Effectiveness of Active Labour Market Programmes in crisis and post crisis contexts: evidence, determinants and current developments

COVIDIMPACT – ACT ON SKILLS WEBINAR

Session 1 - Activation and skills development – policy innovation and partnerships

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Key focus of analysis

The ultimate goal of the analysis is to develop a targeted review of those ALMPs which show the most promise to address the economic challenges met by ETF partner countries in response to crises, taking into account their specific institutional context.
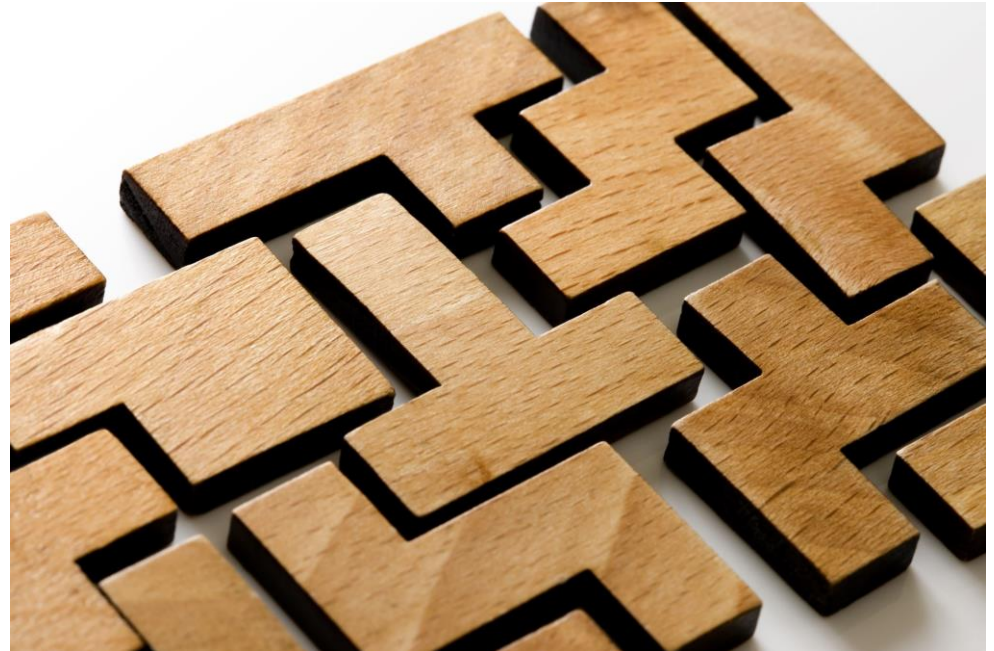
? What works, for who and why?

⚠ ALMPs in crisis contexts

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Defining ALMPs

ALMPs :

i. Training

ii. Employment Incentives

iii. Sheltered and supported employment

iv. Direct Job Creation

v. Start-up incentives

vi. Job search assistance

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Methodological challenges of measuring ALMPs effectiveness

Perspective	Key outcomes
Employment outcomes	Increasing employment probability of individuals
	Other employment outcomes (job quality; job duration; individual productivity)
Earnings/welfare related outcomes	Combating poverty
	Level/rate of unemployment
	Economy informality
Wider societal effects / spill-over	Crime rate
	Healthcare
	Schooling / education
Soft outcomes	Well-being of beneficiaries
	Self-assessment of career / employment prospects
	Entrepreneurship

- Employment of the beneficiary is usually assumed as a key outcome of ALMP, but the literature review revealed a range of expected and actual outcomes of activation policies.

- Other outcomes - including wider societal effects, developing human capital and skills, increasing the employability of beneficiaries, or shortening the distance to the labour market - might be crucial to assessing effectiveness of policies in developing countries.

Points to consider in ALMPs assessment:

- Analysis of negative effects (e.g. deadweight, substitution and displacement effects) for net effects calculation (use of counterfactual)

- Design beyond montoring (experimental and quasi-experimental) challenging and limited in developing countries (including ETF PCs).

- Inclusion of time constraints (differences in impact between short- medium- and long-term for different measures),

- Need to combine micro- and macro level of analysis and analysis of interdependencies between policies and their implementation capacity by relevant institutions

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Factors influencing ALMPs effectiveness:

- Targeting of the measures (definition of vulnerable groups) and their comprehensiveness (combination of measures)

- Programme management and delivery (coordination, cooperation, support)

- Contextual factors:

  – phase of economic cycle (recession, recovery and prosperity),

  – economic development (economic growth, income level and/or level of informality of economy) and

  – institutional capacity (mostly PES, including scope of services, operational models and resources capacity)

Training

Key Findings:

- The most common ALMP

- Training is most effective at increasing employment outcomes when focused on specific groups of people in certain sectors.

- Effectiveness involved in training is normally demonstrated in the long term.

- Assigning counsellors to trainees helps to improve employment effectiveness.

- Most effective in low- and middle-income countries when tied to counselling, and focused on women and all age groups.

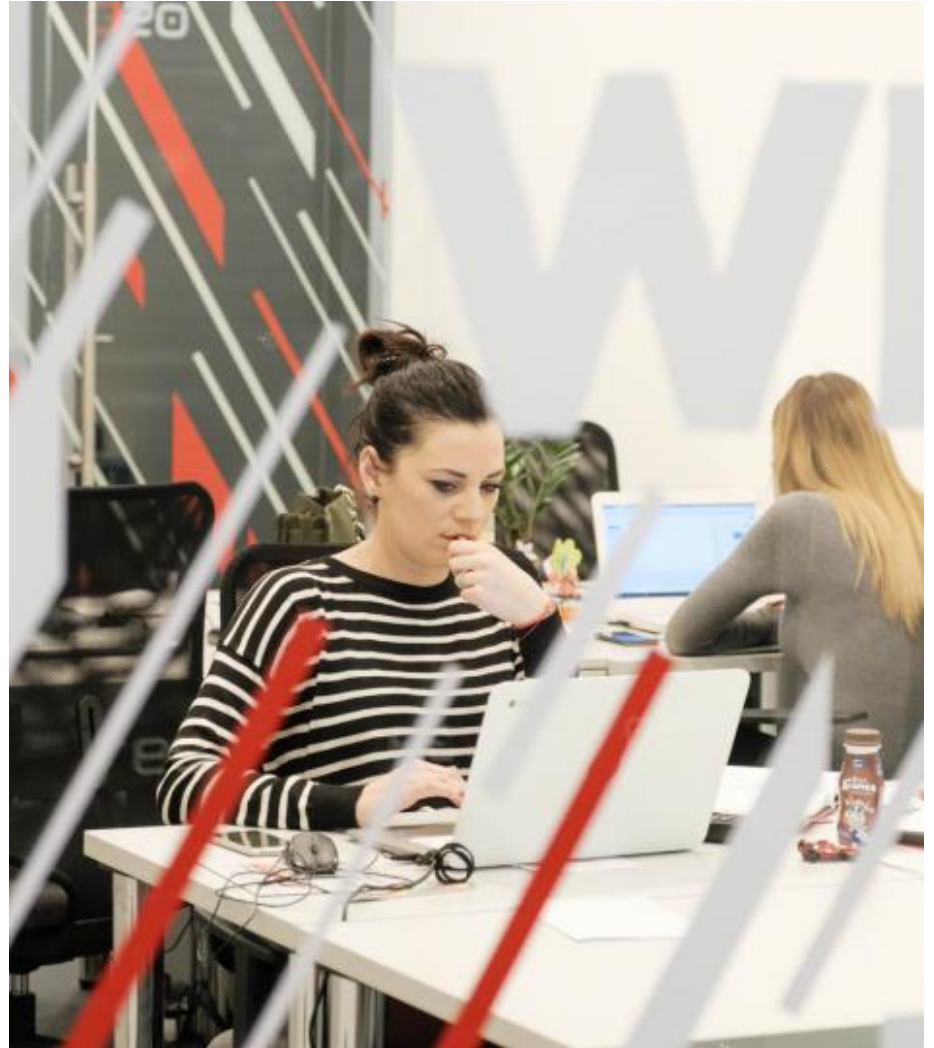Source: ETF Website

Employment Incentives

Key findings:

- Rather expensive ALMP measure

- Assessment on employee suitability necessary for effectiveness

- Best focused on specific target groups

- Most effective in low and middle income countries when tied to training

Source: ETF Website

Sheltered and Supported Employment

Key findings:

- Least common ALMP

- Requires strict programme management for effectiveness

- Works best for including disabled persons into workplaces

Source: ETF Website

Direct Job Creation

Key findings:

•   Most effective in crisis context as a means to support those on low incomes and keep them close to the labour market

•   Particularly effective in low and middle income countries with lower institutional capacity

•   Ought to concentrate on delivering socially beneficial outputs

Source: ETF Website

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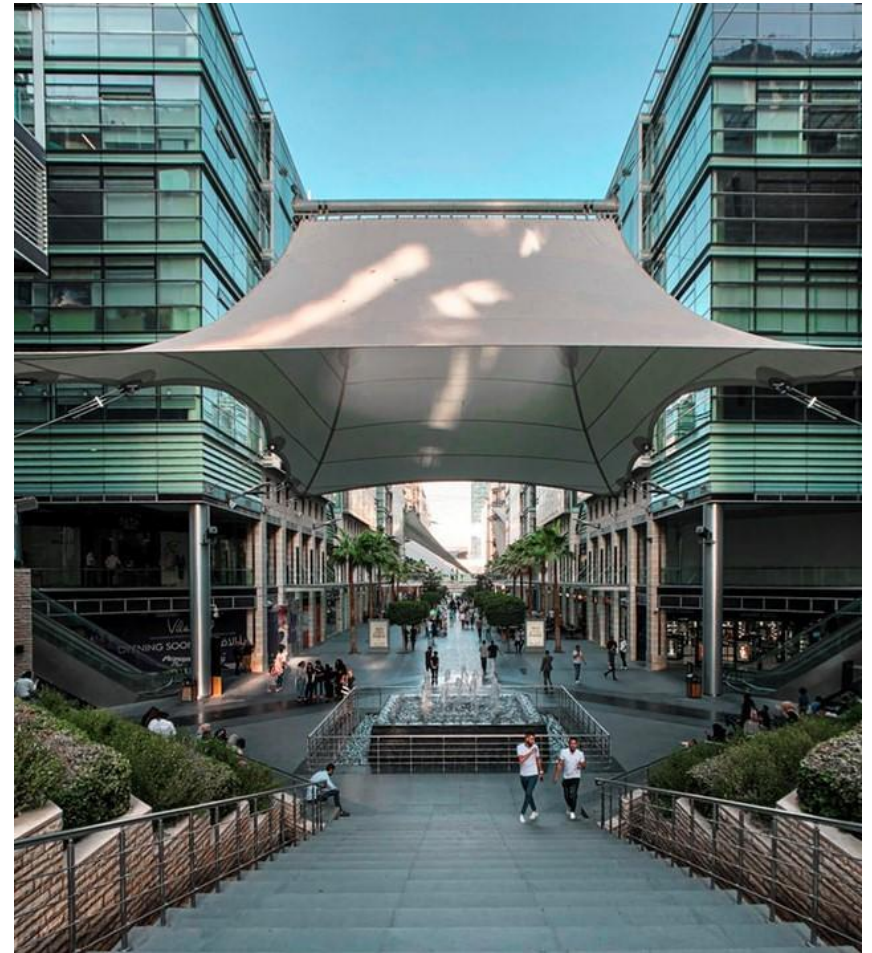
Start-up Incentives

Key findings:

- Particularly effective in low and middle income countries when partnered with training

- One of the least common ALMPs despite widely found success in all countries

- Particular success amongst women in low income countries

Source: ETF Website

Job Search Incentives

Key findings:

- Most common in high income countries

- Requires high institutional coherence

- Effectiveness is determined by a well-balanced sanctioning and job search support

- Young people particularly benefit from job search support

Source: ETF Website

Review of Past Crisis Measures (2008 and beyond)

Key Findings:

- 2008 stimulated an increase in activation measures in high, middle and low income countries as they became key measures to counter high unemployment as a result of the crisis

- The crisis increased the use of ALMPs in high income countries with Employment Incentives and Training playing leading roles

- ETF partner countries deployed ALMPs in response to the crisis confirming their position as a crisis response mechanism. Deployment of ALMPs is hugely varied with regional differences and institutional capacity determining delivery

- Some ALMPs have begun to tackle the climate crisis in both high and middle income countries

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Review of Past Crisis Measures (2008 and beyond)

Key Findings:

- Meta-analysis of 20 EU countries response from 2007-2013 (Godec and Benčina, 2018), shows that ALMPs had a positive impact on the employment rate during the crisis period.

- Kluve (2010) notes for European ALMPs that the programme's type/category determines performance.

- Meta analyses uncover that ALMPs have time-lags in their impact.

- Vooren et al (2019) notes that ALMPs with enhanced services including job search assistance and training have positive impact from inception.

- Activation has solidified its position in OECD countries following the crisis, with participation in ALMPs and more rigorous sanctions a near universal pre-requisite for accessing social security (European Commission, 2017).

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Review of Current Developments (COVID-19 crisis)

Key Findings:

- The crisis has seen the use and greater implementation of active measures first trialled in the 2008 recession

- Income protection measures through huge workplace subsidy schemes have been universal in reaction to the crisis

- Although small in number, EU countries have developed innovative re-training programmes as a response measure

- Low and middle income countries outside of the ETF and Europe are leading the way in terms of implementation of ALMP delivery to combat the crisis

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Review of Current Developments (COVID-19 crisis)

Key Findings:

- The diverse institutional capacity and socio-economic situation of ETF partner countries inflects the crisis response measures that have been implemented in response to COVID-19.

- Like OECD countries, the initial response focused on work subsidies to replace the lost income of employees.

- Of the operational PES, all are experiencing an unprecedented influx of service users which is a particular challenge due to their low level of resources.

- ALMP delivery in ETF partner countries is still very much focused on income protection and slowly progresses to programmes to address unemployment in a complex way in the majority of cases

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Key messages and lessons learned

- Measurement of ALMPs effectivenes is challenging in terms of methodological design and availability of evidence

- Outcomes beyond employment are rarely measured, while being also important in developing countries & crisis context

- Desing & delivery of the programme crucial, but different contextual factors might influence ALMPs effectiveness

- Review of past crisis measures (crisis of 2008 and beyond) revealed the increased use of ALMPs (spending & scope) in high income, but also middle and low income countries .

- During the current crisis caused by Covid-19 pandemic, among activation measures the most important role is played by income protection measures, but the evidence on effectiveness of ALMPs in this context is limited

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