



Impact Evaluation of Vocational Training and Employment Subsidies for the Unemployed in Lithuania

Connecting People with Jobs

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OECD Directorate for Employment, Labour and Social Affairs

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The OECD- EC project on policy impact evaluation

Objectives

Improve efficiency and effectiveness of policy measures

Strengthen countries' analytical capacity

Draw lessons for establishing/improving the mechanisms for linking data and using these data regularly and systematically for CIEs

Activities

Counterfactual impact evaluations (CIEs):

- Analysing wage subsidy programmes (Lithuania, Greece), training for unemployed people (Lithuania, Finland, Greece), public works (Ireland), internship (Portugal-TBC)
- Examining impact on outcomes beyond employment, i.e. earnings, career progression, occupational mobility
- Analysing sequence of referrals to Active Labour Market Policies (ALMPs) (Ireland)

Peer learning events: technical and high-level

Assessment of ALMP impact evaluation system (Canada, Finland)

Country reports and synthesis report with lessons learnt

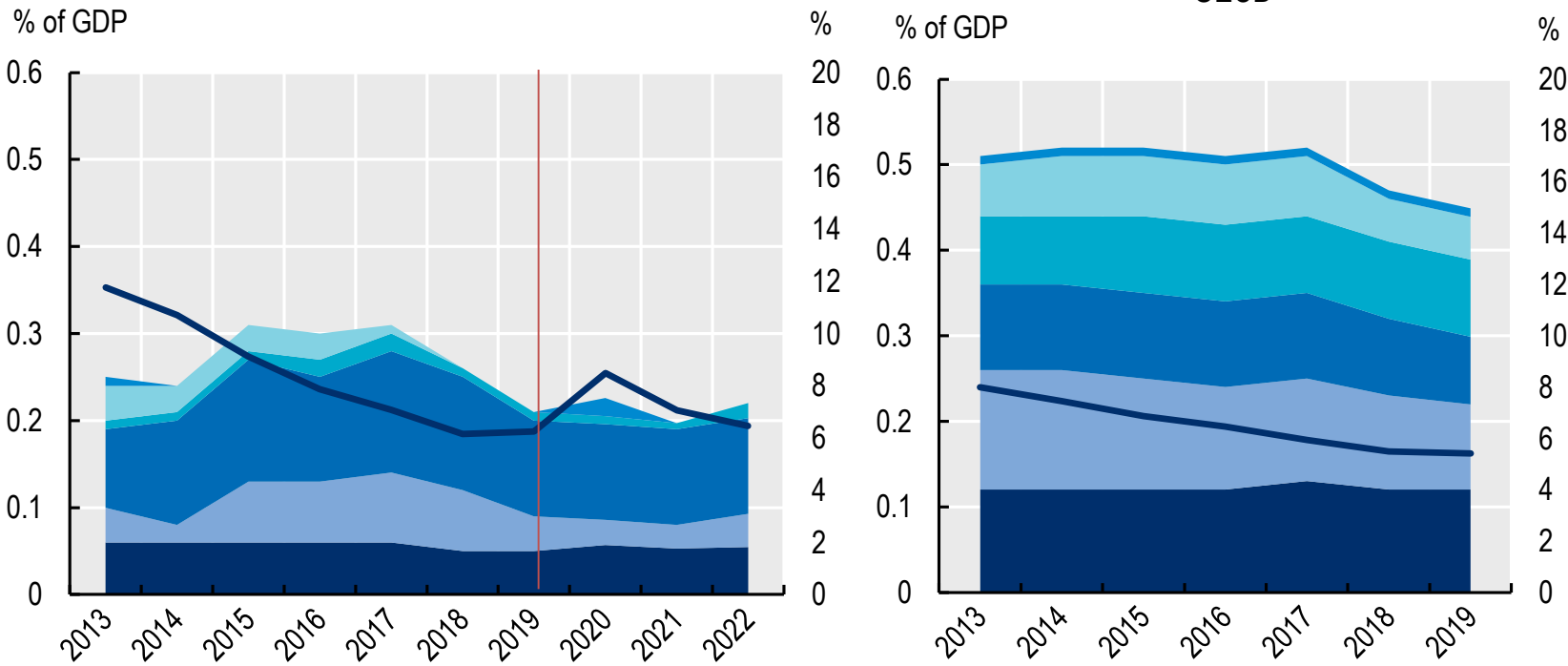


Significant improvements in the ALMP system, but not reaching all who need support

Expenditures on ALMPs and unemployment rate

Lithuania

OECD



Resilient labour market, but...

- Population decreasing fast
- High employment gaps by education, municipality
- Wage increase exceeds labour productivity

The institutional set-up and organisation of ALMPs significantly improved, but...

- ALMP funding and coverage remain low
- Particularly low funding for public employment services (PES) and training
- More evidence needed on what works and for whom

PES and administration
 Training
 Employment incentives
 Sheltered and supported employment and rehabilitation
 Direct job creation
 Start-up incentives
 Unemployment rate (right axis)



OECD impact evaluation of ALMPs in Lithuania



Objective Help Lithuania evaluate and design active labour market policies (ALMPs) to benefit its citizens, including through better use of administrative data for monitoring and evaluation



Focus Counterfactual impact evaluation of Lithuania's two main ALMPs examining a number of dimensions:

- Effects on employment probability, days worked and earnings
- Effects on occupational match and wages (among those becoming employed)
- Analysis of treatment effects across subgroups (e.g. age, gender, unemployment duration)

Also provide suggestions for improving ALMPs and how they are monitored/evaluated



Process

- Discussions with stakeholders
- Analysis of individual-level data
 - Data from unemployment registry, ALMP database, employment outcomes and earnings, as well as employer-level data
- Counterfactual impact evaluation (CIE) that accounts for outcomes that would have otherwise occurred
 - Econometric technique pairs each programme participant with a similar individual who did not participate
 - Pairing accounts for a rich set of characteristics including past employment and earnings history

Based on scrambled (pseudonymised) individual identifiers to preserve confidentiality



Vocational training is a short-term, voucher-based training programme



Voucher-based training where jobseeker can select from accredited training providers and select from many different programmes



Individuals can participate via either (i) agreement with PES or (ii) tripartite agreement involving also future employer



Duration is generally 3 months for formal training and 1 month for non-formal training; average length is 2.8 months



Individuals generally enter training after being unemployed for 2-5 months



Average subsidy amount was EUR 1 768 during 2014-2020

Quite unique to have this type of arrangement for vocational training

Take-up rates

- Take-up rates are *higher* for men under 50 and those unemployed for three months or less
- Take-up rates are *lower* for less educated and for women over 50



Employment subsidies provide a financial incentive to hire and retain jobseekers



Subsidises participants' wage costs (since 2017, 50% of wages, with a ceiling amounting to twice the minimum wage)



Duration is generally 5-6 months



Individuals generally enter after being unemployed for 4-6 months



Average subsidy amount increased from EUR 1 004 in 2013 to roughly EUR 1 550 from 2016 onwards



Employers must retain workers for 12 months or they are ineligible for future subsidies (for 12 months)

Fairly generous when compared to programmes in many other countries

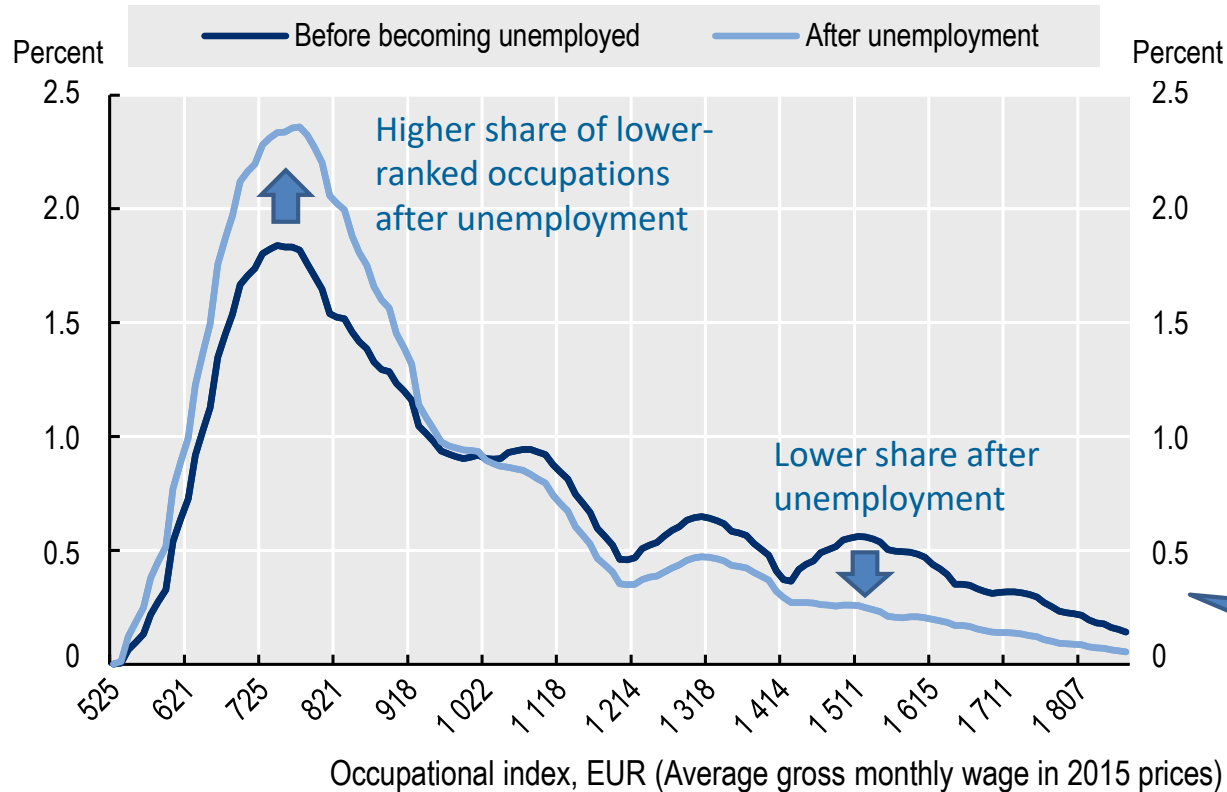
Take-up rates

- Take-up rates are *higher* among jobseekers under 30 or over 50 (consistent with target groups)
- Take-up rates are *lower* among less-educated unemployed



Looking beyond employment prospects to analyse occupational mobility

Distribution of employment by occupational index for individuals who were unemployed, Lithuania



Calculation and use of occupational index

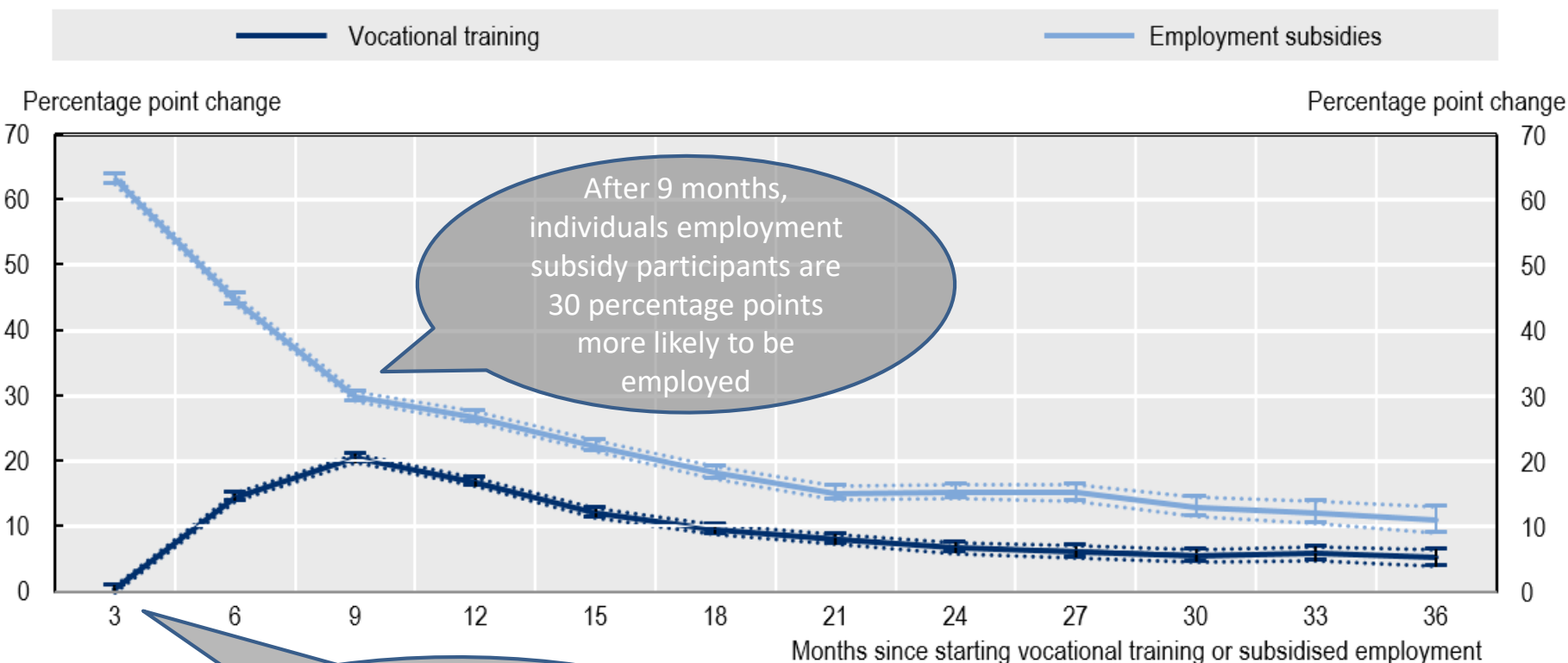
- Generate index value for each detailed occupation based on average observed real wages in Lithuania 2014-2020 period
- Use occupational index as outcome in CIE, similar to employment or earnings

Unemployment has a scarring effect on occupational mobility



Vocational training and employment subsidies help jobseekers become employed

Change in employment probability



After 9 months, individuals employment subsidy participants are 30 percentage points more likely to be employed

Initially low effect for vocational training reflects "lock-in effect" while in training

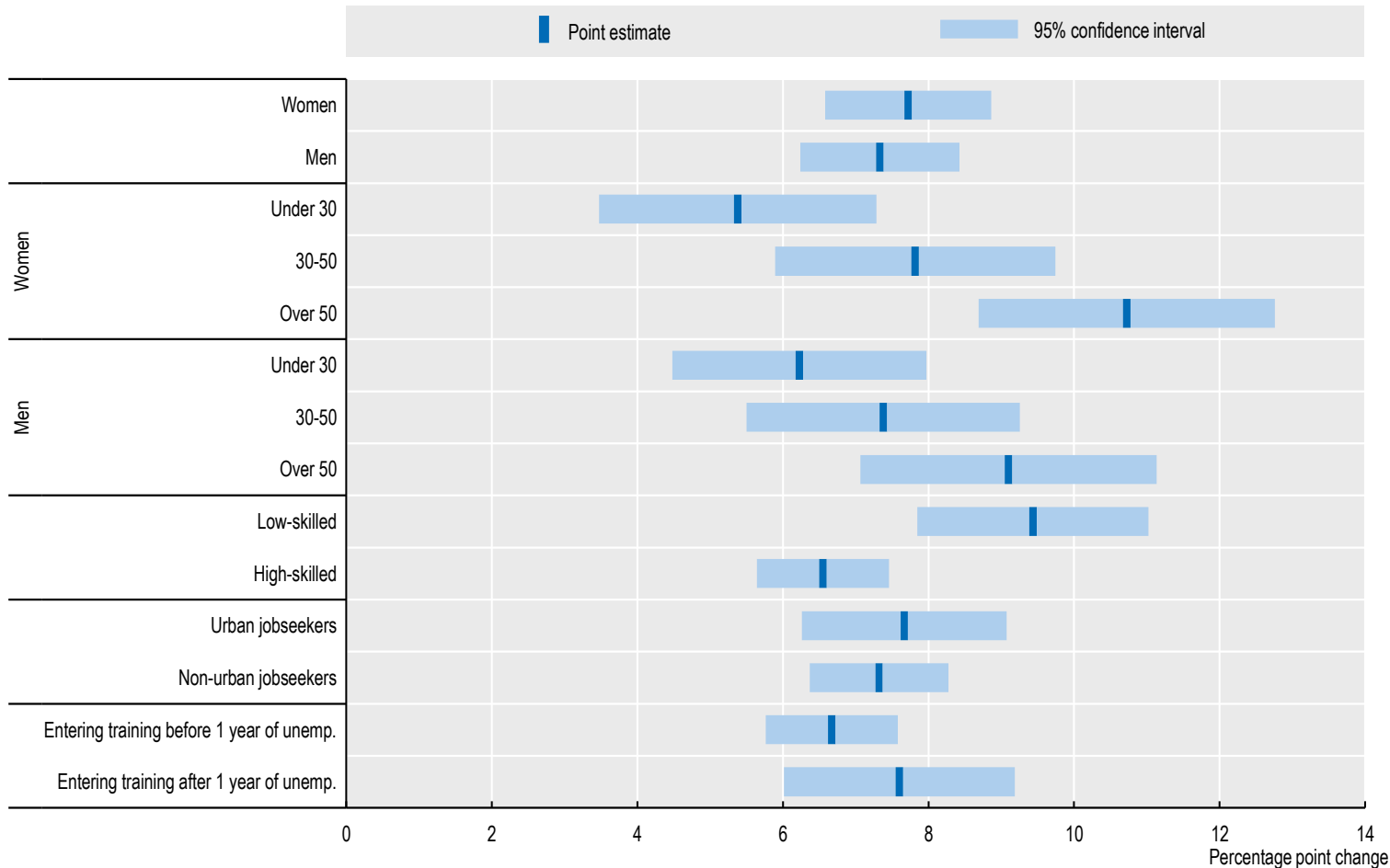
Results overview

- Both programmes have positive effects, even after 3 years
- Positive effects of training depend crucially on employer involvement: very positive effects for jobseekers with employer agreement
- Results compare favourably with results of similar studies from other countries, particularly in terms of Lithuanian programmes' high short-term effects



Employment effects of training are particularly strong for women over 50 and the low-skilled

Vocational training: Effect on employment probability at 24 months



Key findings

- Progressively greater boosts to employment for older age groups
- Low-skilled benefit especially compared to higher-skilled
- Results suggest targeting could be improved



The ALMPs analysed generally also have positive effects on other outcomes as well

Effects on cumulative days worked and cumulative earnings are generally positive

- Participants in ALMPs studied generally have higher cumulative earnings and days worked than non-participants
- Effects are largely tied to employment effects

Any direct displacement effects within firms receiving employment subsidies are small

- Subsidised job positions do not appear to be replacing unsubsidised ones within firms
- Additional data would be necessary for examining deadweight



The results on occupational mobility are more nuanced

Vocational training effects

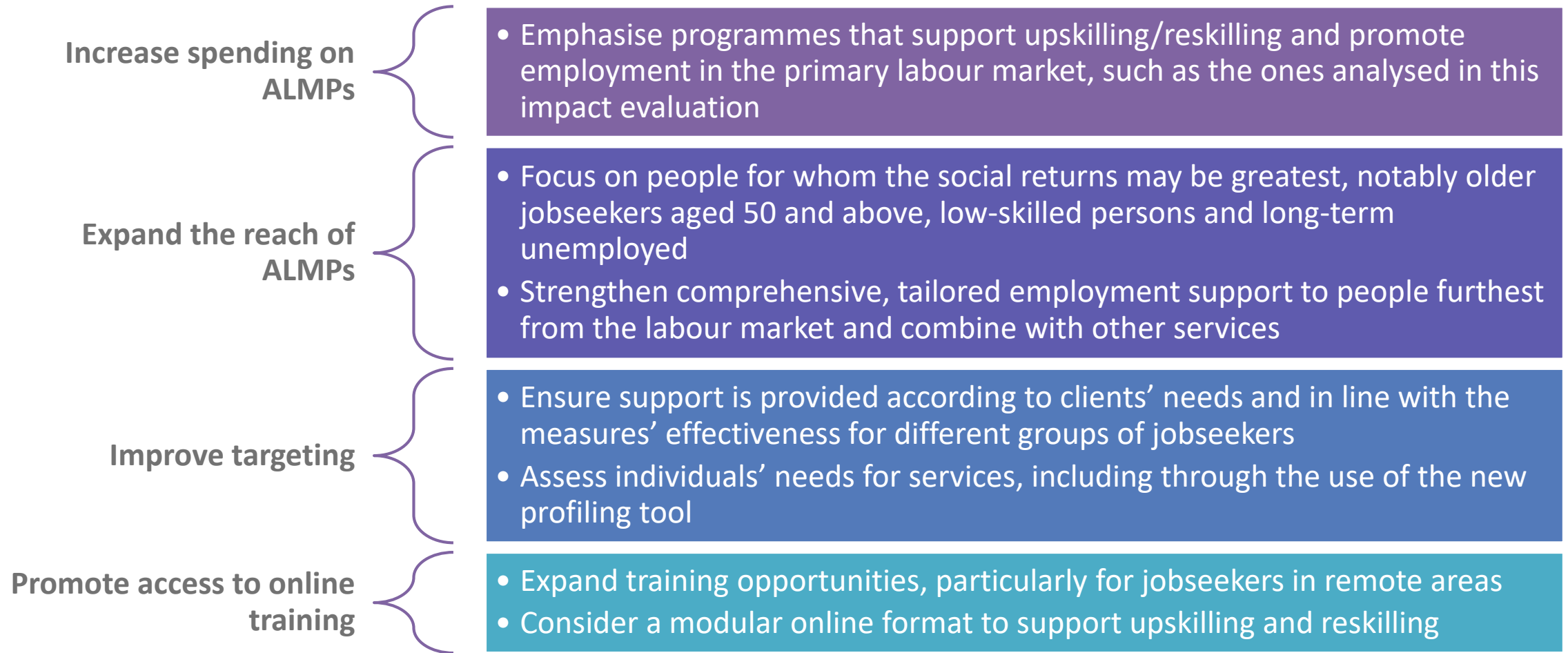
- All groups of jobseekers under 30 who find employment tend to “climb occupational ladder”, but men entering vocational training climb it more slowly
- Older jobseekers becoming re-employed experience flat or declining occupational mobility, with persistent negative effects of vocational training for those aged 30-50
- Effects are even more pronounced for individuals entering training through tripartite agreements

Employment subsidies effects

- Jobseekers entering subsidised employment experience a short-term boost in their occupational mobility



ALMPs should be expanded to reach more of those who would benefit from them the most





Lithuania could harness its rich administrative data for more evidence-based policymaking

Invest in evidence-informed policy making

- Establish a mechanism for regular counterfactual impact evaluations of ALMPs
- Use the results of CIEs to conduct systematic cost-benefit analyses to demonstrate the cost-effectiveness of ALMPs and make the LES business case

Complement counterfactual impact evaluations (CIEs) of ALMPs with process evaluations

- Assessing how implementation corresponds to strategies and policy design, as well as impact evaluations of the tools and approaches used by the LES

Modernise the IT infrastructure in the LES


- Support data analytics and knowledge dissemination, such as data warehouse or data lake solutions linked to user-friendly business intelligence tools



Thank you!

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OECD URL: oe.cd/il/LTALMPs

Selected other works:

- Harnessing digitalisation in public employment services, oe.cd/digitalPES
- Paying for results: Contracting out employment services, oe.cd/il/contracting-out
- Institutional set-up of active labour market policy, oe.cd/ALMPsetup
- Building inclusive labour markets: Vulnerable groups, oe.cd/44y
- More on active labour market policies: oe.cd/ALMPs



OECD Social, Employment and Migration Working Papers No. 262

Institutional set-up of active labour market policy provision in OECD and EU countries: Organisational set-up, regulation and capacity

Anne Lauringson, Marius Lüske

OECD Social, Employment and Migration Working Papers No. 267

Paying for results: Contracting out employment services through outcome-based payment schemes in OECD countries

Kristine Langenbacher, Matja Vodopivec

OECD TACKLING CORONAVIRUS (COVID-19): CONTRIBUTING TO A GLOBAL EFFORT

Building inclusive labour markets: active labour market policies for the most vulnerable groups

Updated 25 October 2021

The COVID-19 pandemic risks widening further the divide in labour market outcomes for the most vulnerable groups who face numerous employment obstacles, such as limited work experience, care obligations, low skills or health limitations. Not all these groups show up on the radar of public employment services (PES), which is why it is important to identify the groups at risk and their needs, develop effective outreach strategies, and provide integrated, comprehensive and well-targeted support. This in turn requires a good exchange of information and co-operation between the relevant institutions responsible for the provision of employment, health, education and social services, as well as income support. This is a revised version that discusses the role that survey data can play when the availability or content of administrative data is insufficient in generating knowledge on the people in need of active labour market policies and the barriers they face and includes footnote 5.


OECD Harnessing digitalisation in Public Employment Services to connect people with jobs

Key findings

- Digitalisation offers significant opportunities for PES to deliver better services to their clients.
- In response to the COVID-19 pandemic, PES made significant changes to their services and operations. Many of these changes consisted of investments in IT infrastructure to enable PES to deal with the increased client numbers and to enable service continuity in face of restrictions to business service providers. Changes to the delivery models of training and placement support and counselling were particularly notable across OECD and EU.
- As a result, the pandemic accelerated the digital leap of PES, a trend that is set to continue, with many countries pursuing ongoing digital investments. These recent efforts have, however, been largely based on short-term and ad-hoc measures, including investments in enhancing customer profiling and job-matching tools. However, countries are also engaging in efforts to digitise other processes and adopt Artificial Intelligence (AI) tools or other advanced analytics.
- The adoption of a PES activities provider (or vendor), including better use of data and a delivery system, however, involves a high level of investment to provide quality data and the ability to meet clients' complex, changing demands on a 24/7 basis, require more time and costs in the short term.
- All digitalisation efforts within PES should be subject to strict monitoring and evaluation, via counterfactual impact evaluations to understand their impact on the provision of services to both jobseekers and employers.
- PES need to ensure that robotics is not based on the digitalisation journey. This includes paying special attention to clients lacking digital skills or internet access and other vulnerable groups who may need other channels for service delivery, such as in-person services.

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Reaching Out and Activating Inactive and Unemployed Persons in Bulgaria



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Assessing Canada's System of Impact Evaluation of Active Labour Market Policies



OECD **New**