

*Stimulating Job Demand: The Design of Effective Hiring
Subsidies in Europe*

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1. Introduction: hiring subsidies as an active policy to stimulating job demand

Belgium's youth and long-term unemployment levels are notably high. Over the 2000 to 2012 period, unemployment among the 15-24 age group rose from 15.2 % to 19.8 %; in 2012, 46 % of jobseekers were unemployed for more than a year¹. This demonstrates the need for different hiring subsidies for these two target groups in Belgium.

The first federal policies that could be termed hiring subsidies appeared in Belgium during the 1970s with the Getting People into Work (*Chômeurs mis au travail* - CMT), Getting Disabled People into Work (*Chômeurs handicapés mis au travail*), Special Temporary Framework (*Cadre spécial temporaire* - CST) and Third Employment Channel (*Troisième circuit de travail* - TCT) programmes. The Maribel Social Fund (1981) and the ACS (Subsidised Contract Workers) programmes (1989) emerged during the 1980s with the aim of subsidising workers recruited into the not-for-profit sector. There followed the first work experience contracts (1995), the career bridging programs (PTP, 1997), service jobs, recruitment allowances - the Recruitment Advantage Plan (*Plan Avantage à l'embauche*) and, finally, the Social Integration Economy contracts (SINE, 1999). In 2002, the Activa Plan replaced a number of disparate measures that had previously been implemented. In 2004, the service voucher scheme was brought in - alongside reduced contributions - for the first three workers hired or for jobseekers affected by restructuring. In 2006, the Activa Start Plan was added to the Activa Plan and, in 2010, the Activa Win Win crisis plan was launched. Some of these measures will be transferred to the regions on the 1 July 2014.

Section 2 below describes some of the hiring subsidies noted above in more detail given that they remain in force. These include:

- the Activa, Activa Start, Activa APS, PTP and SINE plans; these subsidies combine reduced contributions with work benefits in order to encourage employers to hire jobseekers from particular target groups, are first described in detail and assessed;
- the first work experience contracts: unlike other contribution reduction measures these are only granted when a new worker² is hired;
- the ACS and Maribel plans: these combine reduced contributions with a regional subsidy (in the ACS plan only) aimed at creating jobs in the not-for-profit sector;
- the service voucher scheme.

2. Hiring subsidies today: detailed description

2.1 Activa

Established in 2002, the Activa Plan encourages the labour market reintegration of jobseekers from certain target groups (long-term unemployed, youth, older or disabled jobseekers) by allowing employers to pay reduced social security contributions and/or by providing a wage-cost ('activation') allowance that can be deducted from the net salary. This plan is aimed primarily at private sector employers. Work benefits are provided by the National Employment Office (ONEM). Reduced social security contributions are applied by the National Social Security Office (ONSS). In Belgium, federal hiring subsidies are in all cases covered by the social security budget. The amount and duration of the reduced social security contributions depend both on the age of the worker hired and the number of days he/she has been unemployed (or disabled), however the amount is set at EUR 500 per month. The amount and duration of the reduced social security contributions and the activation allowance for the different target groups is available in Annex 3.

In 2006, a work benefit that was not conditional upon length of unemployment was introduced to encourage the hiring of particularly vulnerable young jobseekers in the context of the Activa Start

¹ OECD statistics

² The 'Restructuring' target group reduction is also granted only when recruiting but this measure is not particularly significant from a budgetary point of view

Plan³. This benefit provides EUR 350 every month for six months. Eligible young people must be either very poorly qualified⁴ or poorly qualified⁵ and of foreign origin, or poorly qualified and disabled.

On 1 January 2010, the activation allowance was increased to EUR 1 100 for one to two years for certain categories of jobseekers. This was in the context of the Win Win recruitment plan⁶, which ended on 31 December 2011.

The following table shows the beneficiaries and expenditure for Activa, Activa Start and Activa Win Win plans from 2004 to 2012.

Table 1 : Number of beneficiaries and expenditure for Activa, Activa Start and Activa Win Win Plans (full-time equivalent, physical units and millions of Euros)⁷

	2004		2009		2010		2011		2012	
	Ben.	Exp.								
Reduction in social security contributions	11,840	43.8	40,178	145.5	44,957	163.9	54,792	204.9	50,595	192.9
Activation allowance including:	27,597	127.7	34,055	153.8	45,445	282.5	73,892	559.3	57,167	387.0
Activa	27,597	127.7	33,620	152.0	27,197	118.8	24,425	104.8	27,623	119.3
Activa Start	0	0.0	434	1.8	250	1.1	216	0.9	349	1.4
Activa Win win	0	0.0	0	0.0	17,998	162.7	49,251	453.6	29,195	266.3
Total		171.5		299.3		446.4		764.1		580.0

Source: ONEM, ONSS, Calculations DULBEA

Between 2004 and 2012, public expenditure related to the reduced social security contributions and the activation allowance of the Activa Plan (incl. Activa Start and Win Win) more than tripled – representing a value of EUR 580 000 000 in 2012. The per-capita expenditure/cost per beneficiary amounted to EUR 3 803 for the reduction in social security contributions and EUR 4 319 for the activation allowance in 2012. These costs per capita have remained relatively stable over time as these benefits are often provided in the form of lump sums. The higher level of expenditure in 2010 and 2011 was due to the implementation of the Win Win recruitment plan as a result of the economic crisis; this plan proved extremely beneficial to employers with almost 50 000 beneficiaries in 2011, and was the most expensive with a cost of around EUR 9 209 per beneficiary (reduction in social security contributions not included). The plan was closed in December 2011, although in 2012 almost 30 000 people remained working within this framework.

2.2 Activa APS

The APS Activa Plan was implemented in 2003⁸ to subsidise the recruitment of the long-term unemployed by municipal authorities. The plan makes available reduced employer contributions and an activation allowance. The amount and duration of the reduced social security contributions and the activation allowance is available in Annex 4.

2.3 The Career Bridging Programme (Programme de transition professionnelle -PTP)

The Career Bridging Programme (*Programme de transition professionnelle* - PTP) was established in 1997⁹ and targets public sector employers who hire the long-term unemployed. It consists of reduced employer social security contributions, an activation allowance, and a regional subsidy¹⁰. Activities implemented in the context of career bridging (*transition professionnelle*) programmes are required to

³ Royal Decree of 29.3.2006

⁴ General secondary education diploma at most

⁵ Not having gained a higher secondary education diploma

⁶ Royal Decree of 21.12.2009

⁷ Beneficiaries of reduction in social security contributions are expressed as full-time equivalent, those of activation allowances are expressed as physical units and expenses are expressed as millions of Euros. Reduction in social security contributions from ONSSAPL (National Office for Local and Regional Government Social Security) are not included.

⁸ Royal Decree of 19.12.2001, Royal Decree of 19.3.2003, Royal Decree of 16.5.2003, Royal Decree of 21.1.2004, Act of 22.12.2003, Royal Decree of 28.3.2007

⁹ Royal Decree of 9.6.1997, Royal Decree of 11.7.2002, Royal Decree of 19.2.2003 and Royal Decree of 10.5.2007

¹⁰ Walloon Decree of 6.11.1997, Flemish Decree of 18.7.1997 and Brussels Decree of application of 18.12.1997

meet the collective needs of society that are not being and/or are being insufficiently met by the normal labour market. The amount and duration of the reduced social security contributions and the activation allowance is available in Annex 5.

2.4 The Social Integration Economy (Economie d'insertion sociale - SINE)

The Social Integration Economy ('*Economie d'insertion sociale*' - SINE) scheme was established in 1999¹¹ and targets employers in the social or local economy who hire the long-term unemployed. It consists of reduced employer social security contributions and an activation allowance. Eligible employers must be a part of the social or local economy: social integration economy, on-the-job training companies, social housing associations, local employment agencies, etc. The amount and duration of the reduced social security contributions and the activation allowance is available in Annex 6.

The following table shows the beneficiaries and expenditure for the Activa APS, PTP and SINE plans from 2004 to 2012.

Table 2 : Number of beneficiaries and expenditure for Activa APS, PTP and SINE (in physical units and in millions of Euros)¹²

	2004		2009		2010		2011		2012	
	Ben.	Exp.	Ben.	Exp.	Ben.	Exp.	Ben.	Exp.	Ben.	Exp.
Activa APS	27	0.2	631	6.4	586	6.2	539	5.8	522	5.8
PTP	5,206	27.8	5,693	38.9	5,213	36.4	4,900	33.3	4,846	33.6
SINE	1,672	10.7	11,093	83.6	11,626	87.6	11,400	87.5	10,953	86.2
Total	6,906	38.7	17,417	129	17,425	130	16,839	127	16,322	126

Source: ONEM, ONSS, Calculations DULBEA

The SINE scheme is the largest of the three programmes with almost 11 000 beneficiaries and expenditure of EUR 86 200 000 in 2012, followed by the PTP programme with almost 5 000 beneficiaries and expenditure of EUR 33 800 000 in 2012. The number of Activa APS beneficiaries has increased significantly between 2004 (27 beneficiaries) and 2009 (631 beneficiaries). In 2012 the per-capita expenditure/cost per beneficiary amounted to EUR 11 061 for the Activa APS programme, EUR 6 930 for the PTP programme, and EUR 7 870 for the SINE programme. Regional subsidies must also be taken into account for the expenditure of the PTP program, which in 2012 were as follows: EUR 50 297 000¹³ for Flanders, EUR 9 630 000¹⁴ for Brussels and EUR 20 000 000 for the Walloon region. . Overall, the use of the Activa APS, PTP and SINE programmes has decreased slightly since 2009.

2.5 'First Workers' (Réduction groupe-cible « Premiers engagements »)

'First workers' were introduced as a target group for reductions in 2004¹⁵, replacing the Plus One, Plus Two and Plus Three plans. The aim of the scheme is to encourage potential employers to hire their first employees. It consists of a fixed reduction in employer contributions for private sector employers who have never paid employer social security contributions before, or who have not paid them for at least the last four quarters. Workers must be employed on a permanent full or part-time contract. Initially, employers targeted by this measure were able to benefit from reduced contributions for the first three workers hired. Since 1 January 2014, this reduction has been extended to the first five workers¹⁶. Reduced contributions are applied for 13 quarters for the first two workers and for nine quarters for the subsequent three workers. This subsidy cannot be received in conjunction with other 'target group' reductions although it can be combined with the structural reduction in employer

¹¹ Royal Decree of 3.5.1999

¹² The number of beneficiaries is the number of physical units benefiting from the activation allowance. Expenditure include those related to reduction in social security contributions and activation allowance but not those related to PTP regional subsidy

¹³ Vlaams Subsidieagentschap Voor Werk en Sociale Economie, p.38

¹⁴ Actiris (December 2013), p.13

¹⁵ Program Act of 24.12.2002

¹⁶ Program Act of 26.12.2013

contributions. The amount and duration of the reduced social security contributions is available in Annex 7. The following table shows the beneficiaries and expenditure for the 'first workers' plan from 2004 to 2012.

Table 3 : Number of beneficiaries and expenditure for the 'first workers' plan (in full time equivalents and in millions of Euros)

	2004	2005	2006	2007	2008	2009	2010	2011	2012
Beneficiaries	36,810	50,470	61,096	68,030	72,261	67,328	62,817	62,131	60,200
<i>Annual growth</i>		37%	21%	11%	6%	-7%	-7%	-1%	-3%
Expenditure	60.7	82.5	96.5	108.2	113.4	105.3	98.2	98.2	98.2
<i>Annual growth</i>		36%	17%	12%	5%	-7%	-7%	-0.02%	-0.03%

Source: ONSS, Calculations DULBEA

Since 2009, the expenditure and beneficiaries under the measure have decreased. However, they are expected to increase in part due to the extension of the measure to the first five workers from 2014.

2.6 ACS Plan (Agents Contractuels Subventionnés)

Established in 1987¹⁷ for local government and in 1989¹⁸ for public authorities, this plan consists of a reduced (federal) contribution and a regional subsidy for public authorities, local governments and not-for-profit organisations. The reduced contribution is applied permanently to all non-working jobseekers registered with the Regional Employment Office. It is granted by the National Social Security Office (ONSS) for public authorities and by the National Office for Local and Regional Government Social Security (ONSSAPL) for local governments and not-for-profit organisations. The regional subsidy is granted in the form of a wage premium.

The target group, the criteria for receiving the premium, and the amount, all vary depending on the regional office with which the jobseeker is registered. The conditions, amounts and duration of the incentives is available in Annex 8. The following table shows the beneficiaries and expenditure related to the contribution reductions of the ACS plan.

Table 4 : Number of beneficiaries and expenditure for the ACS plan (in full-time equivalents and in millions of euros)

	2004	2005	2006	2007	2008	2009	2010	2011	2012
Beneficiaries	n.a.	68,472	70,285	72,008	73,037	75,422	76,708	77,609	n.a.
<i>Annual growth</i>			3%	2%	1%	3%	2%	1%	
Expenditure	n.a.	429.5	455.4	476.8	511.2	551.2	588.2	614.5	n.a.
<i>Annual growth</i>			6%	5%	7%	8%	7%	4%	

Source: ONSS, ONSSAPL, Calculations DULBEA

The average annual cost per ACS employment is EUR 7 918 (regional subsidy not included). In 2012 the regional subsidy amounted to EUR 187 410 000¹⁹ for Brussels, EUR 275 040 000²⁰ for Flanders, and EUR 636.92 million²¹ for the Walloon region.

2.7 The Social Maribel

The Social Maribel was established in 2002 to promote employment in the non-profit sector through the creation of additional jobs²². It consists of an indirect and conditional reduction in social security contributions. From 2009, the fiscal Maribel was also established. It is a payroll tax reduction amounting to 1 % of which 0.75 % is transferred to the Maribel funds.

¹⁷ Royal Decree of 28.10.1986

¹⁸ Program Act of 30.12.1988

¹⁹ Brussels Observatory of Employment (December 2013), p. 6 and p.10

²⁰ Vlaams Subsidieagentschap voor werk en sociale economie, p.38

²¹ FOREM (2013)

²² Royal Decree of 18.7.2002 and Act of 27.3.2009

Table 5 : Number of beneficiaries and expenditure for the Social Maribel scheme (and for the fiscal Maribel from 2009) (in physical units and in millions of euros)

	2004	2005	2006	2007	2008	2009	2010	2011	2012
Beneficiaries	n.a.	n.a.	32,020	31,949	32,103	35,188	39,064	41,562	41,994
<i>Annual growth</i>				-0.2%	0.5%	10%	11%	6%	1%
Expenditure	n.a.	n.a.	624.2	660.8	676.3	704.6	828.3	908.8	925
<i>Annual growth</i>				6%	2%	4%	18%	10%	2%

Source: SPF Emploi, Calculations DULBEA

2.8 Service Vouchers

Title of the measure: Service vouchers

Summary

Established in 2004²³, the principal aim of the service voucher scheme is to create jobs and combat undeclared work. To achieve this, the State doubly subsidises the system.

Type of measure

Direct subsidy to companies: each service voucher bought (EUR 9 or EUR 10) by the user enables the company to receive a reimbursement of EUR 22 (reimbursement of the value of the service voucher by the issuing company plus a federal contribution of EUR 13 or EUR 12), which it can use to cover the cost of wages and social security contributions, operating costs and a possible profit margin.

Subsidy to users: individuals can benefit from a 30 % tax exemption on the value of the service voucher.

Financing source(s) of the subsidy

To finance the system, the federal budget pays the overall social security administration system, via alternative financing, an amount corresponding to the costs borne by the National Employment Office (ONEM). This amount is reduced by feedback effects calculated to the benefit of social security. The amount granted is set each year by royal decree.

Duration of the measure

Permanent measure.

Description

When this measure was first established, it was not aimed at any specific target group. Since 17 August 2012, companies have been required to ensure that 60% of new employees are either wholly unemployed and receiving benefits and/or the beneficiaries of a 'social integration income' (*Revenu d'Intégration Sociale - RIS*).

Policies that complement the measure

A training fund has been put in place to increase the workers' training levels. This grants an annual budget to each company wishing to organise one or more approved training courses for its workers. Apart from this budget, an additional subsidy is granted to any company offering a training course, within three months of hiring, to a worker falling within the 60% target group.

Evaluation results

The following table shows the number of workers, active users, and expenditure incurred under the service voucher system.

²³ Act of 20.7.2001

Table 6 : Number of Workers, users and expenditure incurred under the service voucher system²⁴

	2004	2005	2006	2007	2008	2009	2010	2011	2012
Workers	n.a.	n.a.	61,759	87,152	103,437	120,324	136,915	149,827	151,137
<i>Annual growth</i>				41%	19%	16%	14%	9%	1%
Active Users	98,814	190,734	316,101	449,626	557,482	665,884	760,702	834,959	899,558
<i>Annual growth</i>		93%	66%	42%	24%	19%	14%	10%	8%
Expenditure	91	239	446	653	883	1,051	1,231	1,424	1,595
<i>Annual growth</i>		163%	87%	46%	35%	19%	17%	16%	12%

Source: BfP, IdeaConsult, Calculations DULBEA

The success of the service voucher system is visible with an increase of 32 % per year in the number of active users since 2004. In 2012 expenditure amounted to nearly EUR 1.6 billion for 151 137 workers, representing an annual average cost of EUR 10 553 per job. Expenditure related to the tax deduction and supervision costs must be added to the expenditure shown in the table: respectively EUR 248 900 000 and 14 900 000 in 2012²⁵. The total gross cost of the system is around EUR 1.85 billion. Taking into account the various return effects of the measures (the decrease of the number of unemployment beneficiaries and the increase of the revenues from social security contributions and tax income) the net cost of the system would be between 500 700 000 and 635 700 000 euros²⁶.

Lessons from the initiative

The service voucher sector has experienced dramatic growth since the launching of the system in 2004. The regulation organising the system has been reinforced by increasing controls and stricter penalties that can be applied to firms; all of which are helping to increase and support the professionalisation of the sector and manage risks associated with potential misuse of the system by companies, and the risk of bankruptcy (particularly associated with default social security payments). Due to the high costs associated with the measure, and in order to reduce the need for federal intervention, the purchase price of service vouchers has been gradually increased (and the number of service vouchers allocated to households restricted) depending on the composition of the household²⁷.

Following the government agreement of December 2011, implementation of the system will be transferred to the regions and the continuity of the system is not guaranteed.

3. Conclusion

The following table presents the federal hiring subsidies described in Section 2²⁸. In 2012, the most important measures in terms of expenditure were: Service Vouchers, the ACS and the Maribel plans.

²⁴ Expenditure do not include tax deductions

²⁵ IdeaConsult (December 2013), p.100

²⁶ IdeaConsult (December 2013), p.110

²⁷ Royal Decree of 3.8.2012, Royal Decree of 20.12.2012 and Royal Decree of 17.8.2013

²⁸ Hiring subsidies also exist at the regional level (« Convention premier emploi » in Brussels, « premie 50+ » in Flanders and « Sesam » in Wallonia) but we don't study them in this note

Table 7 : Beneficiaries (in full-time equivalents or in physical units), annual expenditure (in millions of euros) of hiring subsidies in Belgium in 2012²⁹

	Beneficiaries	Share	Expenditure	Share
Activa (incl. Activa start and win win)	57,167	16%	580.0	11%
Activa APS	522	0.1%	5.8	0.1%
PTP	4,846	1%	113.5	2%
SINE	10,953	3%	86.2	2%
First workers'scheme	60,200	17%	98.2	2%
ACS	77,609	21%	1,713.5	32%
Maribel	41,994	12%	925	17%
Service vouchers	151,137	42%	1,844	34%
Total	362,435	100%	5,366	100%

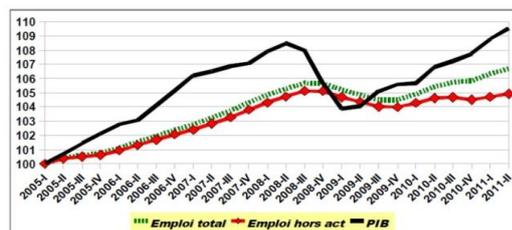
Source: SPF Emploi, ONSS, Calculations DULBEA

Overall, evaluation studies of the substitution, deadweight and displacement effects of hiring subsidies measures in Belgium remain scarce. The Annual Report (2007) of the Interfederal Centre for Equal Opportunities, highlighted some deadweight and displacement effects with the service voucher system – mainly associated with elements of the system (such as ironing facilities) that are provided by other types of enterprises outside the service voucher programme³⁰.

Additional regulatory provisions have been put in place to address the potential risks of incentivising the direct replacement of staff under the Activa and Activa Win Win plans. So, for example, if, following a complaint, it is noted that the worker was hired in replacement of, and for the same tasks as, a worker who has been made redundant, with the overriding aim of benefiting from the scheme³¹, then the work benefits will be withdrawn. However, the Employees' National Council (*Centrale nationale des employés* - CNE) has criticised the fact that such checks are only conducted once a fraud has taken place, and furthermore, how difficult it is for a worker who is being laid off to make a complaint, given that they are required to work a notice period. Moreover, in some cases, such as that of a worker on a probationary period or an employee with more than nine years of service, a wrongful dismissal would be extremely difficult to prove³².

According to an article by the Institute for Sustainable Development (*Institut de développement durable*)³³, one sign of the significance of the 'deadweight effect' of activation measures such as Activa Win Win in 2010 and 2012 was the weak growth in ordinary employment over a period which was otherwise marked by economic recovery.

Figure 1: Total paid employment (Emploi total), jobs excluding activated jobs (Emploi hors act) and GDP at constant prices – 1st Q 2005=100 (PIB)



Source: ONEM - Calculations IDD

²⁹The expenditure of the contribution reductions in the ACS plan are those of 2011. In order to compare the measures between each other, we added the regional subventions (2012) to expenditure of PTP and ACS plans and the fiscal deduction (2012) to expenditure of the service voucher system.

³⁰ Interfederal Centre for Equal Opportunities (2007), p.110

³¹ Royal Decree of 19.12.2001 and Royal Decree of 21.12.2009

³² Demonté, R. d'Amore and J. Coumont (May 2010)

³³ Philippe Defeyt (September 2011)

The anti-fraud measures anticipated in the Activa and Activa Win Win plans were extended in August 2011. The National Employment Office (ONEM) can now conduct an investigation without a prior complaint having been made and any employer who hires someone that has already worked for the company (or group to which it belongs) in the six months prior to their appointment can no longer benefit from the scheme³⁴.

The risk of the APS Activa, PTP and SINE plans creating a deadweight or substitution effect is probably less than that of the ordinary Activa Plan. The APS Activa Plan is also aimed at subsidising the local prevention and safety policies of the municipal authorities. Without this plan, the very post of 'Prevention and Safety Assistant' (APS) might not exist. PTP jobs are 'tailor-made' jobs where the particular difficulties linked to the under-qualification or insecurity of the worker (over-indebtedness, housing problem, lack of 'work ethic') are managed, supported and supervised³⁵. Finally, in 2006, 40 % of the beneficiaries of the SINE scheme were local employment agencies³⁶ aimed at 'meeting the demand for a certain number of activities that are not found on the normal labour market and that do not compete with it'.³⁷

In September 2013, the Court of Auditors recommended that The National Employment Office (ONEM) put in place a method to assess any possible transferral between ordinary jobs and subsidised jobs; ONEM responded that such an evaluation would require a considerable investment of time and money and questioned its appropriateness given the limited resources available³⁸. However in December 2013, ONEM published a study assessing the efficiency of a number of activation measures, including Activa, PTP and SINE³⁹. The report considers the extent to which people who have benefited from an activation measure are still dependent upon unemployment benefit one year after the end of their activation period. They found that, when compared with a control group with similar characteristics (age, qualifications, etc.), the probability of the activated group having moved into employment was higher, irrespective of the activation measure⁴⁰. This was particularly true for the Activa and SINE beneficiary groups: 40 % of the former and 27 % of the latter were more likely to have found work than the control group. As far as the career bridging programme was concerned, this seemed more inclined to lead activated people into other subsidised jobs. The net effect of activation measures in terms of finding a job was often higher for the long-term unemployed, which would suggest that the measures intended to support this target group have achieved their goal. The net effect of measures is also higher among people aged over 50. The report does, however, highlight issues with the basic characteristics of the control group in terms of ascertaining fully the effect of activation on the probability of finding work; similarly, other factors such as motivation, state of health, or professional experience (which are difficult to measure) may lead to differences between the activated group and the control group.

In terms of the 'First workers' programme, no assessments of this measure are available. Assessments are, however, available for similar hiring subsidy measures: the Plus One, Plus Two and Plus Three plans. Lopez- Novella finds that almost half of workers benefiting from these measures had worked at least one time in the quarter prior to hiring. However, it is possible that some of these (short) unemployment periods had the sole objective of obtaining the subsidy, the worker having previously been selected for the new job⁴¹. Research also has identified that for the Plan Plus (1, 2, 3)⁴² a relatively low employee turnover effect⁴³: the exit rate (dismissal or voluntary departure) does not

³⁴ Royal Decree of 19.7.2011

³⁵ FEBISP (April 2008)

³⁶ Federal Public Service - Employment, Labour And Social Dialogue

³⁷ <http://www.emploi.belgique.be/defaultTab.aspx?id=705>

³⁸ Court of Auditors (2013), pp 97 and 98

³⁹ NEO (October 2013)

⁴⁰ This result confirms the ones of the study of Heylen and Bollens (2010) about several measures including Activa, PTP, ACS, Maribel and first hirings that found that the net efficiency of each of these measures is positive: in all the years following an activation measure, more participants than non-participants are in activity »

⁴¹ Lopez-Novella M. (Septembre 2003), p.24

⁴² The author also reviews the 'Recruitment Advantage Plan', replaced by Activa plan

⁴³ When the end of the subsidy period or the decline of the level of the subsidy lead the employer to dismiss the worker hired with the subsidy, defined in Dejemeppe M. and B. Vanderlinden (2013), p.28

appear to increase once the subsidisation period ends⁴⁴. However other research by Cocks et al. (2004) has found that the exit rate of employment in the period after the end of a subsidy is relatively high, especially for men. This shows that the rate of productivity growth among beneficiaries was too low to compensate for the lower level of subsidy; this suggests that, for certain target groups, a more sustainable integration into employment requires a structural reduction of labour costs or other policies in order to increase productivity⁴⁵.

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⁴⁴ Only a slight increase is observed in the quarter preceding the decline of the reduction in cotisations and the second and final year of the grant. Lopez-Novella M. (September 2003), p.17

⁴⁵ Dejemepe M. and B. Vanderlinden (2013), p.28

Annex 1: Conditions, amount and duration of measures

Measures	Conditions				Reduction in employer contributions						Activation allowance	
	Age	Duration of unemployment	Qualification	Receiving benefits	1st period		2nd period		3rd period		Amount (per month)	Duration
					Amount (per quarter)	Duration	Amount (per quarter)	Duration	Amount (per quarter)	Duration		
ACTIVA: long-term unemployed	/	> 1 year	/	/	1,000 €	5 quarters	/	/	/	/	/	/
		> 2 years	/	/	1,000 €	9 quarters	/	/	/	/	500 €	16 months
		> 3 years	/	/	1,000 €	9 quarters	400 €	4 quarters	/	/	500 €	24 months
		> 5 years	/	/	1,000 €	9 quarters	400 €	12 quarters	/	/	500 €	30 months
ACTIVA: youth	< 25	> 1 year	/	/	1,000 €	5 quarters	/	/	/	/	500 €	16 months
	< 30	> 6 months	low-skilled*	/	1,500 €	12 quarters	/	/	/	/	500 €	36 months
ACTIVA: older unemployed	> 45	> 6 months	/	/	1,000 €	5 quarters	400 €	16 quarters	/	/	/	/
	> 45	> 1 year	/	/	1,000 €	21 quarters	/	/	/	/	/	/
	> 45	> 1.5 year	/	/	1,000 €	21 quarters	/	/	/	/	500 €	30 months
ACTIVA: reduced capacity	/	/	/	/	/	/	/	/	/	/	500 €	35 months
ACTIVA APS	< 45	> 1 year	/	/	1,000 €	21 quarters	/	/	/	/	900 €	60 months
	> 45	> 6 months	/	/	1,000 €	unlimited	/	/	/	/	1,100 €	unlimited
PTP	< 25	> 9 months	Low-skilled	Vocational development or unemployment benefits > 9 months	1,000 €	5 quarters	400 €	4 quarters	/	/	322,26€**	unlimited
	< 45	> 1 year	/	Vocational development Benefits > 1 year	1,000 €	5 quarters	400 €	4 quarters	/	/	322,26€**	unlimited
	< 45	> 2 years	/	Unemployment benefits > 2 years	1,000 €	9 quarters	/	/	/	/	322,26€**	unlimited
	> 45	> 1 year	/	Vocational development Benefits > 1 year	1,000 €	5 quarters	400 €	8 quarters	/	/	322,26€**	unlimited
	> 45	> 2 years	/	Unemployment benefits > 2 years	1,000 €	13 quarters	/	/	/	/	322,26€**	unlimited
SINE	/	> 1 year	Low-skilled	/	1,000 €	11 quarters	/	/	/	/	500 €	11 quarters
	/	> 2 years	Low-skilled	/	1,000 €	21 quarters	/	/	/	/	500 €	21 quarters
	> 45	> 6 months	Low-skilled	/	1,000 €	unlimited	/	/	/	/	500 €	unlimited
First workers' Scheme												
	<i>1st worker</i>	/	/	/	/							
	<i>2nd worker</i>	/	/	/	/	1,500 €	5 quarters	1,000 €	4 quarters	400 €	4 quarters	/
	<i>3rd, 4th and 5th worker</i>	/	/	/	/	1,000 €	5 quarters	400 €	4 quarters	400 €	4 quarters	/
	/	/	/	/	1,000 €	5 quarters	400 €	4 quarters	/	/	/	/

*Not having gained a higher secondary education diploma.

** Or EUR 545.37 per month if the jobseeker lives in an area of high unemployment (more than 20% above the average unemployment rate for the region).

Annex 2: Measure Description Table

Measure title	Type of measure	Target group	No. of benef.	Amount of subsidy and duration	Permanent or temporary measure	Conditionality imposed on firms	Funding source and expenditure (in millions of Euros) in 2012	Measures complementing the initiative	Other stakeholders involved	Monitoring arrangements in place	Assessment of the measure
ACTIVA	Hiring subsidy	See Annex 1	27,623 in 2012	See Annex 1	Permanent (since 2002)	/	ONSS: 192.9 ONEM: 387	Win Win and Activa Start	/	/	Regulatory provisions have been put in place to combat the risk of direct substitution effect
ACTIVA APS	Hiring subsidy	See Annex 1	522 in 2012	See Annex 1	Permanent (since 2003)	Only for municipal authorities	ONSS: 0.2 ONEM: 5.6	/	/	/	Limited risk of substitution or deadweight effect
PTP	Hiring subsidy	See Annex 1	4,846 in 2012	See Annex 1	Permanent (since 1997)	Only for public sector	ONSS: 9.5 ONEM: 24.1	/	Regional Governments	/	Limited risk of substitution or deadweight effect
SINE	Hiring subsidy	See Annex 1	10,953 in 2012	See Annex 1	Permanent (since 1999)	Only for non-profit sector	ONSS: 25.9 ONEM: 60.3	/	/	/	Limited risk of substitution or deadweight effect
First worker's Scheme	Hiring subsidy	All workers	60,200 in 2012	See Annex 1	Permanent (since 2004)	> Only new employers > Permanent full or part-time contracts	ONSS: 98.2	/	/	Biannual Monitoring of the recovery strategy of the Federal Government	In the Plus One, Plus Two and Plus Three plans, the high proportion of beneficiaries having worked at least one time in the quarter prior to hiring leases fear the presence of certain abuses.
ACS	Hiring subsidy	Non-working jobseekers	77,609 in 2011	See Annex 8	Permanent (since 1987)	Only for non-profit sector and public sector	ONSS: 614.5 (in 2011) + Regional subsidy	/	Regional Governments	/	No study on possible substitution or deadweight effect
Social Maribel	Hiring subsidy	All workers	41,994 in 2012	Reduction in social security contributions for each worker	Permanent (since 2002)	Only for some employers in the non-profit sector	ONSS: 925	/	/	/	No study on possible substitution or deadweight effect

Service vouchers	Voucher scheme	60% of new employees must be wholly unemployed receiving benefits and/or benef. of a social integration income	151,137 in 2012	EUR 13.04 or EUR 12.04 per voucher	Permanent (since 2004)	/	ONEM: 1,595	Training fund	/	IDEAConsult (annual report)	<ul style="list-style-type: none"> > Dramatic growth > System very costly > Some deadweight and displacement effects highlighted
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Annex 3: Activa

The Activa Plan can be broken down into a basic scheme aimed at the long-term unemployed, on the one hand, and a specific scheme for three target groups (youth, older unemployed and those with reduced capacity), on the other.

Conditions and benefits of the **basic scheme** are: for persons who are **unemployed for at least 1 year**⁴⁶, the employer contributions are reduced by 1,000 euros/quarter during the 5 first quarters and they don't receive any work benefits. For persons who are **unemployed for at least 2 years**, the employer contributions are reduced by 1,000 euros/quarter during 9 quarters and the work benefits are provided during 16 months. For persons who are **unemployed for at least 3 years**, the employer contributions are reduced by 1,000 euros/quarter during 9 quarters and by 400 euros/quarters during the 4 following quarters. The work benefits are provided during 24 months. For persons who are **unemployed for at least 5 years**, the employer contributions are reduced by 1,000 euros/quarters during 9 quarters and by 400 euros/quarters during the 12 following quarters. The work benefits are provided during 30 months.

Conditions and benefits for **youth** are: for persons who are **under the age of 25, unemployed for at least 1 year**, the employer contributions are reduced by 1,000 euros during 5 quarters and the work benefits are provided during 16 months. For persons who are **under the age of 30, unemployed for at least 6 months and low-skilled**⁴⁷, the employer contributions are reduced by 1,500 euros during 12 quarters and the work benefits are provided during 36 months.

Conditions and benefits for **older unemployed (over 45)** are : for persons who are **unemployed for at least 6 months**, the employer contributions are reduced by 1,000 euros/quarter during 5 quarters and by 400 euros/quarters during the 16 following quarters. They don't receive any work benefits. For persons who are **unemployed for at least 1 year**, the **employer** contributions are reduced by 1,000 euros during 21 quarters and they don't receive any work benefits. For persons who are **unemployed for at least 1.5 year**, the employer contributions are reduced by 1,000 euros during 21 quarters and the work benefits are provided during 30 months.

Finally, for persons with **reduced capacity**, the work benefits are unconditionally provided during 35 months and there is no reduction in employer contributions.

Annex 4 : Activa APS

If a person who is under the age of 45 and unemployed for at least 1 year⁴⁸ is hired, employer contributions are reduced by EUR 1 000 for 21 quarters and an activation allowance of EUR 900 per month is provided for 60 months. If a person who is over the age of 45 and unemployed for at least 6 months⁴⁹ is hired, contributions are reduced by EUR 1 000 and an activation allowance of EUR 1 100 per month is provided. Both are granted for an unlimited period. The local authority must provide basic training appropriate to the worker

⁴⁶ More precisely registered as a jobseeker for at least 312 days in a period equal to one and a half times the length of unemployment required (ie 18 months prior to the engagement). By need for clarity, this shortcut will be made in all explanations of unemployment durations required.

⁴⁷ Not having gained a higher secondary education diploma.

⁴⁸ Out of work for 312 days in the last 18 months or 624 days in the last 36 months

⁴⁹ Out of work for 156 days in the last 9 months

Annex 5: Programme de Transition Professionnelle (PTP)

The amount and duration of the reduced social security contributions depends both on the age of the jobseeker hired and how long he/she had been unemployed. For low-skilled⁵⁰ persons who are under the age of 25 and receiving vocational development benefits or unemployment benefits for at least 9 months and for persons who are under the age of 45 and receiving vocational development benefits for at least 1 year, the employer contributions are reduced by EUR 1 000 Euro per quarter during the 5 first quarters and by EUR 400 per quarter during the 4 following quarters. For persons who are under the age of 45 and receiving unemployment benefits for at least 2 years, the employer contributions are reduced by EUR 1 000 per quarter during 9 quarters. For persons over 45 years receiving vocational development benefits for at least 1 year, the employer contributions are reduced by EUR 1 000 per quarter during the 5 first quarters and by EUR 400 per quarter during the 8 following quarters. For persons over 45 years receiving unemployment benefits for at least 2 years, the employer contributions are reduced by EUR 1 000 per quarter during 13 quarters. The activation allowance is EUR 322.26 per month⁵¹ or EUR 545.37 per month if the jobseeker lives in an area of high unemployment (more than 20% above the average unemployment rate for the region). The regional subsidy is between EUR 310 and 465 and virtually completes the net salary.

Annex 6: Economie d'Insertion Sociale (SINE)

The reduction in the employer contributions is EUR 1 000 per quarter and the activation allowance is EUR 500 per month. The duration of these benefits depends on the age and the degree of education/qualification of the jobseeker hired and how long he/she had been unemployed. For low-skilled persons who are unemployed for at least 1 year, the duration is 11 quarters. When the relevant placement service does not feel that the jobseeker is yet ready to be integrated into the normal labour market, the period for receiving these incentives may be extended to a maximum of 10. For low-skilled persons who are unemployed for at least 2 years, the duration is 21 quarters. When the relevant placement service does not feel that the jobseeker is yet ready to be integrated into the normal labour market, the period for receiving these incentives may be extended to a maximum of 20 quarters. For low-skilled persons over 45 years who are unemployed for at least 6 months, the duration is unlimited.

Annex 7 : Réduction groupe-cible « Premiers engagements »

The reduction in contributions is applied during 13 quarters for the first two workers and applied during 9 quarters for the three others workers. This reduction cannot be combined with the other measures for target groups but it can be combined with the structural contribution reduction.

- First hiring: the employer social security contribution is diminished with EUR 1,500 /quarter during the five first quarters, EUR 1 000 /quarter during 4 quarters and EUR 400/quarter during the four following quarters.
- Second hiring: the employer social security contribution is diminished with EUR 1 000 /quarter during the five first quarters and EUR 400 during 8 quarters.
- Third/fourth/fifth hiring: the employer social security contribution is diminished with EUR 1 000 /quarter during the five first quarters and EUR 400 during 4 quarters.

Annex 8: Agents contractuels subventionnés (ACS)

The reduced contributions applicable when hiring Subsidised Contract Workers (ACS) apply particularly to public authorities, local governments, teaching facilities and not-for-profit organisations. The amount of the reduction is equal to the amount of employer contributions after possible deduction of the social Maribel fund and application of the structural contribution reduction.

In Brussels, the government establishes the amount of subsidies in the form of points. In 2014, this was EUR 5 702 for local government⁵². It may be higher if certain agreements have been signed with the Brussels Employment Minister. The points are allocated to these different kinds of employer on the

⁵⁰ Not having gained a higher secondary education diploma.

⁵¹ For a worker working at least 4/5 time.

⁵² Brussels Government Decree of 28 October 1986

basis of certain criteria, such as the number of inhabitants, number of jobseekers, number of social integration income recipients, etc. Local governments may then create jobs with the points obtained, at the rate of one post for every one or two points.

For the public authorities⁵³, the wage premium amounts to EUR 5 035 for any subsidised contract worker hired on a full-time basis. To be able to benefit from this subsidy, the employer must hire the worker on an open-ended contract and must provide them with qualifications aimed at improving their position in the job market.

To be able to benefit from this plan, the beneficiaries must be:

- Non-working jobseekers who, at the time of being hired, were registered with Actiris and who had been registered with a public job placement service for at least six of the 12 months preceding their appointment;
- Jobseekers who, at the time of being hired, were receiving the social integration income or social assistance and who had been receiving this for at least six of the 12 months preceding their appointment;
- Wholly unemployed jobseekers receiving benefits who meet one of the following conditions:
 - o Aged 40 years or less;
 - o Hired by teaching/care facilities for the under 12s;
 - o Hired by a Public Social Action Centre (*Centre public d'action sociale* – CPAS) as a social worker or as an academic in the context of a project to meet the socio-professional reintegration needs of beneficiaries of the social integration income or social assistance;
- Jobseekers whose right to unemployment benefit has been suspended;
- Jobseekers who are receiving the social integration income or social assistance and who meet one of the following conditions:
 - o Had been receiving the social integration income or financial support for at least six of the 12 months preceding their appointment;
 - o Aged 40 years or less;
 - o Hired by teaching/care facilities for the under 12s;
- Disabled persons receiving income replacement benefit or the social integration income.

In addition to this wage premium, a partial exemption of employer social security contributions is also granted.

In Wallonia, the Subsidised Contract Worker system was replaced in 2002 by the Job Creation Support scheme⁵⁴. As in the Brussels Region, this subsidy is granted in the form of points. The number of points awarded is calculated on the basis of criteria, such as the category of non-working jobseeker, the qualifications of workers undertaking similar tasks, the needs of society, etc.

To be able to benefit from this plan, the beneficiaries must be non-working jobseekers who were registered with FOREM.

The non-working jobseeker must be:

- Beneficiary of social integration income or social assistance;
- Beneficiary of unemployment benefit;
- Disabled persons receiving income replacement benefit.

The duration of the inscription in one of these situations will determine the amount of subsidy for the recruiting employer.

⁵³ Brussels Government Decree of 28 November 2002

⁵⁴ Walloon Decree of 25 April 2002 and Walloon Government Decree of 19 December 2002

For 2014, one point is worth EUR 3 000.77. This assistance is granted for a minimum of three months and a maximum of three years, renewable, or for an open-ended period.

In Flanders, the Flemish Government grants a wage premium for hiring Subsidised Contract Workers. For local government⁵⁵, the wage premium is set at an annual premium of EUR 10 907.32 per full-time ACS and, for the public authorities⁵⁶, EUR 5 035.01.

To be able to benefit from this plan, the beneficiaries must be:

- Non-working jobseekers who, at the time of being hired, were registered with VDAB for at least six of the 6 months preceding their appointment;
- Jobseekers who, at the time of being hired, were receiving the social integration income or social assistance and who had been receiving this for at least one day preceding their appointment;
- Involved in an employment program for at least one day preceding their appointment;
- Beneficiaries of a full career break who will return to work.

⁵⁵ Flemish Government Decree of 28 October 1986

⁵⁶ Flemish Government Decree of 27 October 1993