



Labour market policies (LMP) in the European Union in 2020

A statistical analysis

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1. Introduction

The EU labour market policy (LMP) database collects information about government actions to help people with a disadvantage in the labour market, primarily by facilitating and supporting transitions from unemployment or inactivity into employment. This can take the form of financial support – such as unemployment benefits – or practical support ranging from basic guidance services to the provision of training, work experience and other actions aimed at improving a persons' employability. It also includes incentives for employers to take on people from defined target groups. In the LMP database these actions are referred to as **interventions**.

The LMP data are collected annually by a network of national delegates from administrative sources in each country on the basis of a comprehensive methodology¹ that provides detailed guidelines on: which interventions to cover; how to classify interventions by type of action; how to measure the expenditure associated with each intervention; and how to measure the number of participants.

The LMP data serve to inform analysts and policy makers about the labour market policies provided in the EU Member States and provide an evidence base for further development of policy. LMP data are used in routine monitoring and benchmarking frameworks adopted by the European Commission to identify key trends and challenges across the EU Member States and in analysis supporting a range of European policy initiatives.

This note presents an analysis of the latest available LMP statistics. It includes an overview of the key data available for 2020 and an analysis of the impact of the COVID-19 crisis on the provision of LMP in the Member States. Readers are recommended to refer to information on the characteristics of LMP statistics provided in Annex 1 to aid understanding of the data presented.

2. Key data

Data on expenditure and participants represent the core of the LMP statistics. This section provides an overview of key data for 2020. Much of the analysis utilises breakdowns of LMP interventions by type of action, of which there are 8 categories and three broad types. Definitions of these, as well as the more detailed classifications by type of action, are provided in Annex but, in short:

- **LMP services** covers job-search assistance, guidance and counselling and similar support;
- **LMP measures** refers to “active” measures that aim to improve employability (e.g. through training or work experience) or encourage employers to recruit disadvantaged groups;
- **LMP supports** covers financial assistance, primarily in the form of unemployment related benefits but also including early retirement benefits granted for labour market reasons.

¹ <https://ec.europa.eu/social/main.jsp?catId=738&langId=en&pubId=8126&furtherPubs=yes>

Note that EU aggregates refer to the 2020 configuration of 27 Member States. The UK left the EU on 31 January 2020, but even before that point had not provided LMP data since 2011.

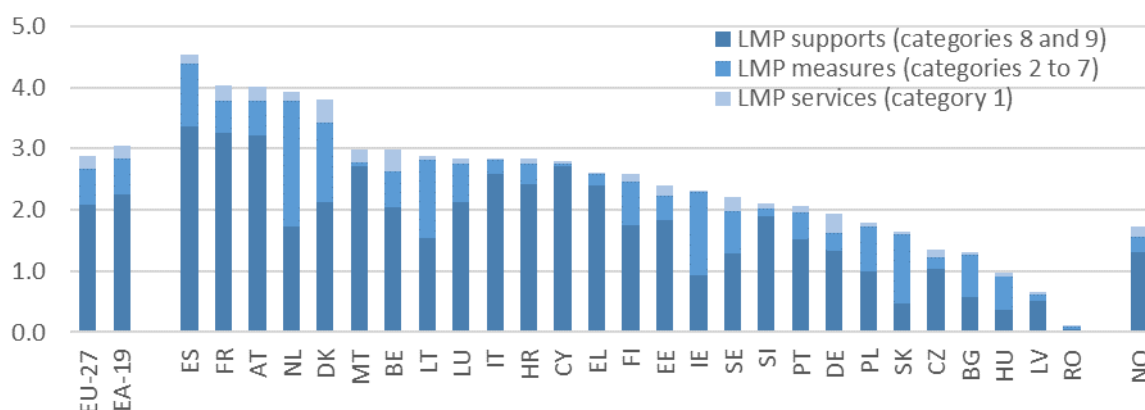
2.1. Expenditure

2.1.1. EU Member States spent 2.9% of their combined GDP on LMP in 2020

In 2020, the EU Member States spent EUR 383 billion on LMP interventions, corresponding to 2.9% of their combined gross domestic product (GDP) (see Figure 1). This is 60% above the average expenditure over the five preceding years (2015-2019), reflecting the cost of government interventions in the labour market to mitigate the impact of the COVID-19 pandemic. The details underlying this additional expenditure are explored in section 3.

The level of expenditure and the breakdown between the different types of LMP intervention varied considerably between countries, reflecting the diverse characteristics of national labour markets, as well as the different policies of respective governments. Spain spent the most (4.5% of GDP), followed by France, Austria, the Netherlands, and Denmark (4.0%, 4.0%, 3.9% and 3.8% respectively), which were the only other Member States to spend more than 3% of GDP. In contrast, eight Member States spent less than 2% of GDP on LMP interventions (BG, CZ, DE, LV, HU, PL, RO and SK).

Figure 1: Public expenditure on labour market policy interventions, 2020 (% GDP)



Source: DG EMPL, LMP database

Notes: Data for EU-27, EA-19, DK, DE, EE, IE, EL, HR, IT, LT, HU, NL, PL, RO, SE and NO include estimates. Data for FR, HU, NL include provisional values.

Expenditure is at least in part related to the number of persons requiring assistance and price levels within a country, so a more pertinent comparison may be to consider expenditure on a per capita basis – using the population wanting to work (PWW)² as a proxy for the potential target population³ – and denominated in purchasing power standards (PPS) to eliminate price differentials (see Figure 2). On this basis, expenditure

² Persons wanting to work refers to ILO unemployed plus the labour reserve. The unemployed according to the ILO definition are persons without work, currently available for work and actively seeking work. The labour reserve refers to inactive persons who want to work but are either not actively seeking work or are not immediately available for work, i.e. a subset of all inactive persons (persons neither employed nor unemployed).

³ In practice, LMP interventions can also support some people in employment (e.g. retraining of workers threatened by redundancy or partial unemployment benefits paid to maintain income of employees temporarily not working due to economic or climatic factors).

at EU level in 2020 stood at 12 276 PPS per PWW, up 50% from 8 221 PPS per PWW in 2019. At national level, expenditure was highest in the Netherlands (31 462 PPS/PWW), followed by Luxembourg (26 687) and then Denmark (20 942). These were the only Member States to spend more than 20 000 PPS/PWW and there were four countries that spent less than 5 000 PPS/PWW (BG, LV, HU, and RO).

In general, there is a clear positive correlation between spending in relation to GDP and per capita (persons wanting to work), but there are some exceptions (Figure 2). For example, Spain (well above the trend line) spent noticeably less per capita than might be expected from the share of GDP, while Czechia and Luxembourg (both well below the trend line) spend more per capita than predicted from the share of GDP.

Figure 2: LMP expenditure as % GDP and in PPS per person wanting to work, 2020



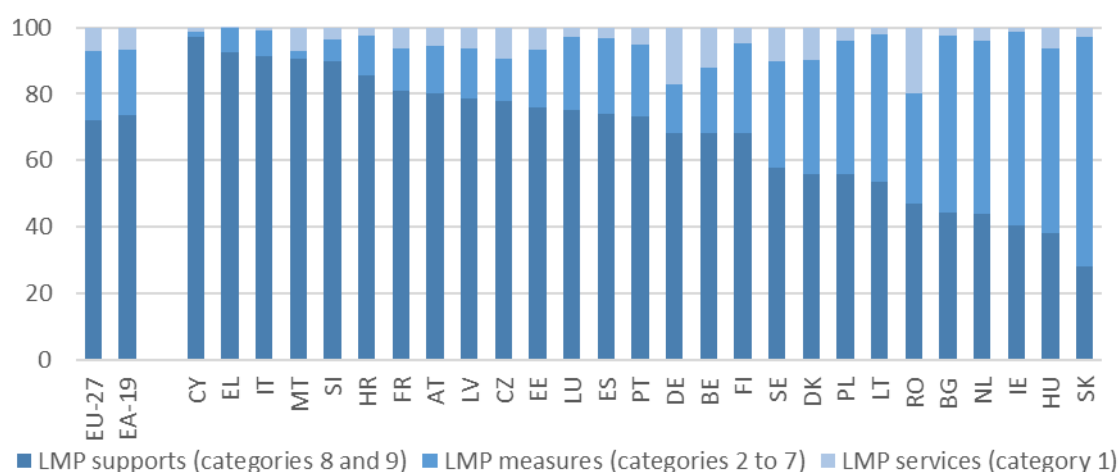
Source: DG EMPL, LMP database

Notes: Data for EU-27, EA-19, DK, DE, IT, PL, RO and SE include estimates. Data for HU and NL include provisional values.

2.1.2. Active measures accounted for only a fifth of LMP spending in 2020

In 2020, approaching three quarters (72.0%) of EU expenditure on LMP interventions was spent on financial supports (mostly unemployment benefits), just over a fifth (21.0%) on active measures and the remaining 6.9% on services (Figure 3). The distribution of expenditure is noticeably concentrated more on supports and less on services and measures than during the five preceding years (average of 63.4%, 25.0% and 11.6% respectively during 2015-2019).

At national level, Cyprus, Greece, Italy, and Malta spent the most on LMP supports (97.1%, 92.5%, 91.3% and 90.6% of total expenditure on LMP) or, conversely, the least on measures and services. Bulgaria, the Netherlands, Ireland, Hungary, and Slovakia were the only countries in which more than 50% of LMP expenditure went on LMP measures (53.3%, 52.1%, 58.4%, 55.6% and 69.2% respectively), while Germany and Romania were the only countries to spend more than 15% on LMP services (17.1%, and 19.9% respectively).

Figure 3: Distribution of LMP expenditure by broad type of intervention, 2020 (%)

Source: DG EMPL, LMP database

Notes: Data for EU-27, EA-19, DK, DE, EE, IE, EL, HR, IT, LT, HU, NL, PL, RO, SE and NO include estimates. Data for FR, HU, NL include provisional values.

2.2. Participants

Across the EU there were, on average, just under 14 million people participating in LMP measures and 27 million benefiting from LMP supports at any point during 2020 (Table 1), both up considerably (+39% and +90%) compared to the average numbers over the five preceding years (2015-2019). These numbers equate to just under 45% and just over 85% of persons wanting to work respectively. However, there are some considerable differences between countries.

Participants in LMP measures and LMP supports can include employed persons who are not counted among the population wanting to work – i.e. persons-at-risk of unemployment. In a normal year, the numbers concerned are usually relatively small, limited primarily to small numbers in receipt of a partial or a part-time unemployment benefit, partial early retirement benefit or employment maintenance incentives. In 2020, however, this was not the case as considerable numbers of people whose jobs were at risk because of the COVID-19 pandemic were supported by LMP interventions. Indeed, the data show that the proportion of persons wanting to work benefiting from LMP measures exceeds 100% in two countries (LT and NL) and the proportion benefiting from LMP supports exceeds 100% in nine countries (BE, DE, IE, FR, LT, MT, NL, AT, and SI).

Such results are most likely to arise when numbers of unemployed and inactive wanting to work are relatively small and numbers of employed-at-risk participating in LMP interventions are relatively high. For example, in the case of Malta, the data show that the proportion benefiting from LMP supports stood at 279% of persons wanting to work. This result derives from a population wanting to work of 23 thousand (denominator), compared to 2 thousand unemployed receiving unemployment benefits and 62 thousand employed at risk receiving a COVID wage supplement.

Table 1: Annual average stock of participants in LMP measures and supports, 2020

	LMP measures (categories 2-7)		LMP supports (categories 8-9)	
	Number	% Persons wanting to work	Number	% Persons wanting to work
EU-27	13 890 164	u 44.5%	27 047 030	86.6%
EA-19	12 613 342	p 47.8%	25 069 758	95.0%
BE	378 919	56.7%	904 141	135.4%
BG	130 473	42.9%	122 188	40.2%
CZ	:	:	:	:
DK	205 920	e 48.1%	234 924	u 54.9%
DE	788 578	16.9%	5 418 126	116.3%
EE	40 327	43.2%	47 167	e 50.5%
IE	388 799	88.1%	502 438	113.8%
EL	:	:	340 239	e 34.5%
ES	4 303 058	78.6%	3 146 571	57.5%
FR	1 029 393	u 24.5%	7 606 873	181.3%
HR	19 810	e 8.1%	236 632	e 96.6%
IT	3 087 396	48.2%	3 893 097	e 60.7%
CY	2 254	4.5%	:	:
LV	6 982	5.1%	41 165	30.0%
LT	184 180	108.9%	322 931	191.0%
LU	24 826	46.7%	49 661	93.4%
HU	196 252	40.7%	360 074	74.6%
MT	2 429	10.5%	64 370	279.4%
NL	1 660 913	p 192.3%	872 716	e 101.1%
AT	157 999	22.7%	760 752	109.4%
PL	:	:	:	:
PT	318 831	45.5%	567 280	80.9%
RO	23 331	3.7%	78 976	e 12.4%
SI	13 040	15.1%	109 480	127.0%
SK	:	:	65 341	24.2%
FI	122 174	29.4%	343 504	82.7%
SE	204 755	e 26.8%	:	:
UK	:	:	:	:
NO	36 796	12.0%	133 525	43.4%

Source: DG EMPL, LMP database

Flags: : Not available; :n Not significant; - Not applicable or real zero or zero by default; e Estimated value; u Unreliable or uncertain data: participant data complete for interventions covering $\geq 80\%$ but $< 95\%$ of expenditure; p Provisional data; b Break in series.

Notes: Participants in LMP measures and LMP supports should not be added together because of a risk of double-counting.

2.3. Reference data on registered jobseekers

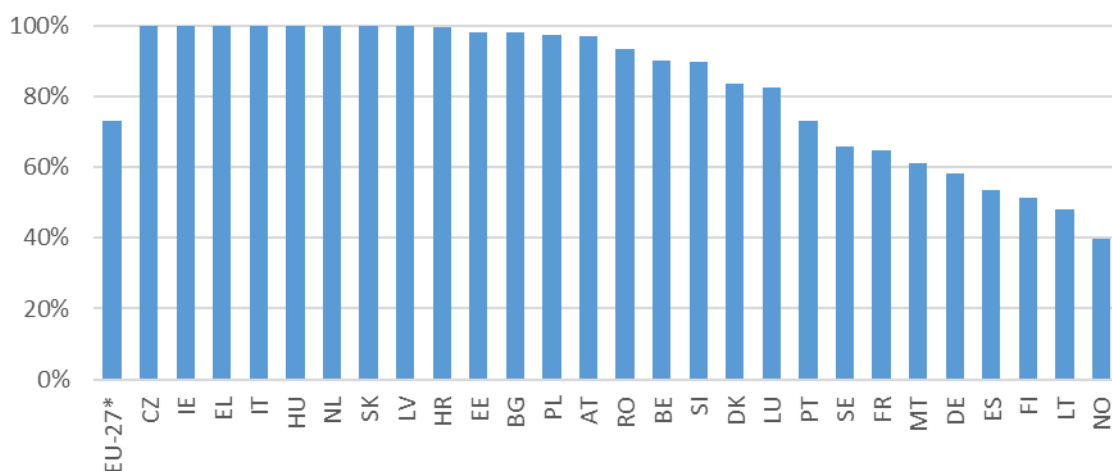
The LMP database collects administrative data on the numbers of jobseekers registered with the public employment services (PES) in each country as a point of reference for the data on expenditure and participants. Depending on national practices, there can be different categories of persons registered with the PES, including employed people looking to work more or to change jobs. In general, however, the primary targets of LMP interventions are those considered registered unemployed (according to national definitions).

Across the EU there were, on average during 2020, just over 31 million people registered as jobseekers with the PES, of whom just under 23 million (almost 75%) were *registered unemployed*. The remaining 8.4 million *other registered jobseekers* cover different groups depending on national practices and the scope of the national concept of registered unemployment, for example: unemployed seeking only part-time or temporary work, part-time employed seeking additional work, people seeking but not immediately available for work.

The criteria for being considered registered unemployed vary between countries. In some the definition coincides more or less with the three-pronged ILO definition of unemployment, which requires people to be without work (not even one hour per week), available for work and actively seeking work. In others, however, the national definitions can both enlarge and restrict the scope. For example, many countries allow persons working in small part-time jobs (up to a certain threshold of hours or income) to register as unemployed, while in others only people that are seeking full-time work can be registered unemployed so that those seeking part-time or temporary work are excluded. Further, some countries do not apply a specific concept of registered unemployment and in such cases the data refer to recipients of the unemployment related benefits that (in the main) govern access to active labour market measures. This is the case, for example, in Ireland.

Figure 4 illustrates the extent to which those unable to meet criteria for registering as unemployed can register with the PES, demonstrating considerable differences between countries. Data indicate that in Czechia, Ireland, Greece, Italy, and the Netherlands all registered jobseekers are registered unemployed and in Slovakia, Latvia, Croatia, Estonia, Bulgaria, Poland, and Austria at least 97% are registered unemployed. In Ireland this result stems from the lack of a specific concept of registered unemployment and, more broadly, registered jobseeker. However, in others this implies that there are no or very limited circumstances in which people can register with PES if they do not meet criteria to be registered unemployed. Note, however, this does not necessarily imply that these people are unable to access LMP interventions provided by the PES. In contrast, in Germany, Spain, Finland and Italy, registered unemployed constitute less than 60% of all registered jobseekers indicating that there is a wider range of situations in which people can register as jobseekers with the PES outside the confines of registered unemployment. For example, in Finland other registered jobseekers constitute around half of all registered jobseekers and include people who are employed but benefitting from the support of an LMP intervention (subsidised work or subject to a reduced working week), people who are employed without support, and groups currently inactive but wanting to work. In France, registered jobseekers are split into three categories – A, B and C - based on whether they have been involved in an employment activity during the month and the extent of this activity. Category A is considered as *registered unemployed* and covers all persons with no activity. Categories B and C are then treated as *other registered jobseekers* and cover people with some activity, with the allocation to category B or C based on whether the activity exceeded 78 hours or not.

Figure 4: Registered unemployed as a share of all registered jobseekers, 2020 (%)



Source: DG EMPL, LMP database

Notes: EU-27 excludes CY for which data are not available.

Table 2 compares administrative data on the numbers of registered unemployed from the LMP database with the numbers of unemployed according to the EU Labour Force Survey

(LFS). Differences between the two (which can be substantial in either direction) derive from two main sources. Firstly, the differences between the ILO definition of unemployment used in the LFS and the criteria to be registered as unemployed in each country. And, secondly, the extent to which people who are unemployed register with the PES, which may be linked to their eligibility to benefits and general perceptions of the services on offer. Part of the difference could also derive from the age-groups covered – the LFS data cover 15-64 but national definitions may, for example, limit the registered unemployed to those over 18 or cover those aged up to the national retirement age. However, the impact of such differences is expected to be limited.

Across the EU, the number of LFS unemployed was 35% lower than the number of registered unemployed in 2020 suggesting that national definitions of unemployment tend to have a wider scope than the ILO definition. Indeed, at national level, the number of LFS unemployed is at least 30% lower than the number of registered unemployed in fifteen countries (BE, BG, CZ, DE, IE, EL, FR, IT, LT, HU, NL, AT, PL, SI and FI) while the inverse is true in just three countries (DK, MT and RO).

Table 2: Numbers of registered unemployed compared to LFS unemployed, 2020 (annual average stock)

	Admin data on registered unemployed (LMP)	Survey data on unemployed (LFS)	Ratio Unemployed / Registered (%)	Survey data on PWW (LFS)	Ratio PWW / Registered (%)
EU-27*	22 832 723	14 874 000	65.1	31 172 121	136.5
BE	445 881	281 700	63.2	667 726	149.8
BG	253 497	166 100	65.5	304 103	120.0
CZ	259 054	136 800	52.8	241 151	93.1
DK	127 868	168 500	131.8	427 693	334.5
DE	2 695 444	1 650 900	61.2	4 658 326	172.8
EE	47 167	47 100	99.9	93 408	198.0
IE	208 488	135 100	64.8	441 397	211.7
EL	1 122 503	746 000	66.5	985 989	87.8
ES	3 709 825	3 517 100	94.8	5 472 144	147.5
FR	3 899 876	2 338 800	60.0	4 196 719	107.6
HR	150 824	133 900	88.8	245 030	162.5
IT	5 489 764	2 297 500	41.9	6 409 313	116.8
CY	:	34 100	:	49 575	:
LV	69 025	78 300	113.4	137 298	198.9
LT	216 187	125 400	58.0	169 116	78.2
LU	18 673	21 200	113.5	53 155	284.7
HU	316 055	196 500	62.2	482 680	152.7
MT	3 162	11 800	373.1	23 043	728.7
NL	674 930	349 300	51.8	863 548	127.9
AT	409 639	243 000	59.3	695 396	169.8
PL	989 602	533 600	53.9	1 732 489	175.1
PT	385 543	347 000	90.0	701 268	181.9
RO	271 428	450 800	166.1	635 367	234.1
SI	85 003	51 200	60.2	86 224	101.4
SK	202 760	181 100	89.3	269 685	133.0
FI	342 423	211 500	61.8	415 232	121.3
SE	438 102	453 800	103.6	764 624	174.5
NO	141 935	123 300	86.9	307 376	216.6
UK	:	:	:	:	:

Source: DG EMPL, LMP database; Eurostat; Eurostat, LFS (Ifsa_ugad)

Flags: : Not available.

Notes: EU-27 excludes CY for which data are not available. Survey data on unemployed (LFS) refer to those aged 15-64 while the LMP data on registered unemployed cover all those allowed to register as unemployed according to national regulations.

3. Impact of COVID-19 on provision of LMP in the EU

In 2020, national governments within the EU made extensive use of existing and new policy measures to mitigate the impact of lockdowns and restrictions placed on business activities during the COVID-19 pandemic. A sub-set of these meet the definition of *labour market policies* applied in the EU-LMP database and the extent of their use can be observed in the LMP data for 2020.

A total of 96 new LMP interventions were introduced across 19 Member States in 2020 (see Table 3). While some of these may have no link to COVID-19, the number introduced is twice the average for the previous four years (average of 48 per year). Further, over half of the interventions introduced related to either *employment maintenance incentives* (LMP category 4.2) or *partial unemployment benefits* (LMP category 8.2), both of which serve to preserve employment of people at risk of job loss. Indeed, *employment maintenance incentives* were introduced in seven countries where there were previously none (BG, IE, IT, LT, NL, PL and PT) and *partial unemployment benefits* were introduced in ten countries where none was in place in 2019 (CZ, EE, CY, LT, HU, MT, NL, PL, SI and SE).

According to the available data, eight countries (BE, DE, ES, LV, LU, AT, RO, and FI) did not introduce any new LMP interventions in 2020. In these cases, existing interventions are likely to have been used, possibly with some adaptation, to mitigate the impact of lockdowns and restrictions. Note, however, that in the case of Romania the LMP data appear to miss COVID-19 related interventions introduced in 2020⁴.

It is important to note that, the way in which interventions are organised at national level and thus reported in the LMP database can have an impact on the numbers of intervention introduced. For example, to adapt the offer of LMP to meet emerging needs some countries regularly replace short term interventions while others continuously adjust long standing interventions. To fully understand the impact of COVID-19 on LMP provision, it is thus necessary to consider the roles played by all interventions.

⁴ Clear guidance was provided to countries on the inclusion of new COVID-19 related interventions during the collection of LMP data for 2020. RO is the only country which failed to take these into account. Information available in the EU PolicyWatch database suggest LMP data for RO miss several COVID-related interventions, introduced in 2020. These include "Indemnity for technical unemployment", "Support to employers in keeping the workplaces", "Benefits for employees" and "Kurzarbeit: New short working time adopted". Further information can be found here: <https://static.eurofound.europa.eu/covid19db/countries/RO.html>.

Table 3: Countries introducing new LMP interventions in 2020 by type of action

Classification	Countries	
Total	BG, CZ, DK, EE, IE, EL, FR, HR, IT, CY, LT, HU, MT, NL, PL, PT, SI, SK, SE	19
LMP services (cat. 1)	EL, FR, NL	3
LMP measures (cat. 2-7)	BG, IE, EL, IT, CY, LT, HU, NL, PL, PT, SI, SK	12
Training (cat. 2)	EL, IT, PT	3
Employment incentives (cat. 4)	BG, IE, EL, IT, CY, LT, HU, NL, PL, PT, SI, SK	12
Employment maintenance incentives (cat. 4.2)	BG, IE, IT, LT, NL, PL, PT, SK	8
Sheltered & supported employment and rehabilitation (cat. 5)		-
Direct job creation (cat. 6)	PT	1
Start-up incentives (cat. 7)	EL, LT, PT	3
LMP supports (cat. 8-9)	CZ, DK, EE, IE, EL, FR, HR, IT, CY, LT, HU, MT, NL, PL, PT, SI, SE	17
Out-of-work income maintenance and support (cat. 8)	CZ, DK, EE, IE, EL, FR, HR, IT, CY, LT, HU, MT, NL, PL, PT, SI, SE	17
Partial unemployment benefits (cat. 8.2)	CZ, DK, EE, EL, HR, IT, CY, LT, HU, MT, NL, PL, PT, SI, SE	15
Early retirement (cat. 9)		-

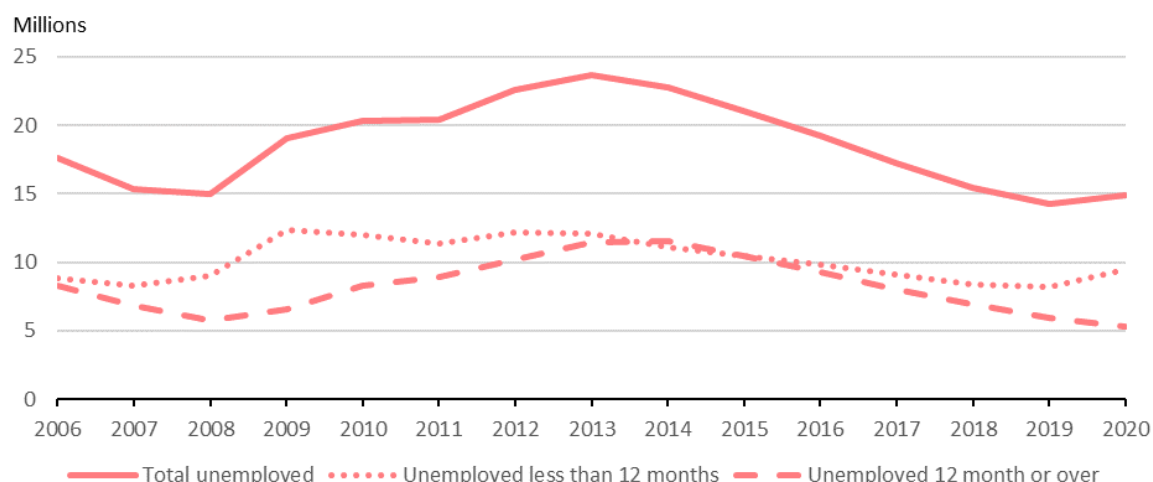
Source: DG EMPL, LMP database.

The remainder of this chapter analyses how LMP provision reacted to the challenges presented by the COVID-19 crisis. It first considers the impact of COVID-19 on the population of unemployed, and then reflects on changes in the expenditure and participants associated with LMP interventions.

3.1. Numbers of unemployed rose by just 4.5% in 2020

The unemployed represent the primary targets for most LMP interventions. Indeed, registration as unemployed and the associated duration of the unemployment spell often play a role in the eligibility criteria of LMP interventions, albeit in different ways for different types of intervention. The impact of the crisis on the population of unemployed and its composition thus provides important context to the impact on the provision of LMP.

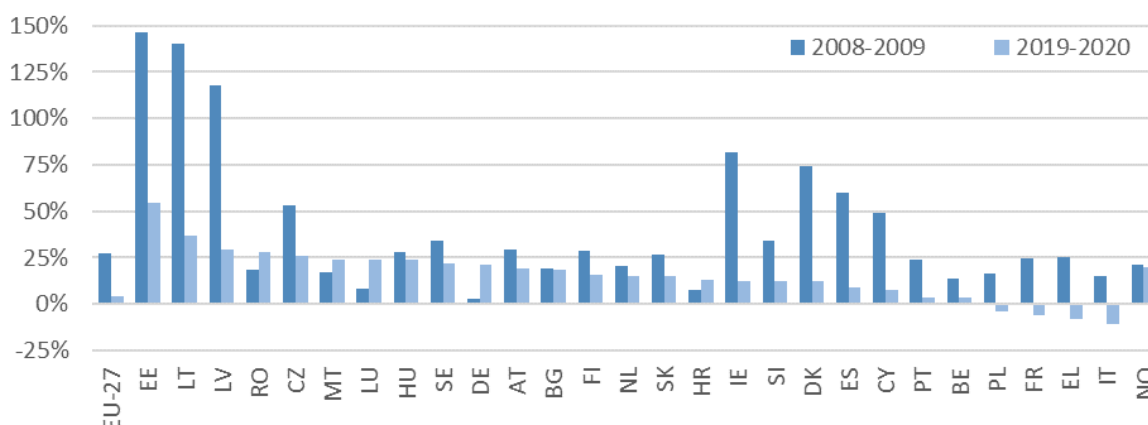
In 2020, the number of unemployed according to the Labour Force Survey (LFS) stood at just under 15 million. As shown in Figure 5, this represents a 4.5% increase compared to 2019 and an interruption in the steady decline in their numbers since peaking at just under 24 million in 2013. Despite this increase, the number of unemployed remain low in historical terms.

Figure 5: Number of unemployed aged 15-64 by duration, EU-27, 2006-2020

Source: Eurostat, LFS (Ifsa_ugad)

The 4.5% rise in 2020 corresponded to a 635 thousand increase in the number of unemployed, which is small compared to the 3.3 million rise (+27.1%) that resulted from the economic and financial crisis in 2009. This may be attributed to differences in both the economic impact of the crises and the corresponding responses by public authorities. Indeed, the economic impact of the COVID-19 crisis, unlike the crisis in 2009, was characterised by a widespread temporary suspension of economic activity rather than a collapse of specific sectors of the economy, thus allowing room for pre-emptive efforts to preserve jobs. However, it is also possible that temporary suspension (by individuals) of efforts to actively seek work, supported by the relaxation of requirements to do so by PES and/or benefit authorities may have contributed to keeping down increases in unemployment when measured using the strict ILO criteria. This is implied by the labour reserve, which counts numbers of inactive wanting to work, rising 18.6% in 2020, more than four times the rise in numbers of unemployed.

Figure 6 shows that the extent of changes in the numbers of unemployed in 2020 varied considerably across the Member States. Numbers increased by more than 50% in Estonia (54.4%) and by more than 25% in Lithuania, Latvia, Romania and Czechia but rose by just 3-4% in Belgium and Portugal and declined in Poland, France, Greece and Italy. The changes arising in 2020 were less severe than those experienced in 2009 in all but five Member States (DE, HR, LU, MT and RO), confirming that COVID-19 had considerably less impact on numbers of unemployed than the financial crisis in 2009.

Figure 6: Changes in the number of unemployed aged 15-64, 2008-2009 and 2019-2020 (%)

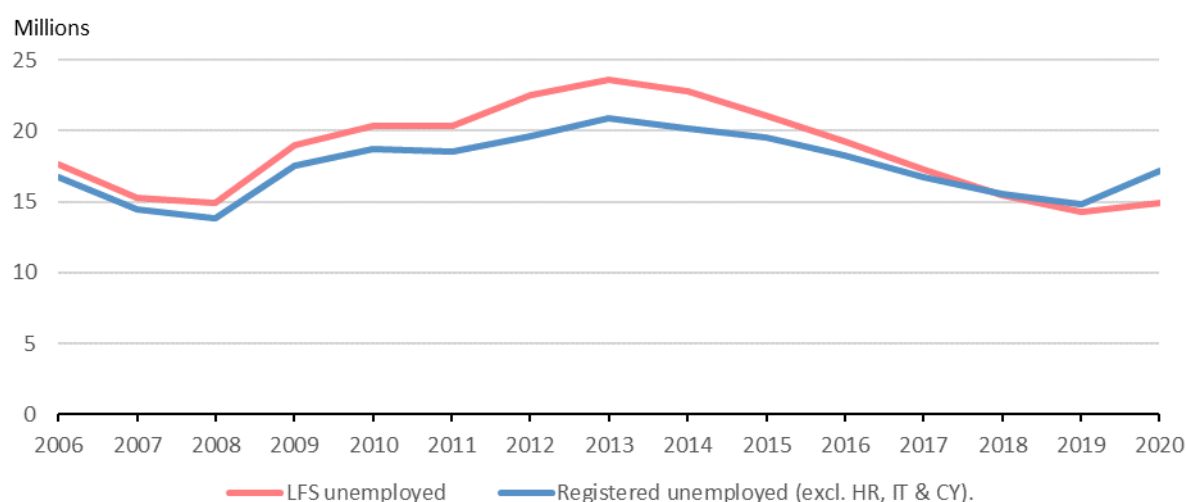
Source: Eurostat, LFS (Ifsa_ugad)

Notes: Data on unemployed include a break in the series in data for DE (2020 only), EL (2009 only), CY (2009 only), and LU (2009 only).

Job losses derived from reduced economic activity saw the numbers of short-term unemployed (those unemployed for less than 12 months) increase by 15.7% compared to the previous year. This rise was, however, partially offset by a 10.8% decline in numbers of long-term unemployed (those unemployed 12 months or more), sustaining the continuous decline in their numbers that has taken place since the peak in 2014 (Figure 5). Given the difficult labour market conditions in 2020 and rising numbers of short-term unemployed, it is possible that this stems from long-term unemployed opting, at least temporarily, to cease actively seeking work and becoming inactive rather than unemployed.

Administrative data on the numbers of registered unemployed are, however, more indicative of the numbers of people potentially eligible for support from LMP intervention. Figure 7 shows that data on numbers of registered unemployed covering all Member States except Croatia, Italy, and Greece follow a similar trend to data on the number of unemployed recorded by the LFS for all countries between 2006 and 2020, despite differences in coverage.

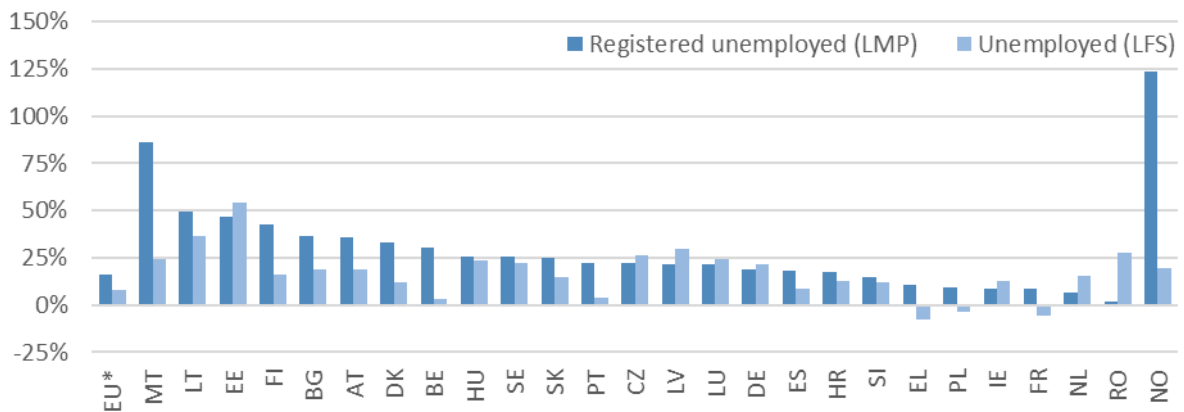
Figure 7: Number of LFS unemployed aged 15-64 and number of registered unemployed, EU-27, 2006-2020



Source: DG EMPL, LMP database. Eurostat, LFS (lfsa_ugad).

Notes: Data on registered unemployed exclude HR, IT & CY.

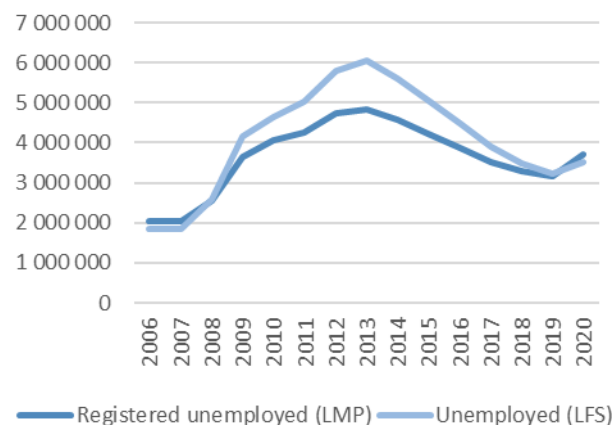
Focusing on the most recent changes, data covering all Member States except Italy and Greece show that the number of registered unemployed rose 16.2% in 2020, more than double the rise in LFS unemployed for the same countries (+7.7%). Figure 8 demonstrates that numbers of registered unemployed rose in all Member States for which the data is available and that the rise exceeded the change in numbers of LFS unemployed in around two thirds of Member States.

Figure 8: Changes in the numbers of LFS unemployed and registered unemployed, 2019-2020


Source: DG EMPL, LMP database. Eurostat, LFS (lfsa_ugad).

Notes: EU excludes IT and CY. LFS data on unemployed include a break in the series in data for DE.

A possible explanation for this difference is a rising propensity to register, or remain registered, with the PES in 2020 as governments facilitated access to financial support for those unemployed during the crisis (e.g. by relaxing eligibility criteria and increasing the length of time for which benefits are payable) and relaxed conditions associated with maintaining the status of registered unemployed (e.g. suspension of status checks and introduction of automatic renewal). For example, in Spain the criteria to be registered as unemployed roughly correspond with the ILO definitions used in the LFS but the number of registered unemployed (LMP) has often sat below the number of LFS unemployed (see Figure 9). Between 2020 and 2021, the number of registered unemployed rose by 561 thousand, double the rise in the number of LFS unemployed during the same period (+281 thousand). This implies an increased propensity for people without work to register or remain registered with the PES as unemployed, which coincided with the introduction of automatic renewal of unemployment status in 2020.

Figure 9: Numbers of LFS unemployed and registered unemployed, Spain, 2006-2020


Source: DG EMPL, LMP database. Eurostat, LFS (lfsa_ugad)

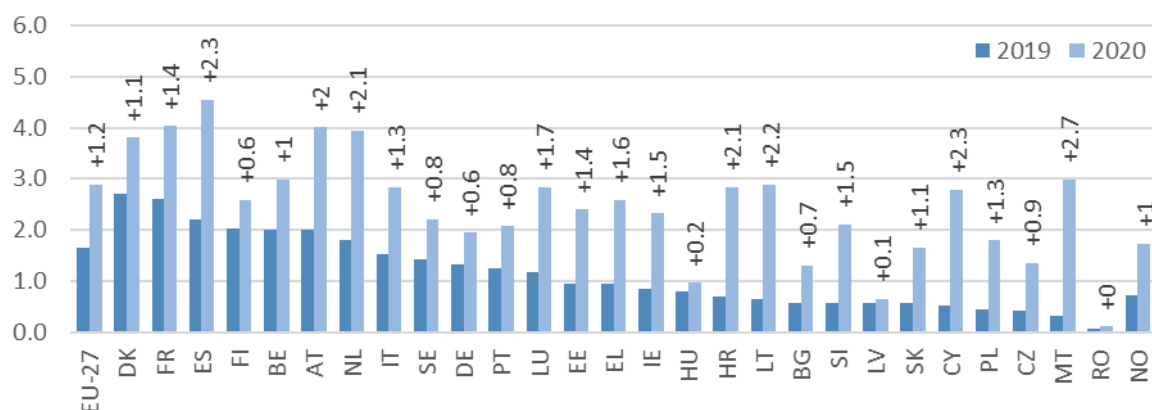
3.2. Expenditure on LMP interventions rose by 66.3% in 2020

Between 2019 and 2020, spending on LMP interventions rose from 1.7% to 2.9% of the combined gross domestic product (GDP) of the Member States (see Figure 10). This

represents a considerable increase (+1.2 pp), driven by a 66.3% expansion in spending on LMP as governments tried to minimise the impact of the pandemic on workers.

LMP expenditure increased in all countries in 2020 but the largest rises were concentrated in those which had relatively low spending as a percentage of GDP in 2019. Indeed, while countries that spent 2.0% or more in 2019 (DK, FR, ES, FI, BE and AT) saw rises of between 25% and 90% in 2020, twelve of the fifteen countries spending less than 1.0% saw rises exceeding 125%, most notably in Malta (+818%), Cyprus (+393%) and Lithuania (+350%).

Figure 10: LMP expenditure as a share of GDP, 2019 and 2020 (%)

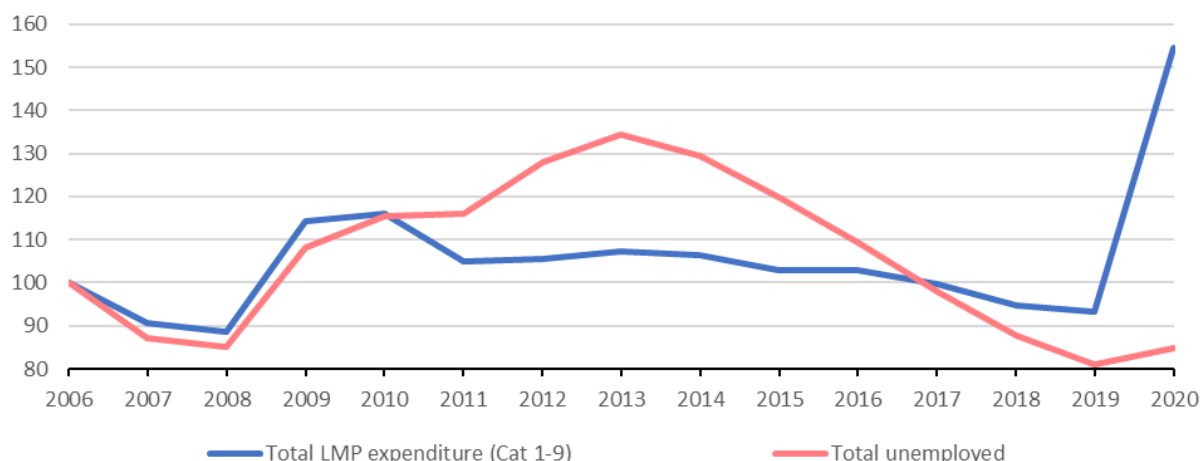


Source: DG EMPL, LMP database.

Notes: Data for EU-27, DK, DE, EE (2019), IT (2020), HU (2019), NL (2019), PL, RO (2020) and SE include estimates. Data for HU (2020) include provisional values. Data for RO exclude COVID-19 related interventions introduced in 2020.

Figure 11 shows that in the EU as a whole the direction but not necessarily the magnitude of changes in LMP expenditure have historically followed changes in the underlying numbers of unemployed. The period 2006 to 2008 was characterised by strong economic growth across the European Union, which led to a significant decrease (15.0%) in the number of unemployed (aged 15-64). Over this period, EU expenditure on LMP declined by 11.3% in real terms. From 2008 to 2010, the economic and financial crisis caused an increase of 35.8% in the number of unemployed, which was matched by a 30.7% increase in expenditure on LMP. This dramatic increase halted in 2011, when unemployment rose by just 0.3% and LMP expenditure fell by 9.4%. This relief was short-lived, however, as economic growth stalled such that from 2011 to 2013 the numbers of unemployed increased by 16.0% and LMP expenditure by 2.1%. Subsequent economic recovery resulted in a 39.6% drop in unemployment between 2013 and 2019 and a 13.0% reduction in LMP expenditure. In 2020, however, the numbers of unemployed rose 4.5% but LMP expenditure jumped by 66.3%. This sudden disconnect reflects the shift in focus towards actions supporting the preservation of jobs and prevention of unemployment in response to the employment risks created by the pandemic.

Figure 11 - LMP expenditure in constant prices compared to the number of unemployed, 2006-2020 (index 2006=100)

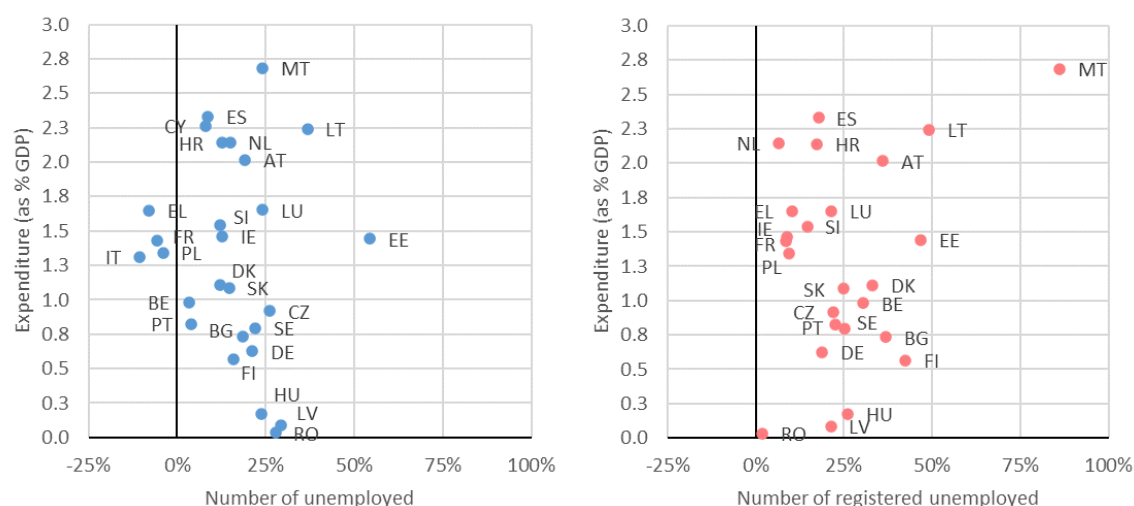


Source: DG EMPL, LMP database. Eurostat, LFS (lfsa_ugad)

Notes: Data on expenditure include estimates for EU-27.

Figure 12 further illustrates this disconnect at national level, showing that, across the Member States, there is no clear correlation between the changes in either numbers of unemployed from LFS or numbers of registered unemployed from the LMP database and the changes in LMP expenditure as a percentage of GDP between 2019 and 2020. This confirms that changes in LMP expenditure in 2020 were driven by factors other than changes in numbers of unemployed.

Figure 12: Changes in LMP expenditure as % of GDP compared to changes in the numbers of LFS unemployed and registered unemployed, 2019-2020.



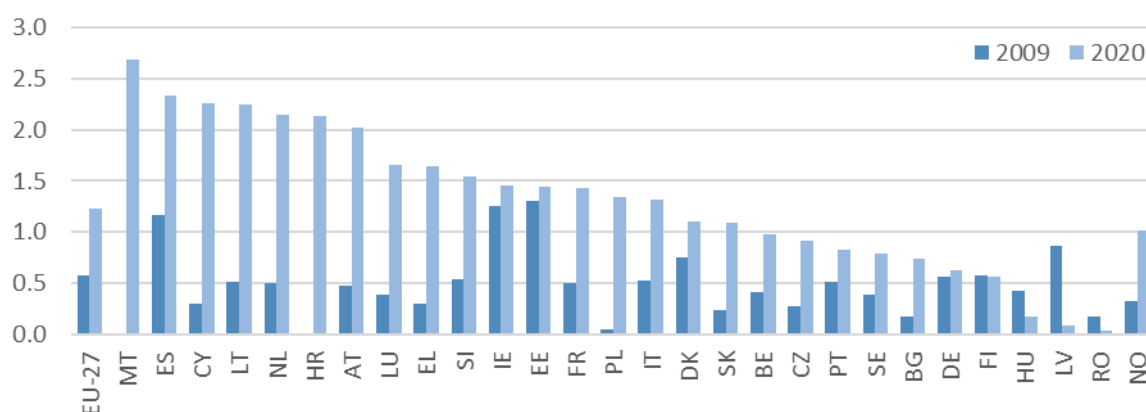
Source: DG EMPL, LMP database. Eurostat, LFS (lfsa_ugad)

Notes: Data on expenditure include estimates for EU-27, DK, DE, EE, IT, HU, NL, PL, RO, and SE. Data on expenditure are provisional for HU and MT. Data on unemployed include a break in the series for DE.

The rise in LMP expenditure in 2020 is also comparatively large compared to the rise that resulted from the economic and financial crisis in 2009, both in terms of actual expenditure (+66.3% vs +26.5%) and expenditure as a proportion of GDP (+1.2 pp vs +0.6 pp), despite the much smaller rise in numbers of unemployed (+4.5% vs +27.1%). Figure 13 shows that at national level, the changes in LMP expenditure arising in 2020 were greater than those in 2009 in all but four Member States (LV, HU, RO, and FI). The extent of the difference between the changes in expenditure in 2009 and in 2020 varies considerably. On the one hand, there were similar increases in both years in Ireland, Estonia, Germany, and Finland but considerably larger increases in 2020 than in 2009 in

Malta, Cyprus, Lithuania, the Netherlands, and Austria (>1.5 pp of GDP). These differences may be attributed to numerous factors, but it is important to note that the effect of financial crisis in 2009 was unevenly distributed across Member States, while actions to limit the spread of COVID-19 with the aid of lockdowns and restrictions were more universally applied across countries despite some differences in the approaches of the national authorities.

Figure 13: Change in LMP expenditure as % of GDP compared to the previous year, 2009 & 2020 (percentage points)

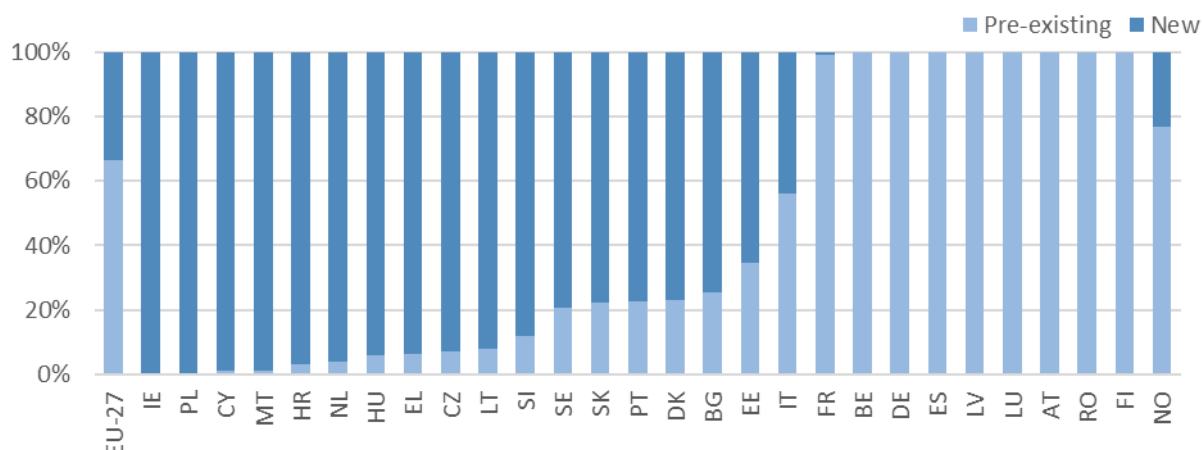


Source: DG EMPL, LMP database.

Notes: Data not available for HR (2009 only). Data on include estimates for EU-27, DK, DE, EL (2009 only), EE (2020 only), IT (2020 only), LT (2009 only) HU, NL, PL (2020 only), RO and SE. Data are provisional for HU (2020 only) and NL (2020 only) are provisional. Data include a break in the series for PT (2009 only).

Two thirds of the increase in LMP expenditure across the Member States in 2020 can be attributed to pre-existing LMP interventions (i.e. already in place in 2019) rather than new interventions. Figure 14 shows that at national level, however, more than 75% of the rise in expenditure can be attributed to pre-existing interventions in fifteen Member States and new interventions in nine others. The result at EU level is due to rising expenditure in the three largest contributors to EU expenditure – Germany, France, and Spain (54.2% of EU expenditure in 2020) – deriving almost entirely from pre-existing interventions.

Differences in whether pre-existing or new interventions were used to respond to the COVID-19 crisis can be attributed to the difference in how national authorities adapt their offering of LMP to meet emerging needs, but these can also reflect the extent to which existing interventions were able to confront, potentially with some adjustment, the challenges arising from lockdowns and restrictions on activities. For example, 100% of the increase in expenditure in Germany was associated with existing interventions with 60% related to interventions providing *partial unemployment benefits* and 33% related to an intervention providing *unemployment benefits*, all of which have been in place for a considerable time (some as far back as the 1920s).

Figure 14: Distribution of increased LMP expenditure in 2020 between new and pre-existing interventions (%)

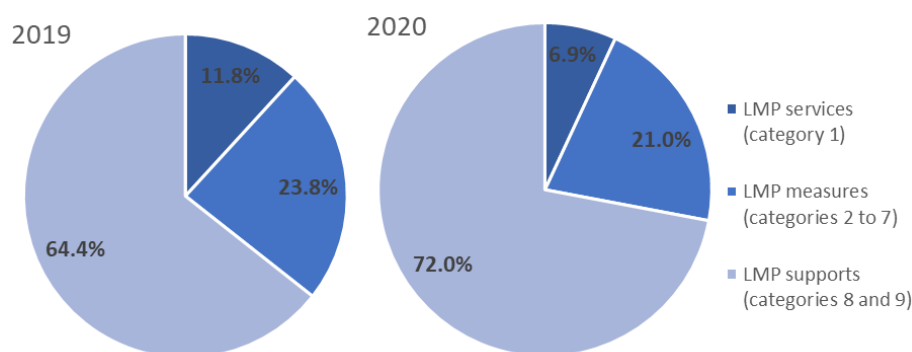
Source: DG EMPL, LMP database.

Notes: Data include estimates for EU-27, DK, DE, EE, IT, HU, NL, PL, RO, and SE. Data are provisional for HU and MT.

3.2.1. Rising expenditure driven by LMP measures and LMP supports

The rise in LMP expenditure in 2020 was not evenly spread between the three main types of intervention. Just over four fifths of the increase (83.2%) was associated with increased expenditure on LMP supports (+84.5%) and the remainder (16.8%) was associated with increased expenditure on LMP measures (+47.0%). Expenditure on LMP services declined slightly in 2020 (-2.4%). Figure 15 shows that this resulted in a striking shift in the composition of LMP expenditure by type of intervention, with the contribution of LMP supports rising from 64.4% to 72.0% while the contributions of LMP measures and LMP services both reduced in response.

At national level, all countries saw a rise in expenditure on LMP supports but less than two thirds (16) saw a rise in expenditure on LMP measures. Spending on supports was the main driver of the increased expenditure in all but six countries where expenditure on LMP measures rose more (BG, IE, LT, NL, RO, and SK). Expenditure on LMP services rose in over two thirds of countries (20). The 2.4 % decline observed overall is mostly (65.9%) attributed to a reduction in Germany (-5.7%) and thus not representative of the situation in most countries. Indeed, the only other countries in which expenditure on LMP services declined noticeably were Denmark (-4.6%), Latvia (-18.7%), and the Netherlands (-16.2%), though there were also small declines (1-2%) in France, Hungary, and Romania. Even in the other countries where spending on LMP services increased, this contributed very little to the overall rise in LMP expenditure at national level (<2.6% in all cases).

Figure 15: LMP expenditure by broad type of intervention, 2019 and 2020 (%)

Source: DG EMPL, LMP database.

Notes: Data include estimates.

3.2.2. LMP supports: Partial unemployment benefits played a key role

Almost all expenditure on LMP supports (99%) relates to *out-of-work income maintenance and support* (LMP category 8), while very little is spent on *early retirement* (LMP category 9) in line with EU policy to encourage older workers to remain active. Accordingly, rising expenditure on LMP supports stems from the former in all countries.

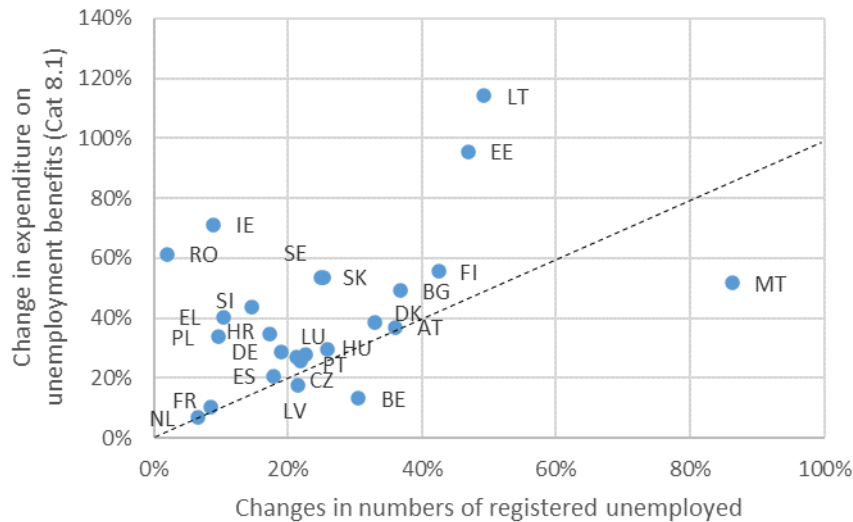
Expenditure on LMP category 8 rose 88.3% between 2019 and 2020, with increases at national level ranging from around 20% in Latvia (17.5%) to more than a thousand percent in Poland (1 167.8%) and Malta (7 770.4%). Growth in this type of expenditure as a result of the pandemic is of little surprise given it covers *unemployment benefits* (sub-category 8.1), *partial unemployment benefits* (sub-category 8.2), which are paid to employed persons to compensate them for loss of earnings in case of short-time working or temporary lay-off (due to difficult circumstances for the employer), *part-time unemployment benefits* (sub-category 8.3) and *redundancy and bankruptcy compensation* (sub-categories 8.4 and 8.5), which are one-off payments related to the loss of a job or wages not paid by an employer that are not linked to the current employment status of the individual.

Between 2019 and 2020, expenditure on *unemployment benefits* rose by 19.8%. This is in line with the increase in numbers of unemployed registered with the PES (+16.2%)⁵ demonstrating the fact that such benefits tend to be granted automatically as soon as people lose their jobs and register with the relevant authority (subject to them satisfying relevant eligibility criteria). Indeed, Figure 16 compares changes in expenditure on *unemployment benefits* with those in numbers of registered unemployed at national level and shows them to be positively correlated and that the rise in expenditure on *unemployment benefits* surpassed the rise in registered unemployed in all but three countries for which the data is available (BE, LV, and MT). This may be ascribed to multiple potential factors. Firstly, a rise in newly registered unemployed, who are typically eligible, on average, to higher amounts of benefit than those who have been unemployed for some time. Secondly, changes in provision and of rules associated with unemployment benefits (e.g. maximum duration and conditionality) given the challenging conditions posed by restrictions for job search activities. For example, in the case of Slovakia, unemployment benefit typically has a maximum duration of 6 months, but this was extended three times in 2020, twice by an extra month and then by an additional four months⁶.

⁵ Note that the figure for registered unemployed covers all Member States with the exception of IT and CY for which data is not available for either 2019 or 2020.

⁶ Source: DG EMPL, LMP database.

Figure 16: Change in expenditure on unemployment benefits (sub-category 8.1) and in numbers of registered unemployed, 2019-2020 (%)



Source: DG EMPL, LMP database.

Notes: Data on expenditure include estimates for DK, DE, IT, HU, NL, PL, and SE. Data not available for CY and IT.

Over the same period, expenditure on *partial unemployment benefits* rose more than thirty-fold (+3390.2%). Such interventions typically serve as a key policy intervention during times of crisis. Indeed, in 2019 such spending amounted to just 2.0% of expenditure on LMP supports and 1.3% of total LMP expenditure but in 2020 these figures jumped to 37.3% and 26.8% respectively. Furthermore, the additional expenditure on *partial unemployment benefits* in 2020 relative to 2019 was more than three and half times larger than that on *unemployment benefits*. This reflects the widespread use of this type of action to prevent unemployment by compensating for the loss of wages or salaries while people were placed on formal short time working arrangements and/or intermittent work schedules. As a result, *partial unemployment benefits* accounted for over three quarters (78.0%) of the rise in expenditure on LMP supports in 2020 while *unemployment benefits* accounted for just over a fifth (21.5%).

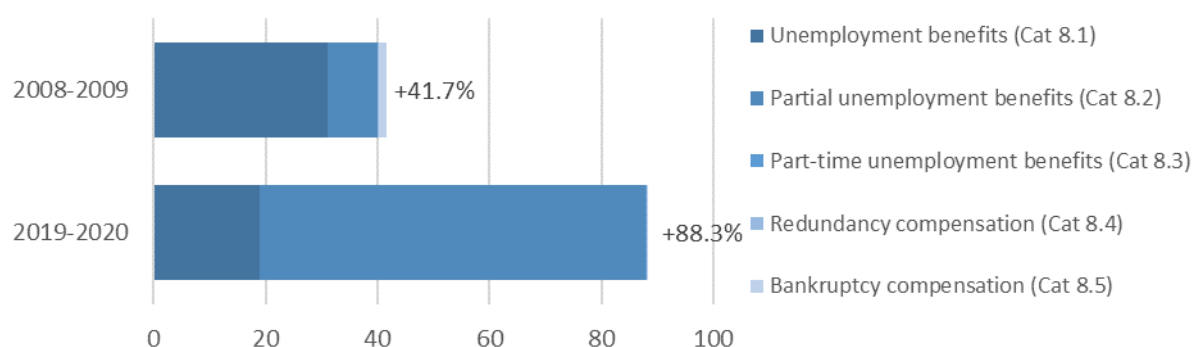
At national level, sixteen Member States spent nothing on *partial unemployment benefits* in 2019 but this reduced to only five Member States in 2020. In reality all but two countries (BG and LV) should have spending on *partial unemployment benefits* in 2020 as the relevant expenditure is reported elsewhere in the LMP data in Ireland and Slovakia and is missing for Romania⁷. Further, those that were already making use of such actions in 2019 saw considerable rises in the related expenditure, exceeding 800% in all cases. As a result, absolute increases in spending on *partial unemployment benefits* exceeded those on *unemployment benefits* in all but one country where both types of benefits are provided. In the exceptional case of Finland, the larger absolute increase in spending on *unemployment benefits* can be attributed to the fact that the rules associated with such benefits were temporarily adjusted during March to December of 2020 to allow those temporarily dismissed from work to claim *unemployment benefits*.

Spending on *part-time unemployment benefits* and *bankruptcy compensation* also increased by meaningful amounts between 2019 and 2020 (+30.4% and +17.4% respectively) while that on *redundancy compensation* declined (-15.5%) but their contribution to expenditure on LMP supports and total LMP expenditure is considerably more limited (<2%).

⁷ BG, IE, LV, RO, and SK reported no spending in 2020 but for IE, SK and RO this is not actually the case. The relevant expenditure appears to have been reported as part of interventions with other classifications (unemployment benefits in IE and employment incentives in SK) or is missing from the database due to a lack of data (RO).

Figure 17 compares the changes in expenditure on *out-of-work income maintenance and support* between 2019 and 2020 with those observed between 2008 and 2009 and demonstrates a major difference in the response to the current crisis compared to the crisis in 2009. Firstly, the increase in expenditure on such supports was much larger during the current crisis (+88.3% vs +41.7%). This likely reflects the fact that the current crisis has had a much wider effect on the economy in terms of the range of businesses and sectors affected. Second, the rise in 2009 was primarily driven by expenditure on *unemployment benefits* (77.6%) in response to widespread lay-offs, while the rise in 2020 was primarily driven by *partial unemployment benefits* (78.2%) as governments tried to secure jobs and avoid the risk of lay-off. This difference reflects the fact that the impact of the pandemic was expected to be short-term, giving more room to adopt a policy approach focused on unemployment prevention. This is further supported by the fact that *redundancy compensation* and *bankruptcy compensation* played a much smaller role in the response to the recent crisis (-15.5% and +17.4% in 2020 vs. +70.2% and +97.8% in 2009).

Figure 17: Changes in expenditure on out-of-work income maintenance and support (LMP category 8), EU-27, 2008-2009 and 2019-2020

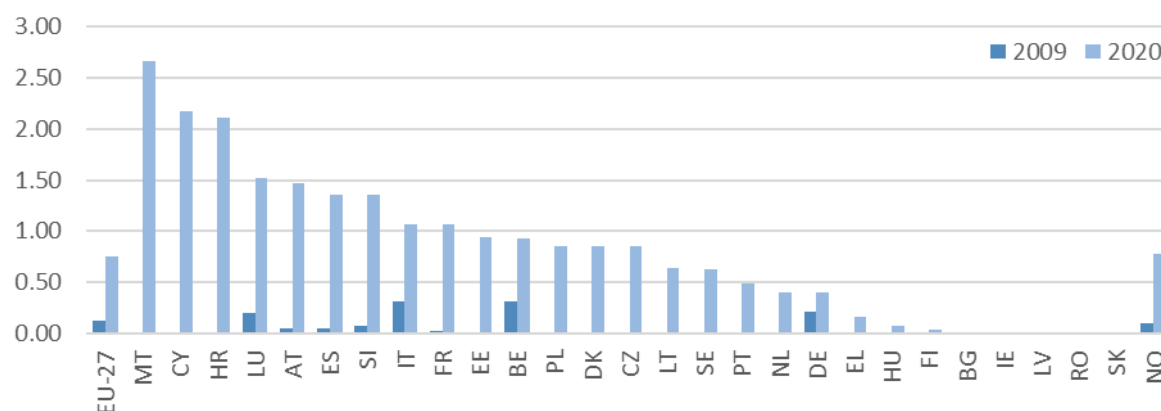


Source: DG EMPL, LMP database.

Notes: Data include estimates.

Figure 18 demonstrates that *partial unemployment benefits* played a relatively larger role during the latest crisis in all 22 countries with expenditure on such benefits in 2020. Indeed, EU expenditure on *partial unemployment benefits* as a percentage of GDP was 0.7 percentage points higher in 2020 than in 2009, with the gap among countries providing such benefits in 2020 ranging from more than 2 percentage points in Malta (2.7 pp) and Cyprus (2.2 pp) to less than 0.2 percentage points in Germany (0.2 pp), Hungary (0.1 pp), and Finland (0.03 pp).

Figure 18: Expenditure on partial unemployment benefits (cat 8.2) as share of GDP, 2009 and 2020 (%)



Source: DG EMPL, LMP database.

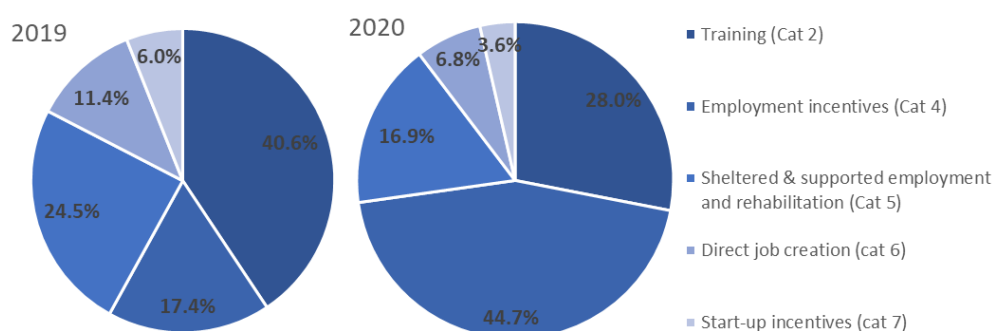
Notes: Data not available for HR (2009 only). Data are provisional for HU (2020 only) and NL (2020 only). Data include estimates for DK, IT (2020 only) and PL (2009 only).

3.2.3. LMP measures: Focus on employment maintenance incentives

The 47% rise in expenditure on LMP measures in 2020 conceals differences in the extent of the use of different types of measures to respond to the crisis. Indeed, the rise was almost entirely (98.3%) associated with increased expenditure on *employment incentives* (+278.3%), but small increases in expenditure on *training* (+1.4%) and *sheltered and supported employment and rehabilitation* (+1.1%) also made a marginal contribution (1.2% and 0.5% respectively). Expenditure on *direct job creation* and *start-up incentives* declined (-12.8% and -12.7%). Figure 19 shows that this resulted in a notable shift in the composition of expenditure on LMP measures by type of action, with the contribution of *employment incentives* rising from 17.4% to 44.7% while the contributions of other types of measures declined.

The greatly increased expenditure on employment incentives derives entirely from employment maintenance incentives as expenditure on other types of employment incentives declined. This is examined in greater detail later in this section. Expenditure on LMP measures excluding the sub-category of employment maintenance incentives actually declined by 3.2% in 2020 across the EU likely due to restrictions on face-to-face contact which hampered, for example, the delivery of training programmes. At national level, total expenditure on LMP measures declined in eleven Member States (BE, DK, EL, HR, IT, LV, HU, MT, SI, FI, and SE) but excluding expenditure on employment maintenance incentives brings the number up to sixteen (additional cases include BG, IE, ES, PL, and PT), almost two thirds of Member States.

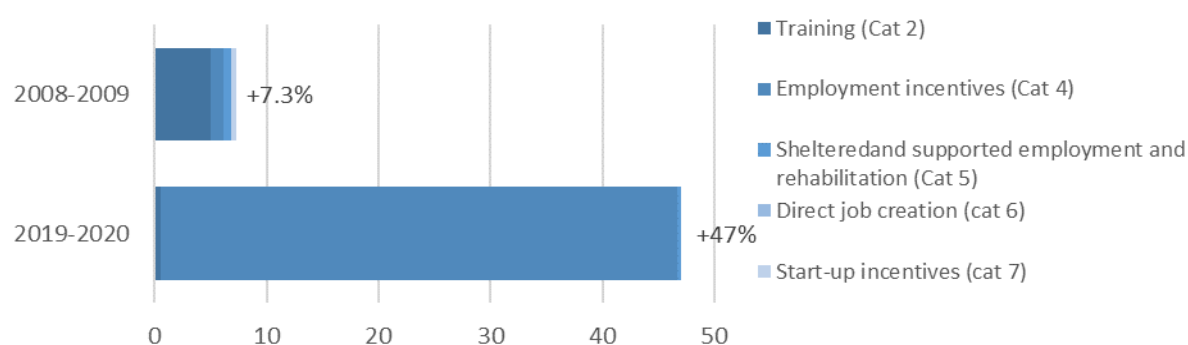
Figure 19: Distribution of expenditure on LMP measures (categories 2-7), EU27, 2019 & 2020 (%)



Source: DG EMPL, LMP database.

Notes: Data include estimates.

Figure 20 compares the changes in expenditure on *LMP measures* between 2019 and 2020 with those observed between 2008 and 2009 and demonstrates a major difference in the response to the current crisis compared to the crisis in 2009. Firstly, the increase in expenditure on *measures* was much larger during the current crisis (+47.0% vs +7.3%). Second, the rise in 2009 was primarily driven by expenditure on *training* (67.6%), while, as mentioned previously, the rise in 2020 was primarily driven by the broad category of *employment incentives* (98.3%), even if only the sub-category related to employment maintenance. This derives from the policy response placing a bigger emphasis on the prevention rather than the treatment of unemployment.

Figure 20: Changes in expenditure on LMP measures (categories 2-7), EU27, 2008-2009 and 2019-2020

Source: DG EMPL, LMP database.

Notes: Data include estimates.

Employment incentives (LMP category 4) covers three types of action, *recruitment incentives* (sub-category 4.1), which promote the creation and take-up of new jobs, *employment maintenance incentives* (sub-category 4.2), which support the continued employment of persons at risk of involuntary job loss due to restructuring or other economic difficulties, and *job rotation and job sharing* (sub-category 4.3), which facilitate the insertion of unemployed and other target groups into a work placement by substituting hours worked by an existing employee.

Expenditure on *employment maintenance incentives* was almost 38-times (3 850.4%) higher in 2020 than in 2019 while expenditure on *recruitment incentives* and *job rotation and job sharing* both declined (-10.7% and -22.1% respectively). The magnitude of the increase in *employment maintenance incentives* can, as in the case for *partial unemployment benefits*, be attributed to the fact that such interventions are most relevant in times of crisis. Indeed, pre-pandemic, in 2019, they were used only in four countries (BE, ES, LU and HU) and accounted for just 1.3% of EU level expenditure on LMP measures and 0.3% of total LMP expenditure. In 2020, however, *employment maintenance incentives* were used in twelve countries (additional countries include BG, IE, IT, LT, NL, PL, PT and SK) and the spending levels had increased to 35.0% and 7.4% respectively as governments intervened to support part of the wages of workers whose jobs were at risk because of the COVID-19 crisis.

It should be noted that *partial unemployment benefits* and *employment maintenance incentives* both share the same basic objective to keep people in employment. The key difference between the two is that *employment maintenance incentives* support people in continuing to work during difficult periods while *partial unemployment benefits* compensate for the loss of working time (i.e. provide a wage compensation during temporary lay-off). Indeed, three of the countries (BG, IE, and SK) which did not have spending on *partial unemployment benefits* in 2020 had spending on *employment maintenance incentives* which are likely to have played a similar role in enabling employees stay in work during lockdowns⁸.

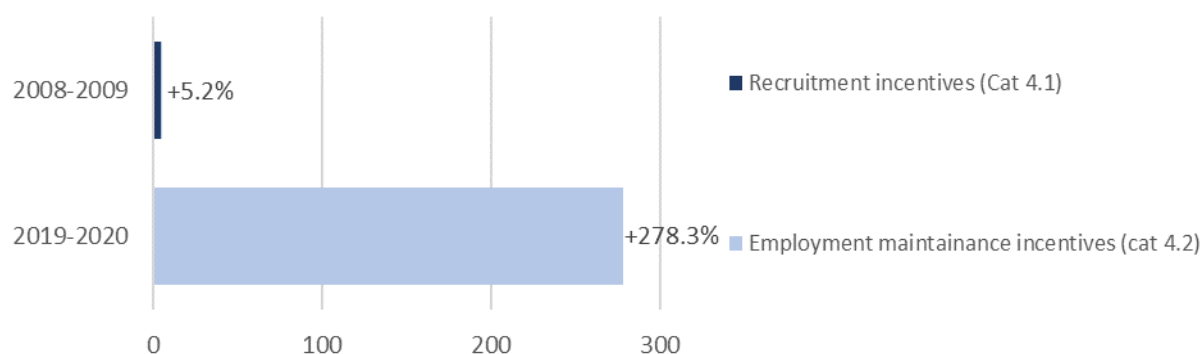
Together these two categories accounted for four fifths of the rise in LMP expenditure across all countries (81.6%). However, the use of *partial unemployment benefits* was more prominent than the use of *employment maintenance incentives*, with the increase in spending on the former being just over 3.5 times higher in absolute terms. There were just

⁸ Note that in the case of Slovakia, expenditure related to *partial unemployment benefits* appears to have been reported as part of an intervention classified as an *employment maintenance incentive* (cat 4.2) while in the case of Ireland such expenditure is reported as part of an intervention classified as an *unemployment benefit* (cat 8.1). Such cases arise because of difficulties to split the expenditure associated with multiple types of action (e.g. limitations in source data). Continued efforts will be made to improve breakdowns.

five countries – Bulgaria, Ireland, Lithuania, the Netherlands, and Slovakia – where spending on employment maintenance incentives was higher in 2020.

Comparing the changes in expenditure on *employment incentives* between 2019 and 2020 with those observed between 2008 and 2009 demonstrates another important difference in the response to the current crisis relative to the previous crisis. Not only was the increase in expenditure on such measures much larger during the current crisis (+54.1% vs +6.1%), but it was also entirely driven by *employment maintenance incentives* rather than, as was the case in 2008/09, by *recruitment incentives* (Figure 21). This reflects the fact that the financial crisis in 2008/09 was a sudden economic shock that quickly led to bankruptcies, job losses and a sharp rise in unemployment, so that the policy focus was on incentivising recruitment as a recovery strategy. Although the COVID-19 pandemic also struck without warning, the potential impact of the restrictions placed on economic activities was foreseeable, and temporary, offering governments far more scope to step in and deliver preventative measures to support workers and businesses and thereby reduce the risk of mass unemployment.

Figure 21 – Changes in expenditure on employment incentives (LMP category 4), EU27, 2008-2009 & 2019-2020



Source: DG EMPL, LMP database.

Notes: Data include estimates.

3.3. Participants in LMP measures and supports rose 48% and 88% respectively

The broad picture provided by data on the stock of participants in LMP interventions shares many similarities with that provided by the data on expenditure but there are some differences which further illustrate the dynamics of the response of LMP to the COVID-19 crisis in 2020.

Between 2019 and 2020, participants in LMP *measures* and in LMP *supports* rose 48.4% and 87.5% respectively. At national level, all countries for which the data is available saw a rise in the number of beneficiaries of LMP supports, with rises exceeding 500% in four countries (HR, LT, MT, and SI) and above 100% in six others (DE, IE, LU, HU, AT, and PT). In all but two of these ten cases exceeding 100% (IE, LT), rising beneficiaries of *partial unemployment benefit* contributed more to the rise than beneficiaries of *unemployment benefit*⁹. Meanwhile, just under half (11 out of 23 Member States) saw a rise in participants in LMP measures with the increase exceeding 500% in just one country (LT) and more than 100% in four others (BG, IE, IT and NL). In all five of these cases, this is primarily due rising beneficiaries of *employment maintenance incentives*. Only Lithuania and Ireland saw increases exceeding 100% in participants in both LMP measures and LMP supports. Broadly speaking the observed changes in participants

⁹ Note that in the case of Ireland expenditure on *partial unemployment benefits* is reported under *unemployment benefit* (cat 8.1).

align with those in expenditure in that increases occurred across the board for LMP supports but changes were mixed for LMP measures. It should however be noted that both expenditure on and participants in measures rose in just eight countries and rising numbers of participants was accompanied by slight declines in corresponding expenditure in three countries (IT, LV and HU).

3.3.1. LMP supports: Newly unemployed driving changing use of unemployment benefits

Almost all participants in LMP supports (99%) relate to *out-of-work income maintenance and support* (LMP category 8), while very few benefit from support categorised as *early retirement* (LMP category 9). The increased numbers of people benefitting from LMP supports overall derive from participants in LMP category 8 in all countries. Indeed, the numbers of participants in *early retirement* declined in all but one of the ten countries where such support is available. This is not unexpected as this type of benefit is out of line with EU policy objectives, which focus on encouraging older workers to remain active in the labour market rather than supporting their early withdrawal.

Participants in LMP category 8 rose 89.8% between 2019 and 2020 with increases at national level ranging from around 30% in Latvia (31.9%) to over seven thousand percent in Malta (7 770.4%). This aligns with the 88.3% rise in associated expenditure at EU level and the range of changes in expenditure at national level over the same period.

Recipients of *Unemployment benefits* (sub-category 8.1) account for the largest share of participants in *out-of-work income maintenance and support* (LMP category 8). These rose 20.4% in 2020, in line with the rise in the associated expenditure (+19.8%). At national level, however, some differences are apparent. Figure 22 shows that the increases in the numbers of participants and in expenditure differed by no more than 25 percentage points in the majority of countries (23). In most of these cases (19), the rise in expenditure exceeded the rise in participants. This can be attributed to two possible factors. Firstly, an influx of new claimants who are potentially, on average, eligible for higher amounts of benefit than existing unemployed (unemployment benefits tend to reduce with duration of unemployment). Secondly, public authorities having increased the amounts payable as part of efforts to tackle the impact of the pandemic.

The four exceptions - Estonia, Malta, Ireland, and Lithuania - where rises in participants and in expenditure diverged much more significantly (in either direction) were all among the five countries with the largest rises in participants in *unemployment benefits*. Ireland and Lithuania experienced the largest increases in 2020 (+197.4% and +285.6%) following the introduction of new *unemployment assistance benefits* in 2020 (*Pandemic Unemployment Payment* in Ireland and *Job search allowance* in Lithuania) which extended the coverage of out-of-work support to persons who lost their jobs due to COVID and were unable to access existing support. In these cases, expenditure on *Unemployment benefits* did not rise to the same extent (+71.2% and +114.2%) suggesting that the benefits introduced appear to have been less generous than those already available. In Ireland, the maximum rates for pre-existing unemployment insurance and assistance benefits in 2020 stood at EUR 220 per week plus supplements per dependant adult (up to EUR 146 per adult) or child (up to EUR 50 per child)¹⁰ while those for newly introduced Pandemic Unemployment Payment stood at EUR 208 per week without any possible supplements¹¹. In Lithuania, the maximum rate for pre-existing unemployment insurance in 2020 stood at EUR 760-807 per month¹² while the newly introduced Job

¹⁰ See [link](#) and [link](#).

¹¹ See [link](#).

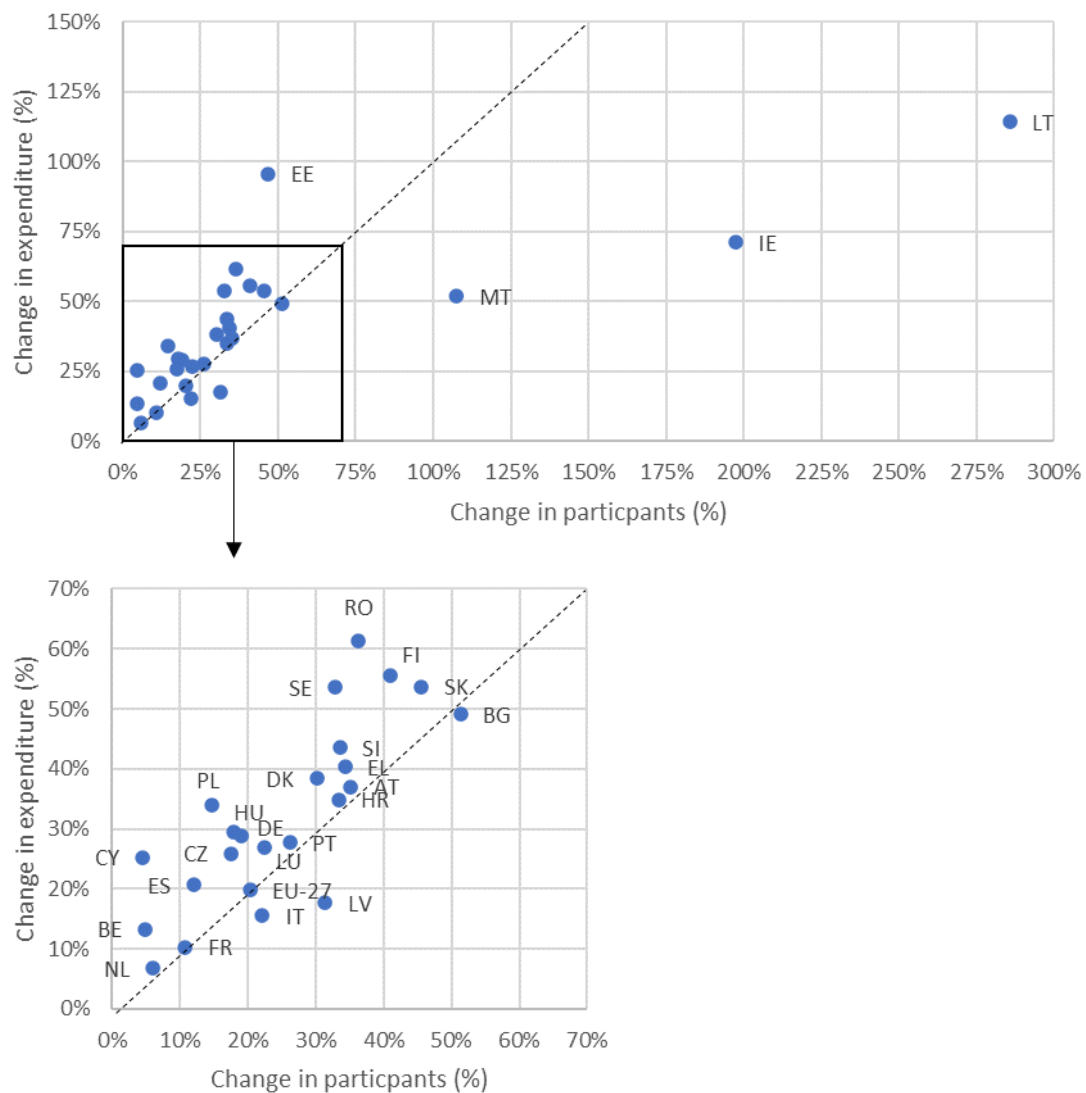
¹² See [link](#).

search allowance acted as a top-up of EUR 42.49 per month for those already receiving unemployment insurance and as a standalone benefit of EUR 200 per month in other cases.

Malta and Estonia experienced similar dynamics with different outcomes. Both saw considerable increases in participants in the sub-category of *Unemployment benefits* (+107.6% and +46.8% respectively). While both countries provide *unemployment insurance benefits* and *unemployment assistance benefits*, the increases mostly derive from the insured benefits, reflecting increased numbers of newly unemployed¹³. This caused a large shift in the distribution of participants within category 8.1 towards *unemployment insurance benefits* (from 22.5% to 60.8% in Malta and from 20.5% to 36.2% in Estonia) and away from *unemployment assistance benefits*. Typically, the insured benefits are more generous than unemployment assistance so these dynamics would tend to result in expenditure rising more than participants. This was the case in Estonia, where expenditure rose by twice as much as participants (+95.6% vs +46.8%), but not in Malta. Here, however, the *unemployment assistance* is a household benefit rather than an individual benefit and is relatively more generous. Consequently, with the influx of people claiming individual unemployment insurance benefits, the number of participants in the unemployment benefits sub-category rose by twice as much as expenditure in 2020 (+107.6% vs +51.8%).

¹³ Unemployment assistance (where available) is paid to those who do not qualify for unemployment insurance benefits (e.g. because of an inadequate contribution history) or who have exhausted their entitlement (insured benefits are usually time-limited). Unemployment insurance benefits are typically more generous, sometimes linked to the previous wage, so that people newly becoming unemployed will always claim unemployment insurance if they are eligible.

Figure 22: Changes in participants in and expenditure on unemployment benefits (sub-category 8.1) between 2019 and 2020 (%)



Source: DG EMPL, LMP database.

Notes: Data on expenditure include estimates for DK, DE, IT, HU, NL, PL, and SE. Data on participants include estimates for DK, EE, EL, HR, IT, NL, RO, and SE.

3.3.2. LMP supports: Partial unemployment benefits played a key role

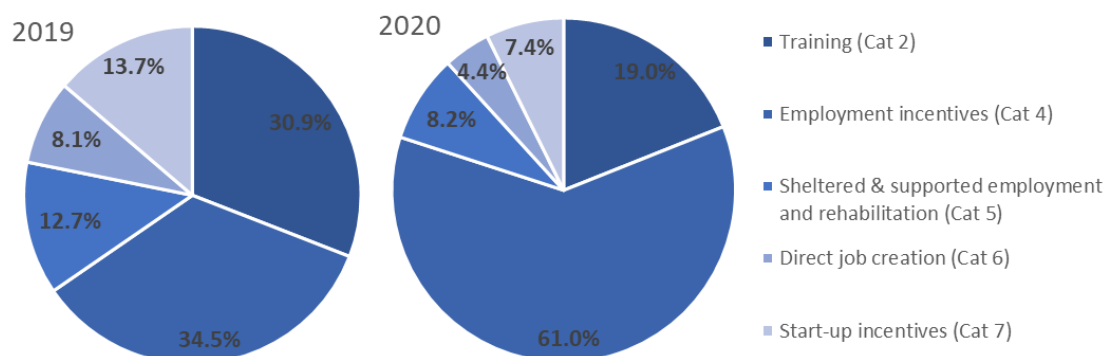
The key role of *partial unemployment benefits* is apparent in the data on participants. Compared to 2019, the average number of people in receipt of a partial unemployment benefit at any point the year was nearly thirty times higher in 2020 (+2796.5%). Indeed, in 2019, partial unemployment benefits accounted for just 1.4% of participants in LMP supports but in 2020 this jumped to 39.5%. Furthermore, the additional participants in *partial unemployment benefits* in 2020 relative to 2019 was more than three and half times larger than that on *unemployment benefits* (+10.3 million vs +2.8 million). This reconfirms the widespread use of this type of action to prevent unemployment. As a result, *partial unemployment benefits* accounted for over three quarters (81.5%) of the rise in participants in LMP supports in 2020 while *unemployment benefits* accounted for just under a fifth (22.2%). At national level, absolute increases in participants in *partial unemployment benefits* exceeded those on *unemployment benefits* in all but two of the countries where both types of benefits are provided.

The number of recipients of *part-time unemployment benefits* also increased 15.5% between 2019 and 2020 but they make only a small contribution to LMP supports overall (<1%). The numbers of people benefitting from *bankruptcy compensation* and *redundancy compensation* cannot be measured using stock data because they are a one-off compensation without any duration. Data on entrants, however, show that number of claims rose by just 1.8% for the former and 52.5% for the latter.

3.3.3. LMP measures: Rising costs of provision

Data on participants provide a slightly different picture to that provided by LMP expenditure in terms of the use of different types of measures to respond to the crisis. The rise in the overall number of participants in LMP measures in 2020 conceals the fact that it derives entirely from the category of *employment incentives* (+162.3%), or more precisely the sub-category of *employment maintenance incentives* (+1806.5%). Indeed, numbers of participants in *training* and *sheltered and supported employment and rehabilitation*, for which there were slight increases in expenditure in 2020 (+1.4% and +1.1%), declined (-8.8% and -4.0%) while the numbers in *direct job creation* and *start-up incentives* went down more substantially (-18.9% and -20.6%). Figure 23 shows that this resulted in a notable shift in the composition of participants in LMP measures by type of action, with the contribution of *employment incentives* rising from 34.5% to 61.0% while the contributions of other types of measures declined. This is in line with the rise in contribution of *employment incentives* to expenditure on LMP measures from 17.4% to 44.7%.

Figure 23: Distribution of participants in LMP measures by type of action (%), EU-27, 2019 and 2020

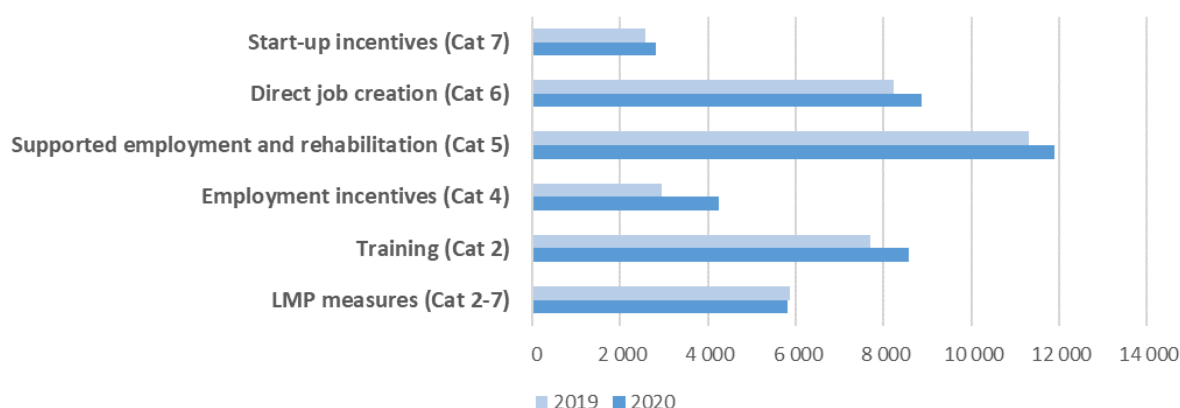


Source: DG EMPL, LMP database.

Notes: Data on start-up incentives in 2019 include estimates. Data on employment incentives and start-up incentives in 2020 are complete for interventions covering $\geq 80\%$ but $< 95\%$ of expenditure.

The unit cost of *employment incentives*, measured using expenditure per person year (PPY), tends to be lower than other types of LMP *measure*, with the exception of *start-up incentives* (see Figure 24). For example, in 2020, unit costs were EUR 4.3 thousand PPY for *employment incentives* compared to 8.6 thousand for *training*, 8.9 thousand for *direct job creation*, and 11.9 thousand for *sheltered and supported employment and rehabilitation*. A shift in the distribution of participants in towards lower cost types of measure might be expected to generate a (relatively) smaller increase in the related expenditure. In practice, however, the difference was small: expenditure on LMP *measures* went up 47.0% in 2020 compared to 48.4% for participants. Consequently, the average unit cost of all LMP measures hardly changed (EUR 5.9 thousand PPY in 2019, to 5.8 in 2020). The reason is that the unit costs rose across all types of LMP *measure* between 2019 and 2020.

Figure 24: Unit costs of LMP measures by type of action, EU-27, 2019 and 2020 (Euro per person year)



Source: DG EMPL, LMP database.

Notes: Data include estimates.

Excluding the impact of inflation, which was generally low in the EU in 2020 (average of 0.7%)¹⁴, this increase could derive from increased costs of existing interventions, potentially due to changes in implementation needed to circumvent COVID-related restrictions (e.g. costs in organising and delivering training online rather than using an existing in-persons course) or a shift towards the use of new and more expensive interventions.

Both changes can be seen in the case of *employment incentives*. The rise in expenditure on such measures was almost 75% larger than the rise in associated participants (+278.3% vs. +162.3%) leading to a larger increase in unit costs in 2020 than for any of other category of measure (+1.3 thousand EUR/PPY vs. +250-870 EUR/PPY for other categories). The average unit cost of *employment maintenance incentives* in 2020 was more than double that in 2019 (4.9 vs. 2.3 thousand EUR/PPY) and well above the unit cost of other sub-categories of *employment incentive* (<3 thousand EUR/PPY in 2020). This increase derived partly from the introduction of new measures in Bulgaria, Ireland, and Lithuania, all of which had unit costs above the average for this type of measure in 2019, but also from increased unit costs of existing measures in two Spain and Luxembourg¹⁵.

¹⁴ Source: Eurostat, [prc_hicp_manr](#)

¹⁵ Note that a limited part of the rise can be attributed to missing data on participants for new employment maintenance incentives in PL and SK. In these cases, expenditure is still taken into account in the figures for expenditure PPY. Excluding PL and SK yields expenditure per person year of 4.4 thousand Euro/PPY in 2020 rather than 4.9 thousand Euro/PPY.

4. Main results

- In 2020, the number of unemployed according to the LFS stood at just under 15 million, an increase of 635 thousand (+4.5%) compared to 2019 that ended a steady decline from the peak of nearly 24 million in 2013. This represents a relatively small increase compared to the 3.3 million rise (+27.1%) stimulated by the economic and financial crisis in 2009, and the number of unemployed remain low in historical terms. However, administrative data show that the numbers of people registered as unemployed with national public employment services (PES) went up more than twice as much (16.2% vs. 7.7% for the EU excluding Italy and Cyprus). This could reflect a rising propensity to register, or remain registered, with the PES in 2020 as governments facilitated access to financial support for those unemployed during the crisis and relaxed requirements to maintain unemployed status.
- In 2020, the EU Member States spent EUR 383 billion on LMP interventions, corresponding to 2.9% of their combined GDP, an increase of 66.3% on the previous year. In relative terms, this increase was more than double that seen in response to the economic and financial crisis in 2009 (+26.5%) despite a much smaller rise in the numbers of unemployed (+4.5% vs +27.1%). This reflects the focus placed on actions to preserve jobs and prevent unemployment during the pandemic.
- The rise in expenditure in 2020 was not evenly spread between the three broad types of intervention. The large majority (83.2%) derived from increased expenditure on LMP supports and the remainder (16.8%) from LMP measures.
- The increased expenditure on LMP supports derived primarily from two sources. Expenditure on *unemployment benefits* increased by 19.8%, more or less in line with the increase in the number of people registered as unemployed with the national public employment services (+16.2%). While expenditure on *partial unemployment benefits* rose more than thirty-fold (+3390.2%), with the additional spending being more than three and a half times larger than that on *unemployment benefits*. This reflects widespread efforts to prevent unemployment by compensating workers for the loss of income while employers were forced to temporarily close or reduce working hours during the pandemic.
- The rise in expenditure on LMP measures derived from increased spending on *employment maintenance incentives*, which was almost 38-times (3 850.4%) higher in 2020 than in 2019. Indeed, expenditure on LMP measures other than those in the wider category of *employment maintenance incentives* declined 3.2% in 2020 across the EU, likely due to restrictions on face-to-face contact. As with *partial unemployment benefits*, *employment maintenance incentives* share the basic objective to keep people in employment and are often used in a time of crisis. Together, these preventative interventions accounted for four fifths (81.6%) of the additional LMP expenditure in 2020, though *the partial unemployment benefits* were more important, with spending 3.5 times higher than that on employment maintenance incentives.
- During 2020 there was an average of 14 million people participating in LMP measures and 27 million benefiting from LMP supports across the EU, both up considerably (+48.4% and +87.5%) compared to 2019. As with the expenditure data, these increases derive from recipients of *unemployment benefits* (+20.4%), *partial unemployment benefits* (+2796.5%) and *employment maintenance incentives* (+1806.5%).
- In most countries, expenditure on unemployment benefits rose more than the corresponding number of participants. This may reflect, firstly, an influx of new

claimants who are potentially eligible for higher average amounts of benefit than existing unemployed (unemployment benefits tend to reduce with duration of unemployment). And, secondly, temporary increases in the amounts payable as part of government efforts to mitigate the impact of the pandemic.

- Unit costs of all types of LMP measure were higher in 2020 than in 2019. Excluding the impact of inflation, which was generally low in the EU in 2020 (average of 0.7%), this could be a result of higher implementation costs for existing interventions because of COVID restrictions, and/or a shift towards the use of new and more expensive interventions.

Annex

A.1 List of abbreviations

EU	European Union
GDP	Gross domestic product
ILO	International Labour Organisation
JAF	Joint assessment framework
LFS	Labour Force Survey
LMP	Labour market policies
LTU	Long-term unemployment (12+ months)
PPS	Purchasing power standards
PWW	Persons wanting to work
STU	Short-term unemployment (<12 months)

A.2 Presentation of the LMP statistics

LMP statistics cover labour market interventions which are public interventions in the labour market aimed at reaching its efficient functioning and correcting disequilibria. LMP interventions are distinguished from other general employment policy interventions in that they explicitly target groups with difficulties in the labour market.

This delimits the scope of the statistics to actions taken by general government which involve expenditure, either in the form of actual disbursements or of foregone revenue (reductions in taxes, social contributions, or other charges normally payable) which act to favour the unemployed, those employed but at risk of involuntary job loss and people who are currently inactive in the labour market but would like to work.

LMP statistics collect data for labour market interventions. As a statistical unit, the concept of labour market intervention is purposefully flexible to allow countries to provide a representative picture of the system of labour market policies at national level.

In LMP each intervention is classified by type of action. They fall within three broad types of action:

- LMP services cover all services and activities of the Public Employment Services (PES) together with any other publicly funded services for jobseekers. Services include the provision of information and guidance about jobs, training and other opportunities that are available and advice on how to get a job (e.g. assistance with preparing CVs, interview techniques, etc.). Participation in these types of intervention does not usually result in a change of labour market status (e.g. unemployed remain unemployed).
- LMP measures cover interventions that aim to provide people with new skills or experience of work in order to improve their employability or that encourage employers to create new jobs and take on unemployed people and other target groups. Measures

include various forms of intervention that "activate" the unemployed and other groups by obliging them to participate in some form of activity in addition to basic job search, with the aim of improving their chances of finding regular employment afterwards. They are mostly short-term and temporary actions but on-going support for jobs that would otherwise not be sustained in the regular labour market is also covered.

- **LMP supports** cover financial assistance that aims to compensate individuals for loss of wage or salary and to support them during job-search (i.e. mostly unemployment benefits) or which facilitates early retirement for labour market reasons.

These three broad types of action are sub-divided into 8 categories of intervention which can in turn be sub-divided. The full classification scheme is shown in Box 1 and the definitions of each category can be found in the LMP methodology.

Box 1 - Classification of interventions by type of action in LMP

1. Labour market services 1.1. Client services 1.1.1. Information services 1.1.2. Individual case management 1.2. Other activities of the PES 1.2.1. Administration of LMP measures 1.2.2. Administration of LMP supports 1.2.3. Other services / activities 2. Training 2.1. Institutional training 2.2. Workplace training 2.3. Alternate training 2.4. Special support for apprenticeship 3. Job rotation and job sharing (Not used anymore – included in category 4) 4. Employment incentives 4.1. Recruitment incentives 4.1.1. Permanent 4.1.2. Temporary 4.2. Employment maintenance incentives 4.3. Job rotation and job sharing 4.3.1. Job rotation 4.3.2. Job sharing	5. Sheltered and supported employment and rehabilitation 5.1. Sheltered and supported employment 5.2. Rehabilitation 6. Direct job creation 7. Start-up incentives 8. Out-of-work income maintenance and support 8.1. Unemployment benefits 8.1.1. Unemployment insurance 8.1.2. Unemployment assistance 8.2. Partial unemployment benefits 8.3. Part-time unemployment benefits 8.4. Redundancy compensation 8.5. Bankruptcy compensation 9. Early retirement 9.1. Conditional 9.1.1. Full 9.1.2. Partial 9.2. Unconditional 9.2.1. Full 9.2.2. Partial
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For each LMP intervention, the LMP statistics include annual data on the following:

- **Expenditure:** Expenditure data is reported on an accruals basis. The data includes total expenditure as well as breakdowns which distinguishes firstly the direct recipient of the transfers (e.g. Individuals, Employers, Services provider) and then, where relevant, the type of expenditure (e.g. Periodic cash payments, Lump-sum payments, Reimbursements, Reduced social contributions, Reduced taxes).
- **Participants:** Participant data is reported for three main variables – Stock, Entrants and Exits. For each of these the data includes a total as well as breakdowns by sex, age and duration of unemployment. Further, data on entrants are broken down by previous status (immediately before joining the intervention) and data on exits are broken down by destination (situation after exit from the intervention).
- Stock is the most useful among the available observations for evaluating the level of participation in LMP interventions in a given year as it reflects the number of persons participating in an intervention at a given moment. In LMP stock data refers to the annual average stock which is usually calculated as an average of the stock at the end of each month. Note, however, that a stock observation is only relevant for LMP

interventions which have a duration. It is not relevant for interventions which are one-off in nature, such as is typically the case for redundancy compensation.

- Qualitative information: In addition to the data on expenditure and participants, the LMP database collects comprehensive qualitative information to complement, and put into context, the quantitative data and which allows users of the database to understand the aims, targets and implementation methods of each intervention. This includes separate items for the intervention name, a detailed description, the classification by type of action, the type of expenditure, the operational and detailed target groups, the impact of participation on unemployment registration, the receipt of benefits, the planned duration, the area of application, the source of finance, the responsible institution and the time period of implementation of intervention. Much of this information is used to cross-validate the classification of the intervention and the quantitative data.

In order to be able to put the data reported for each LMP intervention into context, the LMP statistics also provide reference data on numbers of persons registered with the public employment services as jobseekers, unemployed or other registered jobseekers and numbers of persons with an individual action plan (IAP). This information effectively describes the target group for support through services and measures.

The LMP methodology requires, as a minimum, that expenditure data are complete for all interventions. Participant data are more difficult and some flexibility is allowed on the completion of data, though every effort is made to encourage countries to complete the participant data where possible.

However, despite best efforts some countries remain unable to provide comprehensive data on participants. In order to avoid missing data in cases where participant data are almost complete, the dissemination process allows aggregates of participant data to be published so long as data are complete for at least 80% of the related expenditure and flags any cases of aggregates with less than 100% coverage as unreliable.

Further, the measurement of aggregate levels of participation in LMP interventions belonging to a specific category or group of categories is complicated by the issue of double counting. Double counting may occur legitimately when a person participates in more than one intervention at the same time. All known cases of double counting within a category of intervention are, where possible taken into account by appropriate adjustments. However, there is currently no method to handle cases of double-counting between interventions belonging to different broad classifications. For this reason, the following aggregations should not be made:

- Participants in category 8 should never be added to those in categories 2-7.
- Participants in category 1 should never be added with any other category.

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