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Social investment by labour-market policy
in Europe since the wake of the crisis:
Increased need in the face of
(nationally unequally) limited means

*[Sozialinvestive Arbeitsmarktpolitik in Europa
seit dem Vorabend der Krise:
Gestiegener Bedarf angesichts
(national unterschiedlich) begrenzter Mittel]*

Fachgespräch am ifz
„In Menschen investieren – nur wie?
Zur Perspektive der Sozialinvestitionen“

Salzburg, 16.02.2017

Eurostat LMP expenditure data

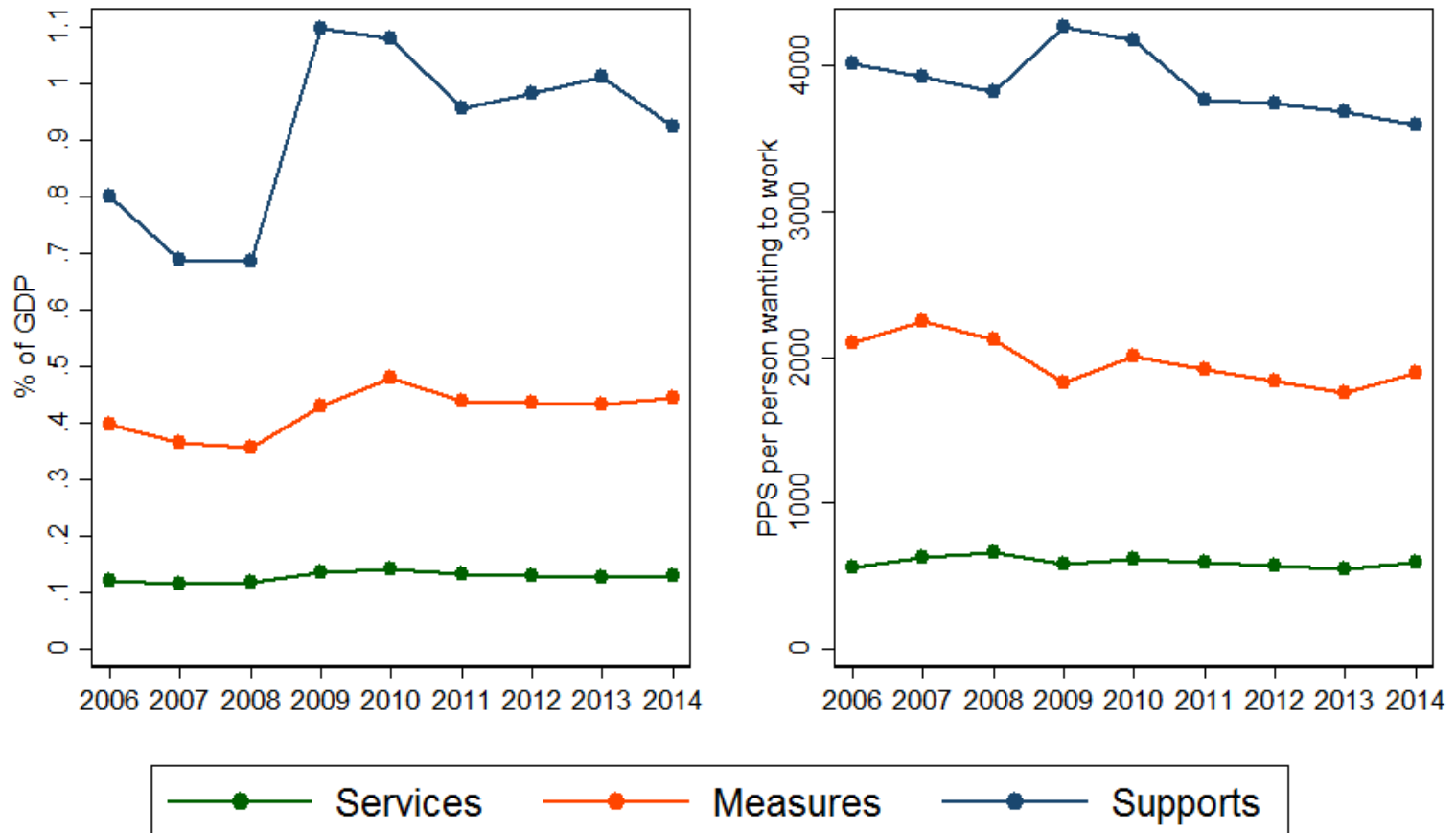
- **Labour Market Policy (LMP) data includes**
 - **services** (e.g. counselling, administration)
 - **measures** (Training, employment incentives, supported employment and rehab., direct job creation, start-up incentives) – **“ALMP”**
 - **supports** (Out-of-work income maintenance and supports, early retirement) – **“PLMP”**
- **Three target groups:**
 - Unemployed, employed at risk, inactive persons
- **Different units:**
 - % of GDP and PPS per person wanting to work

Spending blocks: orders of size

Most expenditure is for PLMP, less for ALMP, and least for services.

Between 2006 and 2014: Rising trend for spending on aggregate, declining trend for spending per person wanting to work.

LMP spending in Europe*



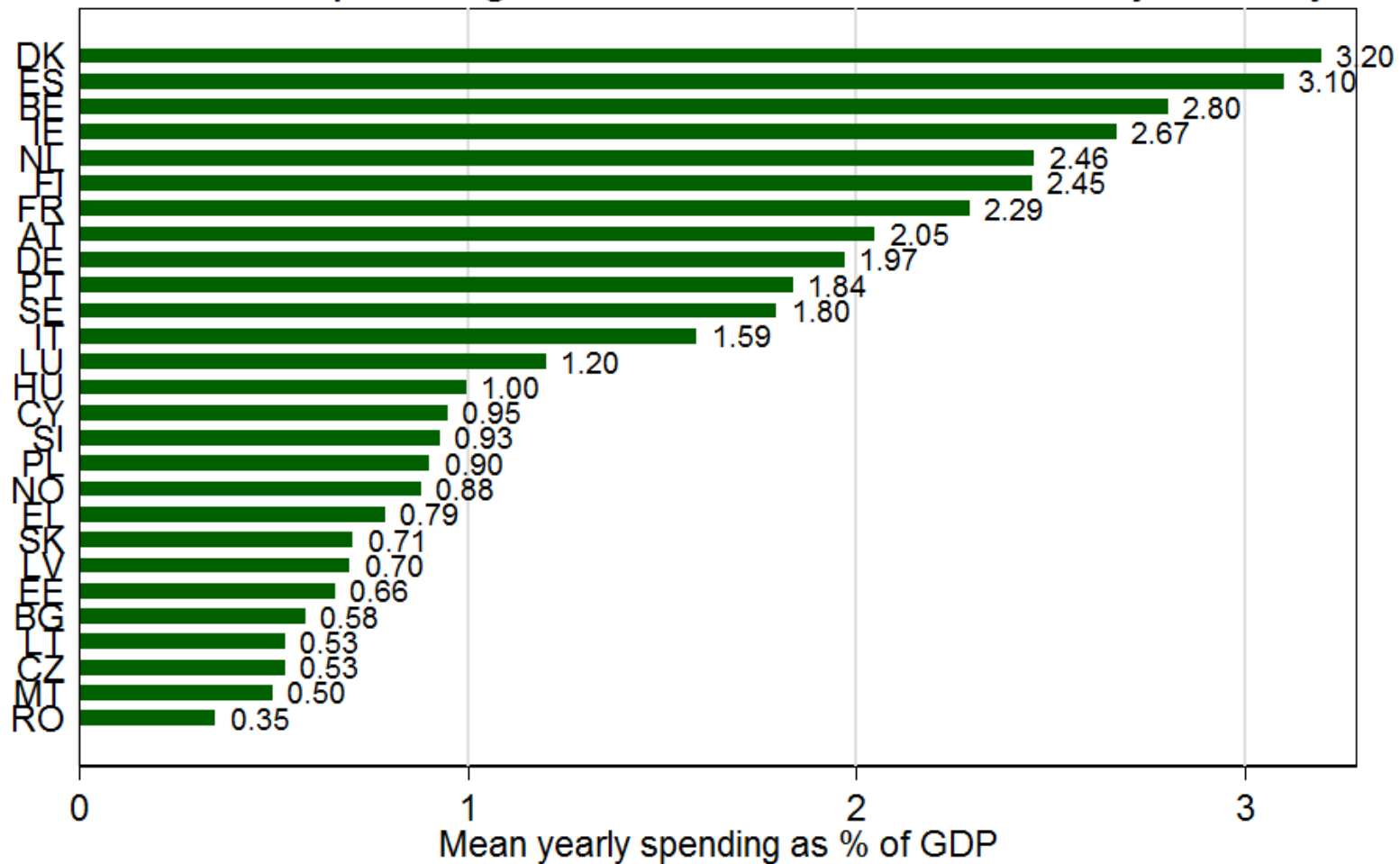
*Mean across the following European countries: AT BE BG CY CZ DE DK EE EL ES FI FR HU IE IT LT LU LV MT NL NO PL PT RO SE SI SK. Some values imputed.

Source: Eurostat, own calculation

Levels of LMP spending by country

Ranks of aggregate expenditure – overall LMP

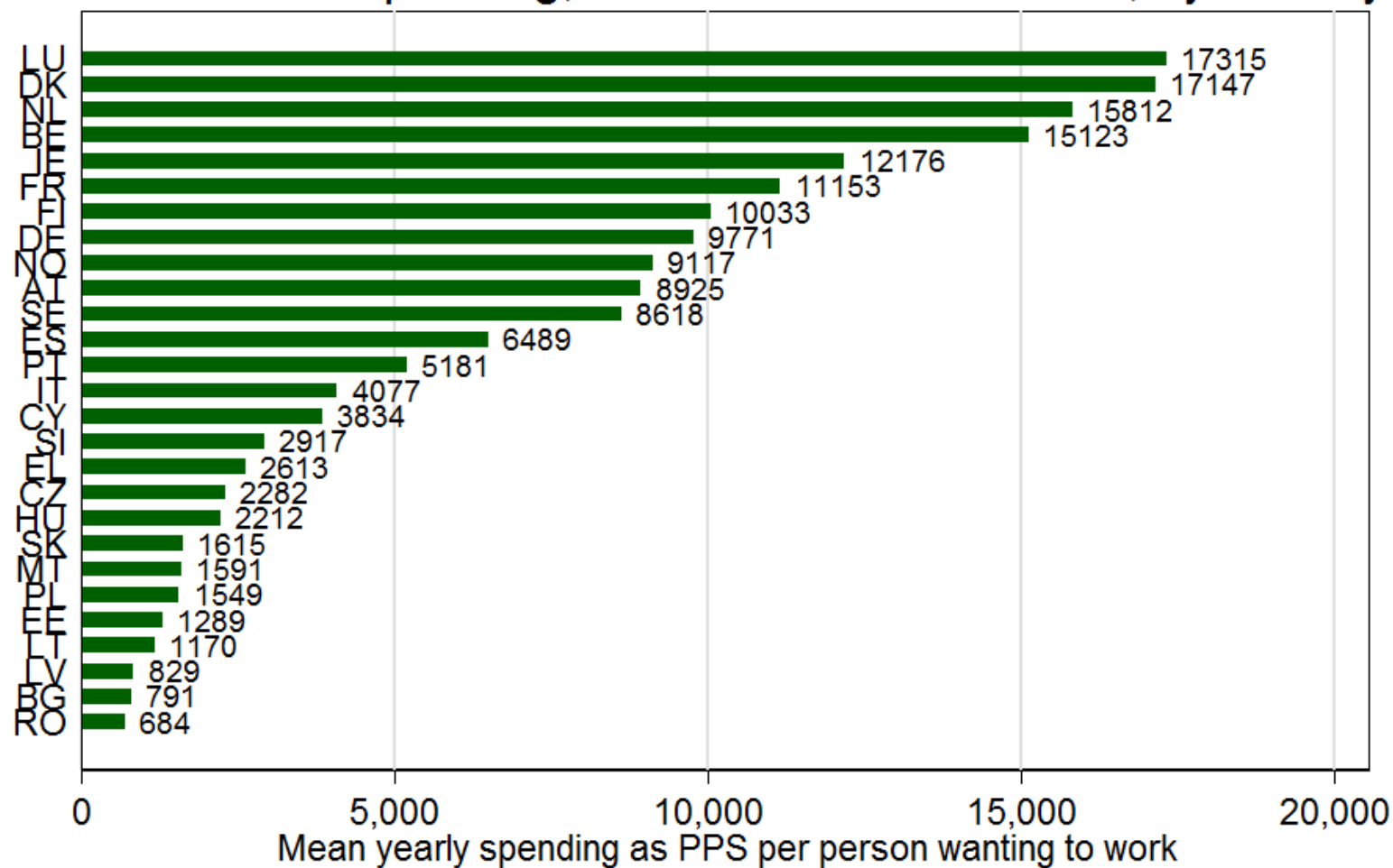
Overall LMP spending, between 2006 and 2014, by country



Source: Eurostat, own calculation

Ranks of expenditure per person wanting to work – overall LMP

Overall LMP spending, between 2006 and 2014, by country



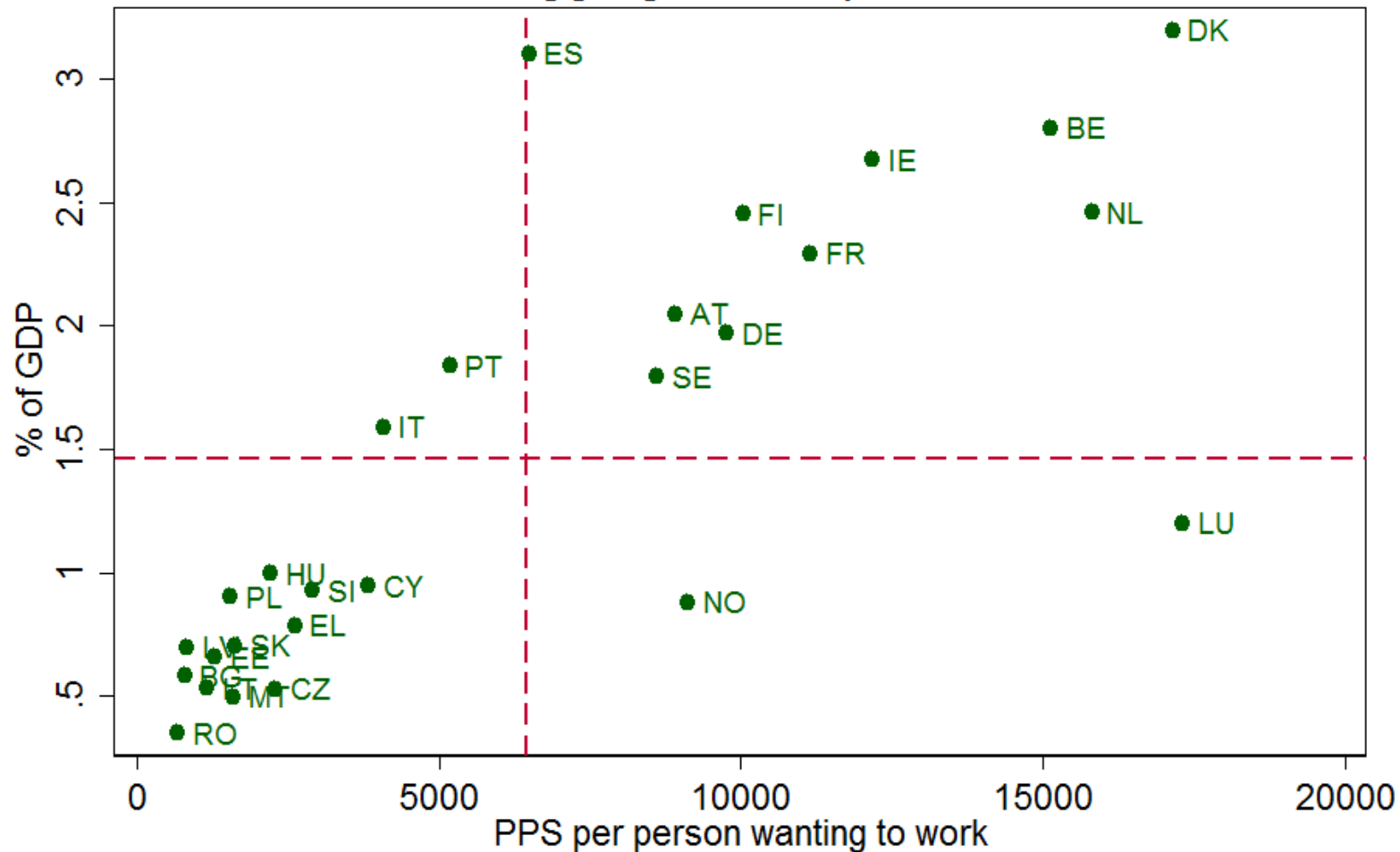
Source: Eurostat, own calculation

Relationship of aggregate and per person-wanting-to-work expenditure

Aggregate spending and spending per person wanting to work highly correlated.

Italy and Poland spend much on aggregate, few per head. Luxemburg and Norway vice versa.

Overall LMP spending, between 2006 and 2014, on aggregate and per head

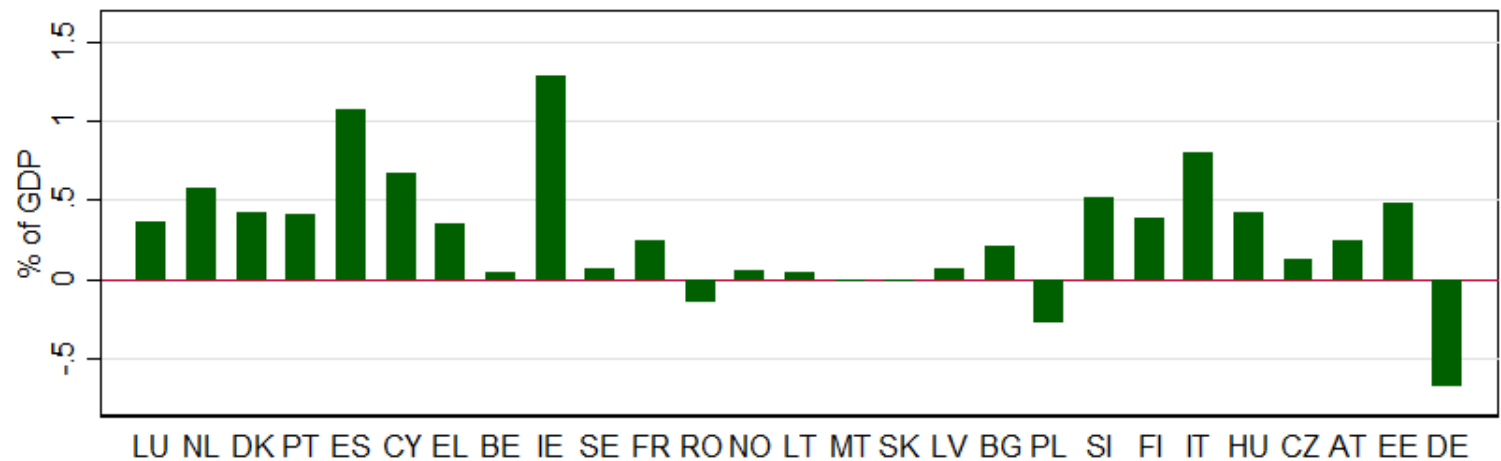
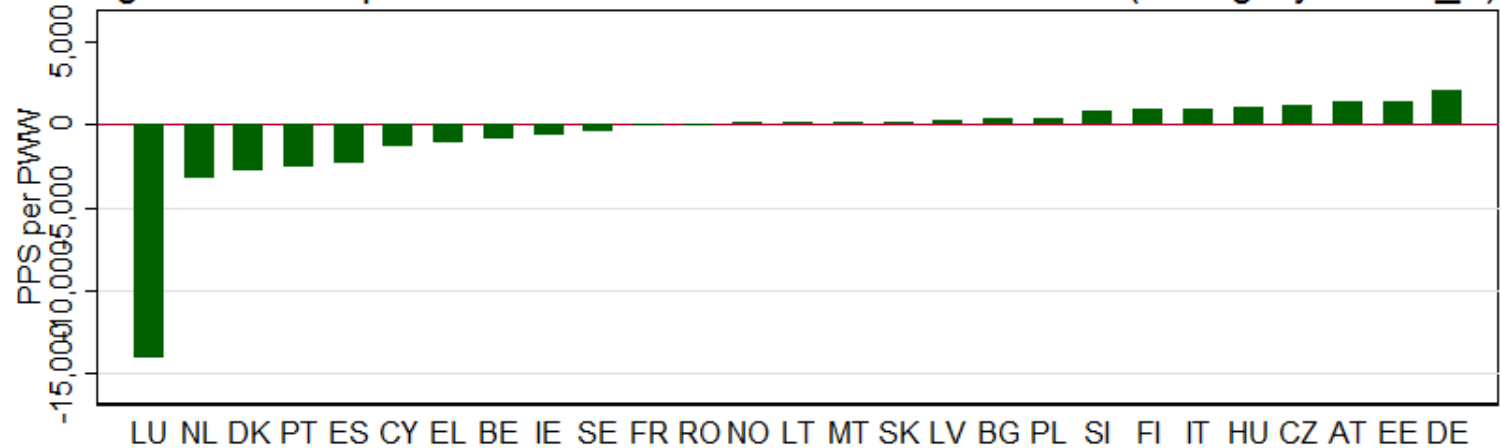


Relationship of aggregate and per person-wanting-to-work expenditure

Ambivalent relationship:

Labour-market dynamics make that in observation period, spending per person wanting to work went down in some countries, while the aggregate burden rose.

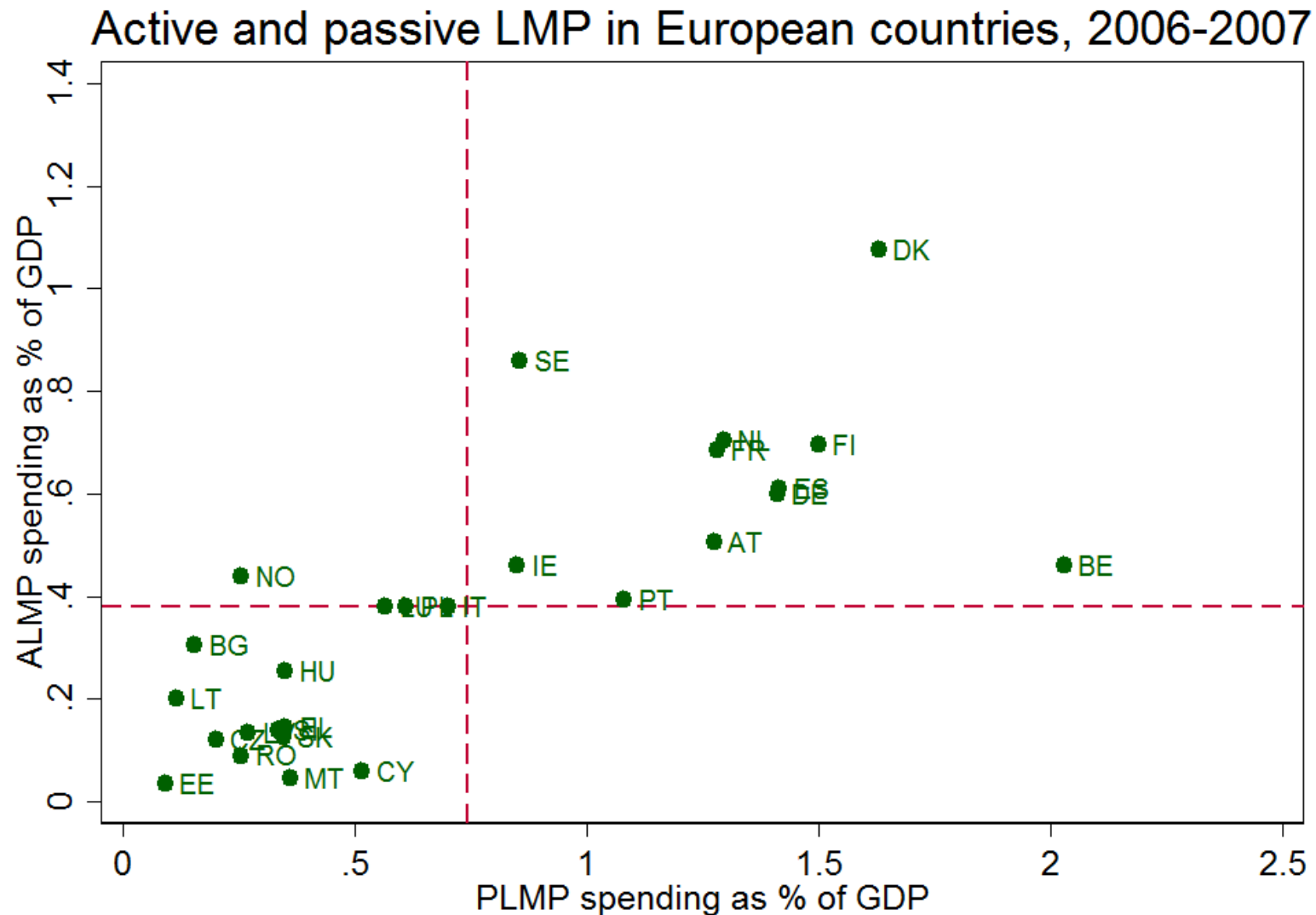
Change in LMP expenditure from 2006/2007 to 2013/2014 (Category TOT1_9)



Source: Eurostat, own calculation.

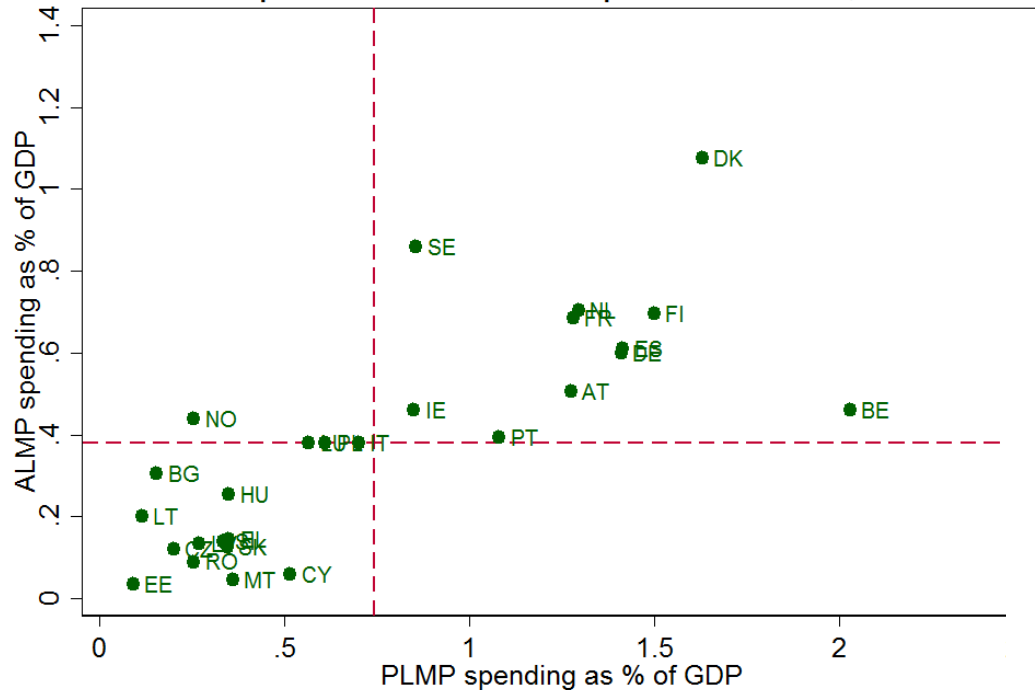
“Active” and “passive” LMP:
Are there ALMP- and PLMP-countries?

Before crisis: rather high vs. low spending than ALMP vs. PLMP



Relationship between ALMP and PLMP (aggregate)

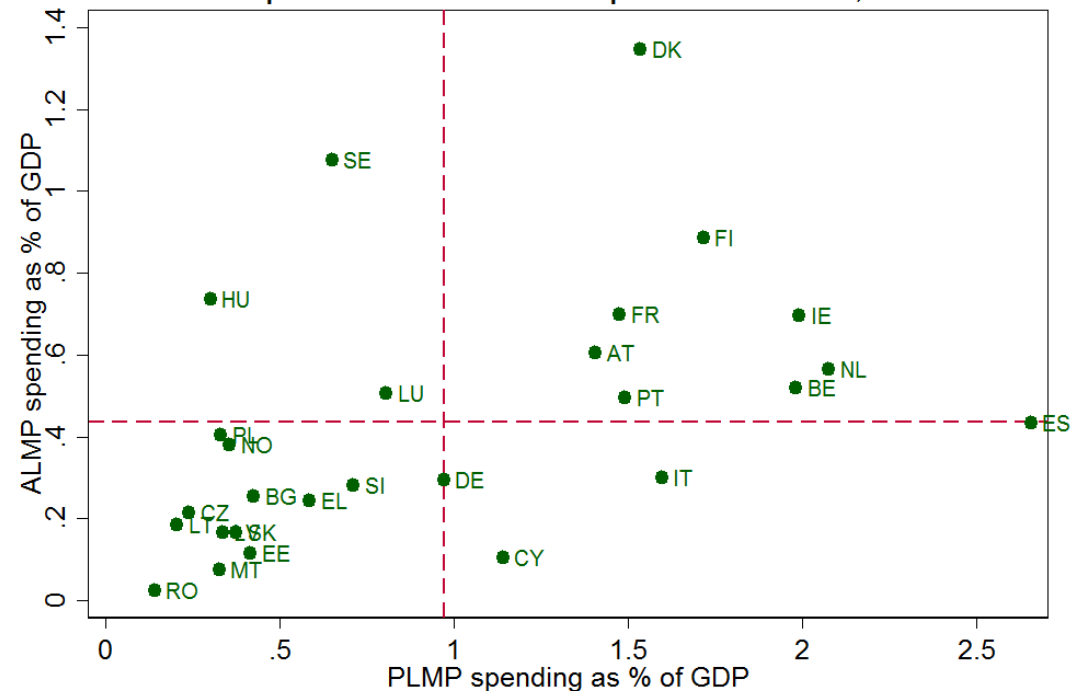
Active and passive LMP in European countries, 2006-2007



Before crisis: hardly any real “ALMP-” and “PLMP-countries”, but correlation between A- and P-LMP...

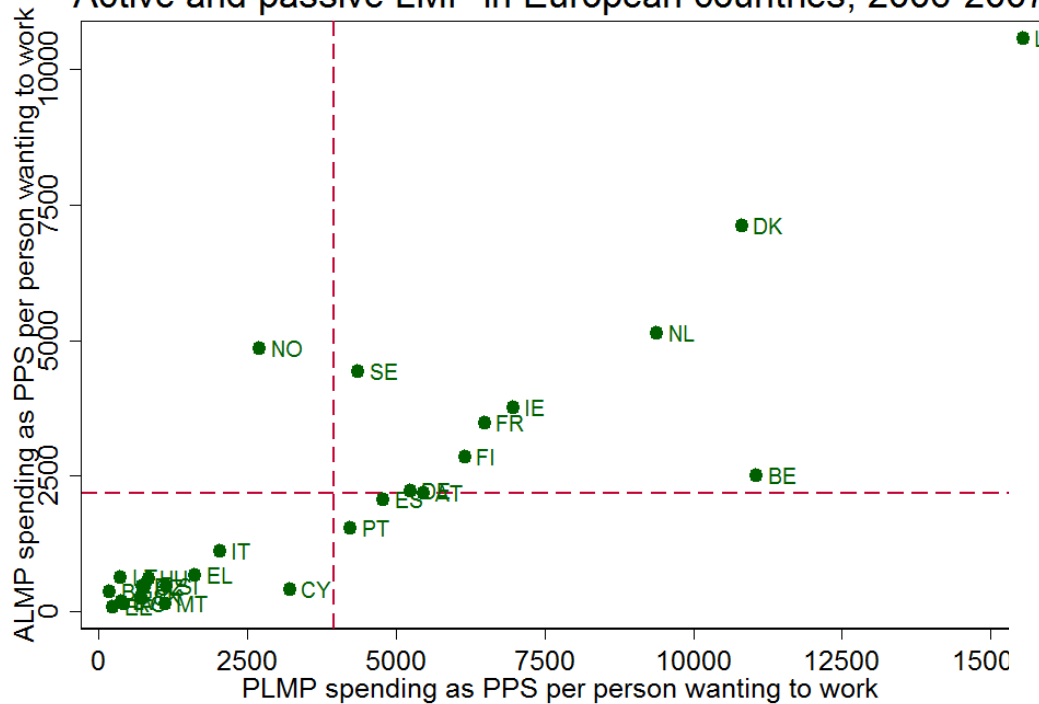
...while after the crisis there are countries with more PLMP than ALMP (IT, CY) or vice versa (SE, HU, LU).

Active and passive LMP in European countries, 2013-2014



Relationship between ALMP and PLMP (per capita)

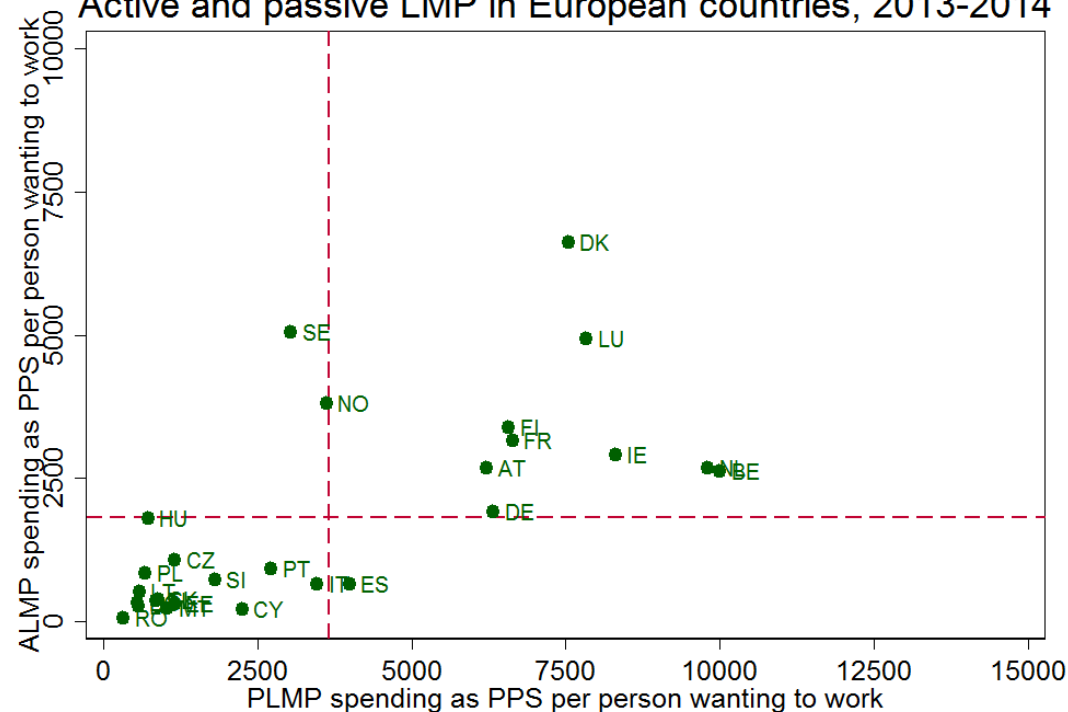
Active and passive LMP in European countries, 2006-2007



Per head: almost linear relationship of ALMP and PLMP before the crisis (outliers: NO, SE, BE)

After, countries still characterised either by high or by small ALMP/PLMP expenditure, but dispersion bigger.

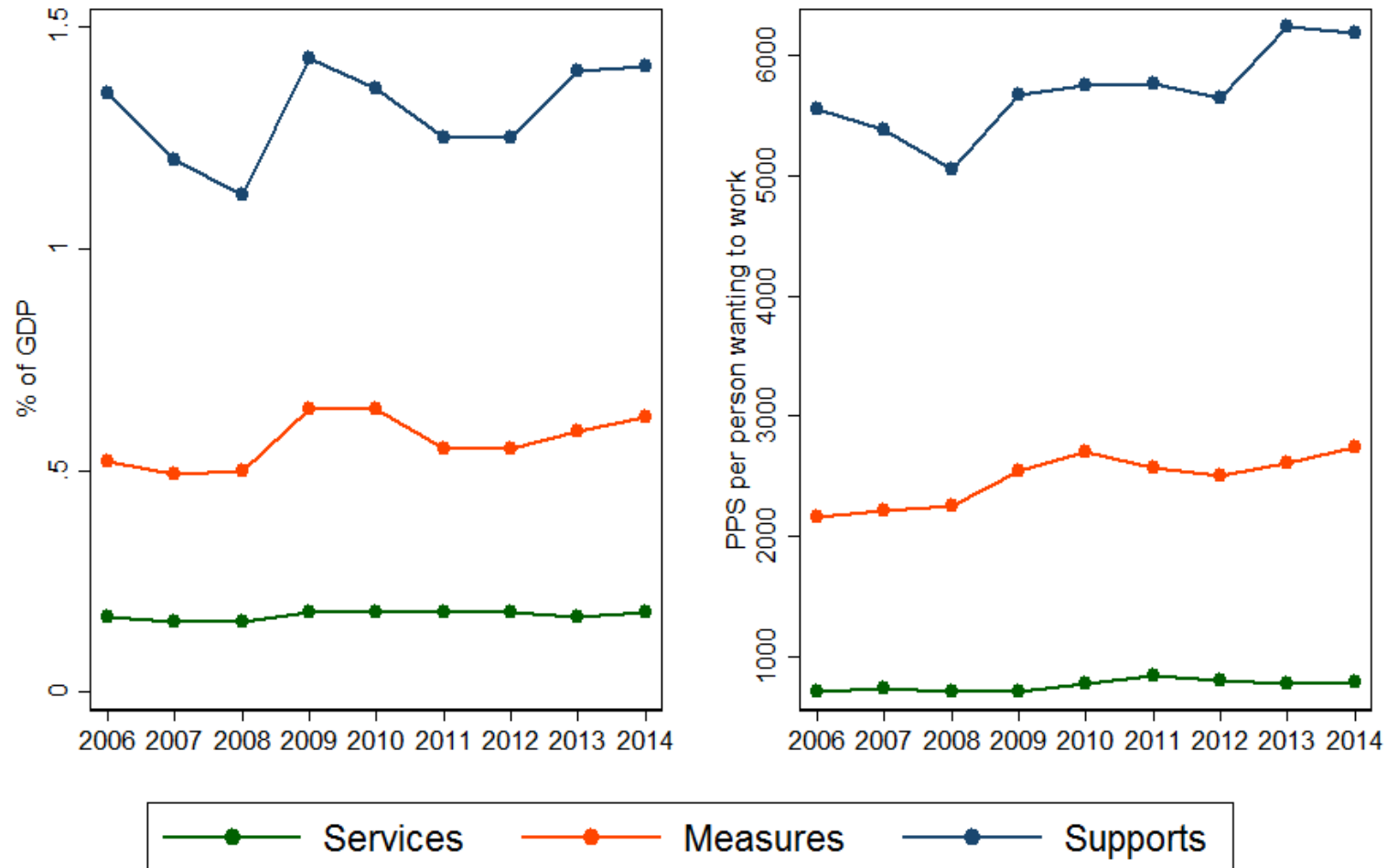
Active and passive LMP in European countries, 2013-2014



Spending dynamics during the crisis years

Spending dynamics: Austria

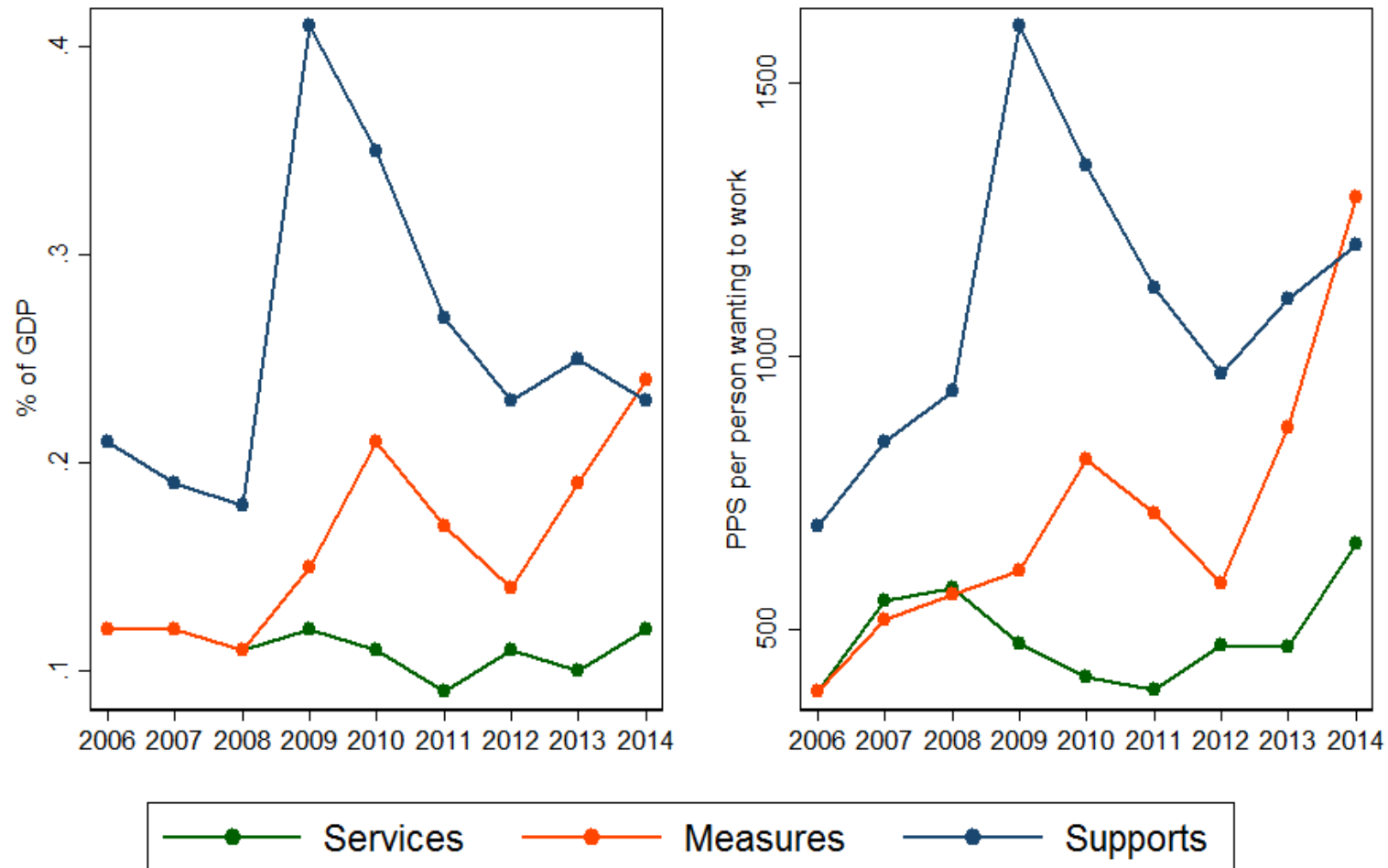
LMP spending in AT during the crisis years



Source: Eurostat, own calculation

Spending dynamics: Czech Republic

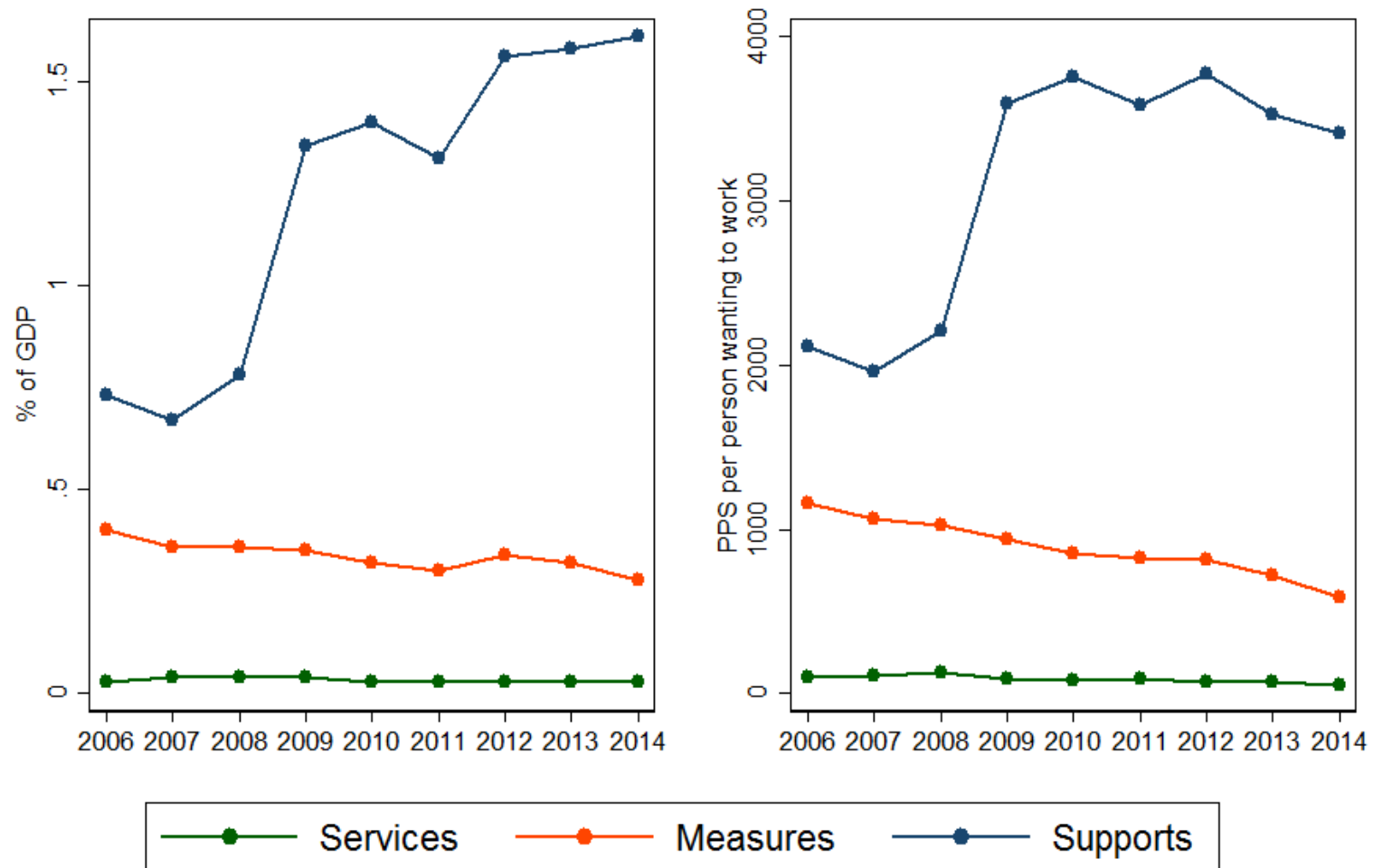
LMP spending in CZ during the crisis years



Source: Eurostat, own calculation

Spending dynamics: Italy

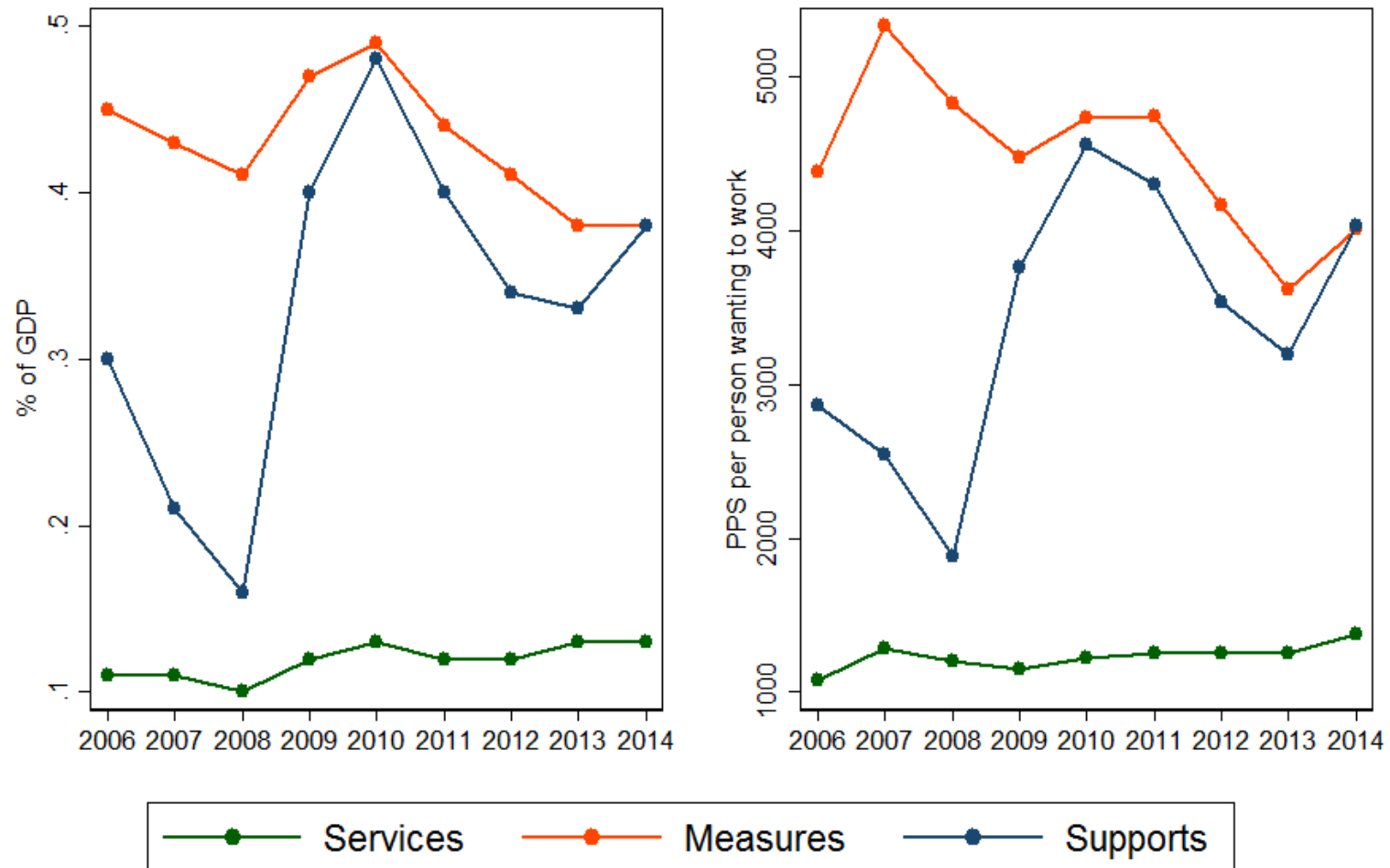
LMP spending in IT during the crisis years



Source: Eurostat, own calculation

Spending dynamics: Norway

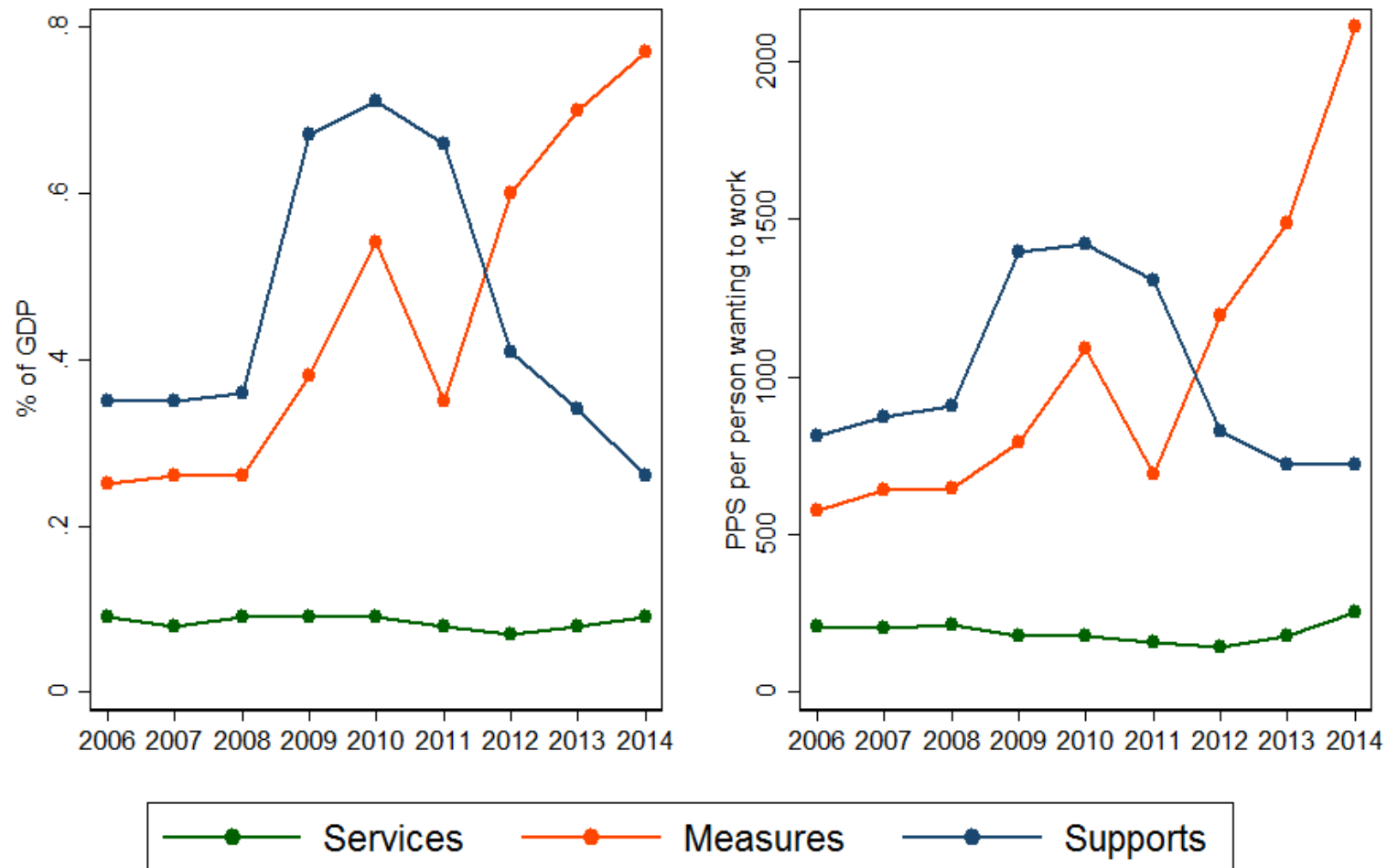
LMP spending in NO during the crisis years



Source: Eurostat, own calculation

Spending dynamics: Hungary

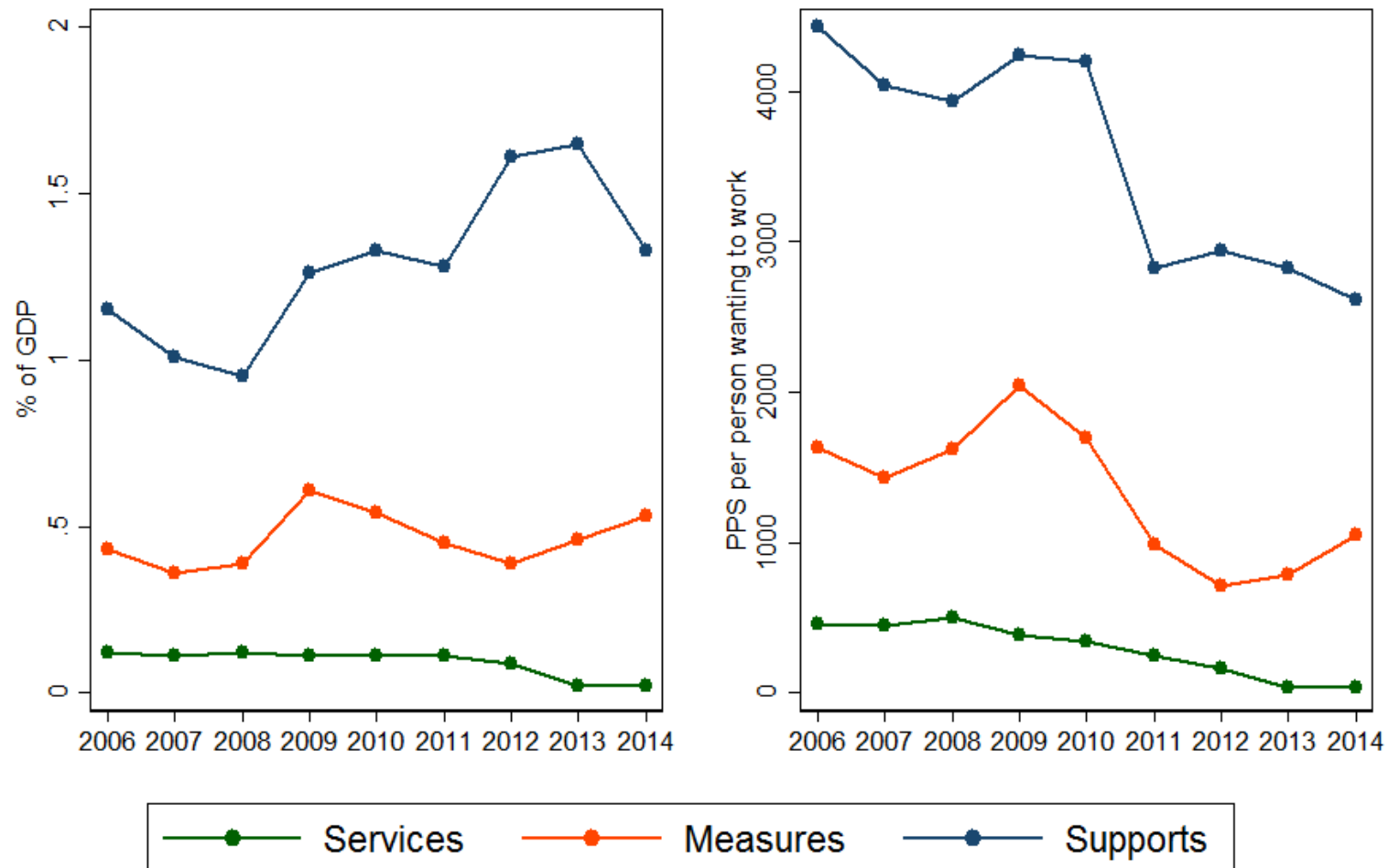
LMP spending in HU during the crisis years



Source: Eurostat, own calculation

Spending dynamics: Portugal

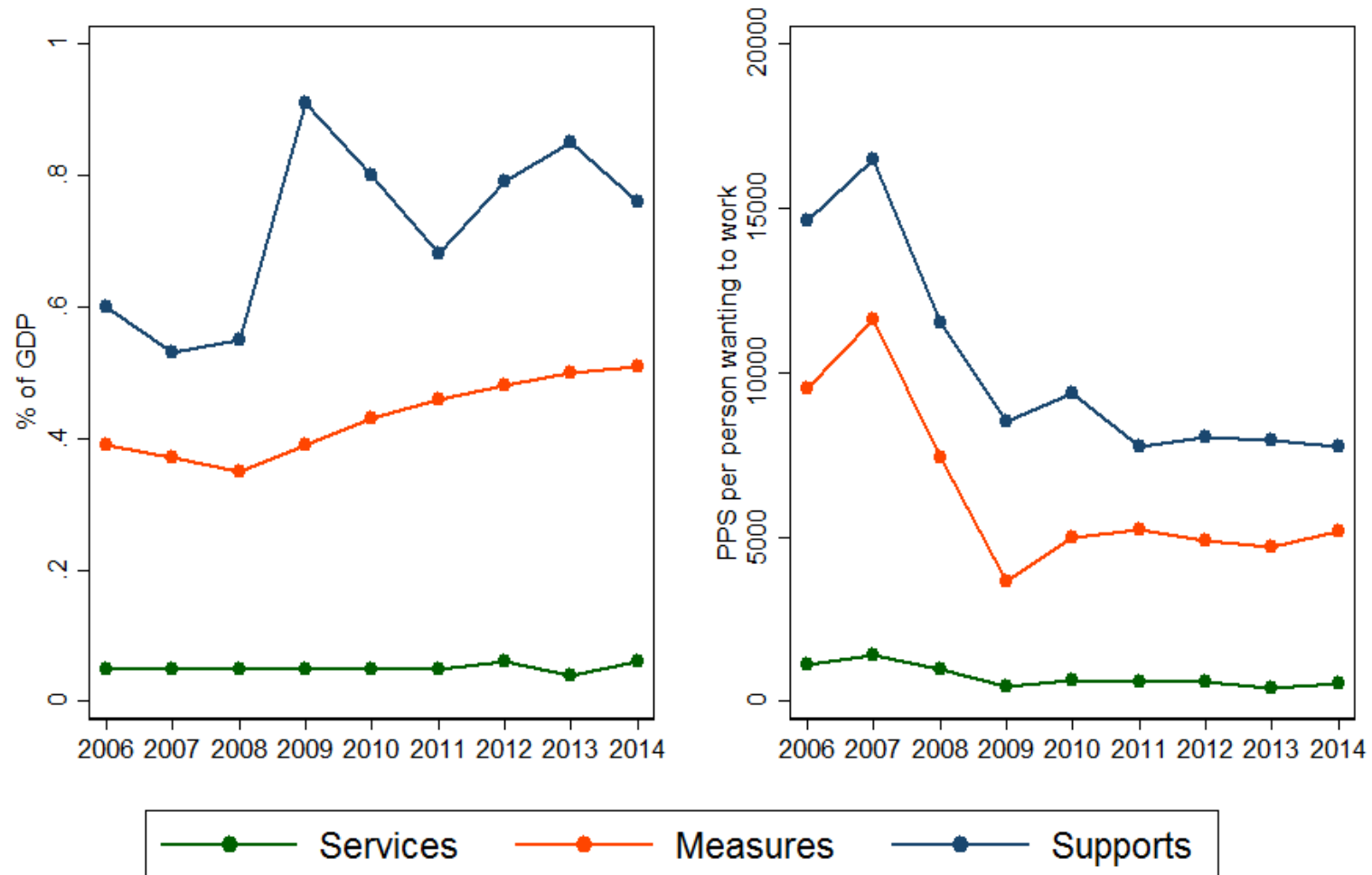
LMP spending in PT during the crisis years



Source: Eurostat, own calculation

Spending dynamics: Luxembourg

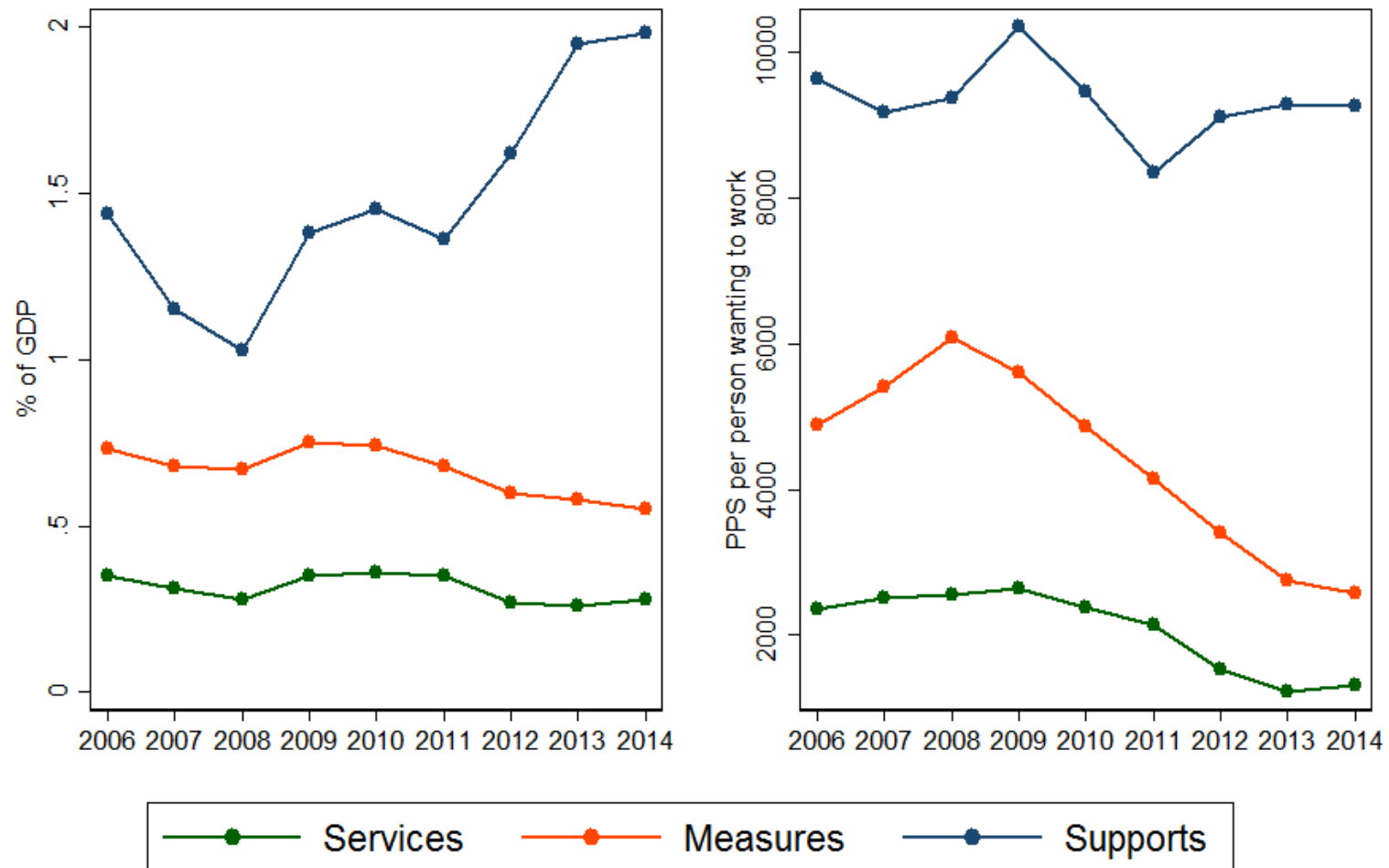
LMP spending in LU during the crisis years



Source: Eurostat, own calculation

Spending dynamics: The Netherlands

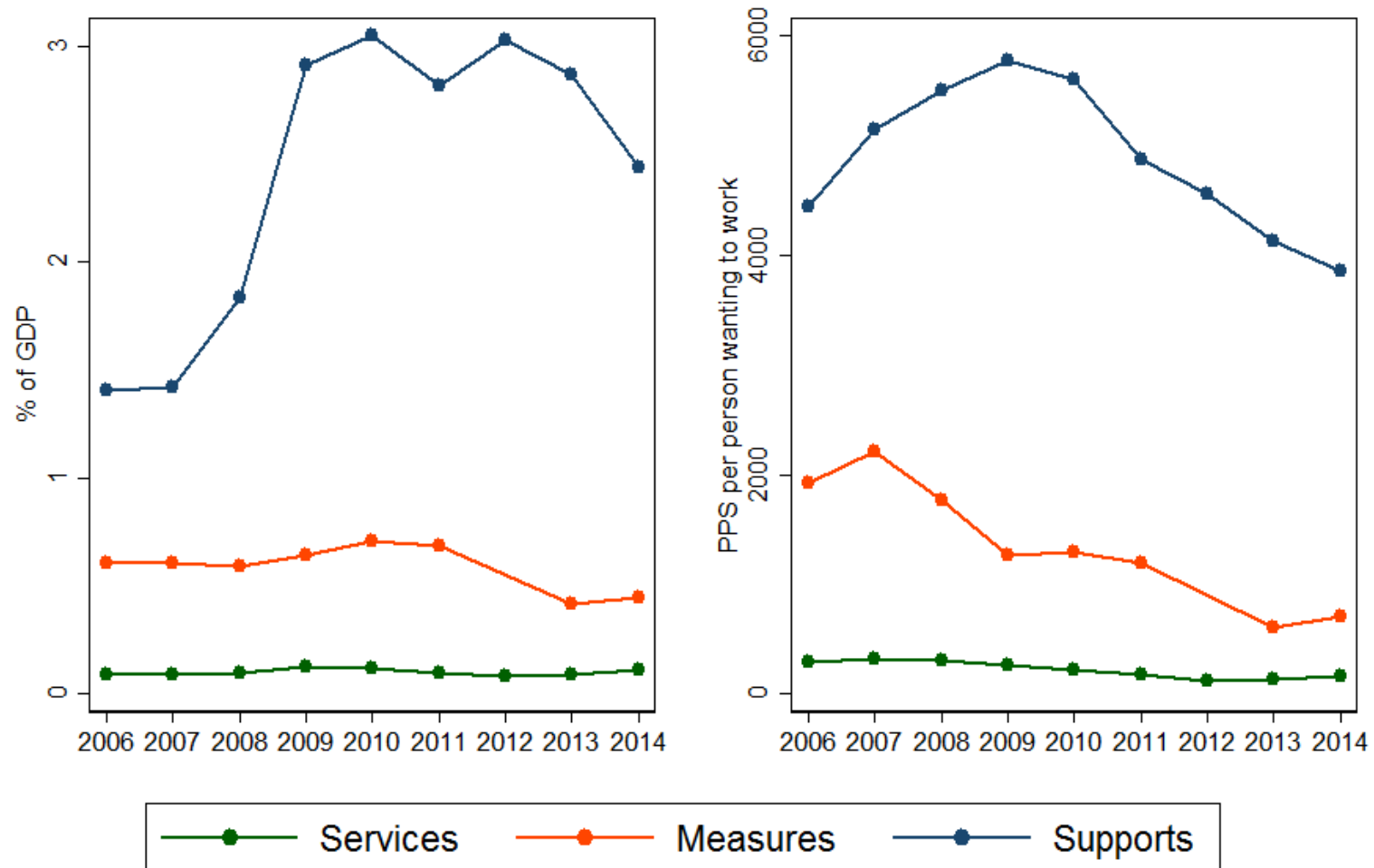
LMP spending in NL during the crisis years



Source: Eurostat, own calculation

Spending dynamics: Spain

LMP spending in ES during the crisis years



Source: Eurostat, own calculation

National spending dynamics in the crisis years: Overview

- **Strong fluctuation (bold in table) in most countries (18 out of 26)**
- **Dissociation between ALMP and PLMP in a majority of countries (16 out of 26) → Changing structure of LMP**
- **Dissociation between aggregate and per capita spending in one third of countries (9 out of 26) → Sign of overburdening?**
- **Complete alignment in 6 out of 26 countries, complete dissociation in 5 out of 26 countries**

		aggregate & per person	
		alignment	dissociation
supports & measures	alignment	AT, CZ, FI, FR, LV, SI	DE, EL, LU, PT
	dissociation	BE, BG, EE, HU, IE, IT, LT, MT, NO, RO, SE	CY, DK, ES, NL, PL

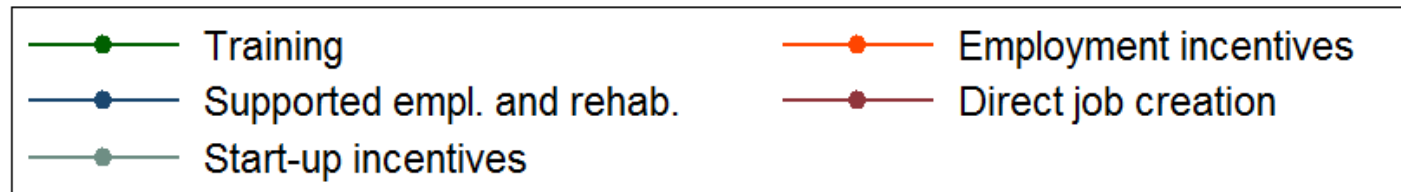
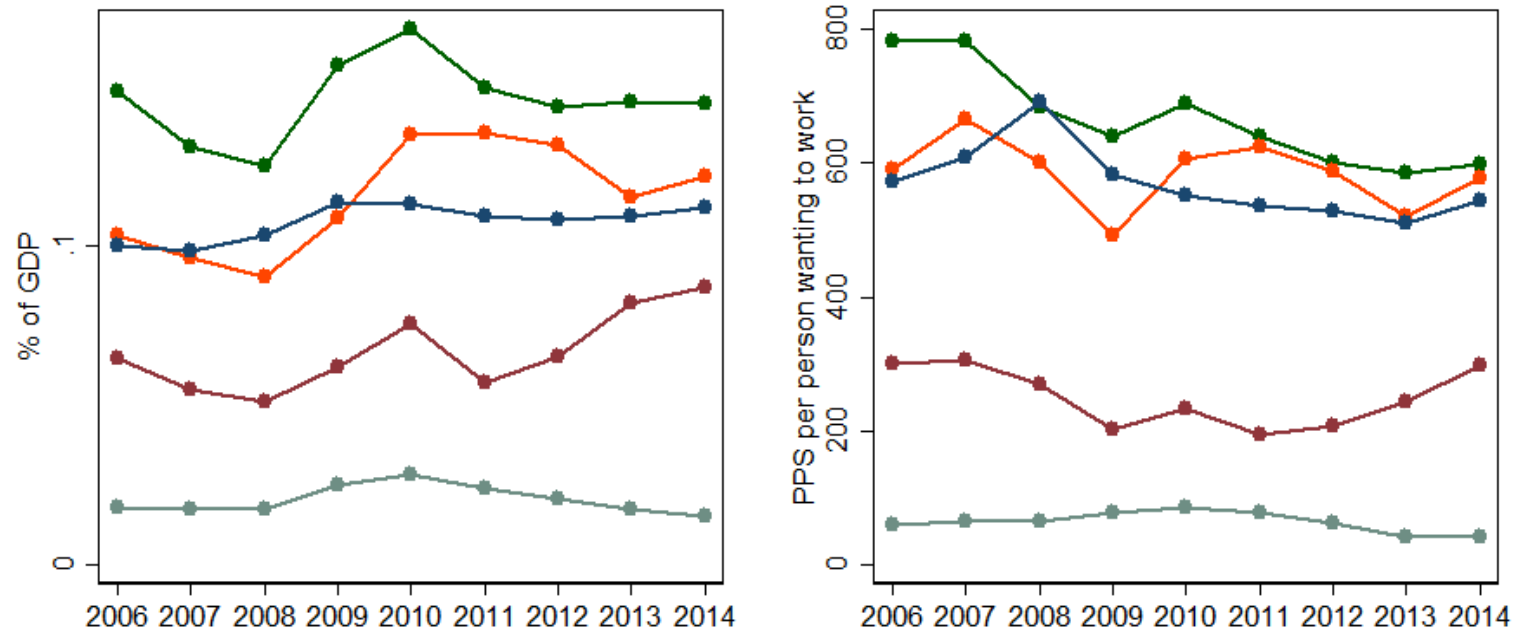
Levels and trends of individual categories of ALMP

Levels and trends of ALMP

Turbulent spending dynamics in the crisis years.

All ALMP categories increased from 2007/08 to 2010 on aggregate, while most declined in spending per person wanting to work.

LMP spending in Europe*

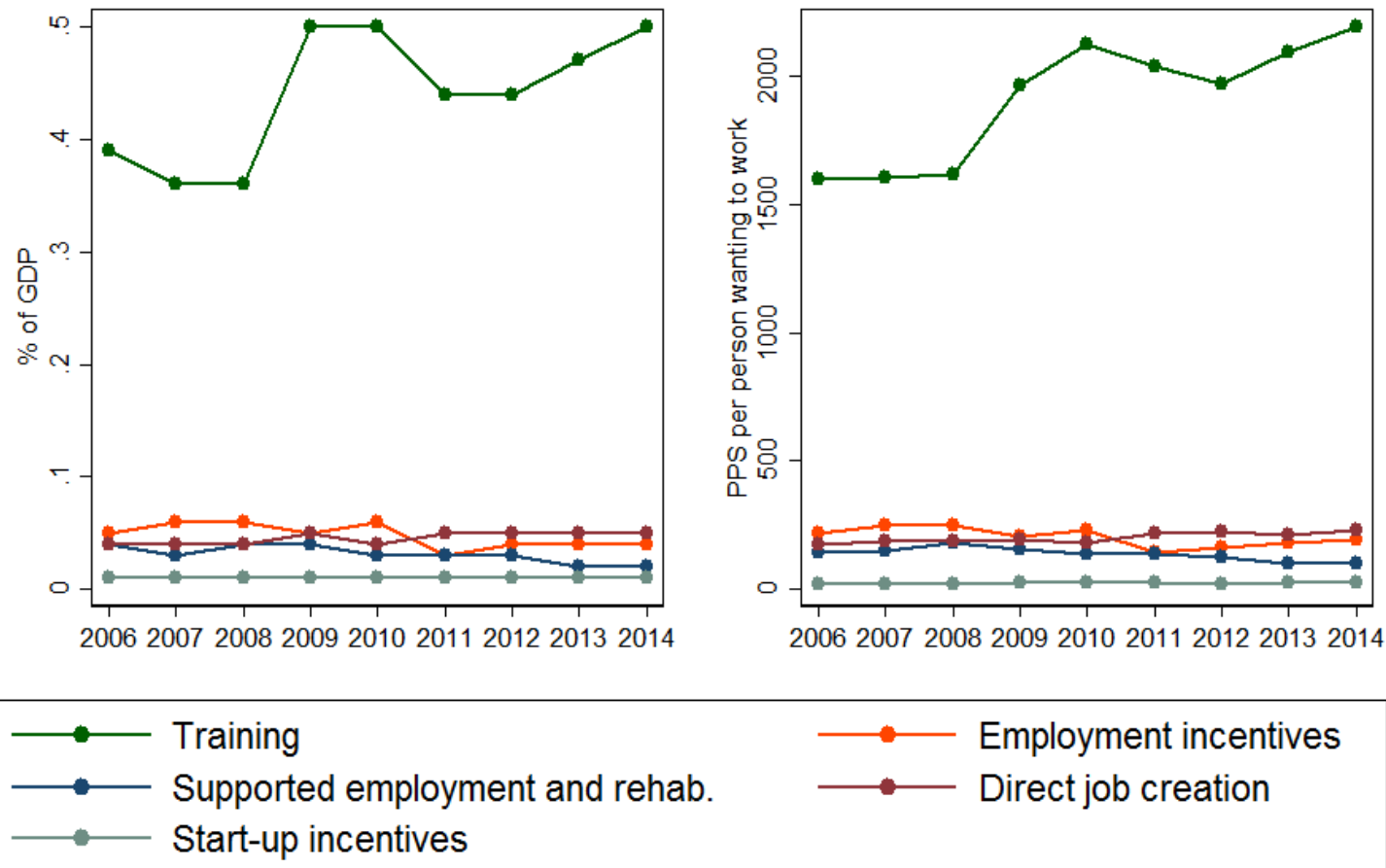


*Mean across the following European countries: AT BE BG CY CZ DE DK EE EL ES FI FR HU IE IT LT LU LV MT NL NO PL PT RO SE SI SK. Some values imputed.

Source: Eurostat, own calculation

Levels and trends of ALMP: Austria

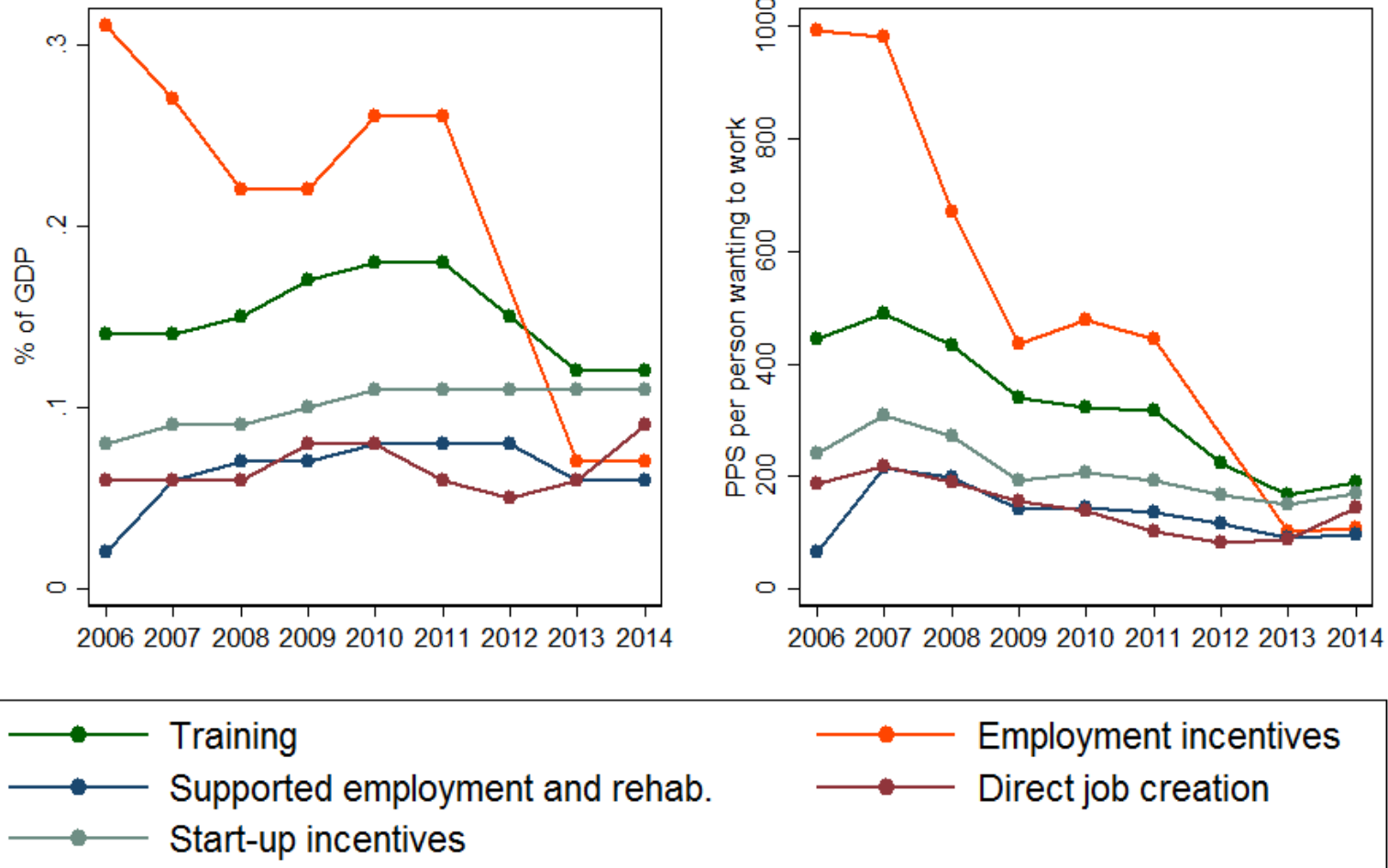
LMP spending in AT during the crisis years



Source: Eurostat, own calculation

Levels and trends of ALMP: Spain

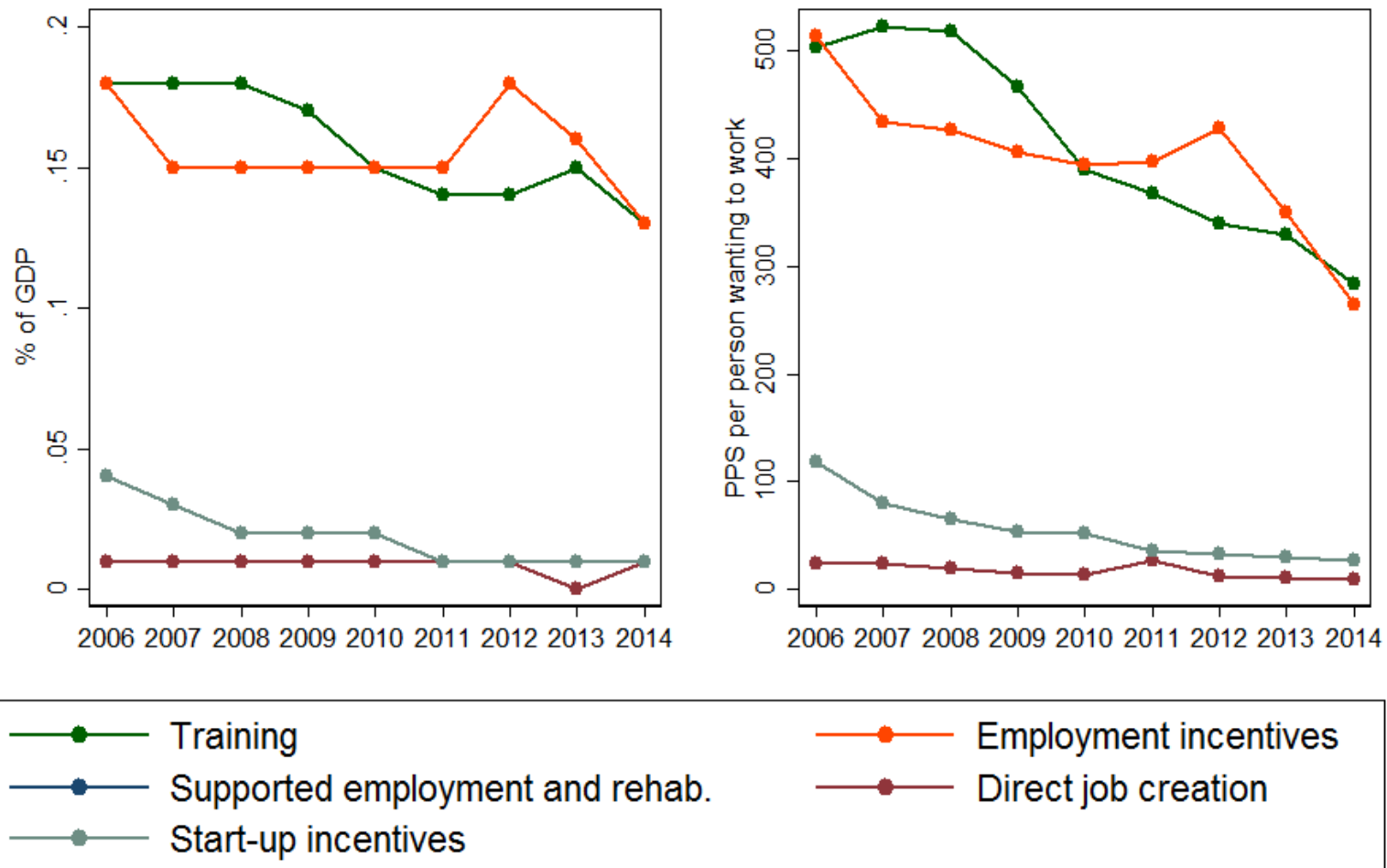
ALMP spending in ES during the crisis years



Source: Eurostat, own calculation

Levels and trends of ALMP: Italy

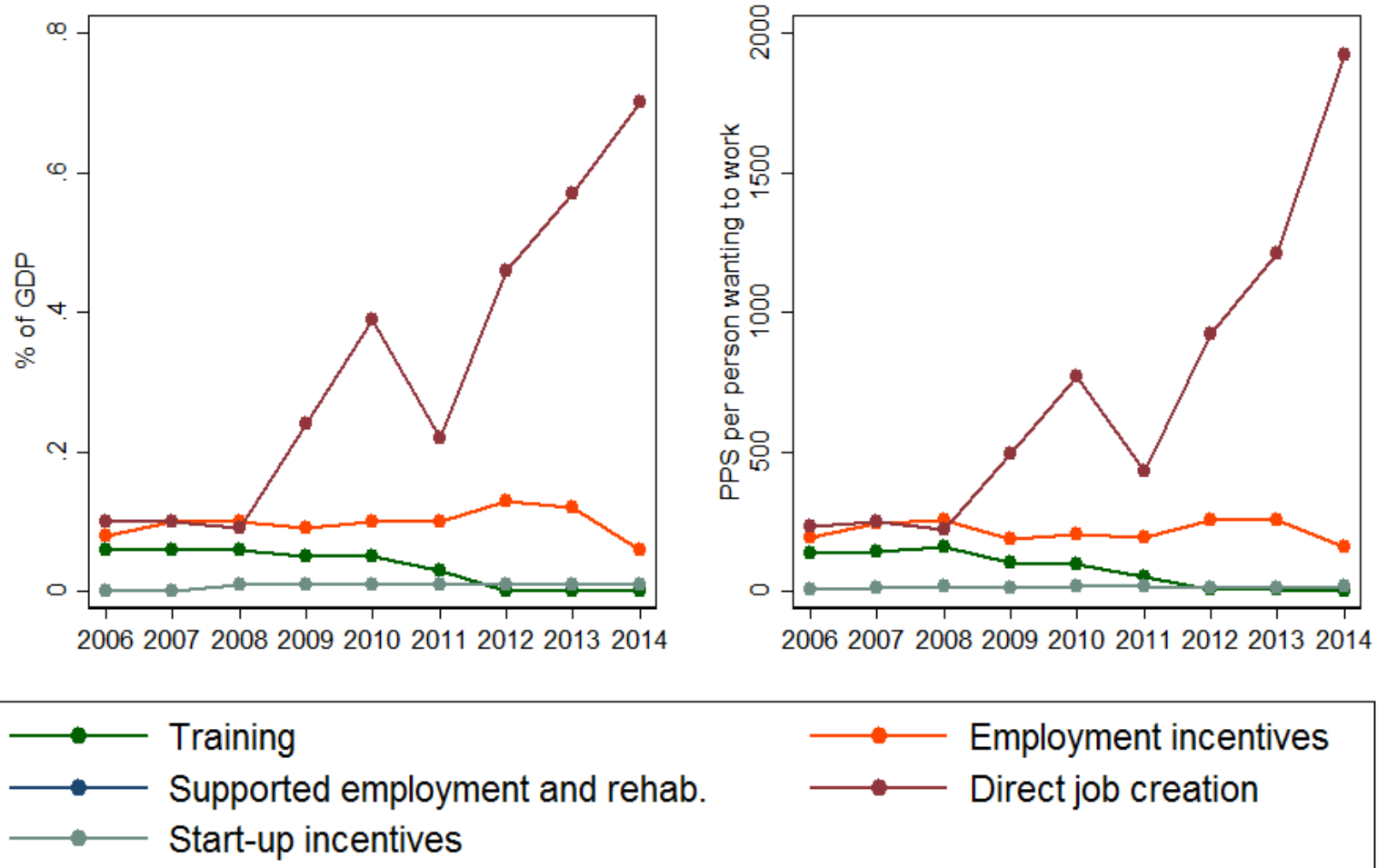
ALMP spending in IT during the crisis years



Source: Eurostat, own calculation

Levels and trends of ALMP: Hungary

ALMP spending in HU during the crisis years

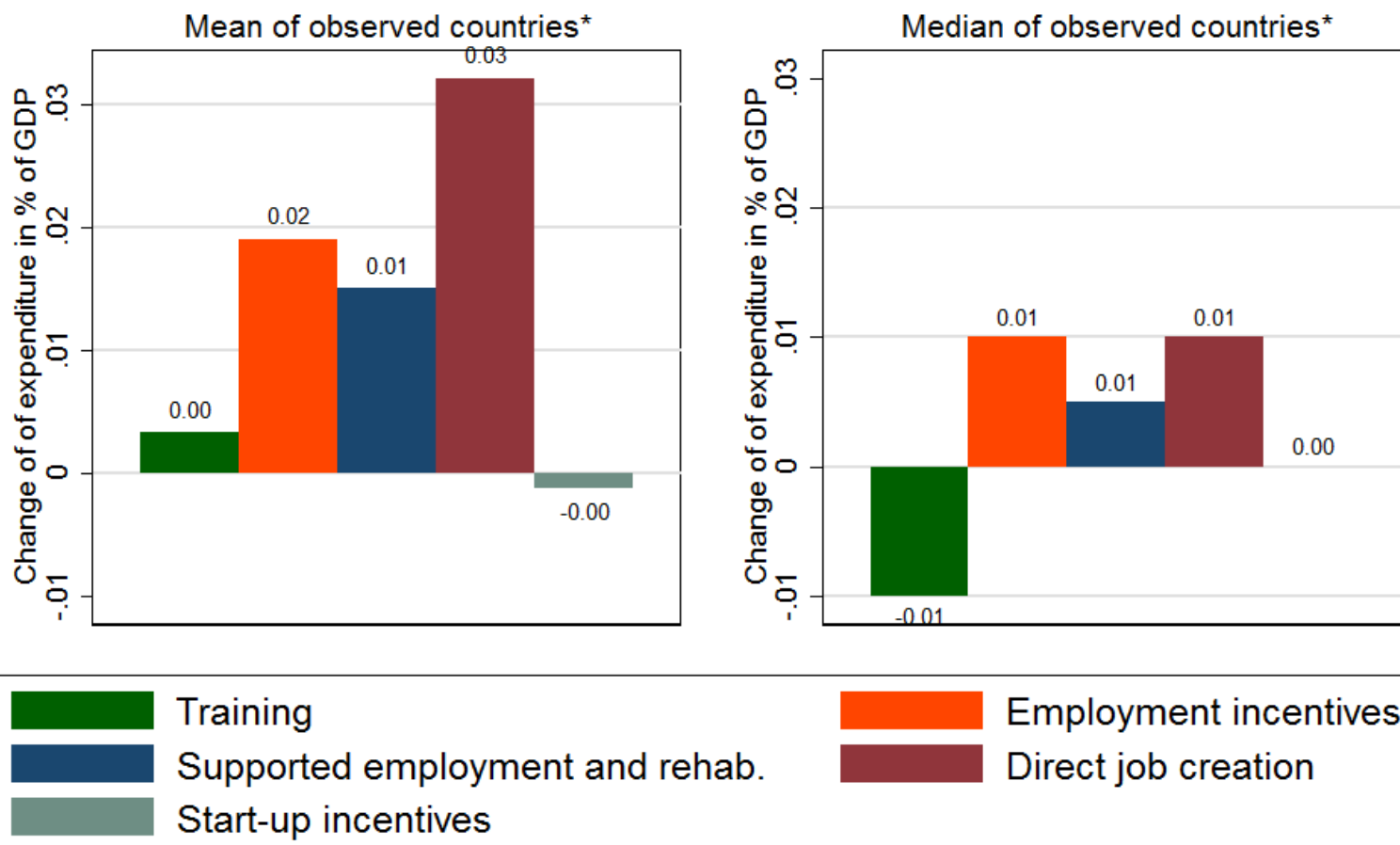


Source: Eurostat, own calculation

Aggregate spending on ALMP before vs. after the crisis

In 2013/2014, countries spend more money on employment incentives, supported employment and direct job creation than before the crisis. Training expenditure stagnant on aggregate.

Change in LMP expenditure from 2006/2007 to 2013/2014

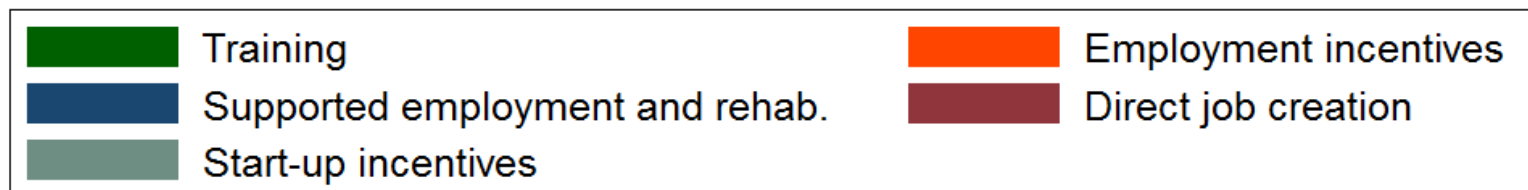
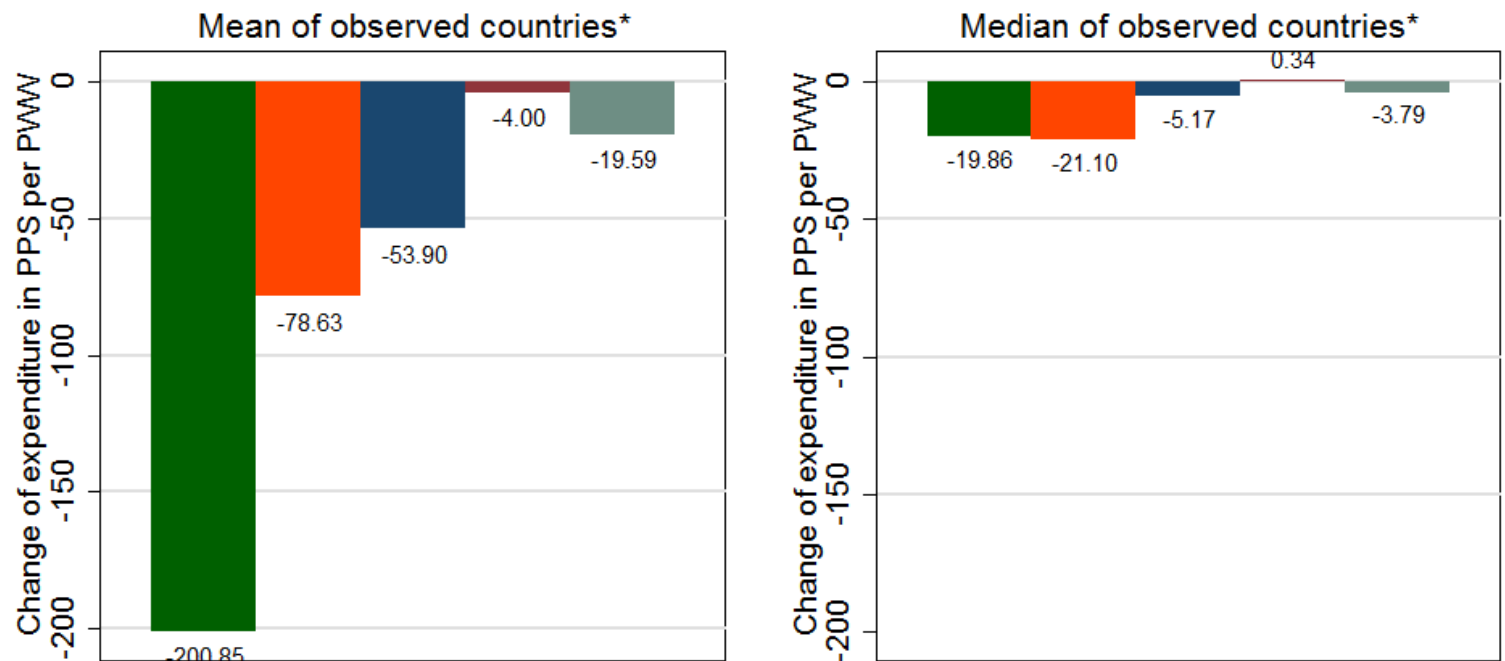


*25 European countries. Excluded: UK, HR
source: eurostat, own calculation

Per-person spending on ALMP before vs. after the crisis

Per person, expenditure rather went down between 2006/2007 and 2013/2014 for each ALMP category except direct job creation.

Change in LMP expenditure from 2006/2007 to 2013/2014



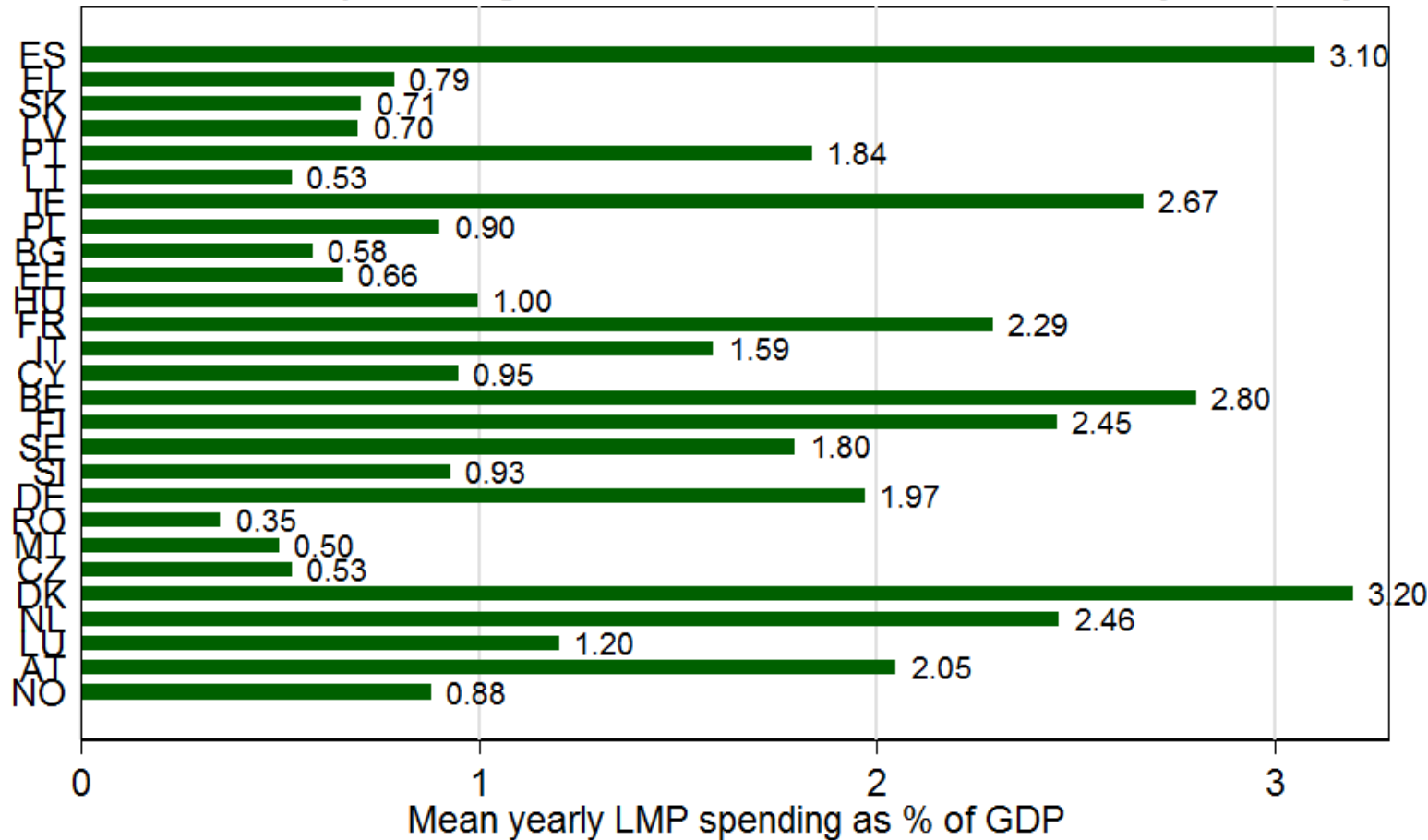
*25 European countries. Excluded: UK, HR
source: eurostat, own calculation

Social investment – a multiplier of inequality?

LMP spending driven by need?

Countries with higher unemployment (top of graph) do not generally seem to spend a larger part of their GDP on labour-market policy.

Overall LMP spending, between 2006 and 2014, by country



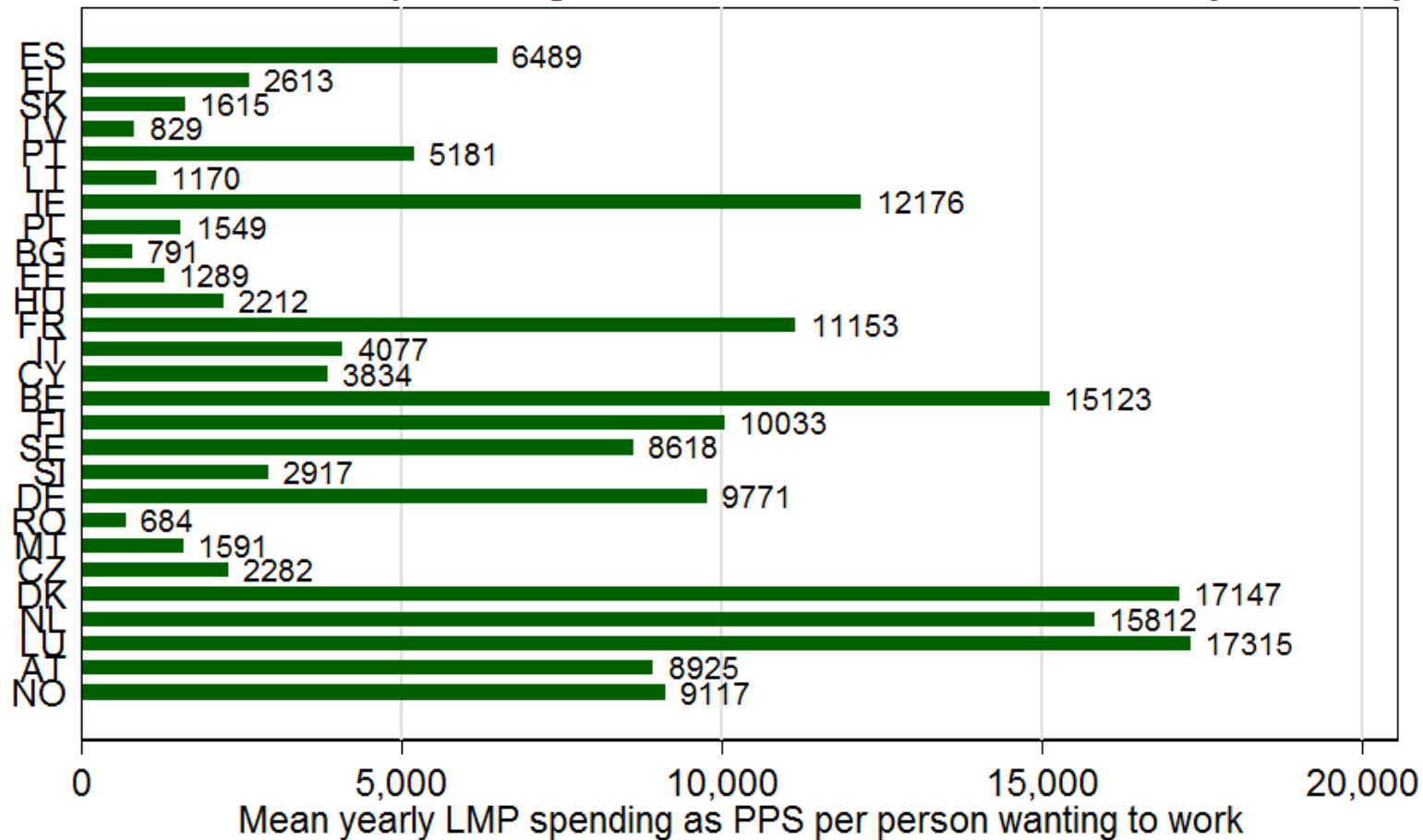
Sorted by unemployment rate, mean of 2006–2014

Source: Eurostat, own calculation

LMP spending driven by need?

There is clearly more spending per head on LMP where there is less unemployment.

Overall LMP spending, between 2006 and 2014, by country



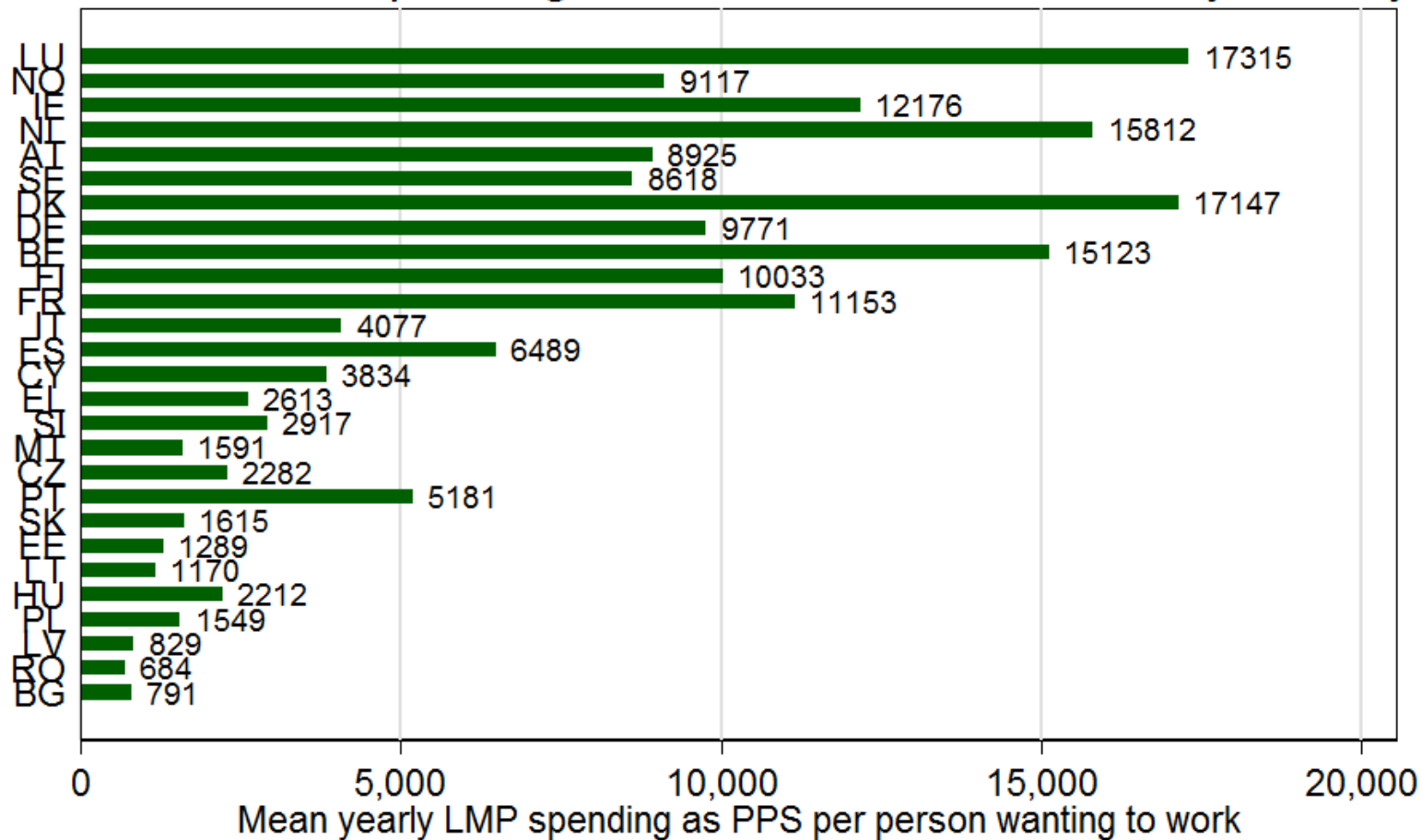
Sorted by unemployment rate, mean of 2006–2014

Source: Eurostat, own calculation

LMP spending driven by capacity?

Spending seems driven by fiscal capacity: Richer countries clearly spend more on LMP per person wanting to work.

Overall LMP spending, between 2006 and 2014, by country

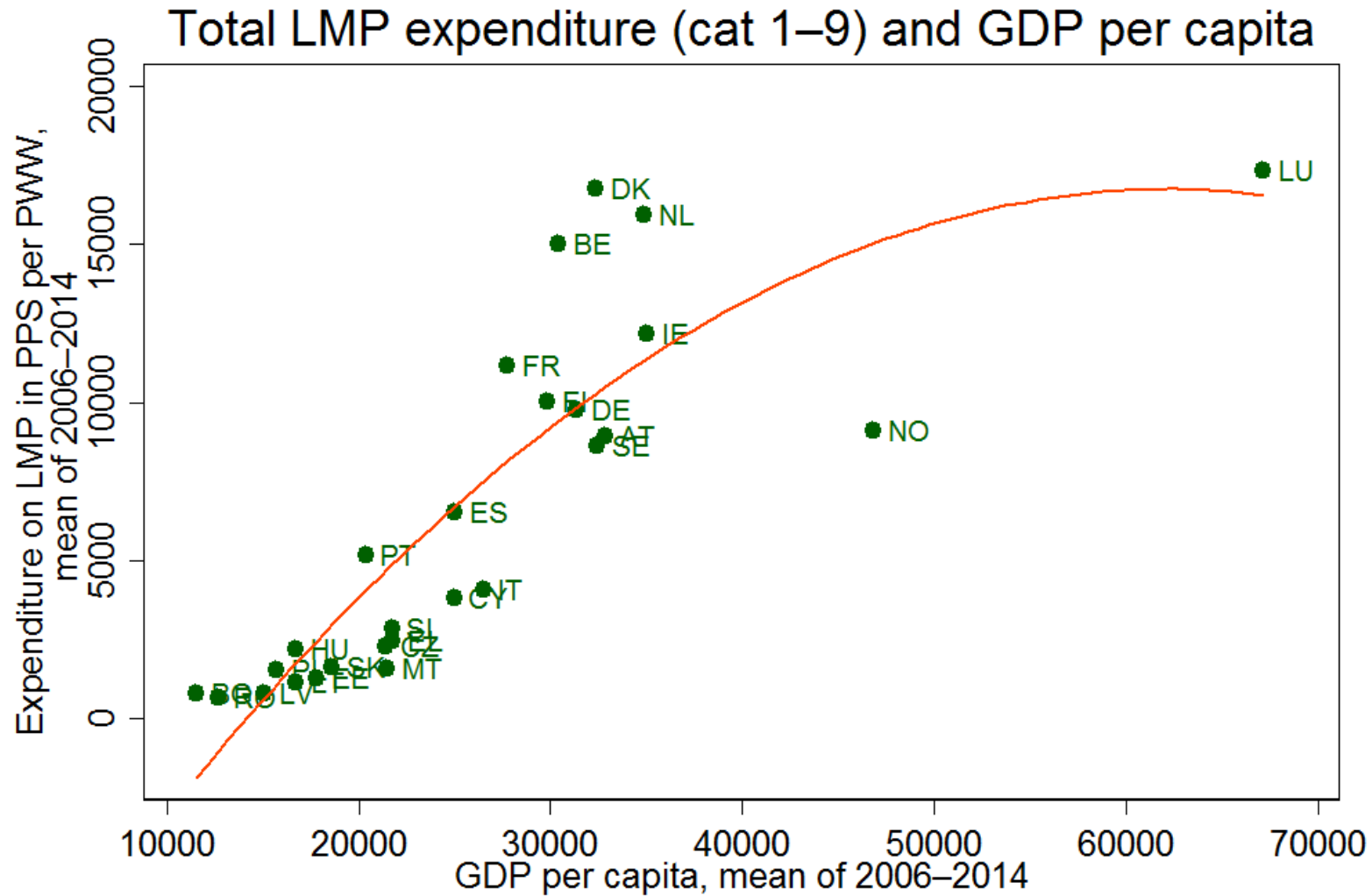


Sorted by GDP per capita, mean of 2006–2014

Source: Eurostat, own calculation

LMP spending driven by capacity?

Spending seems driven by fiscal capacity: Richer countries clearly spend more on LMP per person wanting to work.

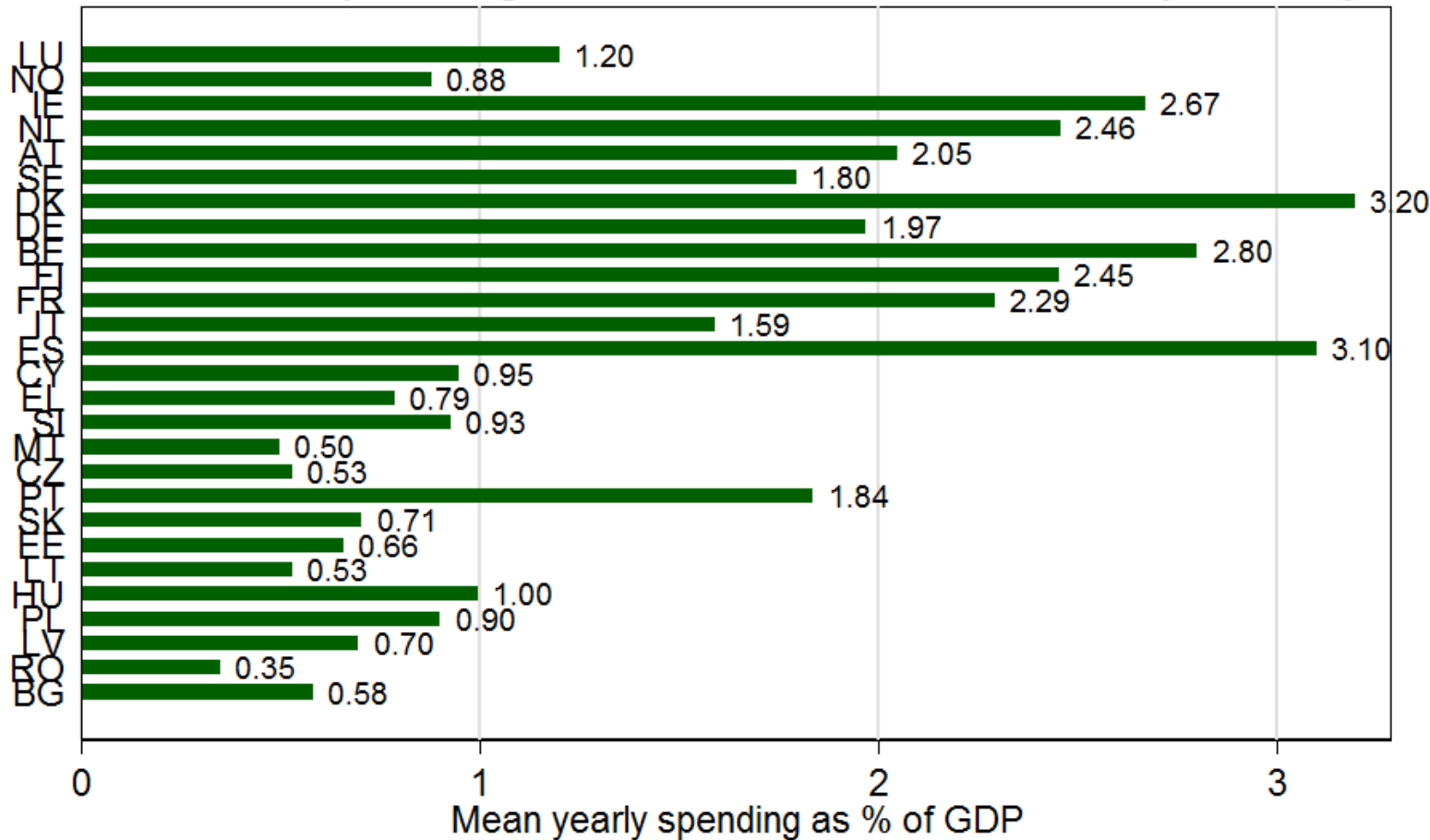


source: eurostat, own calculation

LMP spending driven by capacity?

Countries with higher GDP tend to spend a larger part of it on LMP (except very rich: fewer labour-market problems)

Overall LMP spending, between 2006 and 2014, by country



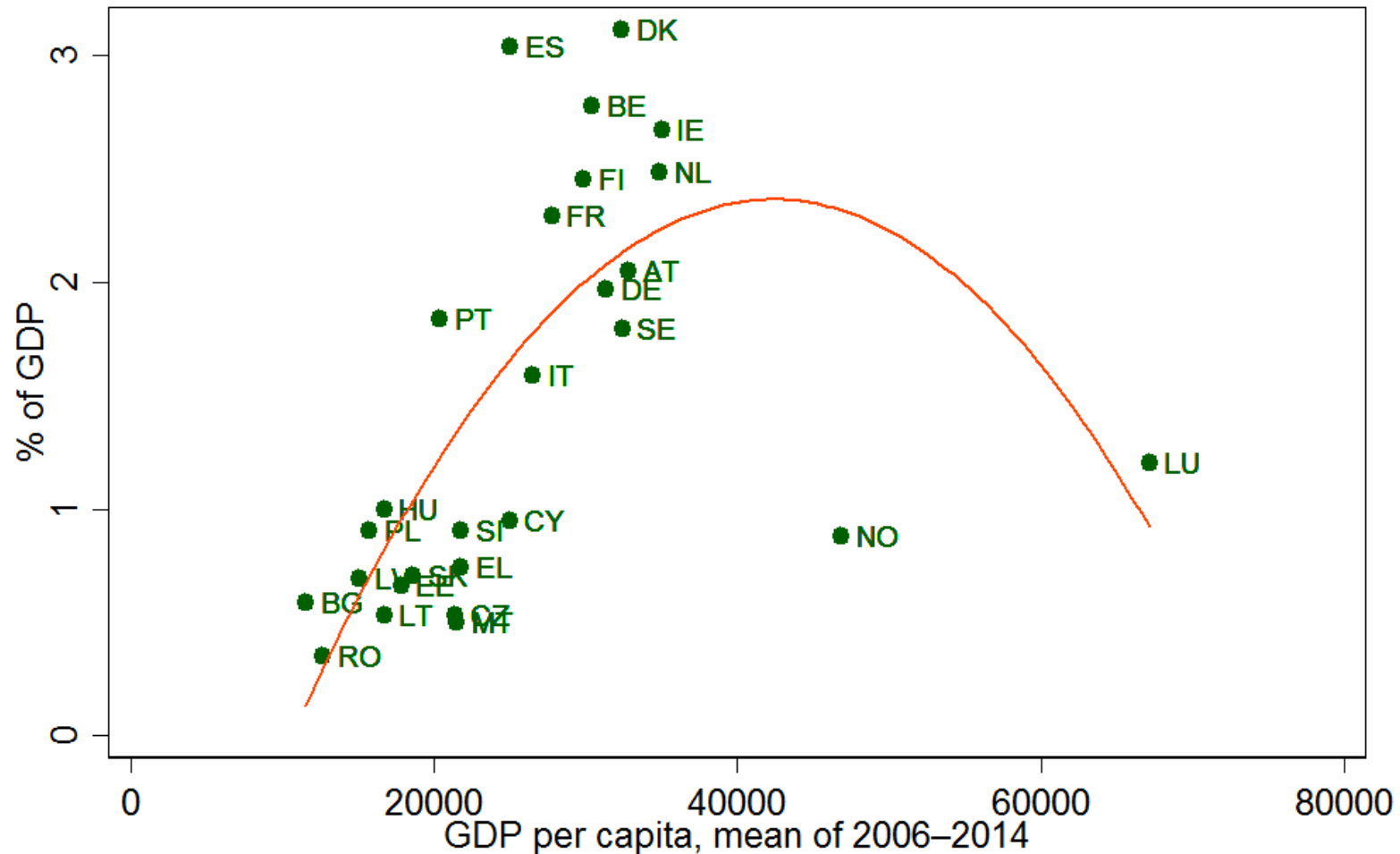
Sorted by GDP per capita, mean of 2006–2014

Source: Eurostat, own calculation

LMP spending driven by capacity?

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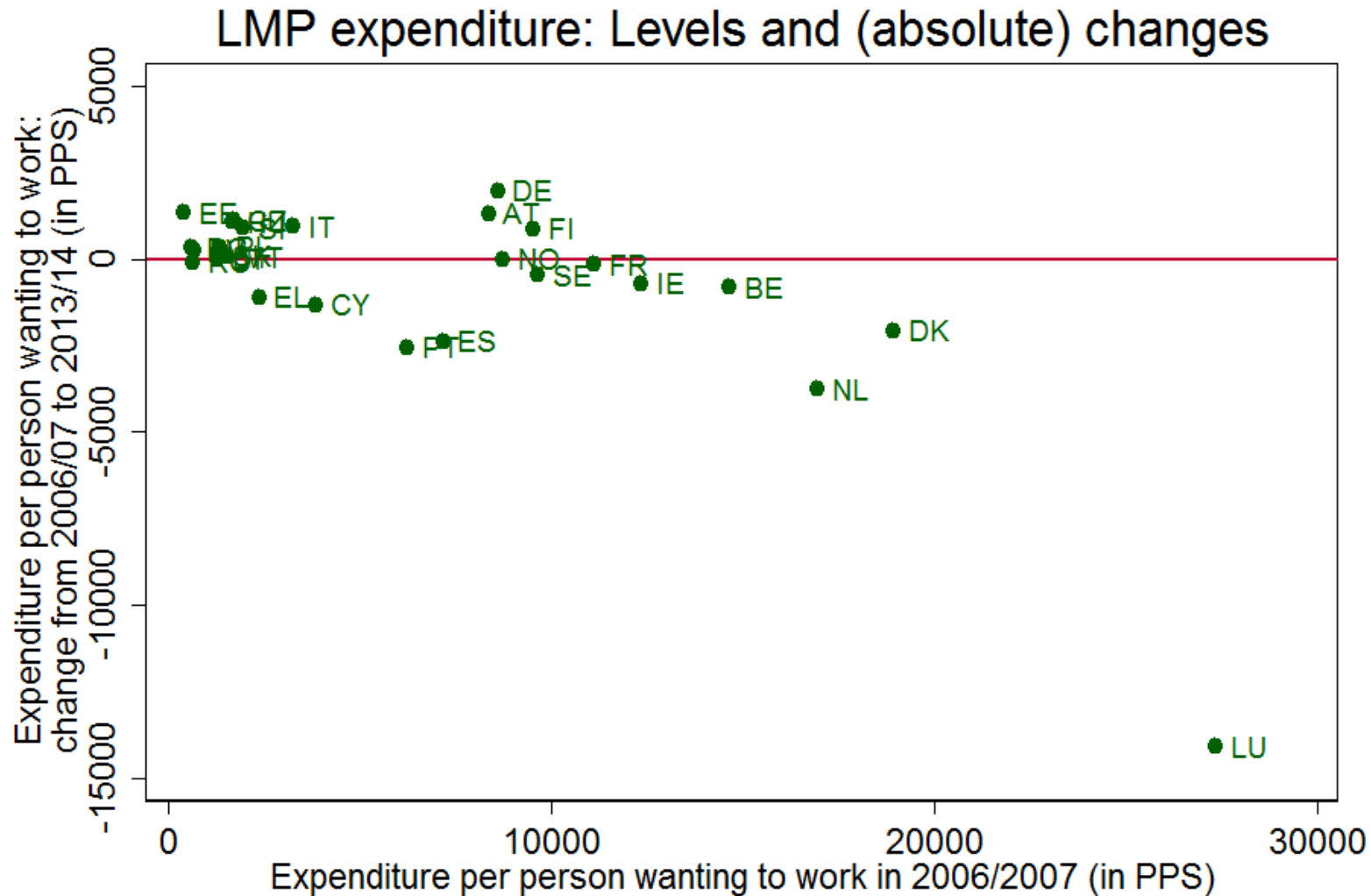
Total LMP expenditure (cat 1–9), by country, 2006–2014



source: eurostat, own calculation

Some signs of convergence?

Since the wake of the crisis, (absolute) spending per head has decreased most sharply in countries which formerly spent a lot per head.

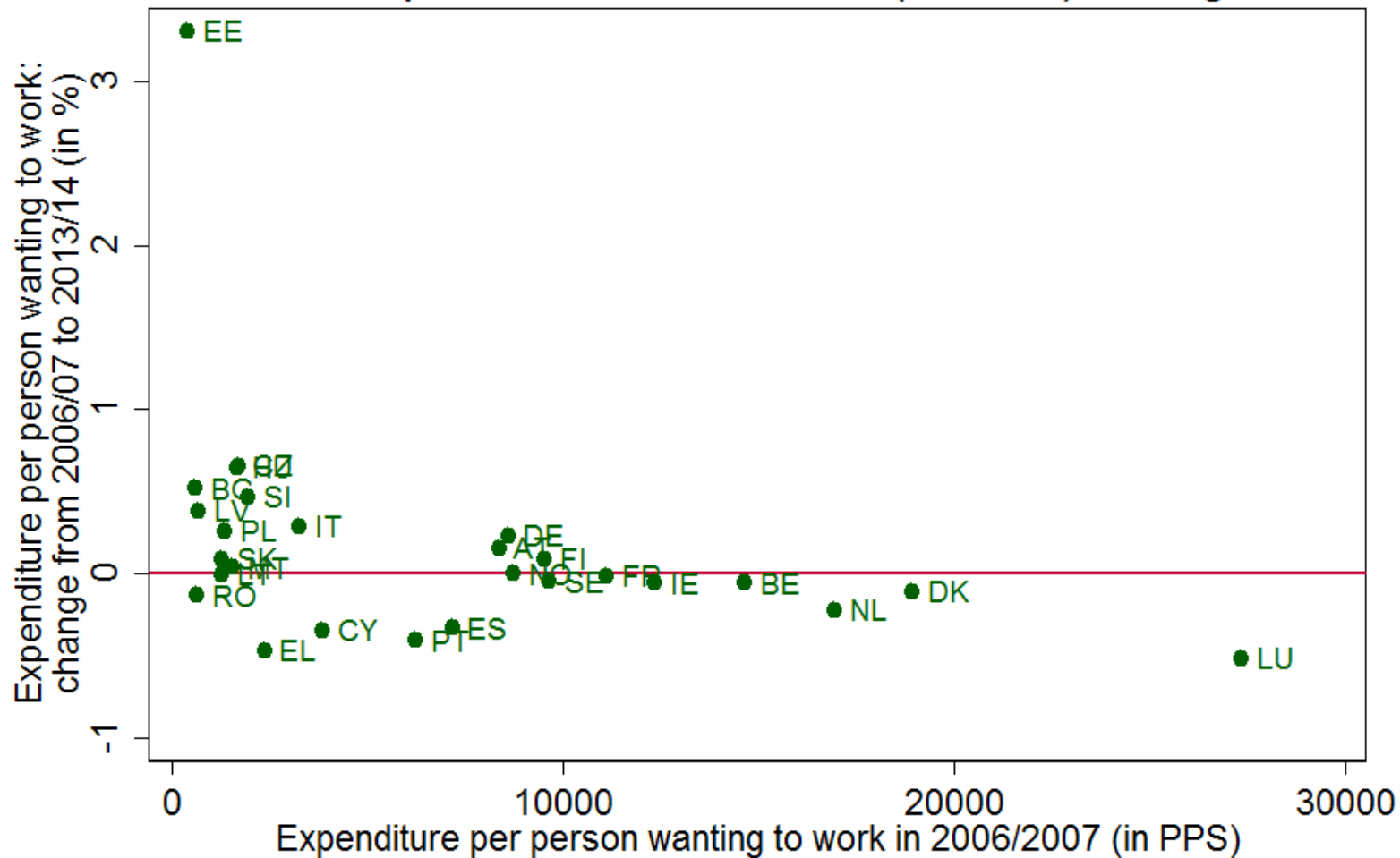


Source: Eurostat, own calculation

Some signs of convergence?

In relative terms, LMP spending per head has decreased most in countries with limited initial spending: Greece, Cyprus, Portugal, Spain. (Exception: LU). But it increased most in countries with the lowest initial spending.

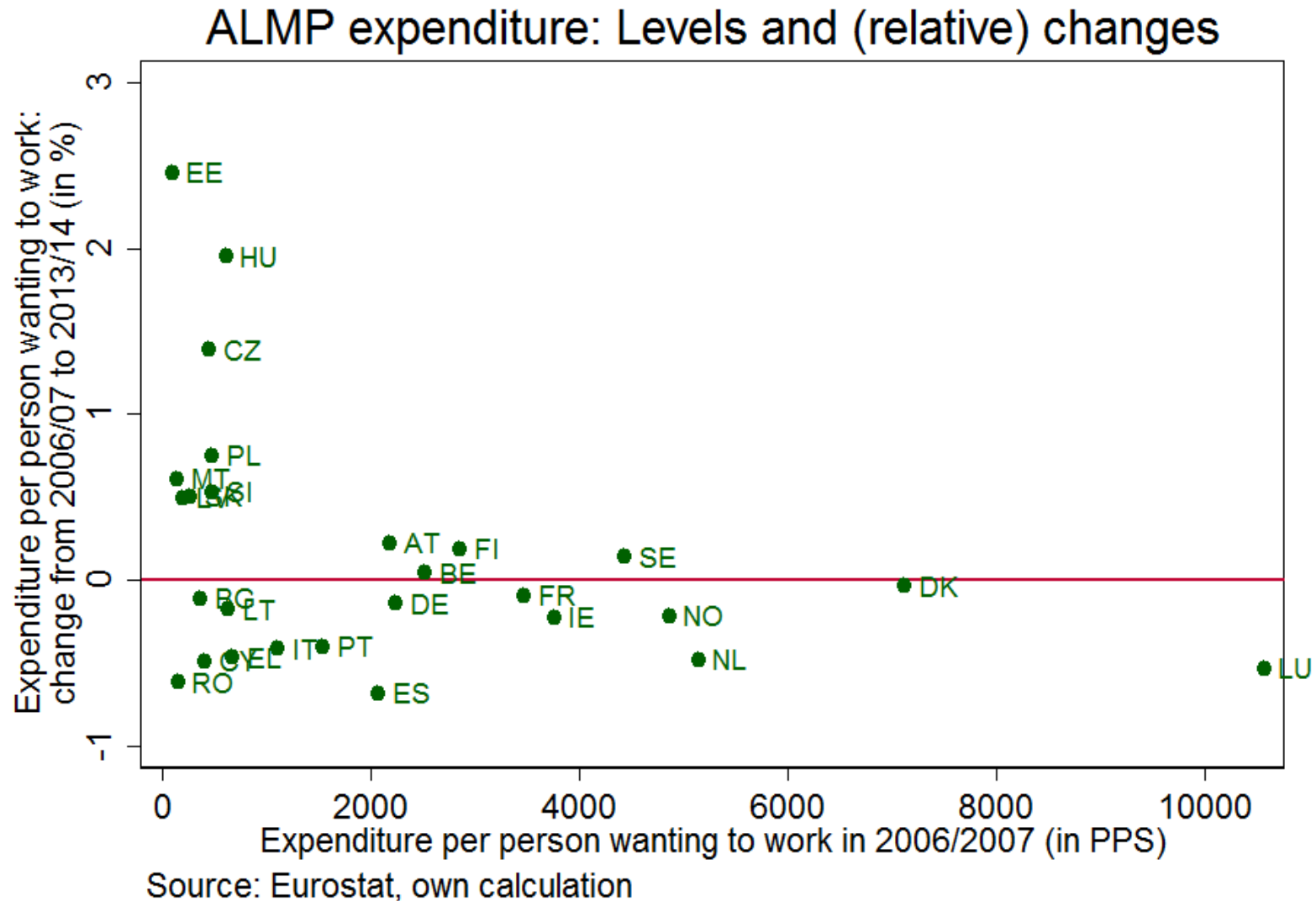
LMP expenditure: Levels and (relative) changes



Source: Eurostat, own calculation

Some signs of convergence?

Concerning ALMP, relative spending increases have been most prominent in some Eastern countries like Estonia, Hungary, Czech Republic. Yet, they also started from a very low level.



Conclusion

- **No clear distinction in ALMP- / PLMP-countries, but some countries more inclined to one or the other after the crisis (“spending profiles”).**
- **Across countries, spending seems driven not so much by need but by fiscal capacity. Investment in people is higher in richer countries.**
- **“Asymmetric social investment” thus is a**
 - source of unfair (individual) competition and a
 - multiplier of economic and social polarisation between European between countries.
 - But only if ALMP and PLMP actually have an effect.

State of knowledge: Effects of labour-market policy spending

- **Micro-economic studies (treated group vs. control group):**
 - Positive effect of counseling, sanctions, employment incentives in the short run.
 - Positive effect of training in the long run only.
 - No employment effect for public job-creation, but positive effect on recipients' satisfaction.
 - Success differs by group: Better for older workers. By skill: not clear.
- **Macro-economic studies (net effects):**
 - ALMP: mixed evidence
 - PLMP: positive effect both on employment and on unemployment

“More work must be done...”

- **Re-InVEST Work package 5 ([link](#)), quantitative part:**
 - Analyse effectiveness and distributional effects...
 - of both social protection and labour-market policy...
 - by way of multilevel regression analysis.

Thank you for your attention.

And for feedback!

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<http://www.re-invest.eu>

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