

**CENTRE FOR ENTREPRENEURSHIP, SMES, REGIONS AND CITIES  
CO-OPERATIVE ACTION PROGRAMME ON LOCAL EMPLOYMENT AND ECONOMIC  
DEVELOPMENT**

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**Background note on local innovations to address long-term unemployment**

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On average, labour markets across the OECD have recovered from the COVID-19 crisis, and employment rates are back to pre-crisis levels in most OECD regions. Many countries are struggling with acute labour shortages and skills gaps in many sectors, while at the same time having unused labour potential. The labour market integration of long-term unemployed (12+ months unemployed), very-long-term unemployed (24+ months unemployed) and inactive individuals that have withdrawn from the labour force remains a challenge. Across the OECD, a range of local experiments are seeking to find innovative approaches, for example through “job guarantees” and the local integration of services. Ongoing pilot projects include the MAGMA programme in the municipality of Gramatneusiedl (Austria) and the SGE programme in the City of Berlin (Germany).

Delegates are asked to share information and perspectives from local programmes that seek to combat long-term unemployment. Questions for discussion:

- Does your country have employment programmes for places with high and persistent long-term unemployment that would offer valuable lessons for other places?
- Has your country evaluated job guarantee programmes and other labour market programmes for the long-term unemployed?
- Does your country have experience in scaling up successful local initiatives to more regions or even nation-wide?
- How can the LEED Programme support your country further with research, analysis or peer-exchange on local innovations that address long-term unemployment?

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## In the context of declining unemployment and tightening labour markets, countries shift their focus towards stronger support for the long-term unemployed

1. **Labour markets in many OECD countries continue to tighten in 2023.** In February 2023, the average unemployment rate for the OECD was 4.8%, a record low (OECD, 2023). While the labour market has not yet fully recovered from COVID-19 in all countries and regions, unemployment is on a downward trend in the majority of OECD countries.
2. **Against the backdrop of these overall positive trends, the proportion of long-term unemployed among the labour force remains substantial in many regions.** In Spain, for example, the proportion of long-term unemployed (as a percentage of the labour force) declined from 5.4% in 2019 to 5.1% in 2022 (OECD, 2023). In the regions of Madrid and the Balearic Islands, however, long-term unemployment over the total labour force rose from 2.8% and 4.2% to 3% and 4.8% respectively in 2022. Regional differences may reflect the differentiated effects of the COVID-19 pandemic on different sectors, such as tourism, which are concentrated differently across regions.
3. **The share of long-term unemployed individuals among the unemployed is likely to increase as labour market dynamism absorbs the most job-ready unemployed, leaving those with greater labour market distance behind.** In Finland, the share of long-term unemployed people as a share of total unemployment rose from 17.8% to 21.7% between 2019 and 2022 (OECD, 2023). Similarly, in Sweden, this share rose from 13.5% in 2019 to 24.5% in 2022. In Hungary, the share of long-term unemployed as a proportion of all unemployed rose from 32.2% in 2019 to 34.5% in 2022. These trends are likely to have repercussions on Public Employment Services (PES). PES caseloads may evolve to include a growing share of individuals with more complex barriers to employment, calling for adapted programming.
4. **Long-term unemployment can have long-lasting negative consequences on those affected.** Long-term unemployment weighs on the social and labour market futures of people affected. Long spells of unemployment can generate “scarring effects”, or lasting psychological consequences from extended exclusion from the world of work. As unemployment spells last in time, many individuals may become discouraged from looking for employment and enter inactivity, raising the likelihood of hardship as unemployment benefits expire. Communities can also be negatively affected due to long-term unemployment, as the prolonged exclusion of individuals from work can weigh on social cohesion, regional attractiveness and local consumption.
5. **Many countries provide tailored or intensive support to those furthest from the labour market.** Measures include intensive counselling services, wage subsidy schemes targeting the long-term unemployed, in-work follow-up support, and multidisciplinary case management. Some communities are exploring “job guarantee” programmes to counter the ongoing exclusion of people with high levels of disadvantage. A job guarantee provides employment to unemployed individuals, typically through job creation within public organisations or the social and solidarity economy. As place-based initiatives, these programmes tend to be sensitive to the local social economy fabric. They can also help fill the social or environmental needs of communities unmet by the market and existing public services. France, for example, developed the pilot project *Territoires zéro chômeurs de longue durée* (TZCLD; “Territories without long-term unemployment”), which provides long-term unemployed with sheltered employment in social enterprises. Further examples include the MAGMA programme in the municipality of Gramatneusiedl (Austria) and the SGE programme in the City of Berlin (Germany). Additional details for the MAGMA and SGE pilot projects are provided next.

## MAGMA – a job guarantee pilot project in Gramatneusiedl, Austria

### ***What are the objectives?***

6. **In the early 20th century, Marienthal (which is part of the municipality of Gramatneusiedl) was a thriving industrial place, with a large textile factory employing a significant portion of the local population.** However, the factory closed in the early 1930s, leading to a devastating economic crisis in the area. This crisis was famously studied by a team of sociologists, who published their findings in the influential book “The unemployed of Marienthal” in 1933 (Jahoda, Lazarsfeld and Zeisel, 2017).

7. Starting in October 2020, the three-year pilot project *Modellprojekt Arbeitsplatzgarantie Marienthal* (MAGMA; “job guarantee pilot project Marienthal”) conversely offers a job guarantee for the long-term unemployed in the very same place. Initiated by the Lower Austria regional office of the Austrian Public Employment Service, the programme aims to abolish long-term unemployment, counter its social and individual effects, and provide counselling to help participants secure employment in the regular labour market.

### ***How does it work in practice?***

8. **MAGMA is implemented by the Public Employment Service in Lower Austria and carried out in collaboration with “it.works”, a private employment service provider.** The jobs provided through the project include both regular and non-market jobs and are paid according to the relevant sector-level collective agreement. Participation in the programme is voluntary, and no sanctions will be imposed if a job offer is rejected. It was proposed to everyone in Gramatneusiedl who has been either at risk of long-term unemployment (i.e. 9-12 months unemployed) or long-term unemployed (i.e. 12+ months). The initial duration for the project was set until spring 2024 and budgeted with EUR 7.5 million. Expenditures of the AMS per participant were about EUR 29 841 (Kasy and Lehner, 2022).

9. **The private provider “it.works” provides preparatory training to participants.** The training is tailored to individual needs, lasts up to eight weeks, and can include counselling, skills development, and support for health-related benefits. MAGMA provides guaranteed jobs for up to three years to participants who complete the training phase, with labour costs subsidised fully by the AMS for the first 3 months and 66% of labour costs for the following 9 months. At the same time, participants are encouraged to seek regular employment outside the programme. The pilot project was launched in two waves, with the first group of 31 participants starting in October 2020 and the second of 31 participants in February 2021. Out of the 62 participants, 45 were employed as of July 2022, the remaining 17 were not able to participate either due to illness or because they had moved (Kasy and Lehner, 2022). The programme is set to continue until March 2024.

10. **Participants who do not find a job in the regular labour market are offered employment at a newly established social enterprise, which pays the minimum wage set by collective bargaining in Austria.** The social enterprise operates at the municipal and regional level and supports participants in developing and proposing their own project ideas. Social workers and instructors provide support as needed, and participants have access to occupational physicians. While attendance at the information session and the preparatory training phase are mandatory, participation in the programme is voluntary. Participants are not penalised for declining job offers (AMS, 2022).

### ***What has been the impact?***

11. **There are two accompanying evaluation studies for the MAGMA project. “Marienthal.reversed”, examines the effects of transitioning from long-term unemployment to public or non-profit employment on the participants.** This sociological study carried out by the University of Vienna identifies three subgroups of participants and finds that MAGMA has initial positive effects on participants’ financial situation, health, self-efficacy, and social inclusion. However, some participants experience stress, and particularly the time limitation of the job offer has adverse effects. The study concludes that coping with the heterogeneity among participants remains a challenge as the project aims to meet the needs of a wide range of individuals (Quinz and Flecker, 2022).

12. **A complementary counterfactual impact evaluation by the University of Oxford finds that MAGMA shows positive effects on reducing unemployment and increasing income.** The programme also had significant effects on non-economic outcomes, particularly on reducing COVID-related stress and improving subjective well-being, and “latent and manifest benefits” of work. The latter includes measures of time structure, activity, social contact, collective purpose, and social recognition. Long-term unemployment in the municipality was reduced by 1.5 percentage points, down to less than 1% of the working age population. Furthermore, the results of the study suggest a reduction of total unemployment by 1 percentage point, from 5% to 4%. The reduction of both long-term and total unemployment, indicate that MAGMA was successful in reducing unemployment in the aggregate and did not lead to crowd-out of other employment (Kasy and Lehner, 2022).

### ***What can other communities learn from this example?***

13. **The MAGMA project has demonstrated the feasibility of a job guarantee programme and the need for an “employer of the last resort” for long-term unemployed individuals.** Although the programme has provided many benefits for most participants, managing the heterogeneity among participants and offering enough security for every participant remains a challenge. However, by adapting jobs to people (for example by considering health conditions or care obligations), MAGMA has successfully integrated more people into employment. This is particularly significant given the recruitment difficulties faced by employers despite high levels of unemployment (Quinz and Flecker, 2023).

## SGE – a solidary basic income in Berlin, Germany

### ***What are the objectives?***

14. **To combat long-term unemployment, the State of Berlin has launched a pilot project called “Solidary Basic Income” (SGE; *Solidarisches Grundeinkommen*), running from July 2019 to December 2025.** The project aims to create permanent employment for long-term unemployed, minimising the need for unemployment benefits. The SGE promotes fairly compensated work in socially relevant activities within the municipal sector. Moreover, the model aims to create opportunities for career advancement and training for employees. The State of Berlin aims to contribute to social justice, social security, and the implementation of the constitutional principle of the welfare state through this initiative.

15. Specific objectives of the initiative include the following:

- To sustainably integrate SGE employees into the internal labour markets of SGE employers.
- To stabilise and further develop the individual employability of SGE employees.
- To facilitate transitions from SGE employees to primary labour market jobs at SGE employers or through mediation to other jobs outside the SGE.
- To use the experiences from the pilot project to inform the future development and funding of programmes and instruments of the Berlin state labour market policy.

### ***How does it work in practice?***

16. **The SGE offers permanent employment with remuneration based on the collective agreement or minimum wage.** The State of Berlin funds SGE employment for five years with support and training, aiming for the transition into non-subsidised employment. If this transition proves unsuccessful, permanent employment in the funded position is guaranteed beyond the pilot. A total of eleven job clusters are pre-defined (e.g. mobility aids or neighbourhood services) for the solidary basic income, with funding criteria based on serving the common good without displacing regular employment.

17. **A mandatory coaching programme for both employers and employees aims to increase the success of the integration process together with a financial incentive for employers.** The coaching programme supports employees throughout the entire (funded) employment period in building on their existing personal and social competencies and preparing them for more demanding jobs in the primary labour market. Additionally, it supports human resources staff in working with long-term unemployed. As a supplementary financial incentive for employers, the programme provides a bonus of EUR 2 500 for each SGE employee receiving a job on the primary labour market.

18. **The scope of SGE is limited to 1 000 jobs, a level reached in November 2020.** The SGE is being closely studied and evaluated in order to provide insights for the State of Berlin's future labour market policy. A range of methods are being used, including surveys of both SGE employees and employers.

### ***What has been the impact?***

19. **Preliminary findings from the first evaluation report published in 2021 suggest that the majority of participants have a positive view on their work and want to continue working in the same position for the next few years.** By May 2020, 86 people (8% of the workforce) had already left the programme, with 71% leaving at the initiative of the employer and 29% on their own initiative. Of those who left, 56% went back into unemployment, while 15% switched to non-subsidised employment or

training. The socio-demographic characteristics of those who left did not significantly differ from those of all SGE employees. Those who remained in the programme had a positive view of their work, with 62% being very satisfied and 32% being rather satisfied. Only 2% were dissatisfied. Moreover, the majority of SGE employees did not plan to change jobs, with 56% indicating that they wanted to continue working in the same position for the next few years. Younger participants in particular expressed a desire to continue their education or start an apprenticeship or study (Brumm et al., 2021). Further surveys are planned to assess the programme's effectiveness, including its impact on employment, education, and training.

### ***What can other communities learn from this example?***

20. The SGE pilot provides an alternative to unemployment benefits if the programme proves successful and succeeds in moving long-term unemployed people back into regular employment on a voluntary basis.

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