Evaluation of active labour market policies in Finland

Connecting People with Jobs

Monika Queisser

Deputy Director & Senior Counsellor

OECD Directorate for Employment, Labour and Social Affairs

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

Finland has a strongly performing labour market with good support for its jobseekers

		Participation	Employment	Unemployment	ALMP Spending*
2021 **(2022)**	🇫🇮 Finland	**78.9%** (79.3%)	**72.8%** (73.8%)	**7.8%** (6.9%)	**0.86% GDP**
	OECD	**72.4%**	**67.8%**	**6.3%**	**0.48% GDP**

- ☐ High employment and participation rates, coupled with higher unemployment compared to other OECD countries.

- ☐ Higher unemployment rate for youth, older and less educated people

- ☐ Generous spending on ALMPs and strongly focused on training (41.9% of total ALMP spending in 2020).

- ☐ Only 44% of jobseekers contact PES for help.

REFORMS TO ALMP DELIVERY
2022 - New customer service model increasing job search obligations
2025 - Transfer of responsibilities to municipalities

Crucial to generate evidence to support reforms

*refers to 2020

The OECD impact evaluation of ALMPs in Finland

Objective To help Finland evaluate and design ALMPs to benefit its citizens, including through more systematic planning of evaluation using linked administrative data.

Focus

1) Counterfactual impact evaluation of Finland's two main training programmes for jobseekers: labour market training (LMT) and self-motivated training (SMT)

2) Assessment of the system of impact evaluation of ALMPs

Process

❑ Discussions with stakeholders and desk research

❑ Counterfactual impact evaluation:

　❑ Analysis of individual-level data from Statistics Finland (including unemployment registry, employment outcomes and earnings and socio-economic characteristics)

　❑ Econometric technique pairs each programme participant with a similar individual who did not participate

LMT and SMT are the main training provision for jobseekers

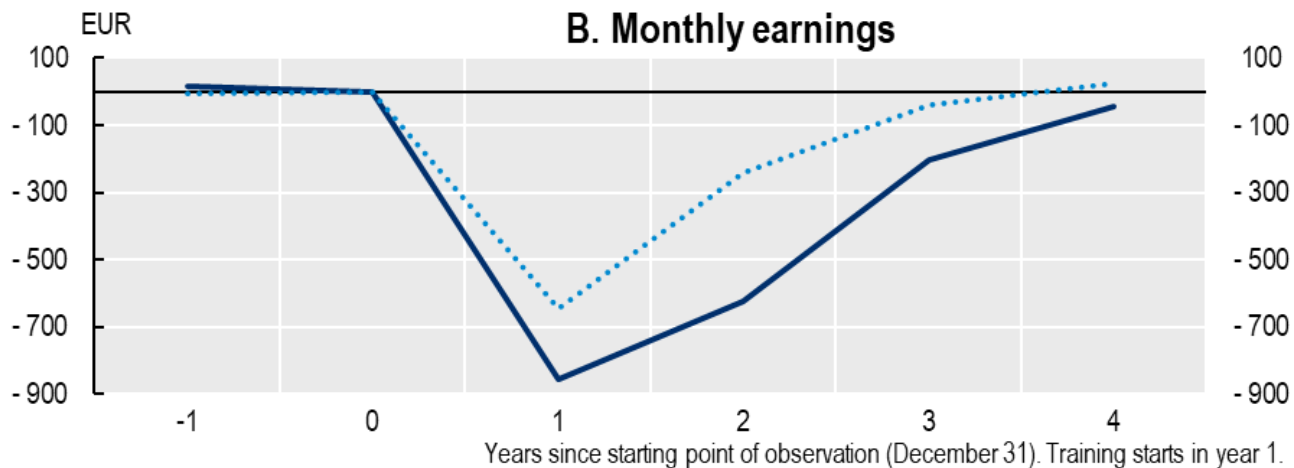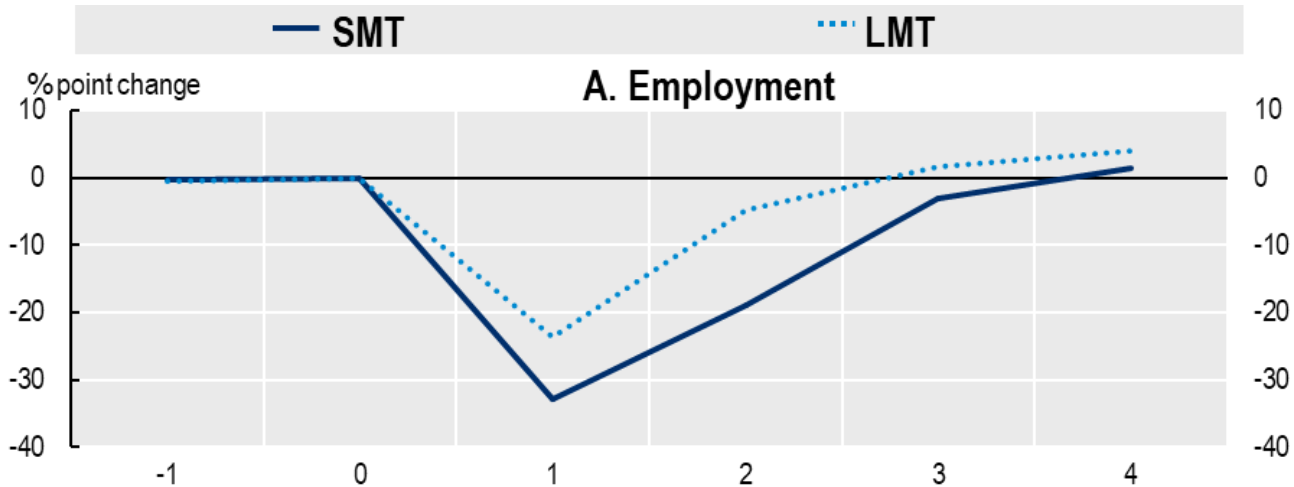|	Self-motivated training (SMT)	Labour market training (LMT)
Description	Longer-format courses, full-time. Introduced in 2010.	Short vocational courses. PES makes decision on who participates.
Median duration	341 days (Individuals can participate for up to 2 years)	43 days
Course content	Access to degree-level courses up to Masters level	Mainly short vocational courses

Number of participants in SMT and LMT
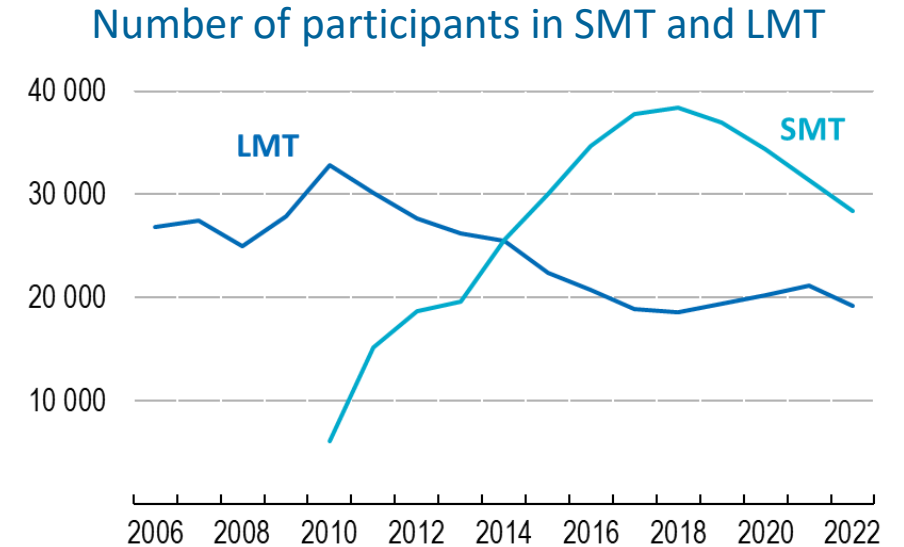
Source: Statistics Finland's free-of-charge statistical databases; 12u2, 12u9

❑ SMT participants more likely than LMT participants to be female, have more children, are better educated and live in urban areas.

❑ Some evidence to suggest that support via SMT helps participants to complete education, relative to previous financial support via Study Subsidy.

Training begins to have positive effects on employment around 2 years after its start

A. Employment
% point change

B. Monthly earnings
EUR

Years since starting point of observation (December 31). Training starts in year 1.

Legend: SMT, LMT

- ❑ LMT exhibits shorter lock-in effect than SMT.

- ❑ LMT and SMT have positive employment effect.

- ❑ No positive effect on earnings.

LMT medium-term employment effect of 4 percentage points consistent with broader international literature and other Finnish studies on LMT.

SMT employment more modest than international studies, but consistent with longer duration of the programme

LMT and SMT benefit women and those aged over 50 more

LMT and SMT both have positive employment impact for women and those aged over 50

SMT Employment

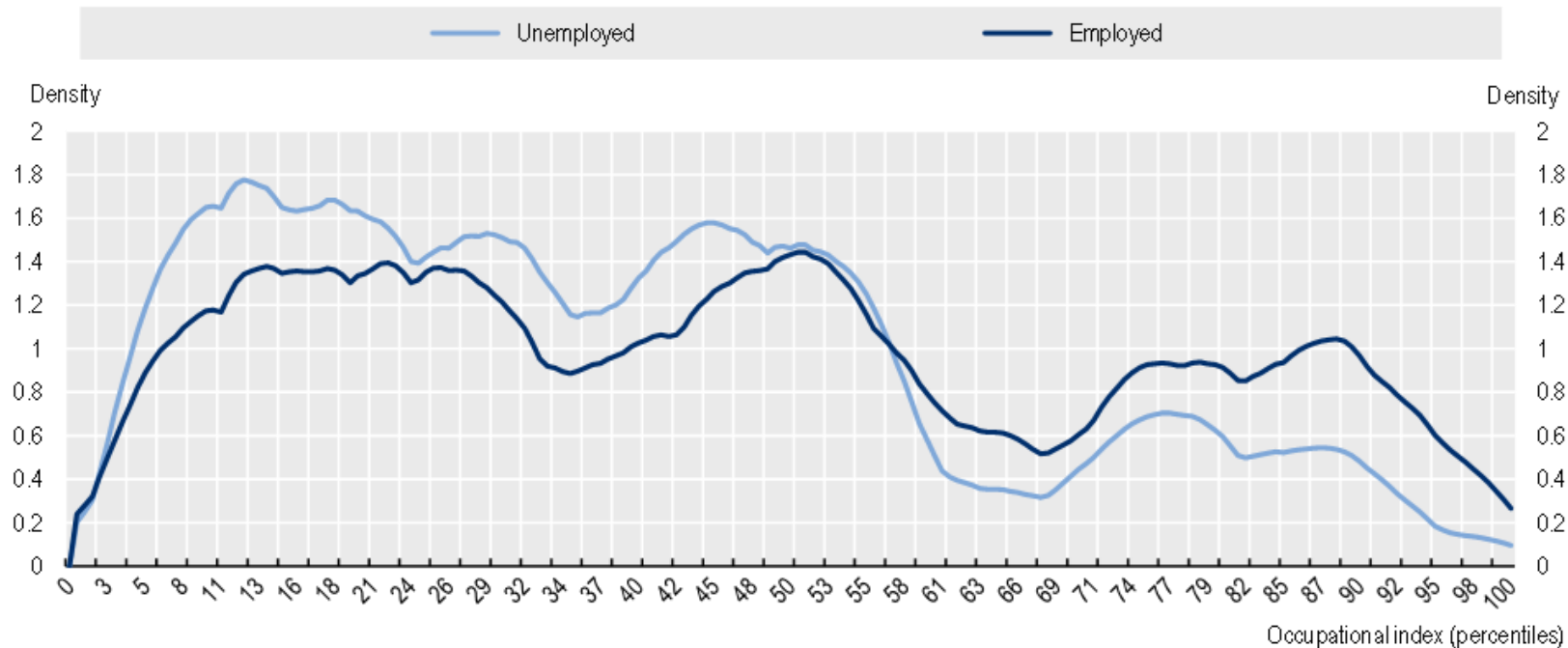Percentage points, 3 years after training start, point estimate and confidence interval

Target training to those who benefit from it most to improve outcomes and value-for-money

An occupational index provides rich insight into job transition dynamics

Unemployed people are disproportionately represented in lower-ranked occupations

Constructing the Occupational Index
- Occupations broken into 122 groups (ISCO 3-digit code)
- Average monthly wages computed for each occupation for employed individuals, 2012-18 period
- Occupations ordered by wage

Training supports individuals to change occupation, but is not associated with upwards occupational mobility

A. Change in occupation

B. Change in occupational index (percentile rank)

Legend: SMT (solid), LMT (dotted)
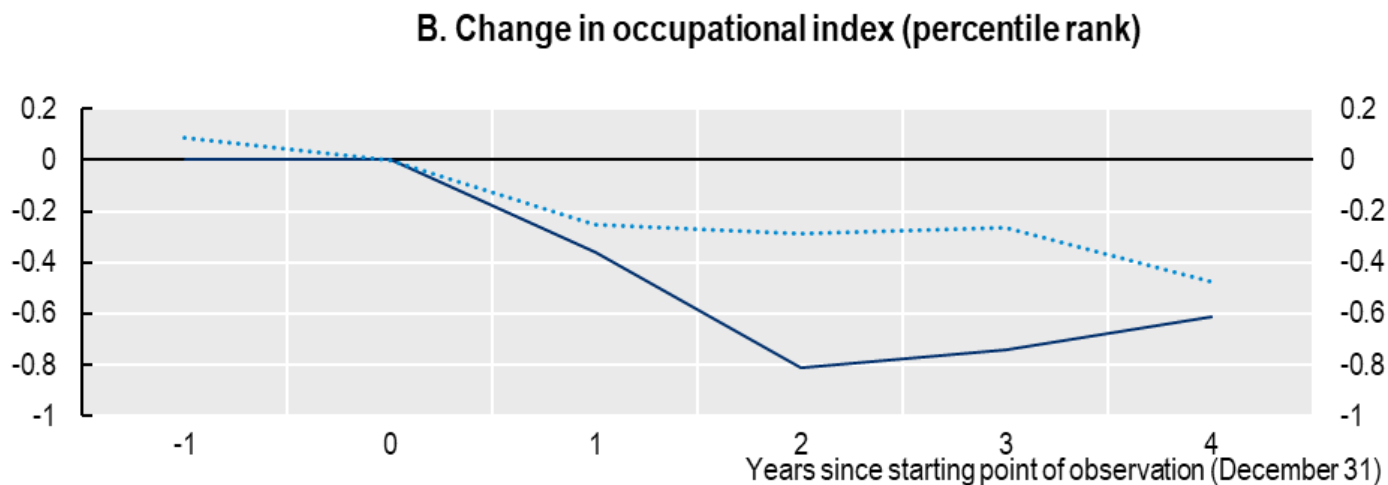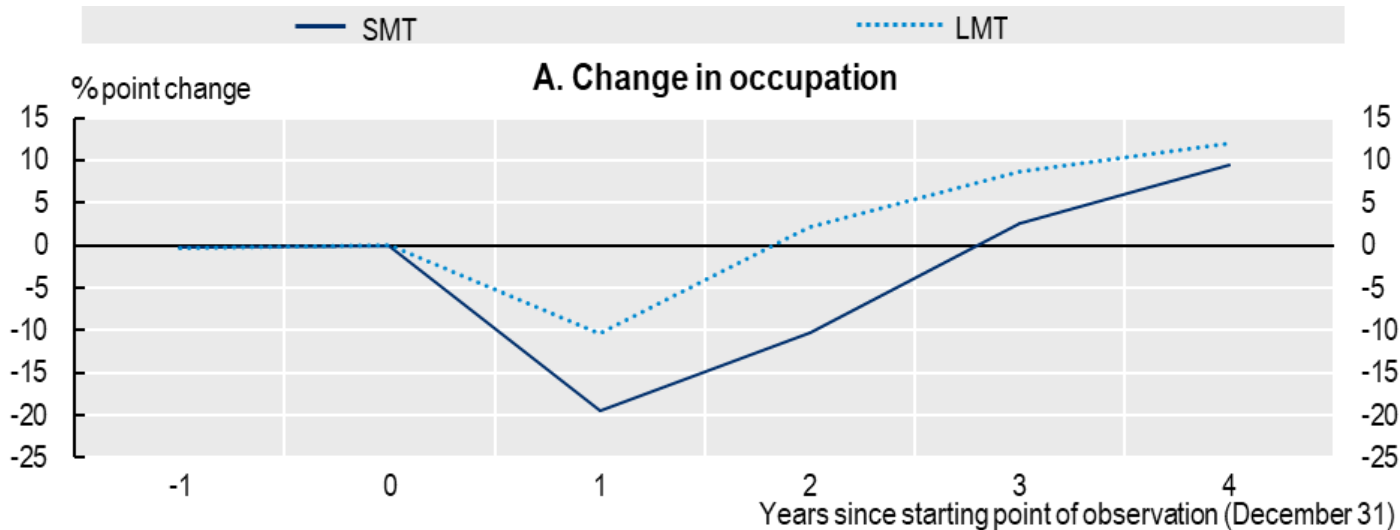
❑ LMT and SMT both result in participants changing occupation more frequently than non-participants

❑ But these changes are not associated with moves up the occupational ladder, to higher paying occupations.
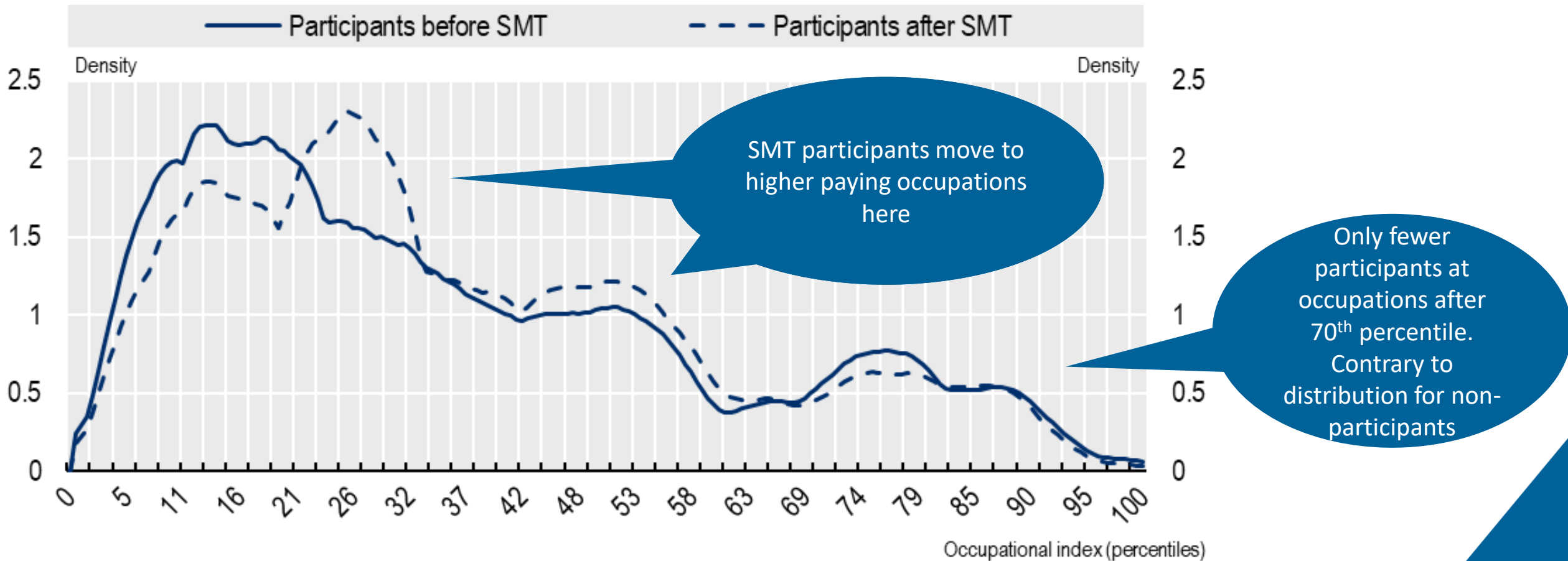
Strengthen the targeting of programmes towards sectors and occupations with shortages in the labour market and higher value added

SMT and LMT result in a more equal distribution of occupations for participants

Aggregate occupational analysis masks distributional changes

Evidence on key ALMPs has been generated despite limited resources

TEM uses internal capacity, outsources research projects and cooperates with other ministries

- Decentralised model to cover urgent needs for policy analysis internally
- Good practices to procure and steer research projects ensure quality in evidence
- Cross-ministry research instrument coordinated by the Prime Minister's office funds cross-cutting research projects
- Analysis and research results systematically published

To strengthen evidence-based policy making

Establish a long-term research strategy

Increase resources for research activities in TEM

Strengthen communication channels to policymakers

Incorporate systematic cost-benefit analysis

Statistics Finland facilitates research on ALMPs by sharing rich data linked across many registers securely with researchers

Key data to support evidence generation on ALMPs are available for researchers

❑ Statistics Finland has a long experience in linking data from many administrative registers

❑ Access to research data in Statistics Finland is well-established and secure, but costly

❑ ALMP data availability and quality are limited by the outdated IT infrastructure in PES (URA)

❑ Time lags in data and limited data for cost-benefit-analyses concerning different administrative registers

To improve data coverage, quality and availability for research on ALMPs

Modernise IT infrastructure, particularly for employment services

Improve data timeliness

Increase financing to support Statistics Finland operations

Establish better metadata and sharing of research code

Key recommendations

Strengthening **targeting of training** towards **older jobseekers and women** would improve effectiveness. Introducing additional employment support is needed for youth and less educated people.

Strengthening **targeting of training** towards sectors and occupations with **labour shortages** would promote mobility in the Finnish labour market but this should be considered **alongside job quality** to guide jobseekers to occupations of higher quality and value-added.

Establishing a **long-term strategic view on research** and allocating **more resources** to research activities in TEM can further promote evidence-informed policy making and achieve better services for jobseekers, workers and employers.

Embedding pilots and comprehensive evaluation plans into ongoing reforms of ALMPs would support continuous improvement in the ALMP system in Finland.

Thank you!

Selected other works:

- Evaluation of Vocation Training and Employment Subsidies in Lithuania, oe.cd/il/LTALMPs

- Assessing Canada's system of ALMP evaluation, oe.cd/CPJCanada

- Harnessing digitalisation in public employment services, oe.cd/digitalPES

- Institutional set-up of active labour market policy, oe.cd/ALMPsetup

- More on active labour market policies: oe.cd/ALMPs

Contact: Monika Queisser, Monika.Queisser@oecd.org