



# Social protection and labour market policies for vulnerable groups from a social investment perspective

## The case of older job seekers in Austria

IFZ researcher: Elisabeth Buchner & Ortrud Leßmann

Peer researcher: Helmut Moser, Konny Obermüller & Karin Owsanecki



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**General contact:** [info@re-invest.eu](mailto:info@re-invest.eu)

p.a. RE-InVEST  
HIVA - Research Institute for Work and Society  
Parkstraat 47 box 5300, 3000 LEUVEN, Belgium

**For more information** [ebuchner@ifz-salzburg.at](mailto:ebuchner@ifz-salzburg.at)

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## Executive summary

The European project RE-InVEST re-assesses the role of active labour market and social protection policy for integrating vulnerable groups from a social investment perspective that the EU endorsed as a response to the financial crisis. The Austrian part of RE-InVEST used peer research to investigate the nature and effect of relevant policies concerning unemployed persons aged 45 or older. This report analyses active labour market policies for older unemployed in Salzburg, Austria, namely (1) the counselling services and qualification measures offered by the PES and (2) the employment initiative ('Beschäftigungsinitiative 50+'), comprising additional funding for wage subsidies (settling-in allowances and combined wages) and social enterprises. The qualitative research addresses the question if these measures comply with the social investment perspective from a human rights and capability approach.

The findings are nuanced and mixed. All analysed measures have the potential to strengthen or weaken human rights and capabilities of vulnerable groups, depending on the specific policy design and implementation as well as the economic and social environment. Participation, agency and choice are comparably weak features of these policies and therefore depend a lot on the persons involved on the ground. Though activation is a goal, policies towards older unemployed are, in contrast to measures for other target groups, not guided by social investment in general.

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## List of abbreviations

ALMP	Active Labour Market Policy
CSO	Civil-Society Organisation
EGF	European Globalization Adjustment Fund
ESF	European Social Fund
GBP	Gemeinnütziges Beschäftigungsprojekt (employment project)
NGO	Non-governmental Organisation
PES	Public Employment Service
SÖB	Sozialökonomischer Betrieb (social enterprise)

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# 1. Introduction

## 1.1 Brief reference to RE-InVEST project, its content and methodology

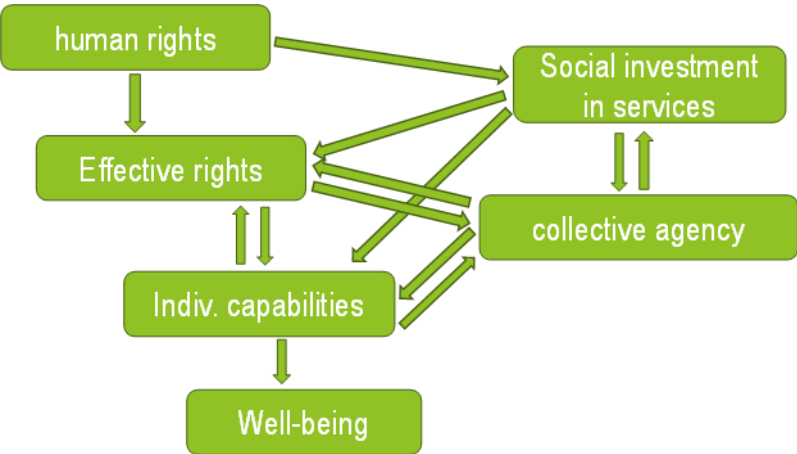
This report was prepared in the framework of the Europe H2020 project ‘Rebuilding an inclusive, value based Europe of solidarity and trust through social investments’ (RE-InVEST). The RE-InVEST project aims to contribute to more solidary and trustworthy Europe, through an inclusive, powerful and effective social investment strategy at the EU level. Moreover, the project itself adopts a participative approach that lends a voice to vulnerable groups and civil society organisations. The RE-InVEST consortium consists of members of the informal network ‘the Alliances to fight Poverty’, a network of civil society organisations, trade unions, policy makers and academics co-ordinated by the Flemish Christian labour movement ‘beweging.net’, and committed to a more inclusive Europe. The consortium covers a broad range of European countries, both geographically (12 countries, 13 regions) and in terms of representation of different welfare and labour market traditions. The analyses are carried out by the local partners, who consist of NGOs and/or researchers.

In particular, this report is one of the seven national case studies that make up the qualitative research of the RE-InVEST work package ‘Investing in social protection and inclusive labour market policies’. The purpose of this work package can be summarised as follows:

- Re-assessing the role of social protection and active labour market policies (ALMPs) from a social investment perspective. This means that our theoretical framework, which builds on the key notions of social investment, human rights and capabilities, will be used as the reference framework to evaluate the role of social protection and ALMPs in producing sustainable social inclusion.
- Applying this framework to the evaluation of national/regional policies through participatory qualitative research into specific measures in the field of ALMPs and social protection, from the perspective of the most vulnerable groups. Special attention is being devoted to recent reforms and innovations (the EC’s Youth Employment Initiative, social activation, social enterprises, tax-benefit reforms, etc.). Mixed research teams have carried out this research in seven countries (England, Portugal, Switzerland, Latvia, Belgium, France and Austria) between September 2016 and June 2017.
- In addition to the national case studies, a statistical analysis is focusing on the distributional effects as well as the effectiveness of social protection systems and ALMPs based on the EU-SILC data, by means of multilevel hazard models.
- The combined findings will result in a synthesis report as well as recommendation papers for the Annual Growth Surveys.

The theoretical framework applied in the RE-InVEST project builds on a human rights and capabilities approach. The model is spelled out in Figure 1.1 below.

Figure 1.1 From human rights and capabilities to individual wellbeing



Human rights as laid down in the international covenants on Civil and Political as well as Economic, Social and Cultural Rights (e.g. right to work, right to social protection) are formalized, but this does not mean that they automatically lead to improved wellbeing. For the implementation of such rights (mainly in the field of economic, social and cultural rights), different types of policy measures need to be implemented: legislation, organisation of (public) services, subsidies, social transfers, inspection, judicial enforcement. From a capability perspective, the welfare system helps people to convert resources into well-being. This is particularly important for vulnerable individuals and should be accessible for them in order to enhance their capability to lead a life they value and have reason to value. Although some legal measures may establish effective rights (e.g. right to a guaranteed minimum income), most policies necessitate additional ‘social investment’ in individual capabilities and collective agency through public or subsidised service provision (e.g. training provided by the employment agency) and the transfer of power and resources – either directly to individuals/households (e.g. social benefits), or to government agencies, companies and civil society organisations (e.g. employment or training subsidies). These ‘collectives’ in turn interact with individuals and may invest in their capabilities.<sup>1</sup> Collectives can enhance or restrain individual capabilities.

The well-being of vulnerable individuals is reflected in their actual levels of functioning in various dimensions of life (family life, social and cultural participation, work, housing, education, etc.) but also in the full range of available alternative options. Freedom of choice is therefore an essential quality characteristic of social investment policies. For example, ‘work first’ programmes (prioritising the take-up of low-paid work over training, and irrespective of any match with the job seekers’ competences or aspirations) may result in higher short-run employment effects; however, such measures may well constrain the beneficiaries’ freedom and future employability to such an extent that their capabilities and well-being are reduced. In the field of social protection, income transfers can be seen as resource supplements that enable households or individuals to invest in their own education, housing, health, mobility – as well as in their children or other dependant household members. From this perspective, generous social protection schemes can foster the employability and social inclusion of vulnerable groups: this perspective predicts the opposite of the ‘making work pay’ paradigm, which advocates lower benefits - of limited duration - as an incentive to take up work.

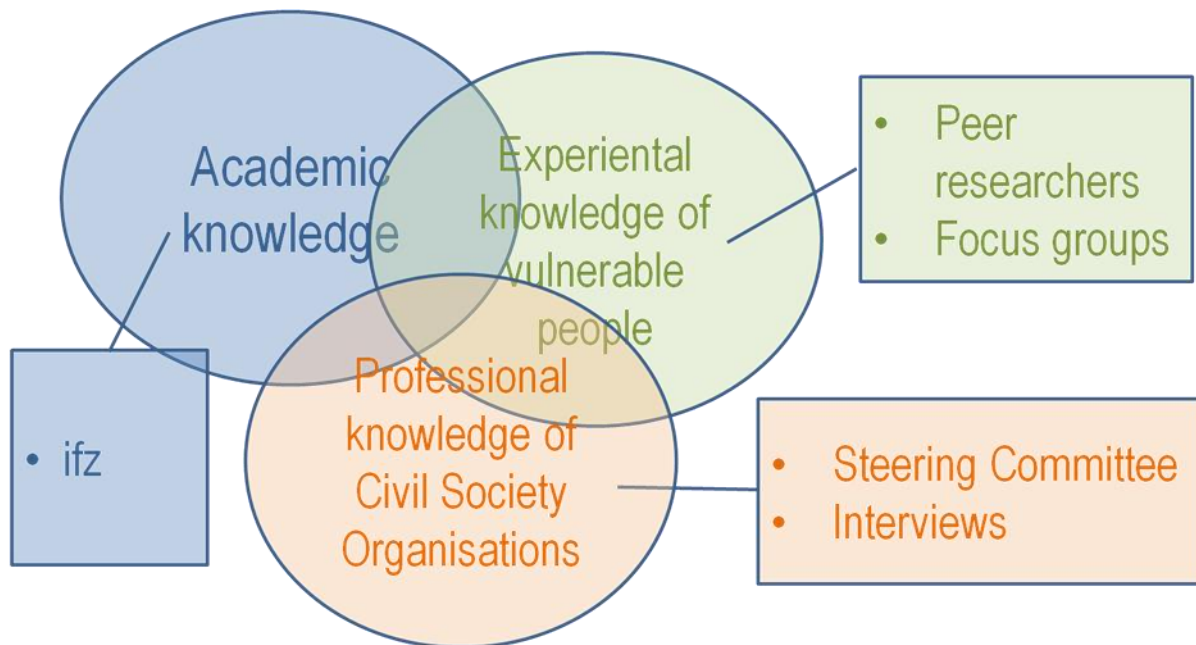
RE-InVEST aims at giving vulnerable people a voice through participatory action research that can be used in policy recommendations and advocacy at local, national and EU level. Participatory action research views participants as co-researchers who have special knowledge about their own situation. Rather than being just interviewed about their experiences or views, vulnerable people are enabled to take part in examining, interpreting, and reflecting on their own social world, shaping their sense of identity, and getting a voice in public deliberation (another key dimension of capabilities).

<sup>1</sup> Individuals in turn can invest in collective agency through contributions and/or voluntary action.



This necessitates an iterative process of knowledge generation that includes several steps of mutual trust building, knowledge production and sharing, empowerment, newly generated knowledge and action that builds upon this knowledge. Crucial for this kind of knowledge generation is the ‘merging’ or ‘crossing of knowledge’ that comes from three parts: academic knowledge developed by researchers; experiential knowledge acquired by vulnerable people throughout their lives; and the knowledge of professionals and civil society organisations that work with them (figure 1.2). Every research team at local level includes members from these three different backgrounds.

**Figure 1.2 Merging of Knowledge as implemented in Austria in this study**



In Austria, four participants from WP3 expressed their interest to continue with the project. We decided jointly to train them as **peer-researchers**, in order to empower them to carry out qualitative research in cooperation with the ifz-researchers. One participant found a job in the meantime and agreed to support the project partially, the other three have completed their training as peer-researchers and participated actively in all stages of the research process. The training consisted of one preliminary meeting and two half-day trainings sessions. Topics covered were basic knowledge on qualitative research design and process, research ethics, interviewer techniques and practical exercises to apply the theoretical knowledge. The last session was mostly dedicated to elaborate the research questions and questionnaires for the planned focus groups and interviews.

The fieldwork included five **semi-structured interviews** with PES-staff in the federal state of Salzburg (2 executive officers, 2 case officers from local PES offices specialized on older unemployed people), 1 quality manager/ombudsman) and three **focus groups** with people affected. Two focus groups, with 8 participants each, were carried out in the city of Salzburg and one with 5 participants in a very rural area (Schwarzach St. Veit), and characterized by tourism. Participants were recruited through 3 social enterprises (13 persons), the CSO ‘work has future’ (3 persons) and by directly asking customers at the local PES office in Salzburg city (1 person). More details on the characteristics of participants can be found in the appendix. Each data gathering activity was carried out by a team consisting of one ifz-researcher and one peer-researcher. The interviews were recorded and then transcribed, the focus groups were documented by the ifz-researcher on the spot, while the peer researcher was leading the discussion. The material was then coded and analysed according to predefined categories. The peer researchers participated actively in the coding and analysis of the material.

The **steering committee** from WP3 also continued its work, but some additional members were appointed to integrate specific practical knowledge regarding ALMP in Salzburg and Austria. Thus it comprised representatives of CSOs active in consultation and support of older unemployed ('Women & Work', 'Church and Labour Life'), as well as the Salzburg Anti-Poverty Conference, one representative of the network of social enterprises ('Work Plus'), one employee of a SÖB run by the Caritas Salzburg, one peer-researcher and one member of our partner NGO 'Alliance for Jobs for Best Aged'. The committee met twice, first to discuss the most important (recent) policy measures for older unemployed in Salzburg and Austria, their investive or non-investive nature and to give feedback on the research questions, research strategy and preliminary questionnaires (November 2016) and for the second time to discuss the preliminary findings (April 2017).

## 1.2 Background

In contrast to many other EU countries, in which austerity measures led to large scale welfare state retrenchment, **no comprehensive reforms of social and labour market policy** have taken place in Austria during the last years. (Fink 2015, 7) Policy changes were of minor scope and followed already established reform paths.<sup>2</sup> Until today, **poverty and social exclusion rates have remained stable**, even though unemployment has risen steadily between 2013 and 2016 and market income distribution has become more unequal. (Lamei et al. 2014, 342; Eichmann and Saupe 2014, 120). The status conserving effect of insurance-based social security has provided a buffer for incomes of the growing number of unemployed persons in the wake of the crisis, at least in cases where the unemployment was of limited duration. The comparatively strong redistributive features of the Austrian welfare state have reduced the risk of poverty from 44 % (household income without pensions and social benefits) to 14% in 2015 (Statistik Austria 2015, 70; Obinger 2015). However, the at-risk-of poverty rate of long-term unoccupied persons is high. According to EU-SILC data, 45.7% of those with 'unemployment' as the most frequent activity status in the previous year were at risk of poverty in 2013 (Statistik Austria 2015, 71).

Unemployment growth slowed down in 2016 and came to a halt at the beginning of 2017.<sup>3</sup> According to the Eurostat calculation method, unemployment was at 5.7% in January 2017, which constitutes a slight decrease by 0.4% compared to the previous year (place 8 among the EU-28) (Arbeitsmarktservice Österreich 2017).

The picture looks very different for **older workers**. Contrary to the general trend of falling unemployment (if one desists from including refugees), numbers still continue to rise for the age group 50+ (Arbeitsmarktservice Österreich 2017), after they more than doubled between 2008 and 2015. The general rise in unemployment due to the crisis coincided with the effects of various **pension reforms** that restricted access to early retirement schemes and disability pensions, e.g. for persons with health problems (Bundesministerium für Arbeit, Soziales und Konsumentenschutz 2017, 356).

The characteristic features of unemployment have changed subsequently, as the average duration of unemployment has increased sharply and the number of persons registered with the PES for more than one year (long-term unoccupied<sup>4</sup>) tripled between 2008 and 2015 (Bundesministerium für Arbeit, Soziales und Konsumentenschutz 2017, 358). In 2015 they constituted almost one third of all registered unemployed (Bundesministerium für Arbeit, Soziales und Konsumentenschutz 2017, 355). Workers aged 45 or older,

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2 A recent exemption is the failure of the nine federal states and the federal government to agree on a new framework agreement for uniform minimum standards regarding the provision of the means-tested minimum income, after the one in place expired at the end of 2016. As a result, the federal states can decide on these standards by themselves as was already the case before the first framework agreement was put in place in 2010. Several states have already seized the opportunity to cut benefits for certain groups like persons admitted for asylum and large families. It remains to be seen whether these developments lead to an increase in poverty and social exclusion rates in the coming years.

3 A closer look reveals that unemployment among Austrian citizens has decreased, while it has risen among non-citizens. This is mainly due to higher numbers of persons admitted for asylum registering with the PES. At the moment, many are placed in training measures to make them employable.

4 Long-term unoccupied: training or short spells of employment up to 62 days are not counted as ending unemployment.

persons with no more than compulsory schooling and persons with health related placement-handicaps are disproportionately affected by long-term inoccupation, constituting 39.9%, 35.7% and 52.9% of this group respectively (Arbeitsmarktservice 2015, 3).

This general trend applies to the state of Salzburg as well. In Salzburg **long-term unemployment** has quadrupled between 2008 and 2016, with an especially sharp increase during the last years (interview PES executive officer 1). Between the beginning of 2016 and 2017 alone the rate increased by 20%, while the total unemployment rate was decreasing (Arbeitsmarktservice Salzburg 2017).

### 1.3 Motivation of the selection of measure(s) to be analysed

Based on the results of the analysis of Austrian labour market statistics, the research team chose the target group of older unemployed persons with low education/qualification level and/or health related placement-handicaps for the second phase of participatory action research in Austria within the RE-InVEST project. To reflect the diversity of the Austrian workforce, special efforts were made to include **participants with migrant background and from rural areas**, which have been underrepresented in the first phase.

The peer researchers preselected a range of **'measures'** for analysis, which they considered particularly relevant for their own situation and their peers. The following analysis of Austrian labour market statistics disclosed that in all these measures there have been some (policy) changes in recent years that deserve closer attention. The analysed measures are:

1. the services by the PES (counselling and placement service, qualification measures);
2. the employment initiative ('Beschäftigungsinitiative 50+'), comprising additional funding for wage subsidies and social enterprises for the target group of older unemployed persons.

#### Ad (1) PES services

Due to rising unemployment in the wake of the crisis, demand for Active and Passive Labour Market Policy has increased strongly during the last years, whereby funding has not risen correspondingly. As a result, the available funding per person has decreased and cuts were made to certain training and qualification measures.

The share spent on qualification measures within the PES budget for ALMP has increased strongly between 2006 and 2009 (Lassnigg, Vogtenhuber, and Osterhaus 2012, 37), since then it has more or less stagnated until 2015, when it increased again (2009: EUR 700 Mio; 2013: EUR 675 Mio; 2015: EUR 713 Mio) (Arbeitsmarktservice Österreich 2015, 2013, 2009). In 2015 the total number of persons enrolled in training measures dropped by 17% compared to the previous year. Especially short-term measures, like job application training, were reduced drastically (Der Standard 2015).

The average number of unemployed persons per PES-staff has increased, although with strong variations between urban and rural areas. While the number of unemployed persons registered with the PES has increased by around 50% between 2008 and 2016, the PES-workforce has been expanded by only 20% (DiePresse.com 2016b).

The question is whether the intensity of customer care and service quality has deteriorated consequently. Also it is not clear, what the reduction of short-term training measures means for our target group. The tenor in WP3 was that these measures are rather ineffective, as they are often of low quality, poorly targeted and can be seen more as a strategy to bring down the official number of registered long-term unemployed rather than being a genuine investment in people.

#### Ad (2) employment initiative

An additional employment initiative for unemployed persons aged 50 or older was set up in 2014. In 2015 around one third of all measures for older unemployed, were funded by the employment initiative (Arbeitsmarktservice Österreich 2015, 19). Funding for this initiative has increased steadily during the last four years, starting from EUR 100 Mio in 2014 to 175 Mio Euros in 2017. 60% of funds are to be spent on wage

subsidies (settling-in allowances<sup>5</sup>, combined wages/income supplementation<sup>6</sup>) and 40% on the intermediate labour market (social enterprises - SÖBs, employment projects - GBPs) (Website Arbeit und Alter 2017). In 2015 15.122 persons aged 50 or older have been subsidised via settling-in allowance, 3.353 received combined wages and 7.749 were placed in social enterprises within this program (Bösch et al. 2016, 165). All of these measures were well established in Austrian ALMP even before 2014 and have been evaluated during the last years. However the data used does not include the most recent years. For this reason it is difficult to assess the impact of the expansion of these measures for older workers, especially regarding redistributive effects, as the ‘Beschäftigungsinitiative 50+’ was funded through budgetary reallocations instead of increased funding, and there was no leeway for the PES to reshuffle surplus funds from one measure to another.

In the data collection through peer research the following **research questions** guided our work:

- What human rights are at stake?
- Do the measures enhance the capabilities of beneficiaries?
- Have the most vulnerable beneficiaries access to the measures?
- Are the measures directed towards the future?
- Is the interaction between unemployed and caseworker guided by transparency and participation?

#### 1.4 Paradigms of activation policies in Austria

Austrian ALMP is well developed and comprises occupation, qualification and support measures, financed through unemployment insurance contributions from employers and employees as well as European Social Fund (ESF), European Globalization Adjustment Fund (EGF) and state funds. Qualification measures form the largest part of the ALMP budget, whereby **short-term qualification measures** (professional orientation and job application training) used to dominate strongly, compared to long-term upskilling strategies. As Marcel Fink put it, Austrian ALMP follows a ‘pragmatic’ approach, which cannot be subsumed easily under one paradigm, but combines elements of all of them (Fink 2015, 17). Starting from 2014, a strategic shift has taken place, which led to the reduction of short-term, ‘one size fits all’ training offers in exchange for much fewer, but longer, and thus more expensive, qualification measures, which lead to certification (DiePresse.com 2016).

For the rest, wage subsidies were the main measure, as stated by a head of PES Austria in an interview:

*“The politicians in charge have shifted the focus from training to employment promotion. In times of weaker economic activity, employment promotion can help prevent hardening of unemployment for certain groups of people. (...) We use a larger part of our budget for wage subsidies, such as integration aid for older jobseekers.”<sup>7</sup> (DiePresse.com 2016)*

In reference to the three paradigms of activation policy<sup>8</sup> sketched by Nicaise (2016) **wage subsidies** seem to be situated primarily within the **‘making work pay’ paradigm**. The focus is on financial incentives to offer (employers) and take up (unemployed) employment. The target group comprises persons that are employable, but face certain disadvantages with regard to labour market integration. The aim is to prevent

5 Temporary wage subsidy paid to employers, who hire unemployed persons aged 45 or older. The duration and amount of subsidy is determined on a case-by-case basis by the PES.

6 Temporary (usually up to one year) in-work benefits paid to former unemployed persons aged 45 or older, who accept a job that pays substantially less than their last job before unemployment. The subsidy covers the difference between the amount of unemployment benefits/assistance plus 30% and the now earned income.

7 German original quotation: "Die Politik hat unsere Schwerpunkte von Qualifizierung hin zu Beschäftigungsförderung verlagert. In Zeiten schwächerer Konjunktur kann Beschäftigungsförderung verhindern, dass sich Arbeitslosigkeit bei bestimmten Personengruppen verhärtet. (...) Wir verwenden einen größeren Teil unseres Budgets für Lohnzuschüsse, etwa als Eingliederungsbeihilfen für ältere Arbeitssuchende."

8 These are (1) the making work pay paradigm, (2) the workfare paradigm and (3) the social investment paradigm (Nicaise 2016).

structural long-term unemployment and loss of qualifications among disadvantaged groups in light of strong hikes in unemployment due to the crisis. The expectation is that the trust created through the subsidy also translates into lasting employment effects even after the expiration of the subsidy.

In contrast, **social enterprises** ought to focus on those persons further away from the labour market. By offering temporary occupation in combination with e.g. counselling, job-search assistance, skills-updating and removal of obstacles to employment, employability ought to be re-established. *“The additional funds for the second labour market should in particular serve to create opportunities for people with a health disability and higher age to return to the regular labour market”*<sup>9</sup> (Bundesministerium für Arbeit, Soziales und Konsumentenschutz 2015).

Judging by these aims these measures might be situated within the **social investment paradigm of activation**.

However, the analysis will point out that the legal framework and the implementation on the ground taken together may lead to very different outcomes regarding the investment character of all scrutinized measures.

The **PES services** are difficult to place in one paradigm. On the one hand the core task of the PES is to bring together labour market supply and demand by all appropriate measures that directly serve this aim. This means that investment-measures not directly related to employment are outside its mandate. This approach corresponds with the **‘making work pay’ paradigm**. On the other hand there is an awareness among policy makers and PES staff that obstacles to employment have to do with lack of resources or incentives in other areas as well (health, mobility, child care, lack of qualification) and programs for specific target groups deviate from the ‘placement first’-principle (e.g. training measures for young people and persons admitted for asylum). With regard to the latter Johannes Kopf, head of PES Austria, advocated for an integrated, investment-driven approach: *“For people with no more than compulsory education, unemployment is at 25 percent. It makes no sense to push persons admitted for asylum as fast as possible into unskilled labour. We need to provide them with training and perspectives – otherwise they are going to be unemployed again immediately.”*<sup>10</sup>

Oftentimes the political competences required to implement a coherent social investment strategy for a particular group are split between different ministries and agencies within as well as between the federal and the state level (e.g. training course costs and adequate income support during the time required for training). Regarding the group of older workers with health related employment handicaps competences and funding responsibilities are split between the PES, pension insurance institutions and health insurance.

In the wake of the steady increase in unemployment during the last years a split could be observed within the two coalition parties and the social partners (who play a major role in the executive work of the PES) alike regarding the future direction of ALMP. Whereas the Social Democrats (SPÖ) and the employee representatives have argued for increasing the ALMP budget and spending more on qualification, upskilling and social enterprises, the Christian-Democrats (ÖVP) as well as the employer representatives have been calling into question the effectiveness of some ALMP measures (especially social enterprises) and have instead advocated for relaxing the criteria for the reasonableness of a job offer (e.g. maximum daily travelling time, obligation to move to another part of the country, ...) and correspondingly more sanctions in case of refusal of job offers, but also for incentives to increase labour mobility (Kurier.at 2016; DiePresse.com 2014; KleineZeitung.at 2016). In general employer representatives are strongly in favour of wage subsidies, especially settling-in allowances and do not endorse social enterprises, whereas for employee representatives it is the other way around. This divide is highly relevant, as the social partners have a strong influence on Austrian labour market policy and they, together with the federal government, also form the governing body of the PES.

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9 German original quotation: “Mit der zusätzlichen Unterstützung des 2. Arbeitsmarktes soll vor allem gesundheitlich beeinträchtigten Menschen im höheren Alter eine Chance geboten werden, wieder in den ersten Arbeitsmarkt zurück zu finden.“

10 German original quotation: “Bei Menschen mit nicht mehr als Pflichtschulabschluss beträgt die Arbeitslosigkeit 25 Prozent. Es macht keinen Sinn, die Asylberechtigten möglichst schnell nur in Hilfsarbeiterjobs zu drängen. Wir müssen ihnen Ausbildung und Perspektive bieten, sonst sind sie sofort wieder arbeitslos.“



## 2. Analysis of Policy Measures

### 2.1 Human Rights

#### 2.1.1 What Human Rights are at stake?

The two most straightforward Human Rights to be examined in detail are the right to work and the right to social protection. The UN declaration of HR<sup>11</sup>, the International Covenant on Economic, Social and Cultural Rights<sup>12</sup>, the European Social Charter (of the Council of Europe)<sup>13</sup> and the EU's European Charter<sup>14</sup> (integrated into the EU Treaty) define these rights in greater detail.<sup>15</sup>

The relationship between human rights and the selected ALMP measures is not straightforward. It proved difficult for our interview partners and focus group participants to establish this connection, too. Among other things, this probably has to do with the Austrian system of social security, which defines rights primarily in terms of entitlements to monetary benefits. In comparison, (rights to) services are not very strongly developed in Austrian social policy. This is also mirrored by the structure and mandate of the PES. With regard to benefits (unemployment benefits/assistance, retraining allowance) rights and duties are clearly established and the PES executes them as a government body. Concerning ALMP, like employment services and measures to remove obstacles to employment, the PES operates as a private-sector administration, which means that there are no individual entitlements and availability of measures depends on budgetary resources (interview 2; interview 4; Egger-Subotitsch 2017, 16-17).

Judging by the experience of focus group participants, three basic rights stick out:

- the **right to work**, including the right to fair and just working conditions;
- the **right to social protection** and
- the **right to good administration**

The following section focuses on the aspects of the selected measures that constitute threats to these human rights.

#### 2.1.2 Contribution to implementation of Human Rights?

##### PES services:

Regarding interaction with PES the experiences between participants of the three focus groups differed widely. Whereas some had mostly positive experiences regarding interpersonal interaction and the quality of support, services and measures, others voiced concerns about disrespectful treatment, little or disregard for the personal situation and needs and a lack of any helpful support and information. Notably individual characteristics of the unemployed person, in particular the socio-economic and health status, as well as

11 See [http://www.ohchr.org/EN/UDHR/Documents/UDHR\\_Translations/eng.pdf](http://www.ohchr.org/EN/UDHR/Documents/UDHR_Translations/eng.pdf) (mainly arts 4, 7, 20, 22-24).

12 See <http://www.hrweb.org/legal/escr.html> (mainly arts 2, 6-9).

13 See <https://rm.coe.int/CoERMPublicCommonSearchServices/DisplayDCTMContent?documentId=090000168048b059> (mainly arts 1-10, 12, 18-22, 24-30).

14 See <http://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX:12012P/TXT> (mainly arts 5, 12, 15, 21, 26-34).

15 See <http://eur-lex.europa.eu/legal-content/EN/TXT/?uri=COM:2016:127:FIN#document2>

structural conditions of service provision seemed to be strongly connected to satisfaction. High socio-economic status and/or fewer clients per case officer (which is typically the case in rural compared to urban areas) are related to mostly positive experiences. This means that the **right to good administration** is fulfilled unevenly.

#### **Settling-in allowances/combined wages:**

Temporary wage subsidies can be a straightforward and inexpensive measure to encourage employment of employable but, due to age-related prejudices, hard-to-place persons (they do not lack anything apart from a job). Provided that the mediated jobs are of good quality and the conditions for funding stimulate lasting employment integration, they can have a positive impact on the conversion of formal into actual rights for vulnerable people, most obviously the right to work, the right to fair and just working conditions and the right to social protection, as adequate social protection in Austria is strongly tied to the position on the labour market.

The meta-analysis by Stelzer-Orthofer et al. (2016, 71-74) points out that the average effect on the employment situation of the beneficiaries is very positive and even more so for older workers. However, in those cases, in which temporary wage subsidies are used although they do not fit these criteria, they can also have a detrimental effect on rights, e.g. on the **right to fair and just working conditions**. In the interviews with one PES case officer (Interview 5) and in the three focus groups the ‘inflationary use’ of **settling-in allowances** in the wake of the employment initiative for older persons (‘Beschäftigungs-initiative 50+’) was critically discussed. Due to a lack of funding for alternative measures, concerns about adequacy and sustainability for the individual seem to have been put on the backburner. In all three focus groups there were participants who had taken up jobs that were subsidised by settling-in allowances in the recent past only to get laid off shortly after it had ended. The award to businesses that by definition do not offer stable employment prospects such as temporary employment agencies was also questioned. In these cases the settling-in allowance functions primarily as a subsidy for employers, but does not promote basic rights.

In focus group II concerns about transparency (connected to the **right to good administration**) were voiced. One participant had found employment, but was not informed that the employer received a settling-in allowance for taking him – neither by the employer, nor by his PES case officer. The shock to be laid off, despite doing good work, after the end of the subsidy, had a strong negative effect on the feeling of trust and security of the person concerned. One of our peer-researchers shared a similar experience, in which his PES case officer refused to inform him, if and how much subsidy an employer who laid him off had received in the form of a settling-in allowance.

There is no standardised amount and duration of the settling-in allowance. This ‘flexibility’ of the measure might have helped its effectiveness, but seems to have come at the expense of transparency, predictability and voice of vulnerable people (e.g. the **right to good administration**) in the past. In 2014 the requirement to inform also the subsidised employee was introduced (Bösch et al. 2016, 11), which can be seen as a positive development from a rights perspective.

**Combined wages** have the potential to be a temporary support to fulfil the right to work for older people, who are not able to work full time e.g. due to health reasons, but cannot live from part-time wages alone. In focus group II, 7 out of 8 participants received combined wages and the majority worked part-time due to health problems. It is more difficult to assess its effect on human rights when full-time jobs are concerned that pay so little that you cannot live without additional benefits. The temporary nature means that after the end of the subsidy many participants are not able to cover their expenses by their salary, which means they are sometimes forced to give up the job for purely financial reasons (see chapter 2.4.2).

#### **Social enterprises:**

Social enterprises offer employment for up to one year for persons assigned by PES. For the elderly who retire in less than three and a half years there is the possibility to stay at a social enterprise until their retirement. A PES case officer pointed out: *“It is only for one year. There are few exceptions: for persons close to retirement*



*it may be possibly to stay for a second year, possibly a third one, but this is very rare. There are very very few places, the contingent is very small.*" (PES case officer, city of Salzburg)

For these long-term places assigned to persons close to retirement ("Pensionstransitkräfte") there are long waiting lists in many regions and the assignment rules favour persons with comparably high unemployment benefits/unemployment assistance, in order to reduce the burden on unemployment insurance funds (amortization instead of labour market success criteria) (Arbeitsmarktservice Österreich 2014, 31). Thus persons who have earned low wages are disadvantaged, although there is some evidence that it does not play a big role in practice. The bottom line is, however, that this criteria aims at reducing **social protection** rather than strengthening rights and capabilities.

Both PES case officers and steering group members argued that social enterprises fulfil a crucial function for certain vulnerable subgroups of older workers, as they provide the only possibility of employment for them.

To sum up several features of the analysed policy measures contribute to disparate effects on the implementation of Human Rights for older unemployed. There is room for improvement especially regarding the right to fair and just working conditions and the right to good administration

## 2.2 Capabilities

### 2.2.1 Role of Capabilities

Employment constitutes a major source of income and also of recognition (Sen 1975). The **capability approach** by Sen (1999) and Nussbaum (2011) defines a person's well-being in terms of the beings and doings (the functionings) a person achieves and her capability to choose among different combinations of such functionings. For leading a life one values and has reason to value resources and (social, political and cultural) conversion factors are preconditions that allow for the conversion of formal rights into real ones. The implicit conception of human beings that forms the basis for the capability approach is multidimensional and defines them essentially as actors. Laruffa and Bovin (2017) carve out the underlying 'anthropological dimensions' or 'valuable ways of being human'. These are the dimensions of being a receiver, a doer and a judge in one's life. Regarding the situation of older unemployed our peer researchers perceived of these dimensions as plausible and useful for guiding our analysis of effects on capabilities. Therefore we asked the questions: (1) What do older unemployed receive in terms of social security and measures? (receiver dimension), (2) What can older unemployed actually do through the available measures? (doer dimension) and (3) What choices and opportunities for voice are available for them? (judge dimension).

In the following the measures are analysed with respect to their impact on resources and conversion factors as well as their overall impact on capability.

### 2.2.2 Which impact(s) on capabilities?

#### PES services:

The provision of unemployment benefits/assistance in combination with employment services has a stabilising effect on the **resources** of older unemployed, even though the risk of poverty remains very high for this group. One PES executive officer (interview 2) pointed out that despite of a comparatively low net replacement rate for single persons the theoretically unlimited entitlement to means-tested unemployment assistance, after unemployment benefits are exhausted, constitutes an important financial resource for long-term unemployed persons.

As the labour market was very slack during recent years, some participants from all focus groups reported that the PES case officers were helpless themselves. However, the increase of funding for older workers

through the ‘Beschäftigungsinitiative 50+’ cannot by any means cover the heightened demand caused by (1) pension reforms that restrict access to invalidity pension strongly and (2) rising unemployment.

Access to employment services is a conversion factor insofar as it facilitates achieving employment and an associated way of life. However the experiences concerning placement service by PES as an important **conversion factor** differ among focus group participants. Some explained that they have never received any suitable job offers and did always find their jobs on their own, for others the opposite was the case. The quality of jobs offered seems to be a hot topic for persons who work in the low wage segment. Generally speaking, every job above the marginal wages threshold (‘Geringfügigkeitsgrenze’) has to be accepted.<sup>16</sup> Also the compulsory placement at temporary employment agencies was seen very critical (‘slavery’ – focus group II) in this regard.

The research points to two systemic reasons for the differences in service quality: First, the socio-economic-cultural status of the unemployed plays a critical role: Those focus group participants with higher status felt that their perspectives and perceived needs were driving the process or were at least taken into account and they were given considerable leeway while others - mostly with lower status - felt they had no say, were offered no choices and did not get enough information and support. And yet, vulnerable people particularly need support since the labour market, legal provisions and available measures are complex and difficult to assess for them. Hence, the time and energy a PES case officer can provide per customer is crucial for overall service quality:

*“Trust building is the basis for everything (...) then there is no misunderstanding (...) because (...) there are not only customers, who are very confrontational, (...) there are also very reticent customers who do not dare or want to tell me something. I may not know a detail at all, because he does not trust me. But, with trust, with more time for the client, you can solve almost every problem.”<sup>17</sup>*

Time is the second reason for differences in service quality: There is a strong rural/urban divide regarding PES services as each case officer has many more customers in urban areas. One focus group participant with migrant background pointed out: *“The direct contact with the PES-case officer is important. But there are too many clients per case officer, per PES consultants, who have been in dire straits for the last 5 years, each of them responsible for 300 people (...)”<sup>18</sup>* (participant, focus group I).

Concerning qualification the socio-economic-cultural status matters particularly. This can be interpreted as an extension of Austria’s comparably strongly segregated education system that translates into enduring and reinforced inequalities with regard to lifelong learning and public investment in education through the life-cycle (Lassnigg 2010, 60). The PES executive officers acknowledge this problem, but point out that they are only responsible for qualification measures that directly facilitate re-integration of unemployed persons into the labour market.

*“(...) the decisive question for us is always: does it facilitate employment or at least the chance of employment? It is a structural deficiency in Austria that the support of professional adult education is so weakly developed and really is almost exclusively*

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16 In the federal government program for 2017/2018 it is announced, that a minimum threshold of EUR 1.500 gross earnings for full-time jobs to be considered reasonable, is going to be introduced (Oswald and Gartner 2017).

17 German original quotation: „(...) ich baue Vertrauen auf und das ist die Basis für alles dann, wenn ein Vertrauen da ist, dann gibt es auch so Missachen nicht, das dritte Mal in den Kurs dann, weil wo gegenseitig das Vertrauen ist, es gibt ja nicht nur Kunden, die da sehr kontra geben, es gibt auch sehr zurückhaltende Kunden, da weiß ich womöglich etwas gar nicht, weil er mir das nicht sagen traut oder will. Aber, mit Vertrauen, mit mehr Zeit für den Kunden löst man fast jedes Problem.“

18 German original quote: „Wichtig ist der Kontakt mit deinem AMS-Berater. Aber es sind zu viele pro AMS-Berater, die sind seit den letzten 5 Jahren arm dran, für 300 Leute zuständig.“

*... tied to the status of unemployment, which means that the PES cannot respond to expectations that might be fully understandable from the point of the person concerned. This is the responsibility of the Ministry of Education, but it is a traditionally neglected topic in Austria. The structures between the provinces differ strongly”<sup>19</sup> (interview 1).*

A similar structural division of responsibility with disadvantages of low status groups exists with regard to professional rehabilitation: While PES is in charge since 2013 (with some exemptions), the pension insurance agency decides if a person is permanently unable to work in his/her occupation (the medical rehabilitation is the responsibility of the health insurance fund). This does only apply if the occupation requires some vocational training. For other persons (e.g. unskilled workers) the PES has to decide within its budgetary limits about granting or refusing retraining measures in case of inability to continue in the previous field of work. Hence, the system introduced by this reform law (SRÄG 2012<sup>20</sup>) is very complex and involves a structural division of responsibility between the PES (that pays for re-training allowance and organises re-training measures) and the pension insurance institutions (that pay for re-training). This leads sometimes to contradictory demands on service providers and customers (Egger-Subotitsch et al. 2017, 27).

*“PES hadn’t much to do with that, this is a matter for the pension insurance institution. My PES-case officer told me that she did not have any work for me with my diagnosis. We were always discussing, considering alternatives, then she came up with XXX [the social enterprise he now works in until retirement].”<sup>21</sup>*

Furthermore, older workers with multiple barriers to employment in our focus groups have the experience that nobody is in charge or can offer substantial support. The PES case officers tell them that they do not have any suitable jobs or measures for them and that they have to rely on their own initiative to find work or apply for a pension.

Hence, the overall effect of PES-service on the **freedom** of beneficiaries depends a great deal on the quality of implementation. PES-services offer only a very limited formal opportunity for voice and choice. This concerns particularly the suitability of job offers and choice of qualification and training measures. One focus group participant (focus group II) got his unemployment benefits stopped twice because he refused to participate in job application training assigned to him by the PES. The interviewed PES case officers discussed their ambivalent role spelled out by law and political actors. The course providers are in turn obliged to take in all persons assigned by PES affecting the climate in the courses negatively.

The quality manager of PES in the province of Salzburg pointed out that more complaints are lodged with him in the city of Salzburg than in rural areas and by persons without than with migrant background although the latter constitute the majority of customers. The former may be explained by the ‘family climate’ in rural areas. The latter hints at the barriers (language, social and cultural capital) migrants face with respect to the formal opportunity for voice.

#### **Settling-in allowances/combined wages/social enterprises:**

According to statistics, employment has a positive effect on **resources** in a broad sense, compared to unemployment in Austria (Bundesministerium für Arbeit, Soziales und Konsumentenschutz 2017, 190-222). However, regarding financial/material resources, employment may also lead to the loss of additional social

19 German original quotation: „(...)bei all dem, was wir tun oder was wir an Unterstützung anbieten können: trägt es dazu bei, dass Arbeitsaufnahmen vereinfacht gesagt, dadurch zumindest von der Chance her deutlich verbessert werden? (...) da gibt's in Österreich einen strukturellen Mangel, dass die Unterstützung beruflicher Erwachsenenbildung dermaßen schlecht ausgeprägt ist und eigentlich nur am Status Arbeitslosigkeit und Arbeitsmarktservice hängt und damit wie mit Erwartungshaltungen an sich von der Person oder vom Bildungsinteresse her total nachvollziehbare Erwartungshaltung nur an sich wäre dann das Thema der beruflichen Erwachsenenbildung im, für Beschäftigte, ja, das ist nicht unser Hauptfokus, das wäre eigentlich strukturell ein Thema vom Bildungsministerium, aber das ist traditionell jetzt Jahrzehntelang unterbelichtet in Österreich. Das sind Strukturen zwischen den Ländern sehr unterschiedlich.“

20 [https://www.ris.bka.gv.at/Dokument.wxe?Abfrage=Gesamtabfrage&Dokumentnummer=REGV\\_COO\\_2026\\_100\\_2\\_769027](https://www.ris.bka.gv.at/Dokument.wxe?Abfrage=Gesamtabfrage&Dokumentnummer=REGV_COO_2026_100_2_769027)

21 German original quotation: „Das AMS hatte damit nicht so viel zu tun, das war Sache der Pensionsversicherung. Meine AMS-Beraterin hat mir gesagt, sie hat von meiner Diagnose her keine Arbeit für mich, wir waren dann immer im Gespräch, haben Alternativen überlegt, dann sind wir auf XXX gekommen (...).“

benefits. One participant reported that his disposable income has not increased since he started working even though he receives combined wages because he does not get housing benefits any longer (focus group II).

Combined wages are paid to employees, who (have to) accept a job that, for different reasons (f.e. switch from full to part time work, jobs in the low wage sector), pays substantially less than the last one before becoming unemployed.<sup>22</sup> After a change in eligibility criteria in 2014 (Bösch et al. 2016, 18) it is now very complicated for the PES case officer to calculate whether or not someone is entitled to combined wages and to which amount. Whereas the former model granted a lump sum income supplement to the employee of 150 Euro for part-time work and 300 Euro for full-time work up to an income of 1.500 Euro per month (and 150 Euro for full-time work that earned between 1.500 and max. 1.700 Euro), the new model subsidizes the difference between the amount of unemployment benefits/assistance plus 30% and the net income in the foreseen job with a maximum funding amount of 950 Euro (Litschel et al. 2016, 35; Tamler, Löffler, and Schmid 2011, 22). This calculation method lowers transparency and limits the perceived and actual **scope for action** for the beneficiaries: *“Now this is also very difficult in the consultation. We have to tell the person, you are part of the target group, but I cannot say for sure, whether you are eligible. (...) The first combined wage assistance was (...) simply ideal and super and clearly structured. For the case officer, but also for the customer.”*<sup>23</sup> Due to this change in calculation there is also the risk that the entitled person has to pay back parts of the subsidy. In the evaluation study from 2011 (Tampler, Löffler and Schmid 2011, 95) the PES officers interviewed pointed to some difficulties regarding calculation with the old method but strongly recommended not to further differentiate it. After the reform in 2015 the number of persons receiving combined wages dropped by 46% compared to the previous year (Bösch et al. 2016, 18–19). Hence, the actual award practice by PES proves crucial for evaluating the effect on capabilities.

Regarding **social protection** one positive feature about combined wages is that they are treated as part of the income, not as a benefit.<sup>24</sup> The periods of employment enabled through all these measures are also taken into account for pension calculation and they generate new entitlement to unemployment benefits if they last long enough (28 weeks within the last year before unemployment benefits are claimed). However, the implementation is not uniform on the national level but depends on the administration on state and local level. Our steering group pointed out that in some provinces maximum duration in SÖB is only 3 months whereas in Salzburg the minimum is one year. At the same time PES in Salzburg assigns only few persons to social enterprises, as steering group members reported.

Whether the effect of working in a SÖB on material resources is positive or negative, depends on previous entitlements. Income during work in a social enterprise can be lower, as there is a comparatively low collective bargaining agreement in place. However, persons who used to earn low wages before becoming unemployed, usually earn at least as much as before. Further, the positive effects on resources apply only if the respective social enterprise is suitable for the person assigned by PES. In the steering group the criticism was voiced that sometimes people are assigned to social enterprises not because the project is appropriate for their problems, but as a means to test their (un)willingness to do any work and apply sanctions in case of refusal.

As mentioned the qualification level and health status of older workers constitute important individual **conversion factors**. Besides individual factors, the design of and access to ALMP measures constitute important social conversion factors. An important regulation for older workers is the benefit protection: Usually unemployment benefits are calculated in relation to the wage of their last job but in case of older unemployed (45 years or older) this rule does not apply if they take on a job paid less than the previous one. The amount of benefits remains the same as during the first spell of unemployment. Yet, as all interview

<sup>22</sup> See footnote 2 on p. 11 for a definition

<sup>23</sup> German original quotation: „Jetzt ist das auch in der Beratung sehr schwierig. Man sagt, wir werden uns das anschauen, Sie gehören zum förderbaren Personenkreis, aber man kann es noch nicht so genau sagen, ob es Ihnen zusteht. (...) die erste Kombilohnbeihilfe, die es vor 5/6/7 Jahren gegeben hat, war einfach ideal und super und klar strukturiert. Für die Berater, aber auch für den Kunden.“

<sup>24</sup> <http://arbeitplus.at/wordpress/wp-content/uploads/2012/07/AMS-Richtlinie-Kombilohn-KOMB-2015.pdf> (p. 12)

partners from PES said for older workers the odds of finding a job decrease dramatically after some months of unemployment due to age-related prejudices. They used the expression of being at risk of ‘missing the boat’ by taking too much time for reorientation or overestimating their ‘market value’.

By reallocating funds to older unemployed and determining the amount to be spent on certain measures beforehand the employment initiative had undesirable redistributive effects according to the steering committee and PES executive officers. They view it as both too narrow (disadvantages other than age were excluded) and too broad (no differentiation between differing degrees of disadvantage within the broad category of older workers was made). The PES executive officers pointed out that this allocation does not correspond to the actual needs and reduces scope for targeted individual support for persons with multiple barriers to employment (Interview 1). The steering group members considered the proportion that is reserved for wage subsidies as too big (in Salzburg the funding could not even be used fully, despite ‘generous’ awarding) and the budget for social enterprises and innovative new measures as too small.

The Austrian Court of Auditors also criticized insufficient targeting (Rechnungshof 2014, 144). Their report points to less effective labour market integration in the province of Carinthia because wage subsidies were used as a substitute for social enterprises. The Court also stated that the duration of support through settling-in allowances was reduced steadily between 2008 and 2012 and was on average far below the maximum funding period of two years<sup>25</sup> (between 59 and 107 days depending on the region), marking a strategic shift from sustainable labour market integration to short-term employment promotion. (Rechnungshof 2014, 145)

The focus groups revealed that capability has two aspects: a material one and an ideal one that has to do with motivation and expectation (self-efficacy). They stated that in most cases even temporary employment improves their material *freedom* because long-term unemployment depletes financial resources and increases debts. This is particularly true for single persons or households in which both partners are unemployed (focus group I, II, III). At the same time they highlighted the positive impact of suitable employment on physical and mental health status because it provides them with a daily routine and distracts them from health problems and pain. Social contacts and development of skills were also mentioned. However, participants of focus group III pointed out that some social enterprises have a very negative image (e.g. ‘only for the mentally ill’, ‘for those not able to do real work’). Thus many unemployed refuse outright to work in a SÖB because it may hamper employment prospects afterwards. Thus the material as well as the ideal aspect of capability has an important temporal aspect.

To sum up entitlements to social benefits fulfil a crucial stabilising function for the resources of older unemployed persons. Also, PES services are principally important social conversion factors. However, perceived service quality of PES is determined by the socio-economic-cultural status of the unemployed and the time the PES officer has for each customer. Depending on these factors, the effects on capabilities vary strongly within this group. The analysis also reveals that apart from the design of the measures, the actual award or assignment practice of wage subsidies and training in social-economic enterprises by PES strongly influences capabilities. The ‘judge dimension’ plays a minor role in all analysed measures. Wage subsidies are frequently used in cases in which other measures would be needed to actually strengthen capabilities.

### 2.3 Are (the most) vulnerable beneficiaries able to fully benefit from the measures?

#### PES services:

A comparative study (Bouget et al. 2015, 29-33) on ALMP in EU countries points out that there is much room for improvement when it comes to individualized support of long-term unemployed in Austria. As Marcel Fink (2015a, 6) put it: “(…) *it is largely unclear to what extent case officers of the PES and the welfare offices are really in a position to design and implement the ‘ideal’ package for their customers (given limited resources and internal provisions to expedite specific measures and/ or to adhere to maximum budgets etc.)*.”

<sup>25</sup> This period has been extended to three years in 2014 (Bösch et al. 2016, 10)

The qualitative findings from the three focus groups provided evidence that actual access to individualised support depends strongly on the characteristics of the customer. Persons belonging to vulnerable groups (low education, low socio-economic status e.g. low unemployment entitlements) receive less and poorer quality services than long-term unemployed people with a higher social status and higher unemployment benefits. This seems to be not so much a deliberate strategy but a typical example of cumulative (dis-)advantage ('Matthew-effect'), as disadvantaged groups are harder to reach by one-size fits all approaches. Even regarding the same courses (e.g. job application trainings), it appears that vulnerable people get out less from standard measures.

One peer researcher shared the experience that he was assigned every few months to a standard job application training with a slightly different title. In the end he felt able to give the course himself. He stated that these measures and the way they were forced upon the unemployed (no choice, no right to refuse a certain course, no right to cancel an unsuitable course), frustrated and unnerved him even more than the unsuccessful job search. After he finally complained and asked for a 'useful' course, he got assigned to a business English course that he completed with great motivation. In this regard, the question remains how to design benchmarks regarding effectiveness or success that are measurable, comparable but also capability-friendly and oriented towards the individual. One PES executive officer (interview 2) explained how the strategy to assign unemployed persons every 6 months to some activation measure (inspired by the targets set by the European Employment Strategy) was abandoned after years of complaints by long-term unemployed persons about redundant, inadequate and/or poor quality standard courses which were seen more as harassment than help. The activation target was replaced by a placement quota for older people. This bears the risk, however, that ALMP are targeted towards those with already better prospects of finding work and 'hard to place'-persons receive even less services.

#### **Settling-in allowances/combined wages:**

The most recent evaluation studies come to the conclusion that both settling-in allowances (Stelzer-Orthofer 2016) and combined wages (Litschel et al. 2016, 35; Tamler, Löffler, and Schmid 2011, 22) benefit vulnerable groups more than unemployed persons in general. In 2013 57% of all settling-in allowances were granted to persons with no more than compulsory education. (Stelzer-Orthofer 2016, 66) Another evaluation for the province of Carinthia found out that the share of long-term unoccupied among all persons, for whom a settling-in allowance was given, was 32.4% in private companies, 44.8% in public service and 51.7% in social enterprises (Riesenfelder 2014, 65).

Regarding access to measures one has to note, that the eligibility criteria and calculation method for combined wages have been reformulated, which has negatively affected access (see chapter 2.4.2).

One PES case officer (interview 5) stated that the psychological effect of being able to offer one wage subsidy that directly supports the employees, not the employers, is particularly relevant for clients who have had a very weak position on the labour market all life long and have the feeling that they are disadvantaged and exploited. He also points out that it is a sustainable measure, as most employees do not give up the job after having worked in a company for 12 months, even though it earns less after the funding period is over. The crucial factor seems to be the question whether the income without the subsidy is enough to earn a living, which also depends on the possibility of wage increases in the course of time. In focus group II, most participants stated that they would not be able to cover their expenses without the subsidy. In the evaluation study by Tamler et al. (54-55), 37% of male and 43% of female surveyed participants also agreed with this statement. A PES case officer (interview 3) working in the city of Salzburg (where living costs are higher than in rural areas) pointed out that most complaints about combined wages refer to this problem: *"For the one year it can be quite positive, but afterwards those who do not get along with this income have to go to the social welfare office (...) they are afraid, they fear for their existence, they do not want to lose the job, because they like it (...)."*<sup>26</sup>

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26 German original quotation: „Das eine Jahr kann es ganz positiv sein, was ist danach und dann müssten ja alle wieder, die mit diesen Einkommen nicht auskommen zum Sozialamt gehen (...)es ist Angst, Existenzängste, man will die Arbeit nicht verlieren, es gefällt einem dort (...).“

Generally speaking, wage subsidies benefit vulnerable groups but due to their temporary nature they are not suitable for cases with permanently reduced employability (and corresponding lack of competitiveness in a slack labour market situation).

#### **Social enterprises:**

By definition social enterprises are for persons who are not employable due to multiple problems. One evaluation study pointed out that social enterprises have the strongest positive effects on persons with a very difficult starting position (Lechner et al. 2000, 54).

In the wake of the employment initiative for workers over 50 many social enterprises were obliged to change their target groups and focus more exclusively on older persons. One questionable effect is that, as already mentioned, most of them are only allowed to stay for some months up to one year. Even in cases with no chance for regular employment they have to return to unemployment and are then again assigned to another or the same social enterprise by PES. The average duration of employment at a social enterprise has been reduced repeatedly since they were established (Stelzer-Orthofer 2016, 30; 35). In Salzburg the usual duration has, however, not been reduced below a year (steering group). Several participants in the focus groups point out how draining the permanent insecurity due to short-term contracts in social enterprises is. Especially vulnerable persons would benefit from a more flexible approach and more long-term and even unlimited places. However, since success of social enterprises is measured by their placement rate and economic performance, there is a danger of a 'creaming-effect', i.e. in order to fulfil these benchmarks the social enterprises preferably employ less vulnerable persons as both the steering group and one PES case officer (interview 5) point out.

*"We have too few jobs, the social enterprises are burdened with too many restrictions and objectives. They have to fulfil a certain success rate, of course, but it is much too high. In practice this leads to the fact that we have too few places in the social enterprises, many assignments by the PES, but the social enterprise picks the best of them in order to fulfil the placement quota and ultimately the measure misses its point."<sup>27</sup>*

To sum up, there is little targeted individual support for older persons with multiple barriers to employment. Wage subsidies benefit vulnerable groups but are not suitable for cases with permanently reduced employability. The policy framework and benchmarks for measuring 'success' of social enterprises reduce their basically high potential to particularly benefit vulnerable groups.

## **2.4 Social investment aspects**

#### **PES-services:**

One interviewed PES executive officer views the integration of passive and active labour market policies as the primary cause of the comparatively favourable labour market situation in Austria while highlighting the difficult situation of older workers: *"(...) the comprehensive package of livelihood, support, qualification and duration of unemployment, the overall system (...) all in all the duration of unemployment per person can be limited quite effectively. However, with certain marginal areas, and it is mainly older workers, where the system does not work (...) not so many older*

<sup>27</sup> German original quote: „Wir haben zu wenig Arbeitsplätze (...), den sozialökonomischen Betrieben werden zu viele, (...) Vorgaben oder Aufgaben gegeben. Sie müssen eine gewisse Erfolgsquote haben, das ist ja schön und recht, das ist schon klar, sie können nicht nur so dahin lamentieren, aber die sind viel zu hoch. Das führt in der Praxis dazu, dass wir zu wenig Plätze haben in den sozialökonomischen Betrieben, ah, viele Zubuchungen hätten, der Betrieb sich dann da wieder nur die Besseren heraussucht, damit er seine Quote erfüllt und letztlich (...) am Grundsinn vorbeigeht.“

*people become unemployed than the average of all age groups, but with the danger, that if they become unemployed, then it takes longer, partly much longer.*"<sup>28</sup> (Interview 1)

In recent years a more preventive stance has been taken by policy makers. The measures comprise qualification for groups such as people with no more than compulsory school education and older workers within companies to preserve their employability<sup>29</sup>, scholarships for vocational training in sector with skills shortage regardless of employment status<sup>30</sup> and counselling and support measures to prevent unemployment because of health problems (Fit2Work). This strategic shift towards comprehensive qualification measures has been primarily focused on young people (connected to the Youth Guarantee and the high influx of young refugees), as the steering group pointed out. For older workers there are hardly any PES funded qualification measures in place. Only in two focus groups there were participants of Fit2Work measures. They rated the measures rather positively although they questioned the effectiveness of the programmes. Most of the focus group participants voiced their interest in qualification with a focus on practice and training as part of an integrated, long-term strategy. The scholarships for vocational training would fit these criteria. Standard activation courses were judged as 'useless' by most participants and entail a great potential for frustration. Several participants stated that they do not want to 'go back to school at the age of 50'. Others said they would have needed offers and encouragement 10 years ago.

In the strongly segregated educational system the first apprenticeship often determines the opportunities even for re-training: One participant (aged 46) from focus group III had chosen an apprenticeship as a waiter. She suffers from several slipped discs and had been on a long sick leave after a surgery. She is not entitled to retraining since the pension insurance institution declared her able to work for four hours a day. PES also refused to fund retraining measures arguing that in the hotel and restaurant industry there are always opportunities for suitable work. This is not the case in practice:

*"(...) many hospital stays, medical certificates, also from Fit2Work, but PES told me that they do not take that into account anymore. (...) You must not tell anyone in the application on your own initiative that you have health restrictions, it is forbidden to mention that you had a slipped disc by the PES unless you are directly asked. If the working conditions are not fit, it is bad luck for you. I then had to do storage work at a gas station and soon suffered from the next slipped disc."*<sup>31</sup>

#### **Settling-in allowance/combined wages:**

Settling-in allowances ought to function as thrust/incentives for employers to employ older workers. The core question from a social investment perspective is whether they lead to sustainable re-integration into the labour market. If settling-in allowances are part of a circle of repeated short-term employment, they might even have a disinvestment function, insofar as motivation and trust are undermined. Therefore substantiated eligibility criteria and transparency are of vital importance.

In two focus groups the strong cooperation between the PES and temporary employment agencies was criticized. Unemployed persons registered with the PES can be obliged by their case officer to apply to a temporary employment agency which then often receives a settling-in allowance for older workers. The study by Stelzer-Orthofer et al. (2016, 77–78) came to the conclusion that settling-in allowances for temporary employment agencies cannot be characterized as a wage subsidy (because the actual employer for whom

28 German original quotation: „(...) das umfassende Paket Existenzsicherung, Unterstützungsangebote, Qualifizierung oder Dauer der Arbeitslosigkeit, das Gesamtsystem (...) die Dauer der Arbeitslosigkeit im Wesentlichen relativ gut begrenzt werden kann. Allerdings mit bestimmten Randbereichen, wo und da sind doch hauptsächlich eher auch Ältere davon betroffen, wo das System so nicht so funktioniert, weil das System vorher mit leichtem Zugang zu Frühpensionierung noch nicht ausreichend genug geswitcht hat im länger Bleiben in der Aktivbeschäftigung, das funktioniert zwar verhältnismäßig gut, es werden nicht so viel Ältere arbeitslos als im Durchschnitt aller Altersgruppen, allerdings mit Gefahrmoment, wenn sie es werden, dann dauert es länger, teilweise wesentlich länger.“

29 ('Qualifizierungsförderung für Beschäftigte', co-funded by the ESF.

30 ('Fachkräftestipendium').

31 German original quotation: „(...) viele Krankenhausaufenthalte, Atteste, auch von Fit2Work, aber das AMS sagt, sie nehmen jetzt auf das keine Rücksicht mehr. (...) du darfst niemandem bei der Bewerbung aus eigenem Antrieb sagen, dass du gesundheitliche Einschränkungen hast, ist verboten vom AMS es zu erwähnen, außer man wird gefragt, dass man einen Bandscheibenvorfall hatte, außer auf Nachfrage, wenn die Arbeitsbedingungen nicht passen, hat man Pech gehabt, ich musste dann Lagerarbeit machen bei einer Tankstelle und hatte dann gleich den nächsten Bandscheibenvorfall (...)“



the person then works, does not benefit) but a placement bonus which does not come with any further obligations (e.g. training). They therefore called for a more in-depth analysis of the impact regarding deadweight loss.

From a social investment perspective one point of criticism refers to the fact that no qualification/upskilling elements are present in wage subsidy measures. In Upper Austria this was changed in 2016, when an enhanced settling-in allowance model was introduced for employers, who take in older unemployed persons and offer them company based training (Arbeitsmarktservice Oberösterreich 2016).

#### **Social enterprises:**

Social enterprises aim at removing individual obstacles to employability. The social investment content depends on program design, appropriate targeting and staffing but also on the image and acceptance in the wider society.

The actual work contents of our focus group participants did not have a strong investment component (regarding acquisition of new skills), but the work often has an important stabilizing function, contributing to individual wellbeing. One beneficiary (focus group III) explained that while working at the SÖB she can take a sales training for one day per week. While she was registered unemployed with the PES, she was not entitled to training.

The expectations of finding a job afterwards varied, depending on personal (especially persons with permanent health problems, did not have much hope) and social conversion factors (the reputation and closeness of the SÖB to the regular labour market). Members from the steering group concluded that regarding social enterprises it is difficult to find funding for innovative approaches, as their field of allowed activity is very small (*“always the same – just sorting and selling second-hand clothing, clearing out ... other things are not possible, because the legal framework is not suitable for innovative approaches”*).

To sum up the social investment aspects of social security and labour market policy for older workers in Austria are much weaker than for other target groups. Wage subsidies for older unemployed contain no qualification/upskilling elements. Social enterprises are hindered by the legal framework to implement more innovative and investice concepts for this target group.

## **2.5 Evaluation of 'effectiveness' at the collective level**

In this section we analyse what role collective actors like private enterprises, trade unions, civil society organisations and public services play in fostering the effectiveness of the measures under scrutiny and how this affects the capabilities of beneficiaries. Also we asked how the measures themselves affect trust, collective agency and social cohesion.

#### **PES services:**

The governing structure of the PES directly involves employers and employees representatives. ALMP strategy is always a trade-off between these interest groups. This structure works very well at building a broad and stable consensus on ALMP and contributes to its efficiency and effective implementation. However, sometimes it also inhibits innovative approaches and leads to suboptimal decisions with regard to individuals and their needs. For example the rigid earmarking of fundings for the employment initiative 50+ owes to distrust from employers that employee representatives would pressure the PES to reduce funding for settling-in allowances and increase the budget for social enterprises. (Stelzer-Orthofer 2016, 33-34) As a result, *“Unemployment is still rather managed than proactively shaped”*, as one member of the steering group put it. PES executive officers argue for more decentralisation of decision-making regarding the allocation of ALMP funds. Still there is considerable leeway for regional PES offices. There is no direct representation of unemployed persons in the PES governance structure.

The CSO involved in this research project BABA is a rare exception: The group of older unemployed persons is heterogeneous and they are usually overwhelmed by the necessity of coping with their situation,

which is why collective agency is generally weak. Participants of the focus groups highlighted the positive role of CSOs financed by PES such as ‘Woman & Work’ and ‘work has future’: *“They strengthened self-esteem and motivation”* (participant focus group I). However, the role of CSOs and the design of measures financed by PES vary from region to region, leading to different participation opportunities of these CSOs regarding design and implementation. There is a visible tension between being a service provider for the PES and fulfilling an advocacy role for their clients.

#### **Wage subsidies and social enterprises**

Beneficiaries of both measures usually fall under a collective bargaining agreement and all employees in Austria are members of the Chamber of Labour. Individual wage subsidies do not include any collective features. Poorly targeted wage subsidies could reduce the bargaining power of employees, thereby having a negative impact on collective agency. Regarding social enterprises the picture is more nuanced: While participants of focus groups pointed to the new contacts they got through work in social enterprises, they did not report about participation in planning or managing. All measures have been criticized but also positively evaluated by some actors in the crossing of knowledge process.

To sum up, the analysed measures primarily are decided upon by employer and employee representatives at the federal level. There are no organisations for unemployed persons, who have a real say in the policy process. Collective agency is weak. The effect of the analysed measures on social cohesion and trust depends on the implementation.

## 3. Conclusion and proposals for improvement

The analysis of policy measures for older unemployed revealed that there is much room for improvement, especially regarding the strengthening of capabilities, better targeting of (the most) vulnerable beneficiaries and the social investment aspects of active labour market policies. The concluding section summarizes proposals for improvement that our target group advocates.

### 3.1 Settling-in allowances

Regarding settling-in allowances several concrete demands for improvements were raised in the crossing of knowledge process. It was argued that there should be some obligation for the employer if a settling-in allowance is granted since the unemployed are obliged to accept certain jobs. Accordingly proposals go in the direction of better targeting, a maximum number of settling-in allowances per employer, no or at least only conditional award for temporary employment agencies and the award of lower amounts for a longer duration (over a period that is long enough to allow for thorough familiarization and which also creates new unemployment entitlements). Full transparency for all persons affected is another important demand. Another suggestion to strengthen the investment component would be to link settling-in allowances more strongly with on the job training and qualification measures.

### 3.2 Combined wages

Regarding combined wages proposals for improvement came only from PES case officers. Focus group participants were either not aware of this measure, not eligible (as their unemployment assistance was too low to benefit from the measure) or they were content with the combined wage they received. One case officer was particularly concerned about the change of the calculation method (section 2.4) and asked for going back to the old method. From his perspective this method was easy to handle, transparent and attractive for unemployed. The other case officer argued for longer standard benefit duration for older persons in order to avoid repeated job loss.

### 3.3 Social enterprises

Social enterprises were seen very positively by most crossing of knowledge-participants. There was a consensus that certain subgroups are temporarily or permanently unable to participate in the regular labour market and that SÖBs sometimes are the only option to fulfil their aspiration to work. With regard to the segment of older workers this applies especially to persons with low qualification and health problems. One problem is that many fields of activity require demanding physical work and are therefore not suitable for persons with physical health problems. Also the long-term places until retirement are too few compared to demand. Further, officially neither SÖBs nor the unemployed have a voice regarding the assignment by PES. This contributes to the negative image of (some) SÖBs in society. Accompanying education and training should be more actively encouraged and additional funding made available. All these aspects are connected to the basic critique of one steering group member that SÖBs are not allowed to develop innovative approaches of supported employment, as the legal framework is very rigid and funding is strictly limited to standard activities.

### 3.4 PES services

A concern often voiced was lack of information about measures and the functioning of PES. More active information about rights, not only obligations, about the functioning of PES and available ALMP measures could reduce feelings of helplessness and disadvantage and allow for more active agency and voice especially of vulnerable persons. One peer researcher suggested introducing a compulsory information evening for unemployed persons that are assigned to the consultancy zone at the PES. Another proposal was to create a booklet in easy language covering these topics that has to be handed over by the case officer together with the support plan at the initial interview.

Regarding placement by PES focus group participants argued for stronger quality criteria with respect to the reasonableness of jobs offered. Placement at temporary employment agencies should be on a voluntary basis only or given up by PES altogether.

Focus group participants stated that orientation in an increasingly complex labour market is difficult and advice needed. Many would have benefited from more encouragement, counselling and opportunities for suitable qualification in former years (during the last years counselling facilities have been strengthened). At the same time having a voice in the decision is seen as crucial. Therefore reducing compulsory standard measures is positive but more alternative qualification measures for older persons need to be provided. Thus the opportunity to choose among more than one measure and the possibility to decline unsuitable offers under certain conditions should be granted. Most importantly there needs to be a general shift toward real choice and negotiated integration strategies tailored to the individual. All these demands call for adequate staffing at the PES but also changes in the legal framework.

Much better integration of PES-services and adult education and training (Lifelong Learning) seems to be the order of the day. Special attention has to be devoted to actively encouraging vulnerable groups to use qualification opportunities during their entire working life. Otherwise the Matthew-effect will once more reinforce inequalities. Integrated approaches for this target group should offer adequate coverage of living expenses, tie qualification to practical training and be carried out in close cooperation with employers interested in these qualifications. The vocational training scholarship tentatively introduced in 2013 is such a measure. The demand exceeded the funds so that it has been temporarily suspended in 2016. The steering group discussed the idea of qualification vouchers in order to strengthen freedom of choice for the unemployed. However, data suggests that unskilled persons seldom make use of such offers. One peer researcher argued for more choice concerning qualification measures under the condition of financial participation of the person in question. Finally, the CSO promotes qualification tests for older unemployed in analogy to occupational orientation for young people. They collaborate with the Federal Economic Chamber.

### 3.5 Recommendations for the European Pillar of Social Rights and the Social Investment Package

There are two main messages of the findings for developing social policy strategies: First, social policy operates on several levels. The paradigm and general strategy of social investment as developed by scientists and politicians translates into programmes and measures. However, much depends on the implementation details of these programmes and measures in practice. Secondly, measures can hardly be evaluated separately. The Austrian case shows several instances of structural division of labour that lead to conflicts and inconsistent effects. For example the programme Fit2work is administered jointly by the pension insurance institution, health insurance and PES. The mandate for funding qualification by PES is limited to unemployed persons or support for firms but does not cover preventive individual measures. This is related to the split between the Ministry of Education and that of Labour, Social Affairs and Consumer Protection.

On a more general level, the research clearly points to the wish of people to have a say in the way social policy measures are set up and administered whether it concerns qualifications measures or information on combined wages. This is also the main message of more theoretical considerations of the social investment paradigm from a capability perspective (Bonvin and Laruffa 2017): The capability approach emphasizes that people are not mere passive receivers of welfare benefits, but active ‘doers’ and ‘judges’. In particular, the

capability approach views people as co-authors of capability-enhancing policies since the overall goal is seen as leading a life one values and has reason to value (Sen 1999). This ties in to the human rights on participation and good administration. Neither the social investment package (SIP) nor the European Pillar of Social Rights (EPSR) clearly develop this idea currently, but imply that labour market participation and employability are the main goals of social policy. Furthermore, the EPSR should refer to the SIP and build on the experience of implementing the social investment paradigm.

# appendix 1 focus group participants/interview partners

## a1.1 Participants focus groups

### Focus group I, 13.12. 2016, city of Salzburg

	Sex	Age	Education – ISCED (1=low; 2=medium; 3=high)	Migrant background (1=yes; 0=no)	Health related placement handicap (1=yes; 0=no)
1	w	52	2	0	0
2	w	51	1	0	1
3	w	53	2	1	0
4	m	56	2	1	0
5	w	47	1	1	1
6	m	52	1	0	0
7	w	47	2	0	1
8	m	58	1	0,5	0

### Focus group II, 15.12. 2016, city of Salzburg

	Sex	Age	Education – ISCED (1=low; 2=medium; 3=high)	Migrant background (1=yes; 0=no)	Health related placement handicap (1=yes; 0=no)
1	m	53	2	0	0
2	w	50	2	0	0
3	w	58	3	1	1
4	w	57	2	0	1
5	m	52	2	0	1
6	m	63	3	0,5	0,5
7	m	57	2	0	0
8	w	55	2	1	1

### Focus group III, 13.03. 2017, Schwarzach St. Veit

	Sex	Age	Education – ISCED (1=low; 2=medium; 3=high)	Migrant background (1=yes; 0=no)	Health related placement handicap (1=yes; 0=no)
1	m	62	2	1	1
2	m	59	2	1	1
3	m	59	3	0	0
4	w	46	2	0,5	1
5	m	60	1	1	1

## a1.1 Interview partners

Date	Location	Sex	Position
20.01.2017	regional PES office, Salzburg city	m	Head of department 'Service for Workers', PES province of Salzburg
25.01.2017	regional PES office, Salzburg city	m	Executive officer, PES province of Salzburg
6.02.2017	local PES office, Salzburg city	w	Case officer for 55+
7.02.2017	regional PES office, Salzburg city	m	Ombudsman/Quality Manager, PES province of Salzburg
9.02.2017	local PES office, Zell am See	m	Case officer for adults

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## RE-InVEST - Rebuilding an Inclusive, Value-based Europe of Solidarity and Trust through Social Investments

In 2013, as a response to rising inequalities, poverty and distrust in the EU, the Commission launched a major endeavour to rebalance economic and social policies with the Social Investment Package (SIP). RE-InVEST aims to strengthen the philosophical, institutional and empirical underpinnings of the SIP, based on social investment in human rights and capabilities. Our consortium is embedded in the 'Alliances to Fight Poverty'. We will actively involve European citizens severely affected by the crisis in the co-construction of a more powerful and effective social investment agenda with policy recommendations.

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

### Co-ordinators

Ides Nicaise (HIVA-KU Leuven), general project co-ordinator/scientific co-ordinator  
Michel Debruyne (Beweging vzw), network co-ordinator



### Partners

HIVA-KU Leuven • HIVA-Research Institute for Work and Society, Katholieke Universiteit Leuven • Belgium  
CNRS • Centre National de la Recherche Scientifique • France  
SOFI • Soziologisches Forschungsinstitut Goettingen e.V. • Germany  
IFZ • Internationales Forschungszentrum für Soziale und Ethische Fragen • Austria  
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The Poverty Alliance • United Kingdom  
CNCA • Coordinamento Nazionale Comunita di Accoglienza Associazione • Italy