02	4,57	4,84	4,87	5,19	5,54
Personal tutor	3,88	3,2	3,65	4,5	4,28	4,43	4,6	4,84	4,81
CV preparation	2,01	1,81	1,89	3,04	2,65	2,54	3,38	3,23	2,2
Training									
	3,74	3,64	3,53	4,03	4,23	4,19	4,37	4,15	4,94
Employment incentives									
	5,18	6,36	7,15	4,6	6,84	7,14	4,13	5,43	7,55
Start-up incentives									
	2,65	2,37	1,97	2,69	1,15	2,63	4,92	3,64	2,21

Table A5. Duration of PES services and activation measures for workers above 45 years of age (%), 2015,

	Short-term unemployed			Long-term unemployed			Very long-term unemployed			
	Low	Medium	High	Low	Medium	High	Low	Medium	High	
LM Services										
Job search assistance	2,14	2,11	1,98	3,01	2,61	2,42	2,59	2,83	2,49	
Professional orientation	3,34	2	3,39	3,19	2,7	3,88	2,46	2,96	3,53	
CV preparation	2,83	2,8	2,72	3,87	3,35	3,26	3,22	3,87	3,05	
Individual counseling	2,44	2,34	1,93	3,49	3,26	2,66	3,45	3,59	2,84	
Individual action plan	3,27	2,35	3,09	3,09	2,25	1,33	2,44	3,16	2,97	
Personal tutor	2,74	1,97	2,45	3,38	2,83	2,92	2,65	2,81	2,39	
Training	1,51	1,6	1,45	2,55	2,09	2,17	2,27	2,16	1,65	
Employment incentives	3,38	3,02	2,68	4,36	3,55	2,39	3,39	2,84	3,65	
Start-up incentives	5,58	1	2,67	4,93	7	4	2,02	3,17	5	
	1,41	2,55	1,13	1,83	1	1,13	3,31	1,6	1	

10 List of acronyms

PES	Public Employment Services
ALMP	Active Labour Market Policies
LTU	Long-term Unemployment
VLTU	Very Long-term Unemployment
IAP	Individual Action Plan
UB2	Means-tested subsidy for unemployed persons and low-wage earners in Germany
TWA	Temporary Work Agencies
Lanbide	Regional public employment services of the Basque Country
PAE	Programa de Activación para el Empleo
RAI	Renta Activa de Inserción
PREPARA	Programa de Recualificación Profesional
PRODI	Programa Temporal de Protección por Desempleo e Inserción

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