

Innovative practices of active labour market programmes in the context of Covid-19 crisis

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Summary

The report aims to map the new trends and innovations related to labour market interventions in the context of the recent COVID-19 crisis, in both the short and medium-term, implemented in the European Union, EU Neighbourhood and Central Asia. The review covers both activation and passive support measures deployed to cushion the socio-economic impact of pandemic. In addition, specific Public Employment Services' (PES) service delivery continuity under pandemic limitations and adaptation of delivery methods has been examined.

The report results from a mapping exercise in EU, EEA and ETF partner countries, looking at novelties and innovations in terms of labour market policy support, measures and services. Data were collected from a number of sources, including EU PES Network events and publications, reports from the ILO, the Eurofound COVID-19 Policy watch, and the World Bank database on social protection and jobs responses to COVID-19 and ETF's mappings of COVID-19 responses in the policy areas of education, training, employment and social protection.

The report starts by examining the impact of the crisis on labour markets, both in the short-term and medium- to long-term. We then introduce the taxonomy of support, measures and services used.

The body of the report is structured according to three main questions:

- What has been done to financially support businesses and individuals?
- What measures have been introduced or adapted to foster employment and skills development in the crisis?
- How have PES adapted their services?

These three thematic questions reflect the different ways in which countries have adapted to address the crisis. After assessing the impact of the crisis on support, measures and services, the report then focuses in detail on how countries have combined these different approaches, through a series of case studies. These countries were selected based on the availability of detailed information and the innovative nature of their approaches to the crisis.

An outstanding feature of the current crisis has been a strong focus on maintaining employment through specific income support measures for individuals and compensations for companies, including through short-time work schemes. In addition, traditional schemes have been expanded in terms of benefits' amount and coverage, targeting also new groups, e.g., people in informal employment or in atypical employment. PESs are also focusing on supporting job transitions of displaced workers and groups most at risk of unemployment, including through targeted and innovative training delivery, e.g. re-skilling, up-skilling provided online.

Four types of **support to businesses and individuals** are examined: short-time work (STW) schemes; unemployment benefits; minimum income schemes and cash transfers; and support for the self-employed and atypical workers. STW schemes are the main instrument used to keep businesses afloat and avoid job losses. In countries where such schemes already existed, they have been **implemented on a much wider scale than previously**. For others, including several ETF partner countries, the COVID-19 crisis has led to the **first introduction of STW schemes**.

A series of new effects can be noted when it comes to unemployment benefits. The first of these is an **increased level of generosity** in unemployment benefits, increasing the amount of the benefit or shortening the qualifying period. A second effect is a **simplification of payment procedures** and a loosening of entitlement requirements. A third effect is the development of **new channels to deliver unemployment benefits**. As most offices administering unemployment benefits (either PES or other agencies) had to shut, online applications or phone applications have become the norm. Finally, unemployment benefit **conditionality has been suspended** in several countries.

Minimum income schemes and cash transfers have been introduced to support workers in cases when they cannot be covered by unemployment benefits due to the high percentage of the workforce in the informal sector or the low capacity of the public employment services. Cash transfers have therefore been **expanded significantly in both coverage and amounts transferred**. Countries have also introduced innovative ways of reaching people in need of support, by tapping into health care databases or developing **digital payments**.

Several interventions are also targeted at supporting the **self-employed and other atypical workers** who are traditionally not covered by unemployment benefits, including informal workers. Some countries have also set up **special funds to support the self-employed**, also widening the access to unemployment benefits to include the self-employed and atypical workers. **Informal workers** are being targeted through cash transfers in countries such as Georgia, North Macedonia and Morocco.

Several trends should be noted in terms of vocational training. The first is the attempt to **combine STW with vocational training**. As the crisis entered later months and STW schemes were renewed, several countries such as **Germany** have introduced new measures reinforcing the role of training in short-time work. Take-up remains low, however, as companies do not have plans ready to implement training for large numbers of staff. This is due to the difficulties in planning investment in staff in a very uncertain economic climate, a lack of current resources due to reductions in business volumes, and some companies currently reviewing their longer term strategic direction and still considering a range of future options.

A second major trend to be underlined is the way PES have **adapted to provide vocational training**. In some cases, training has simply been suspended altogether (**Slovakia** and **Croatia**). In other cases, countries have adapted to a **digital delivery model of training**, though this has its limits in many cases due to a lack of digital skills among participants, as well as the low capacity of training providers to respond quickly and prepare adequately to an online form of delivery.

A third trend concerns **new forms of training** introduced to respond to the consequences of the crisis. Public employment services are taking **an increasingly important role in identifying and assessing skills mismatches**. Short training programmes are also being developed to allow reallocation to jobs in demand. The final trend to be mentioned here is a shift towards **training in digital competences**, with countries such as **Bulgaria, Croatia** and **Italy** introducing training programmes to provide workers and jobseekers with basic digital skills.

Wage subsidies have only been pursued in rare cases such as the health care industry in **Portugal**. One particularly innovative practice which should be underlined has been introduced in **Montenegro**, where a subsidy for new employment has been introduced to support informal workers and foster the transition towards formal employment.

As a general trend, **matching and placement services** have witnessed reduced activity, due to the lack of job openings, except in certain sectors such as agriculture, health care, logistics and IT. Nonetheless, some European public employment services have introduced some highly **innovative online platforms and digital services**. **Mobility schemes** have also been introduced in many countries to address labour shortages created by the crisis. In order to overcome these labour

shortages, some countries have changed rules to allow a combination of unemployment benefits or STW with taking up employment.

Azerbaijan, Uzbekistan and Armenia have also introduced or amended **public works programmes** to provide financial support to the population while addressing wider structural problems such as environmental issues.

Beyond introducing new measures and new forms of support, public employment services have also had to rise to the challenge of **adapting to an unprecedented situation**. The main challenges in this regard were keeping clients informed of changes in rules, allowing staff to continue working while complying with new health regulations, addressing capacity needs, setting up crisis teams and adapting delivery models.

Beyond traditional print media, television and radio, public employment services have been using social networks such as Facebook and Twitter, but also LinkedIn and Youtube. In order to reallocate staff to administering increased volumes of benefit claims and short-time work programmes, many PES have substantially **reduced their counselling services**.

Crisis management teams were also set up in several countries to help address the crisis and to handle institutional fragmentation. In a situation where face-to-face meetings have not been possible, **PES have reviewed and amended their service models** to not only maintain but wherever possible improve support for clients through digital contact.

The report also provides detailed insights into how a number of countries adapted their service delivery in the short to medium term. One important lesson learned is that the current trend towards digitalisation and dematerialisation of services has been reinforced by COVID and is expected to continue over the next years. However, it must also be noted that **many clients continue and will continue to prefer face-to-face contact**. In this regard, public employment services need to be aware of the need for continuing face-to-face counselling for those groups with poor digital skills and to develop the **correct balance of digital and physical services** in coming years.

Finally, the report examines some examples of innovative practices being implemented in EU and ETF partner countries to address the **long-term structural changes** which are being accelerated by the COVID pandemic. These practices aim to help prepare the upcoming **digital transition** and the move towards a **greener economy**.

Conclusions

This report has focused on innovations in labour market support, measures and services in reaction to the COVID-19 crisis. We have seen a number of changes in the way countries have addressed this unprecedented labour market crisis. Though many of these changes are by definition temporary in nature, designed to tackle the challenges brought about by lockdowns, others will be more long-lasting.

The COVID pandemic has had particularly significant implications for ETF partner countries. Government responses, as illustrated in a study of Jordan, have been essentially aimed at short-term mitigation of the adverse effects on the labour market. In this case limited to granting stability of employment in the private sector, protecting workers' rights and mitigating the consequences of closures.

The cases of Jordan and Moldova also illustrate some difficulties due to a lack of comprehensive approach to ALMPs. This can lead to a plurality of lines of interventions and approaches, and frequently inefficient deployment of resources due to a lack of co-ordination. A scheme from Moldova with considerable potential to support entrepreneurship has made limited progress due to insufficiently co-ordinated funding streams.

In contrast, the development and reform of ALMPs in North Macedonia presents a generally promising picture. Short-term results from the COVID response point towards consolidation being successful in maintaining employment. This has enabled the current consideration of a medium-term focus and priority on enhancing the employability of vulnerable jobseekers. The PES has adopted contingencies with some success to further mitigate negative impacts. North Macedonia reports its next challenge as

improving targeting of measures towards particular client cohorts and employers and sectors. Within this positive perspective, North Macedonia has also recognised a need to increase the focus of ALMP design on employability criteria.

Overall, social dialogue mechanisms have been cited as very good instruments to bring social partners in ETF partner countries together in a shared endeavour to optimise the return on investment into employment programmes.

Communicating the availability of programmes to potential beneficiaries, especially in rural areas remains a challenge. More effective communication can increase take up of well-designed programmes such as the Moldova scheme to promote on-the-job training. In regard to promoting stronger links between PES and employers, the Moldova PES reports a priority to challenge negative stereotypes held by some employers concerning the suitability of clients referred by the PES.

There is considerable potential to enhance the digital capacity of PES in ETF partner countries, including the development of links between PES and VET delivery as identified in North Macedonia. Improving digital access can improve opportunities for citizens to participate in training and support development of the knowledge-based economy.

The particular areas for attention in ETF partner countries can be summarised as weak governance, consequent difficulty in mapping of provision thereby complicating strategic service planning, uncoordinated provision of intervention lines, the absence of comprehensive information systems for internal use and for communication to beneficiaries and third parties, and an overall inadequacy of VET provision (notwithstanding progress in developing the sector reported from countries including Moldova).

Global action to **address climate change** is being increasingly reflected in programmes aimed at decoupling economic growth from environmental degradation and resource depletion, as well as strategies promoting sustainable consumption and production. This greening of the economy will, in tandem with the impact of increased automation and digitalisation on jobs, result in significant labour market disruption. PES will therefore need to increase their capacity and capability to efficiently manage labour reallocation and provide support for citizens facing an **increased volume of labour market transitions**. ALMPs will need to be designed to reflect these changes to **enhance the employability of jobseekers in an increasingly volatile and uncertain environment**. It will be important that PES are able to access support from EU Recovery Fund Programmes and support for Neighbourhood Countries designed to assist them in supporting economic reform, including achievement of Green goals as part of the post crisis recovery.

In particular, the trend towards **digitalisation and dematerialisation of services** is expected to continue over the next years. As we have seen, there is much variation between countries as to their current level of digitalisation, though all over EU and ETF partner countries, public employment services have shifted to a large percentage of digital service delivery. While this should be regarded as an opportunity to modernise services, to increase efficiency and rationalise processes, as well as improving outreach to those jobseekers who prefer digital channels, it must also be noted that many clients continue and will continue to prefer or in certain circumstances require face-to-face contact. In this regard, public employment services need to be aware of the **need for continuing face-to-face counselling for those groups with poor digital skills and to develop the correct balance of digital and physical services in coming years**, while focusing training delivery on digital skills of PES clients. This will of itself necessitate more sophisticated approaches on the part of PES to identify clients who will face further exclusion unless alternatives to digital services are available to them.

The potential longer-term post-crisis economic impact of the pandemic further emphasizes the **need for the most vulnerable jobseekers to be prioritised to prevent them from falling into long-term inactivity and social exclusion**. The ILO 2020-2021 Global Wage report has highlighted the risk of increasing labour market vulnerability imperilling previous socio-economic progress and exacerbating inequalities. The report concludes that those in informal employment, migrants, youth, people with contracts offering little employment protection, and women are especially at risk. The report therefore calls for adequate and balanced policies as well as strengthened social dialogue.

The **mismatch between the skills profile of jobseekers and inactive people and changing labour market needs** is a particular challenge in ETF countries and a number of EU Member States. More

effective School-to-Work Transitions and actions to support people with obsolete skills and qualifications are particularly important in this regard. Suitably **targeted investment in skills to enhance employability in greener and more digital labour markets** will necessarily play a very significant role in increasing the pace of post-crisis recovery and supporting employment-to-employment transitions.

Consequently, in addition to reconfiguring delivery systems and administrative processes, ALMPs will need to be designed and targeted to reduce the risks of further labour market and social exclusion for the most vulnerable PES clients. This will require ALMPs to be focused on enhancing employability with, where possible, employer input to programme design. This will broaden the customer base of many PESs introducing a broader mandate to integrate previously inactive citizens and those hitherto outside of the formal economy. In order to meet the demands of this expanded and more challenging role, it will be crucial that **PES develop and engage in deeper partnerships with stakeholder organisations** both to meet capacity demands and source necessary expertise to deal with clients with particularly complex needs. **Effective strategies for identifying and meeting skills needs are an essential component of developing social capital and fostering economic and social inclusion.** PES will need access to up-to-date labour market information to enable them to make a comprehensive assessment of future skills demands. Hogarth (2019) has emphasised the potential benefits from exploiting big data analyses to fully utilise available information, and the critical importance of ensuring that information on emerging skills demands is effectively communicated to all interlocutors involved in offering support. These include PES counsellors and careers officers who, with the appropriate tools, can ensure that targeted interventions – especially with the most vulnerable jobseekers – can address asymmetry in access to labour market information and enhance prospects for those farthest from integration. Further to this, increased investment in IT can both facilitate joint initiatives to assist such clients, those farthest from the labour market and enhance the self-service offering for those clients able to self-serve. The latter will be involved in **increasing numbers of career transitions as a consequence of COVID “fast forwarding” pre-existing trends towards increased flexibilization of employment relations and more frequent job changes, driven by the increasing rate of technological change and growth of Transitional Labour Markets..**

(draft) Recommendations

The study provides a number of potential recommendations for consideration by ETF partner countries for the review of their employment policies and service delivery to better deal with the labour market disruption caused by the COVID-19 pandemic and policy implications, in particular for upskilling and reskilling strategies. Those strategies would need to build on evidence, thus focus strongly on timely data collection towards enhanced labour market information systems, including the skills needs anticipation.

The economic recovery poses a number of challenges and opportunities for PES interventions at the level of measures, support and services. The increased demand for PES intervention due to aggravated labour market and social situation may incentivise actions towards efficiency gains through innovation in ALMPs' design and delivery methods in order to increase their effectiveness.

The design of ALMPs should be reviewed **to ensure that training programmes include measures that meet the needs of the most vulnerable and furthest from the labour market.** VET, skills, and employability programmes should focus on **assisting jobseekers to access jobs in growing sectors with labour demand.** Including employers in discussions about ALMP provision can assist in ensuring that measures meet labour market needs. As far as possible, ALMPs should be delivered flexibly, enabling clients to access courses digitally, and at times which suit their overall working patterns, when necessary. Modernising the training offer with the objective to provide skills to more innovative growing sectors should not be underestimated.

The profile of jobseekers in ETF partner countries means that COVID has placed a **particular premium on skills development for those jobseekers with the most significant employability barriers.** To meet challenges arising from significant labour market disruption, PES reforms will be necessary, especially to ensure the social inclusion of the most vulnerable clients with significant skills deficits. Such reforms should include the active promotion of partnerships to increase delivery capacity based upon meaningful dialogue between stakeholders. The latter should include employers, unions, skills providers, and vocational and educational training (VET) institutes. Policy cohesion will be needed from international, national, regional, and local tiers. Reforms should be informed by a

thorough understanding of local labour market needs, co-ordinated local service delivery strategies, effective management structures, and clear ownership of support activities.

Provision of adequate resources will be necessary to deliver change which will be assisted in **an environment encouraging innovation and sharing of experience and good practice**. As a starting point, a full mapping exercise should be undertaken to identify existing supply chains for the delivery of skills enhancement and employability support. This can enable gaps and duplication to be identified and administrative structures to be clarified, facilitating the transparency of agency responsibilities and support capacity to be established between PES and other support agencies as a precursor to the formulation of proposals for service enhancement.

In order to avoid citizens with the most significant barriers to labour market inclusion falling into even more precarious situations, PES should prioritise efforts to encourage people from these groups to register. This will enable support needs to be identified and PES to enhance their function as a crucial source of up-to-date information on labour market activity. **Encouraging registrations will need enhanced outreach activities and can ensure that vulnerable people are steered to support services which can support their subsequent integration.**

To meet the capacity challenges that come with delivering an expanded mandate – including increasing numbers of previously inactive people – **PES will need to develop both their customer contact strategies and stakeholder partnerships**. Investing in IT systems which can offer greater self-service opportunities for more autonomous jobseekers can enable resources to be identified for providing more intensive personalised support for those furthest from the labour market. Digital delivery systems can therefore enable PES to meet the needs of increasing numbers of clients whilst enabling sufficient funds to be available to continue to provide face-to-face support for customers who will continue to require this. Developing service delivery partnerships with public, NGO, and private sector organisations can enable specialist support to be provided for groups with particular needs, including young/older people, the disabled, migrants and the long-term unemployed.

Developing employer engagement strategies through targeting those with vacancies most suited to the skills and aspirations of registered jobseekers can encourage more enterprises to place jobs with the PES. Providing further support such as assisting in the administration of recruitment exercises can further encourage employers to work in partnership, increasing placement of priority PES clients.

Well-designed and appropriately targeted short-term work, wage subsidy, and public works schemes can offer further tools to maintain crucial labour market attachment, especially for citizens at risk of falling into long-term unemployment.

The needs of the self-employed, and people working in the informal economy must also be considered. In addition to their needs being reflected in the ALMPs offered, the scope to include them in social assistance and direct cash transfer schemes should be investigated. This can form part of necessary wider reviews of programmes to alleviate the impact of the crisis of the most vulnerable citizens not covered by unemployment insurance.

In regard to **unemployment benefits, the coverage, design, and payment levels should be reviewed to establish scope to better reflect the needs of jobseekers in a rapidly changing labour market**. Opportunities to further automate, streamline, and simplify administrative delivery systems should also be explored. Where practicable, ETF partner countries should review overall financial assistance programmes to investigate the potential for more flexible approaches, including enabling passive benefit payments to be combined with active support such as short-term work schemes where this can subsequently increase integration rates and reduce fiscal burdens.

The COVID-19 pandemic has increased the rate of labour market change and administrative reform and modernisation. Pre-existing trends have been fast-tracked, presenting significant challenges for governments and all employment service providers. However, responses to these reflect the innovation which has been applied to overcome the difficulties arising from the crisis and can illustrate how, with appropriate planning, there is potential to not only alleviate the labour market disruption but realise opportunities to enhance the situation of PES clients.