



Active Labour Market Policies: What Works
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WHAT HAVE WE LEARNED ABOUT
WHICH TYPES OF ALMPS WORK:
*“GETTING BETTER” OR “HEARTBREAK
HOTEL”?*

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OUTLINE OF THE PRESENTATION

- The **paradox** of ALMP evaluation:
 - Huge advances in quality and quantity of evaluation research (“its getting better all the time”)
 - Often disappointing or conflicting results (“heartbreak hotel”)
 - New CBA study for the Netherlands
 - Barrow and Smith’s survey for the US (“a mixed but somewhat disheartening picture”)
- Essential role of **context** for ALMP effectiveness (with examples):
 - Macro environment (ALMPs in recessions)
 - Tailoring to the needs of specific groups and individuals
 - Incorporation of individual ALMPs into an overall activation policy
 - Incorporation of evaluation techniques into performance management



A bird's eye view of the evaluation paradox for ALMPs

- Huge advances in the quality and quantity of evaluation research thanks to the combined efforts of researchers and governments
 - Methodological advances: Random assignment trials (mostly US) and non-experimental statistical techniques (matching, regression discontinuity)
 - Government support (data availability and programme design to facilitate evaluation)
 - Paradox how greater rigour tends to limit generalisability of the results
- Some general patterns in what appears to work, but also many discrepant findings
 - Cost-effectiveness findings: JSA>Training/counselling>publically subsidised jobs (although training looks better in LR evaluations)
 - Many unresolved issues (which groups benefit most, why apparently similar measures evaluate very differently in different times and places)



Adapting ALMPs to specific contexts: selected examples

- Macro environment (ALMPs in recessions)
- Matching the right ALMPs to the right persons:
 - Tailoring to the needs of specific groups (mass layoffs, newly arrived migrants, low-skilled NEETs...)
 - Tailoring to the needs of specific individuals (case worker judgement or statistical profiling?)
- Incorporation of individual ALMPs into an overall activation policy
- Incorporation of evaluation techniques into performance management



ALMPs during recessions

- Mixed evidence about whether cost-effectiveness rises or falls in a recession
 - Some find higher returns (e.g. due to a lower lock-in effect)
 - Others find lower returns (e.g. due to greater displacement effects)
 - High costs of long-term unemployment suggests trying to scale-up ALMPs as unemployment surges
- How to scale up ALMPs during a recession?
 - Need more funds just as fiscal situation deteriorates (automatic budgetary increases in AUS, CHE, DNK)
 - Adjust programme mix towards more training and less immediate job placement
 - Be careful to maintain quality



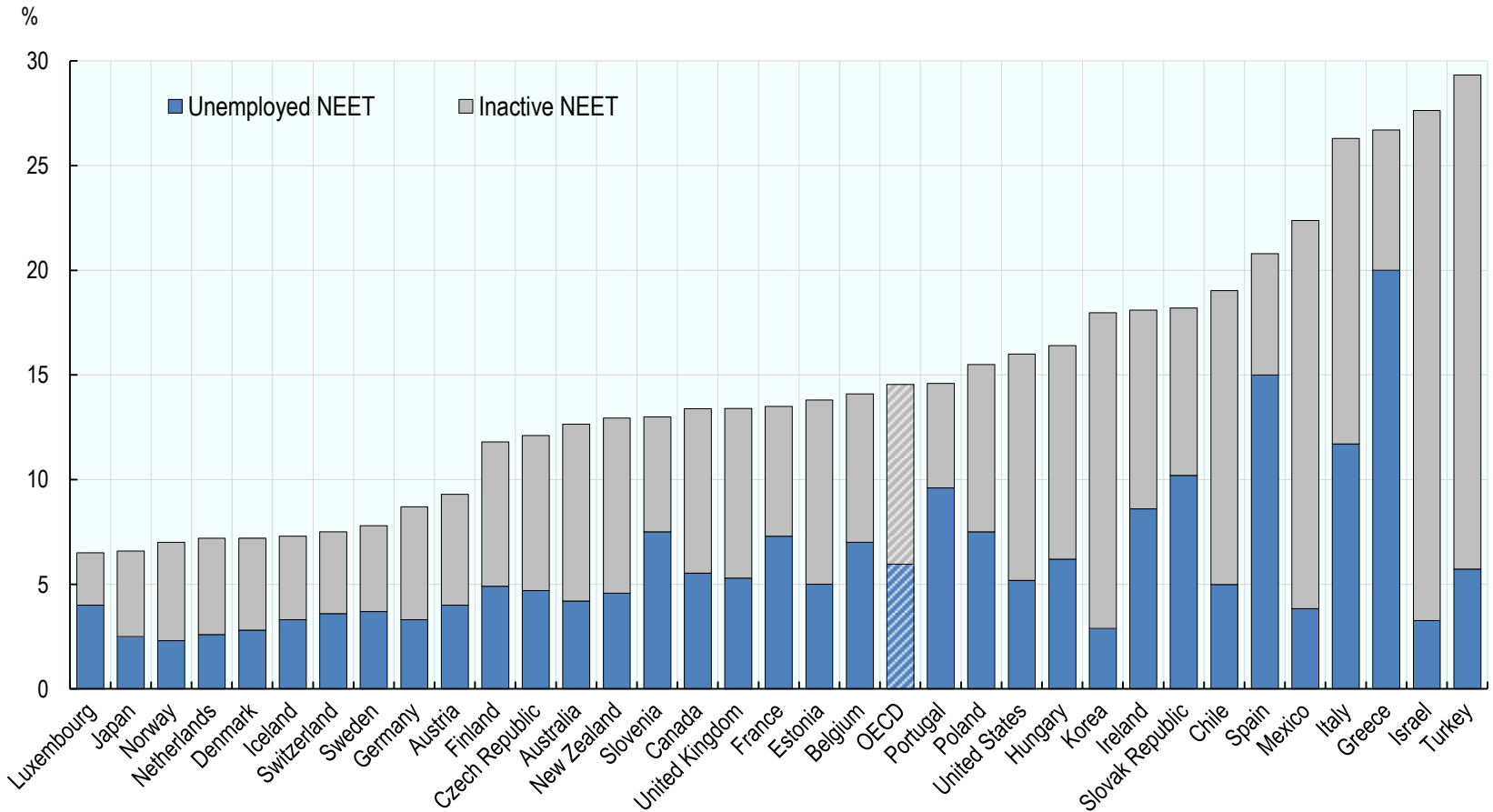
Tailoring ALMPs for specific groups

- Mass layoffs
 - Particular profile of older displaced workers in a “congested” local labour market
 - Rapid response measures (Job Security Councils in SWE; public programmes elsewhere, but employers need to cooperate; individual enrolment in Quebec Province, CAN; peer counselling in AUS but not JPN)
 - Good examples with European Globalisation Adjustment Fund
- Integrating newly arrived migrants into the labour market
 - 2-year introduction programme in SWE (comprehensive, but may lack required flexibility and smooth pass-off to mainstream support)
- Low-skilled youth neither in employment nor in education or training (NEETs): next 3 slides



NEET rates are high in many advanced economies and the majority are inactive

Inactive and unemployed NEETs as a share of all youth 15-29, 2014^a



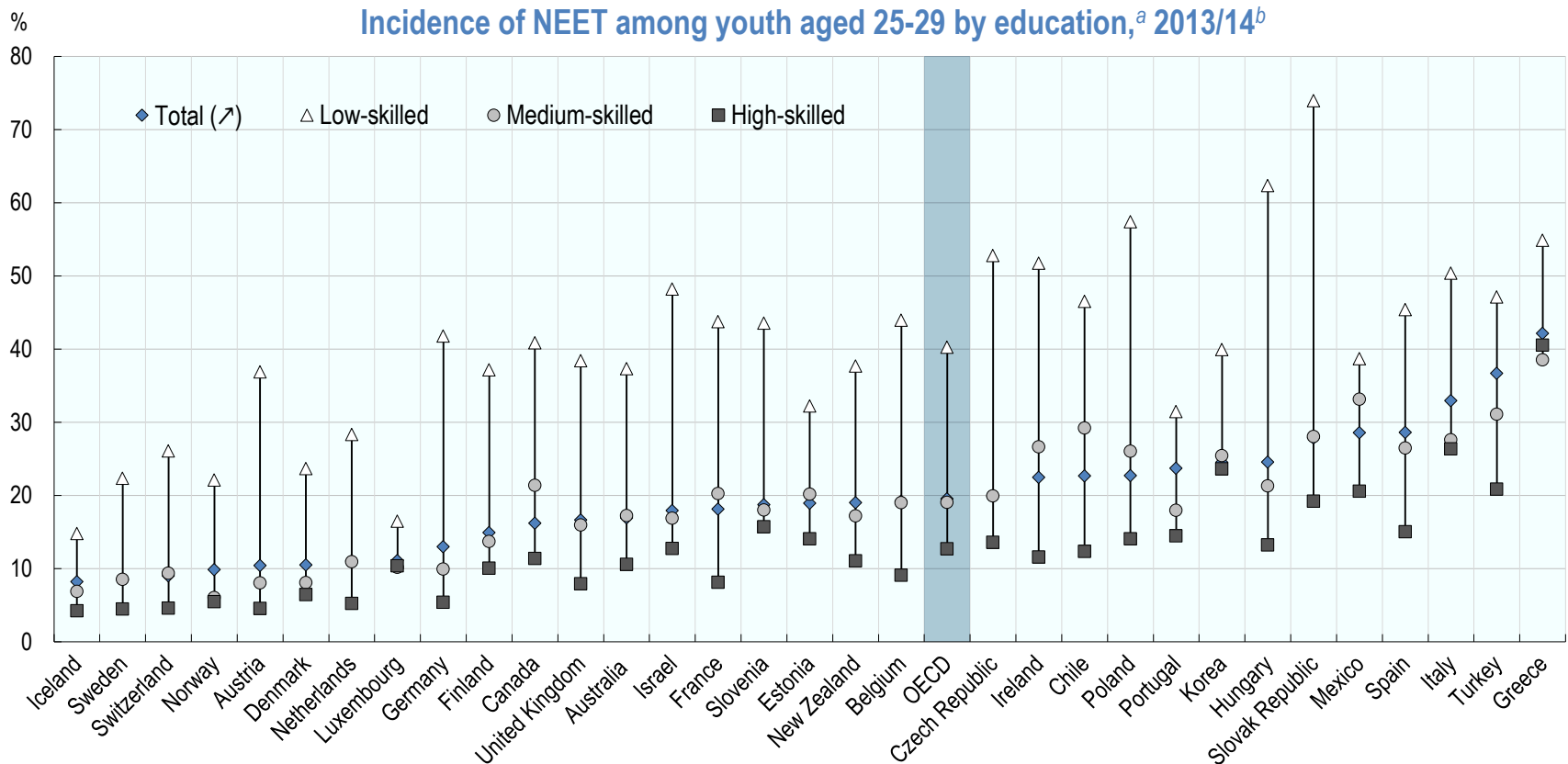
Note: OECD is the unweighted average of countries shown.

a) 2011 for Israel, 2013 for Chile and the United States. Youth aged 15-24 for Japan.

Source: OECD calculations based on national labour force surveys.



NEET rates are higher for low-skilled youth



Note: OECD is the unweighted average of countries shown.

a) The term “low-skilled” is used to describe individuals with at most lower-secondary education (ISCED levels 0-2); “medium-skilled” refers to individuals with upper- or post-secondary education (ISCED levels 3-4), and “high-skilled” is used to describe individuals with tertiary education (ISCED levels 5-6).

b) Data refer to 2013 except for Canada and Mexico (2014). No data were available for the United States and Japan.

Source: OECD calculations based on the EU-LFS and national labour force surveys except for Australia, Israel, Korea, New Zealand and Turkey (OECD Education Database).



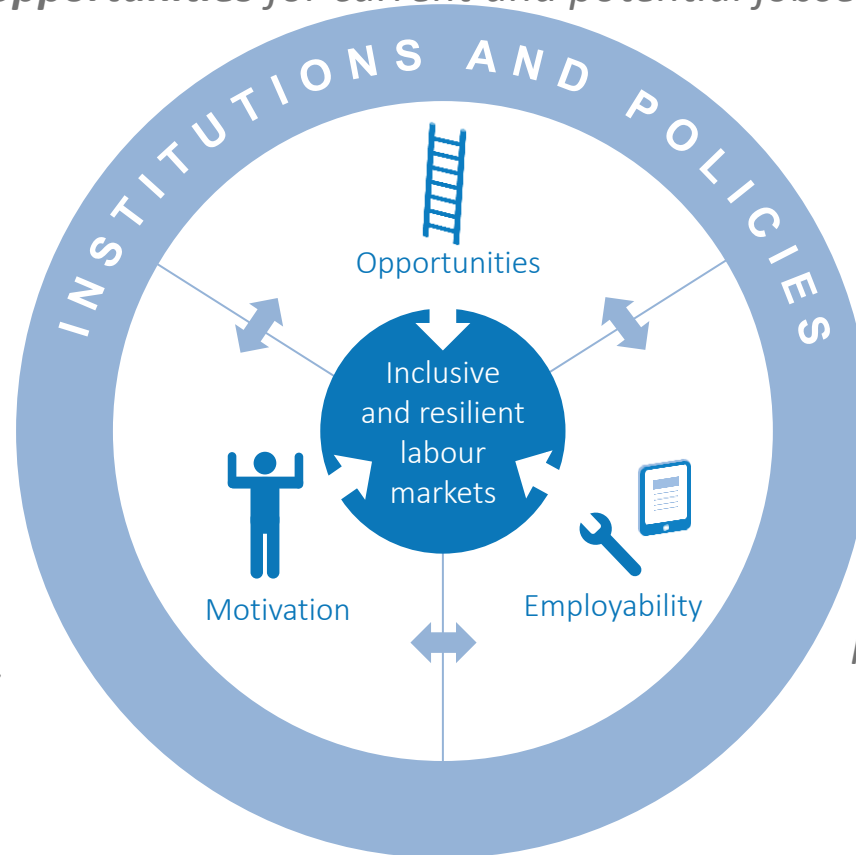
Policies to re-engage NEETs: ALMPs are only one piece of the puzzle

- **Youth ALMPs often evaluate poorly**
 - Even the Jobs Corps in the US is now seen to be less than cost-effective
 - Also often difficult to find/enroll disengaged youth in ALMPs
- **Comprehensive programmes are needed to re-engage NEETs**
 - Outreach and effective profiling are crucial
 - Many issues may need to be addressed (housing, psychological support, language training for immigrant youth, income support)
- **Prevention is also key to promoting self-sufficiency among youth**
 - Fighting early school leaving is essential for tackling the NEET challenge
 - Quality vocational education and training can smooth school-to-work transitions



ALMPs need to be integrated into an overall activation policy

Addressing demand-side barriers and expanding employment opportunities for current and potential jobseekers



*Ensuring that current and potential jobseekers have the **motivation** to seek work*

*Intensive case management, placement services and participation in ALMPs to increase **employability***



Integrating ALMP evaluation with performance management

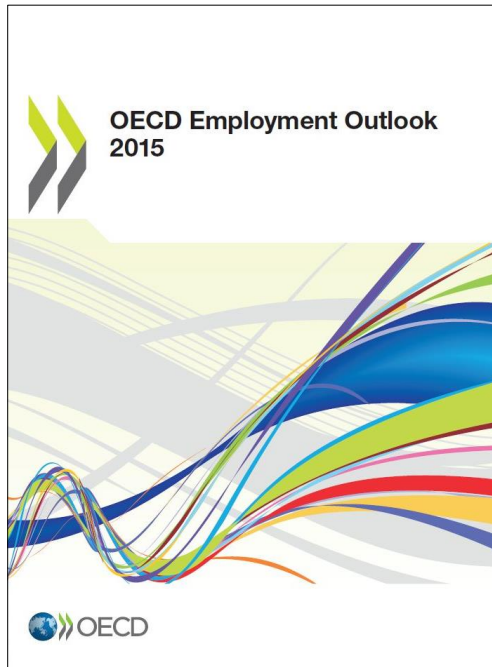
- Not straight forward given imperfect performance measures, but important to reward effectiveness as much as possible
- Two non-EU national examples:
 - NZL’s “investment approach” to rating the performance of ALMP providers
 - Each year, expected future benefit liabilities are calculated by external actuaries for all benefit recipients
 - Core performance measure for the NZL Welfare Agency is change in total future liability adjusted for changes in overall economy
 - Incentives sharpened, but perhaps not in the best direction possible
 - AUS’s privatised employment service (Jobs Services Australia)
 - Fee schedule to providers based on both: (i) characteristics of new clients; and (ii) success in placing them in jobs and employment retention
 - Star rating system of provider performance (regression based) influences market share in the competitive tendering process
 - Constant refinements since introduced in 1998



Thank you

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