

Trade Union
Advisory Committee
to the OECD



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Time to Activate Labour Market Policies: Patterns of ALMP Investment Across OECD Countries

1. Introduction

More than 34 million people are unemployed in OECD member countries, representing an overall unemployment rate of 5 percent. While this is historically low, the unemployment rates vary widely among countries: from around 3 percent in Japan, Poland, and the Czech Republic to about 9 percent in Finland, Sweden and Greece and above 10 percent in Spain. Due to various factors, unemployment has been declining steadily over the last decade. However, this trend has now stalled. Geopolitical uncertainty, rising trade tariffs and weaker consumption and investment — driven by higher prices and interest rates — are expected to slow economic activity and push unemployment higher in many countries in the near future.

More jobseekers competing for limited opportunities will likely prolong unemployment spells, with disproportionate effects on those already facing long-term unemployment. This persistent challenge carries heavy individual and societal costs, highlighting the need to treat it as a priority. At the same time, many economies face labour shortages across numerous sectors which are set to intensify, especially in industries undergoing rapid green and digital change. Population ageing will compound these shortages, most acutely in health and elderly care, where recruitment and retention are already under strain. An ageing population will also heighten fiscal pressures, notably on pension systems. All these trends underscore the need to mobilise untapped labour resources and improve matching and mobility.

Active labour market policies (ALMPs) are one of the key instruments that governments have at their disposal for reducing unemployment and easing labour shortages. Programmes offered by Public Employment Services (PES) or contracted-out service providers such as training, wage subsidies and counselling, have been shown to improve participants' employment prospects, particularly in the years following completion (OECD, 2025). While the effects largely depend on programme type, targeting, design elements and the context, evidence suggests that the programmes are particularly beneficial for low-skilled groups and long-term unemployed. Skills-enhancing ALMPs, such as training, can also raise participants' earnings, supporting transitions to quality jobs that are better paid and more productive. This demonstrates how they could be a valuable policy tool for improving labour market efficiency, facilitating structural transformation and strengthening productivity.

However, while ALMPs are critical for tackling long-term unemployment and addressing labour shortages, their potential remains underutilised. This paper finds that many OECD countries have in fact reduced their expenditure on ALMPs in past decades. Investment in training — a key instrument for upskilling, reskilling and labour market mobility — has notably been in long-term decline in many countries, despite an intensified need. The steepest reductions have occurred in Sweden, Germany and New Zealand. On average, OECD countries allocate only 0.1 percent of GDP to training for unemployed persons¹, representing about a quarter of total ALMP spending, which in 2023 stood at just 0.41 percent of GDP.

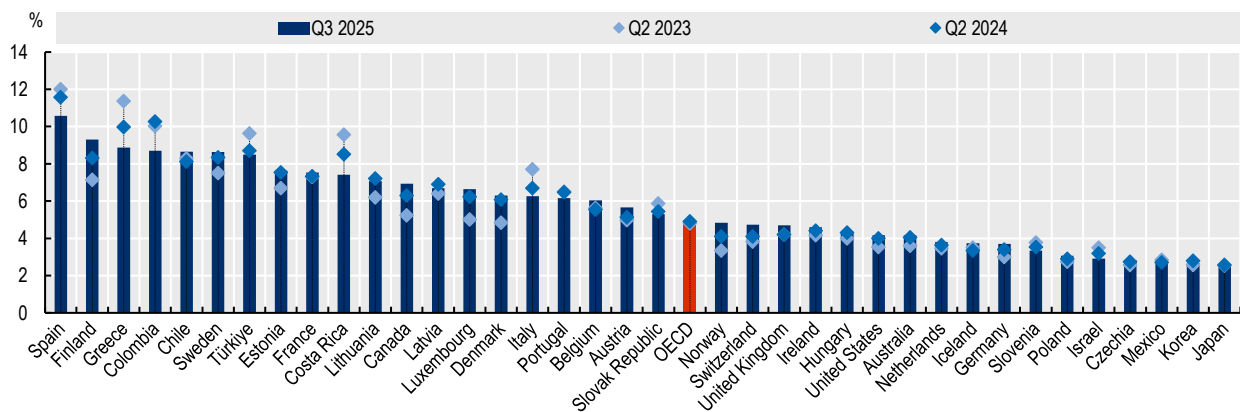
This paper is advocating for improved access to and efficiency of ALMPs, particularly training. Key measures include increasing public investment, improving targeting of disadvantaged groups, better tailoring programmes based on individual needs, and strengthening financial incentives for participation. Targeted training in occupations with acute shortages can be a particularly effective means of reducing both unemployment and vacancy durations.

¹ In principle, PES in several countries also provide support to inactive individuals and workers at risk of job loss, although these groups represent only a minor share of the overall supported population.

2. Worrying signs on the OECD labour market

The OECD labour market has experienced substantial labour market progress over the past decade. On average, the unemployment rate among people aged 15 and over in OECD countries decreased from 8 percent in 2012 to 5 percent in 2022, despite temporary headwinds related to the COVID-19 pandemic. In Ireland and Poland, for example, the unemployment rate fell threefold between 2012 and 2022, from 15.4 percent to 4.5 percent and from 10.1 percent to 2.9 percent, respectively. A decline can be observed in the vast majority of countries: 33 out of 38 OECD countries reported a lower unemployment rate in 2022 than in 2012. In 2022, OECD unemployment rates returned to pre-COVID 19 levels and continued to decline, reaching the historically low level of 4.8 percent in the second quarter of 2023. However, this declining trend then stopped (Figure 1). Over the past two years, the rate has remained stable and even increased slightly to 4.9 percent in early 2025. Monthly data suggests that the OECD unemployment rate was at 5.0 percent in September 2025.

Figure 1. Unemployment rate (share of labour force), calendar and seasonally adjusted



Note: The labour force population includes all those aged 15 or more.

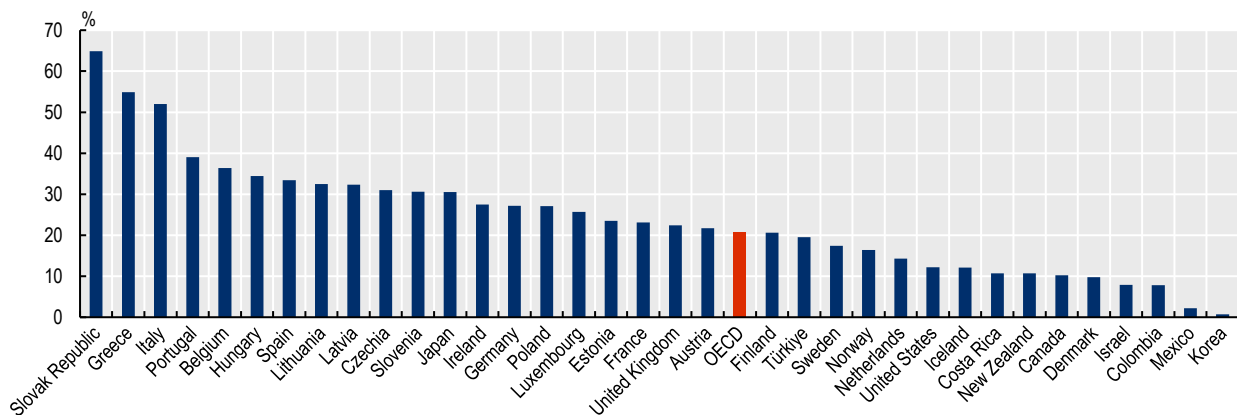
Source: OECD Dataset: Monthly unemployment rates

Economic activity and labour markets are expected to weaken further due to geopolitical uncertainty, higher trade tariffs and restrictive monetary policies. Business investment, trade and consumption are likely to decline, while inflation may rise in many countries. According to the latest OECD economic projections, annual global GDP growth is expected to slow from 3.3 percent in 2024 to 2.9 percent in 2026 (OECD, 2025). Employment is also expected to slow down: for the median OECD country, annual employment growth is projected to decline from 1 percent in 2024 to 0.7 percent over 2025-26 (OECD, 2025). However, aggregated employment and unemployment figures mask notable differences between countries.

As shown in Figure 1, unemployment rates vary largely across the OECD, ranging from around 3 percent in Japan, Poland, and the Czech Republic to roughly 9 percent in Finland, Greece, Sweden and Colombia. The highest rate can be observed in Spain (above 10 percent), even though it has more than halved over the last decade. Several factors can explain the cross-country differences, including economic structure and sector composition, macroeconomic and demographic conditions, education levels and labour market policies. Also, labour force participation rates, and thus employment rates, greatly matter. A majority of the countries, however, share a common problem in that they struggle with the integration of vulnerable groups. These include long-term unemployed who often face multiple barriers, such as low education, caring responsibilities, language or health-related difficulties (OECD, 2021).

On average in the OECD, 20.7 percent of the unemployed were long-term unemployed in 2024, underscoring that labour market difficulties are deeply enrooted for some groups who did not benefit from the labour market strengthening — with rising employment and declining unemployment levels — seen in recent years. While long-term unemployment as a percentage of the labour force has, on average, been falling over the last 10 years, this has not been the case everywhere; some OECD member countries continue to face large numbers of long-term unemployed people. As shown in Figure 2, long-term unemployment is particularly severe in southern and eastern European countries such as Greece, Italy, Portugal, Spain, the Slovak Republik, Hungary, Lithuania and Latvia.

Figure 2. Share of unemployed in total unemployment who have been out of employment for more than one year, 2024



Note: OECD is a weighted average

Source: OECD Dataset: Incidence of unemployment by duration

Long-term unemployment not only harms individuals by draining their finances, eroding their skills and negatively affecting their health, but also reduces productivity, increases public welfare costs, and can contribute to inequality, segregation and social instability. The substantial costs to both individuals and society, especially given the rising signs of further labour market weakening, further demonstrate that the need for policy action is urgent.

Governments have long undertaken a variety of strategies to tackle long-term unemployment, including by addressing the demand (the availability of jobs) and supply side (skills and motivation of unemployed workers) of the labour market. Well-targeted supportive active labour market policies can play a key role in reducing long-term unemployment by helping jobseekers remain attached to the labour market and improve their employability. Programmes such as job-search support, wage subsidies, training, rehabilitation, and targeted public works, predominantly offered by Public Employment Services, can equip the unemployed with relevant skills, incentivise hiring and prevent discouragement or permanent detachment from the labour force. In doing so, ALMPs facilitate the transition back into regular employment and reduce the persistence of unemployment over time.² In addition, well-designed ALMPs can ease labour shortages and curb inflationary pressures. By improving the matching of workers to available jobs, ALMPs increase the effective supply of labour in sectors facing labour shortages, preventing an inflation-driven wage formation.

² It should be noted, however, that certain ALMPs in some countries aimed at specific groups facing particular difficulties, such as severe disabilities, are not necessarily intended to result in unsubsidised employment, but rather to provide a meaningful and engaging setting and improve the well-being of the participants.

3. Strong empirical support for active labour markets policy programmes

Active labour market policies have long been the subject of extensive empirical evaluation. The influential review by Heckman, LaLonde, and Smith (1999) demonstrated that impacts vary markedly by programme type, target group and timing, and emphasised the necessity of thorough evaluation. Their conclusion — that well-targeted programmes can be effective, while public works typically underperform — has shaped subsequent analyses.

A first large meta-analysis for Europe (Kluve, 2006/2010) pooled 137 evaluations across 19 countries. It found that job-search assistance and private sector incentives were most likely to yield positive employment effects. Training showed gains but at longer time horizons. However, public works tended to be ineffective for participants' employment prospects.

Card, Kluve and Weber (CKW) (2010) expanded the lens beyond Europe, assembling 199 programme estimates from 97 studies (1995–2007). They found that time horizons matter: many ALMPs look weak at the one-year mark but improve by years two to three, especially training. Small short-term effects can be explained by the lock-in effect: during training, job search efforts decrease, thereby causing an initial drop in the probability of employment. However, in the longer run, usually a few years after completion, these programmes have a positive and long-lasting impact on the probability of employment. The programme type also matters: job-search assistance tends to deliver the most immediate gains, while training is slower but often positive in the medium term. Wage subsidies can help if well-targeted, while public works consistently fare worst. Design quality, including employer involvement, case-worker intensity, targeting, context and credible evaluation methods are key moderators.

A decade later, their updated review (2018) doubled the evidence base, incorporating 857 estimates from 207 studies. It confirmed the patterns with sharper granularity. Averaging across contexts, short-term effects are modest but statistically significant; medium-term effects strengthen, driven largely by training. Youth-focused programmes show smaller short-term gains but can catch up when curricula are employer-linked or apprenticeship-oriented. The paper also documents that implementation details — screening, counselling intensity, and links to real vacancies — often explain as much as nominal programme type.

Complementary institutional reviews, including by the OECD, have echoed these findings, highlighting the returns of low-cost, well-managed services and the disappointing results of several large-scale public works schemes (OECD, 2001). Recent OECD analysis confirms the positive effects of ALMPs in different countries, but highlights that the impacts vary widely depending on country, programme type, design and subgroup of participants (OECD, 2025).

Several studies indicate that ALMPs can yield lasting increases in wages, particularly when they are aligned with up-to-date labour market needs, enabling transitions into higher-quality jobs that are better paid and more productive. Overall, improvements in earnings are most pronounced when programmes combine skills development with strong labour market links.

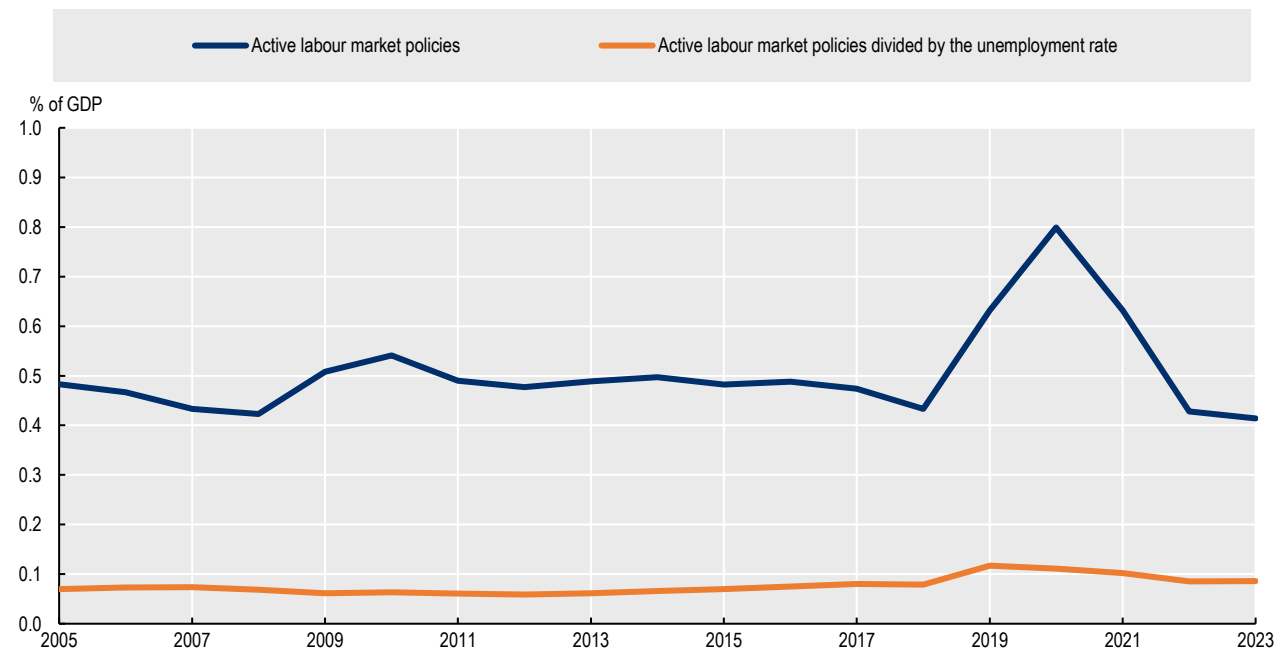
However, studies also note that ALMPs can generate unintended consequences alongside intended gains. Displacement effects may occur when subsidised or programme-assisted workers replace unsubsidised jobseekers. Lock-in effects and postponed job search are common, particularly for training participants. In addition, wage subsidies or public works can inadvertently stigmatise participants if employers perceive involvement as a signal of low productivity. Design quality, including the targeting of disadvantaged groups and focusing on specific occupations facing shortages, is key for limiting these negative effects.

4. Large differences in ALMP expenditure across countries

Although active labour market policy programmes are supported by strong empirical evidence, their potential remains largely underexploited due to insufficient implementation. In 2023, OECD countries allocated, on average, only 0.41 percent of GDP to total ALMPs – the lowest level recorded between 2004 and 2023 (the data on average OECD ALMP expenditure is available between 2004 and 2023³). Overall, the total expenditure on ALMPs has remained relatively stable over the past two decades, fluctuating between 0.4 and 0.5 percent of GDP. The only notable departures from this pattern occurred in 2020 and 2021, when the COVID-19 pandemic severely disrupted labour markets and the sharp rise in unemployment prompted a temporary increase in expenditure (see blue line in Figure 3).

To compensate for differences in unemployment levels at different points in time, the expenditure has been standardised in Figure 3 (red line). This means that the share of GDP has been divided by the unemployment rate in the same year, which can provide a more comparable measure of the level of ambition in active labour market policies over time. In contrast to the blue line, this standardised red line is largely flat from 2005 to around 2019 and only slightly increases in recent years (2020–21). The fact that the red line does *not* spike in 2020 implies that the sharp rise in raw expenditure (blue line) largely reflects the exceptional increase in unemployment during the COVID-19 crisis rather than a deliberate scaling-up of ambitions in this policy area.

Figure 3. Aggregated OECD expenditure in active labour market policies as a percentage of GDP, 2005-2023



Source: OECD Datasets: Labour Market Programmes, Categories 1-7 (Total active programmes), Monthly unemployment rates, and own calculations

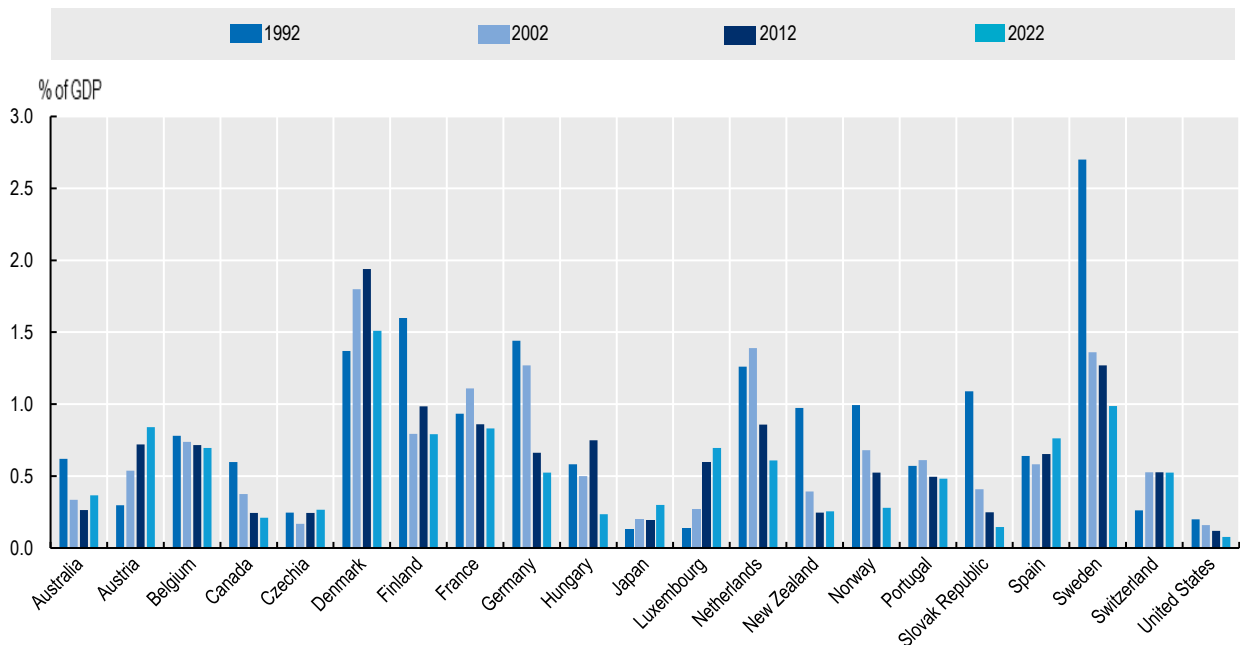
³ It should be noted that the averages are affected by the composition of OECD countries and their data availability, which have changed over the years. In addition, in some OECD countries the financial year is different from the calendar year, and the provided data is based on the financial year, which might affect the comparability of the public expenditure between countries.

Figure 4 presents the non-standardised expenditure levels in 21 selected OECD countries with data available for four points over the past three decades (1992, 2002, 2012 and 2022). As the figure shows, there is considerable variation across member countries in how much they allocate to active labour market policy programmes. The overall pattern, however, is one of gradual decline over time.

Countries with a long tradition of active labour market policies, such as Denmark, Sweden, Finland and France, consistently devote relatively high shares of GDP (close to or above 1 percent in most years), whereas Anglo-Saxon countries (i.e. the United States, Australia and New Zealand) spend comparatively little (generally well below 0.5 percent of their GDP).

In the vast majority of countries, expenditure was higher in 1992 than in 2002. Only seven out of the 21 countries recorded higher ALMP expenditure in 2022 than in 1992, and in only six was expenditure higher in 2022 than in 2002. In all other countries, spending declined over the period. The sharpest reduction can be found in Sweden, which invested 2.7 percent of GDP in 1992 and less than 1.0 percent in 2022 (in fact, it stood at 0.93 percent in 2023, according to the latest data). Austria and Luxembourg stand out as exceptions, as both show a continued increase in expenditure across the different observation points. Similar patterns can be observed in Japan, Spain and Switzerland.

Figure 4. Public expenditure on active labour market policies for selected OECD countries with available data for all years (1992, 2002, 2012 and 2022)



Source: OECD Dataset: Labour Market Programmes, Categories 1-7 (Total active programmes)

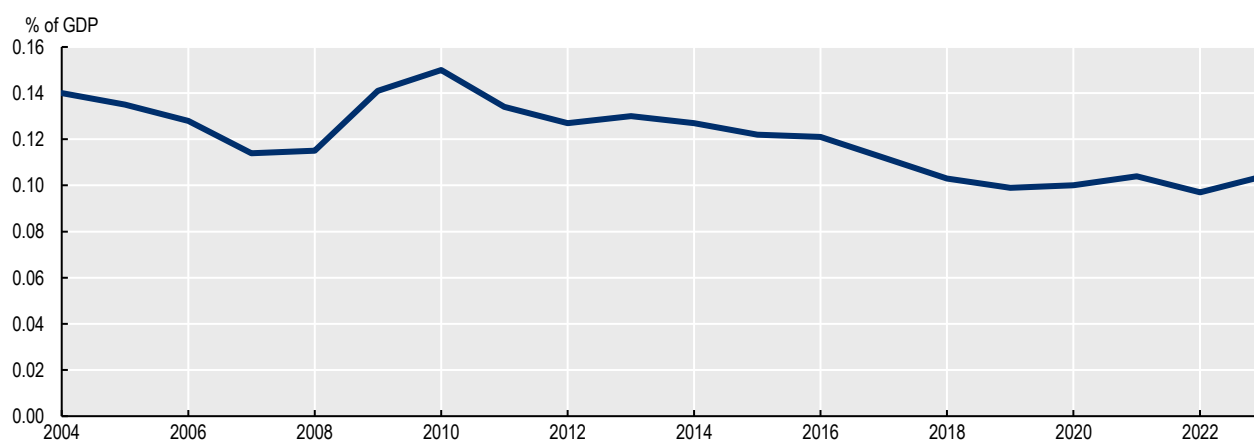
5. Declining investment in training despite an intensified need

Training is of particular importance, given the urgent need to step up upskilling and reskilling in the face of ongoing labour market transformations and growing skills shortages driven by megatrends such as digitalisation and artificial intelligence, the green transition and population ageing. As with previous structural shifts, some jobs will disappear and others will change, but new opportunities will also arise. Adult learning programmes, including training for unemployed, play a critical role in supporting smooth labour market transitions. When combined with adequate income security during unemployment, such interventions benefit not only individual workers, but also employers and society more broadly, including by fostering public support for structural change. In light of the megatrends, several countries have started to modernise their traditional ALMP set-up and invest more resources in proactive and preventative measures, including by offering training programmes not only to those registered as unemployed but also to workers at risk of job loss (OECD, 2025).

As noted above, tailored training aligned with labour market needs can be a highly effective instrument, both for helping unemployed workers adapt to evolving skill requirements and for facilitating their transition into productive, high-quality jobs. It can also alleviate labour shortages and reduce vacancy periods, strengthening growth potential. These strong individual and socioeconomic benefits are among the reasons why the OECD has long recommended that many member countries increase their ambitions in this area of active labour market policy, including through its Economic Survey reports (for example the Economic Survey of Germany 2025, Economic Survey of Sweden 2025, Economic Survey of Greece 2024 and Economic Survey of the Slovak Republic 2024).

Despite its need and strong arguments, public investment in training has been declining in the OECD in recent decades, as illustrated by Figure 5. On average, OECD member countries spent a mere 0.1 percent of GDP on training in 2023; a 30 percent decrease since its peak level in 2010. This development has most likely resulted in a significant decline in the number of available training openings for unemployed persons and in turn training participants.

Figure 5. Aggregated OECD expenditure in training as a percentage of GDP, 2004-2023

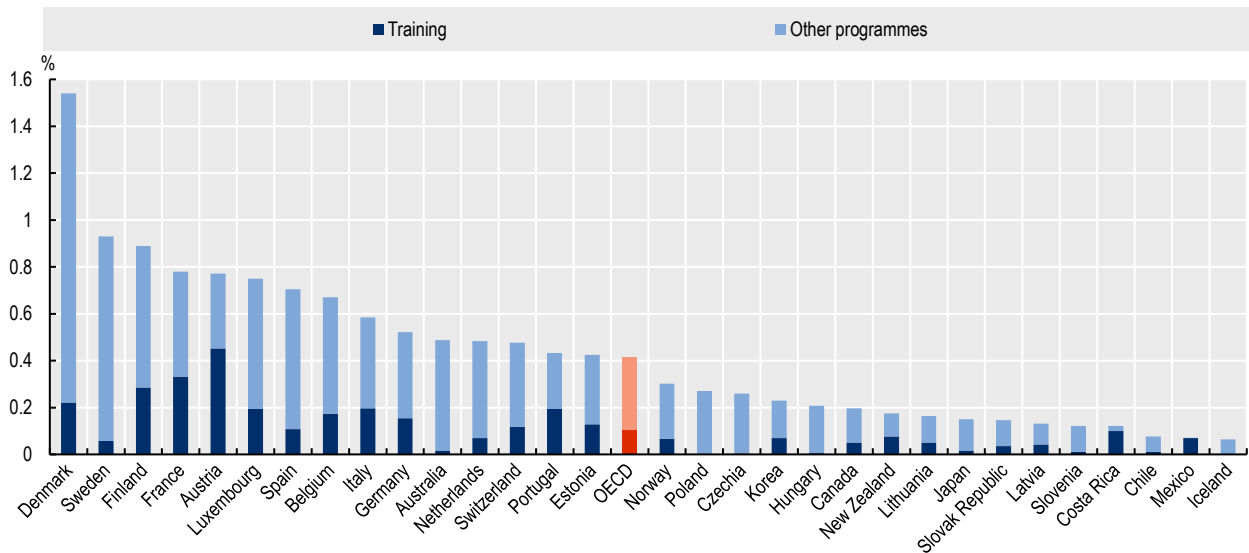


Source: OECD Dataset: Labour Market Programmes, Category 2 (Training)

The expenditure data for 2023 show that approximately one quarter of total active labour market policy expenditure was devoted to training programmes (see Figure 6). As with overall ALMP expenditure, however, the share allocated to training varies considerably across OECD member countries. In Poland and Sweden, for example, training accounts for only a few

percent of the ALMP budget, whereas Austria allocates almost 60 percent of its expenditure to this category. In France, Portugal and New Zealand, the training share is about 40 percent.

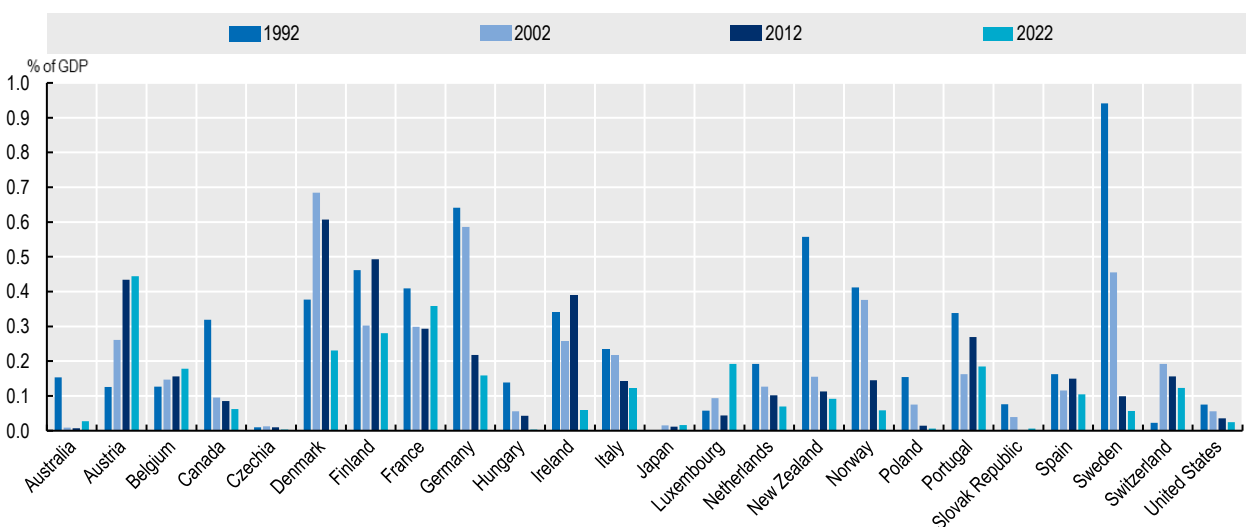
Figure 6. Percentage of GDP invested in training and other active labour market policy programmes in selected OECD countries with available data, 2023



Source: OECD Dataset: Labour Market Programmes, Category 2 (Training) and Categories 1-7 (excl. 2)

As illustrated in Figure 7, training expenditure across 24 OECD member countries has generally followed a downward trend over the past few decades. The vast majority of countries have reduced their spending on this category of active labour market policy. Austria, Belgium, Luxembourg and Switzerland are among the few exceptions, recording increases over the same time period. The decline has been particularly marked in Sweden, where training expenditure fell from almost 1 percent of GDP in 1992 to just 0.06 percent in 2022. Substantial reductions can also be observed in Germany, New Zealand, Denmark and Norway, as well as in in Canada, Ireland, Italy, Poland and the Netherlands.

Figure 7. Public expenditure on training for unemployed persons in selected OECD countries with available data for all years (1992, 2002, 2012 and 2022)



Source: OECD Dataset: Labour Market Programmes, Category 2 (Training)

6. Conclusion

This paper demonstrates that many OECD member countries have reduced their expenditure on active labour market policy programmes in recent decades. The expenditure in 2023 stood at just 0,41 percent of GDP, the lowest recorded level during the period of available OECD averages (between 2004 and 2023). In light of ongoing rapid transformations of labour markets, characterised by heightened demand for new skills, the urgency of ensuring access to learning opportunities has intensified. It is therefore particularly concerning that a majority of OECD governments have been scaling back their efforts to provide training for unemployed workers in the last 30 years. The picture is mixed across countries, but on average, OECD countries allocate only 0.1 percent of GDP to training for unemployed individuals, representing about one quarter of total spending on active labour market policies. The expenditure in training has declined by 30 percent since 2010, likely substantially reducing the number of available training openings and in turn the number of participants.

Governments should significantly expand participation in vocational training programmes, which are crucial for ensuring smooth and secure labour market transitions, improving labour market matching and mobility and easing skills shortages. The recent increase in unemployment and signs of further labour market weakening – which disproportionately affects those already facing long-term unemployment – further underscores the need for decisive policy action.

Given the strong empirical support of training for individuals facing long-term unemployment, the programmes should prioritise this group, with content and at a pace tailored to individual needs and circumstances.

In countries where participation rates remain low, it would be useful to strengthen financial incentives — by increasing study/participation allowances or unemployment benefits — to encourage uptake. Moreover, vocational training for unemployed workers should be aligned with up-to-date labour market needs and targeted towards sectors and occupations experiencing acute skills shortages, requiring close social partner and employer involvement in both the design and implementation of the programmes. The alignment of labour market requirements can help maximising the returns on investment and reducing both unemployment and vacancy durations, which in turn strengthens public finances and growth prospects. Finally, since studies have shown that the same type of programme can have quite different effects for different groups, but also depending on the context and countries analysed, it is essential to regularly assess the effectiveness of ALMPs, and the suggested training programmes in particular, not only in terms of participants' employment and earnings outcomes, but also with respect to broader labour market and socioeconomic indicators such as productivity, health outcomes, matching efficiency and quality, social integration and inequality.

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Dataset list

OECD (2025) *Dataset: Incidence of unemployment by duration.*

OECD (2025) *Dataset: Labour Market Programmes.*

OECD (2025) *Dataset: Monthly unemployment rates.*