




ASSESSMENT OF THE EFFECTIVENESS OF ACTIVE LABOUR MARKET POLICIES IN CRISIS AND POST-CRISIS SITUATIONS



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PREFACE

The present report is part of a wider study commissioned by the European Training Foundation (ETF) and led by Fondazione Giacomo Brodolini on the topic of active labour market policies (ALMPs), labour market transition and skills development in ETF partner countries, in the context of the Covid-19 crisis.

Since the Covid-19 outbreak, the ETF has launched several new work strands to capture immediate developments and provide targeted advice or the sharing of innovative solutions in response to the impact of the pandemic. One strand covers socio-economic dynamics and the impact of Covid-19 on the labour market and policy responses in terms of the crisis, post-crisis and recovery phases, with a focus on the role of ALMPs including skills development programmes.

The working assumptions are that (i) the economic downturn and pandemic induce sectoral changes requiring a change in career paths, reskilling and upskilling for people at risk of losing, or without, jobs; and (ii) approaches to ALMPs may need adjustments to fit current and foreseeable socio-economic conditions and technological advancement.

In this regard, this report is dedicated to assessing the effectiveness of ALMPs in crisis and post-crisis situations, using a wide analysis of secondary literature related to the effectiveness of ALMPs, taking as reference the last major economic and social crisis (2008–10) and other crises that impacted ETF partner countries during, for example, the transition from centralised to market economies. The report thus develops a targeted review of those ALMPs which show the most promise to address the economic challenges met by ETF partner countries in response to the current crisis, taking into account their specific institutional context.

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EXECUTIVE SUMMARY

The Covid-19 pandemic presents an unprecedented challenge to the world's labour markets. Unemployment rates are rising across the world, just a little over 10 years after the 2008 financial crisis hit. It is crises such as these, and in particular the active labour market responses to them, that are the subject of this report. It is intended as a resource for the European Training Foundation's (ETF) partner countries to use in combating unemployment, but also to actively rethink human capital in a labour market increasingly defined by the climate crisis and digitalisation.

Despite their obvious negative impact, crises offer unique opportunities for innovation and a reset of social objectives. These grand aims are applicable to the present opportunity to experiment with, and implement at scale, different active labour market policies (ALMPs). This process is best supported by learning from past crises in which ALMPs have played a crucial role. More generally, ALMPs are an increasingly common feature in national governments' toolkits to tackle unemployment, driven by structural changes in the labour market.

The overall aim of this report is to assess the effectiveness of ALMPs in crisis and post-crisis situations. To achieve this, the report focuses on providing an overview and reflection on measures used by national governments in European Union (EU) countries and ETF partner countries in crisis contexts, taking as reference the last major global economic and social crisis (2008–10). As the situation in EU countries and ETF partner countries is significantly different (and varies also within these groups), the approach to analysing the effectiveness of ALMPs includes a critical review of available literature, studies and meta-analyses, research reports and other evidence that supports notions of policy effectiveness and its determinants. A multi-stage process of screening sources, extracting key information, clustering and analysis has been performed. This critical review of policy responses and their effectiveness has provided grounds to formulate recommendations for shaping the design and delivery of ALMPs in the crisis caused by the Covid-19 pandemic.

The report is structured as follows: after the Introduction, [Chapter 1](#) explains the report's methodology, with a definition of ALMPs, analysis of methodological challenges involved in measuring their effectiveness, and explanation of the contextual factors for their delivery. This includes a brief discussion of the diversity of ALMP outcomes and the inevitable complexity this creates for determining their effectiveness.

[Chapter 2](#) provides an assessment of the effectiveness of ALMPs and the feasibility of their delivery. This introduces the ALMP measures defined in Chapter 1 in detail. This is followed by a proposed framework for assessing institutional coherence (capacity) and ALMP suitability by income level for public employment services (PESs) in ETF partner countries. The main body of this section provides a qualitative review of the literature on ALMPs considering meta-analyses, impact evaluations and country reports in order to determine what works, for whom and why. This will help policy-makers identify the types of ALMPs relevant to their country context.

Two original templates are proposed to support the identification of ALMPs given relevant country contexts. The first, a framework for institutional coherence assessment, provided in Annex 2, is based on tripartite research of the comprehensiveness of services offered, operational models of PESs, and resource capacity of each ETF partner country. To further support this, the second approach considers the feasibility (in terms of suitability and relevance to the socio-economic context) of ALMPs in ETF partner countries by income level, presented in Table 2.1. This highlights the diversity and complexity of ALMPs as a policy tool, with some suiting lower-income countries and others requiring the institutional infrastructure found in higher-income countries.

[Chapter 3](#) offers a review of ALMP delivery in crisis contexts, particularly the recent crises of 2008 and Covid-19. This is with the intention to discover what (new) measures have been adopted since these crises, which of them were found to be effective, and to what extent ALMPs have changed in recent years. The chapter is broken down into an analysis of ALMP developments in the EU, ETF partner countries and other developing countries, as well as under the European Social Fund (ESF). This

offers an in-depth picture of ALMPs in a range of socio-economic environments. This includes a mapping of the latest developments of ALMP delivery in the context of Covid-19. The intention of this part of the report is to provide innovative examples for ETF partner countries based on the small-scale but innovative measures being implemented globally to move beyond income protection to employment and skills development.

Finally, [Chapter 4](#) offers preliminary key findings and conclusions from the previous chapters in 11 succinct points, namely:

1. Definitional differences of ALMPs exist between key international institutions, systematic reviews and meta-analytic studies, rendering comparative analyses a challenge and blanket inferences on effectiveness impossible.
2. The report questions employment as a prominent focus in the measurement of effective outcomes of ALMPs and discusses a wider range of expected and actual outcomes of such policies. While other outcomes such as an increase in human capital and shortening the distance to the labour market may be less quantifiable than employment, they can still be useful outcomes.
3. The analysis of ALMPs' net effects ought to take into account negative effects. This requires the use of experimental and quasi-experimental studies including qualitative reviews. There is a particular lack of counterfactual impact evaluations in the developing country context.
4. This finding from the literature review highlights the need to include time constraints (differences in impact between short, medium and long term for different measures), the need to combine micro- and macro-level analysis (to include labour market effects and 'soft' effects) and inclusion of interdependencies between policies and their implementation.
5. Different contextual factors may influence ALMP effectiveness. These include the phase of the economic cycle in which they are implemented, the income level of the country and its institutional capacity. These are found to be especially significant in the developing country context. The templates in Chapter 2 and Annex 2 help guide the suitability of ALMPs based on such parameters.
6. This finding also covers the effectiveness of each ALMP based on what works (as historically evidenced), for whom (target group) and why (context). It is then revealed that training policies have one of the greatest long-term impacts and are most effective at increasing employment when combined with counselling in low- and middle-income country contexts. The effectiveness of employment incentives is found to be highest if focused on targeted groups, but they remain particularly prone to the negative effects of displacement and deadweight. They can be an effective counter-cyclical stabiliser in periods of recession and are most effective in the developing country context when delivered with training. Sheltered and supported employment measures are most effective with strict programme management and work best for the inclusion of people with disabilities into the workplace.

Part of this finding shows that direct job creation, which is often dismissed as ineffective, is found to be very effective in crisis contexts both as an income-protection policy and to retain workers in the labour market. It is an ALMP most effective in low- and middle-income countries with low institutional coherence for other programmes. The effectiveness of start-up incentives is maximised during periods of economic growth when the business environment is more positive, but this policy can also be effective for delivering social and training benefits to participants, above all women in low- and middle-income countries. Job search assistance is most effective in countries with a high level of institutional coherence and is best implemented with a focus on engaging search assistance rather than overly rigid sanctions.

7. Past economic crises have boosted ALMP spending across countries. This is most evident in higher-income countries, with growth also seen in low- and middle-income countries.
8. ALMPs funded through the ESF are stronger when interventions are customised to labour market demand, delivered by integrated and partnership-based approaches, combined with sufficient management capacity, and targeted at individuals a certain (medium) distance from the labour

market. For those furthest away from the labour market, the ESF support is most effective when combined in the longer term with other measures such as counselling, coaching and targeted social services that support the participants.

9. This finding focuses on ALMP usage during the current pandemic and the fact that ALMPs used during the 2008 crisis have been upscaled in many countries. While income protection remains the most common measure so far, several training and reskilling measures are beginning to emerge, particularly in low- and middle-income countries.
10. The EU has significantly supported employment policy development in the EU's neighbourhood over the last two decades. This contribution must be acknowledged as well as the efforts of the governments of the ETF's partner countries to increase the effectiveness of policies, which affects the ability to face the challenges of any crisis situation.
11. ETF partner countries need to strengthen their efforts to adjust ALMP design and delivery capacity to effectively combat negative effects of the current crisis. The most pressing policy challenges include strengthening institutional capacity of PESs for effective ALMP delivery, in terms of comprehensiveness of services, supporting and developing implementation structures, and increasing resource capacity where possible. ETF partner countries should also develop an evidence base on ALMP effectiveness by strengthening efforts to consolidate monitoring and evaluation, pursuing net impact assessments more regularly and adjusting methodologies to capture social impact (indirect effects of ALMPs). These efforts should also serve the development of measures and policy responses for the post-pandemic era suited to PES capacity and labour market informality using the findings in Chapter 2.

INTRODUCTION

This report aims to provide an overview of key evidence-based information on the effectiveness of active labour market policies (ALMPs), with a focus on crisis and post-crisis contexts and, to the extent possible, lessons that might be relevant for the European Training Foundation's (ETF) partner countries. Such an overview is based on a literature review of some of the most relevant and significant studies carried out on the theme of ALMP effectiveness. The goal of the report 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.

The report is based on a broad-ranging literature review of evaluations and meta-analyses of ALMPs around the globe. The literature review has a particular focus on the needs and interests of the key target audience for the study, namely policy-makers and strategic managers in the field of employment policy.

The main sources of information have been extracted from search engines such as Google Scholar and full-text databases of peer-reviewed journals, with publications from the World Bank, International Labour Organisation (ILO), Organisation for Economic Cooperation and Development (OECD), Inter-American Development Bank (IDB), African Development Bank, European Bank for Reconstruction and Development, and European Investment Bank all consulted.

Major sources of information regarding Covid-19 are taken from Eurostat, the PolicyWatch database, ILO, International Monetary Fund (IMF), and European Employment Policy Observatory. In addition to searches of journals and databases, 'grey literature' in the field of ALMPs was studied to identify documents from sources including websites of professional groupings and conference reports. This identifies information from government, academic, non-governmental organisations (NGOs), and business organisations of particular relevance to the report.

The information collected through the literature review was then screened and categorised, with relevant information extracted. A qualitative review of the relevant meta-analyses, impact evaluations and country reports were then created. Particular focus is given to ALMPs introduced in crises and recovery periods, looking at how these crises impact employment services and the way ALMPs are used. The question of skills development in response to crises and green recovery is given a central role.

The report tackles two main challenges. The first refers to the fact that most research in this area focuses on OECD countries, which differ from the majority of ETF partner countries in many ways, such as socio-economic context, capacity of public employment services (PESs) and level of informality in the economy. One major challenge has therefore been to focus on evaluations of measures which can be applied in partner countries, taking into consideration the economic challenges met by these countries in the recovery period, and to find evaluations of ALMPs which have been implemented in similar countries in the developing world.

A second challenge is related to the definition of effectiveness, in particular how it should be measured and on what timescale. There is a tendency in ALMP evaluations to focus only on measurable outcomes, particularly the job placement of beneficiaries, whereas some programmes targeted at the most disadvantaged groups may aim simply to bring people closer to the labour market, with employment outcomes a fairly distant end goal. Therefore, it is often challenging to gauge effectiveness of interventions targeting vulnerable groups as generally such groups tend to have low rates of success (e.g., job placement, completion of training courses) compared to programmes targeting people with higher readiness to work and learn.

A more comprehensive impact assessment is particularly relevant regarding measures addressing informality in countries such as ETF partner countries: if the aim is to bring informal workers into the formal economy, the measure can be highly successful despite there being no visible improvement in

terms of the employment rate (although it may be reflected in improving taxation coverage and access to social welfare). This report therefore includes a critical review of the idea of effectiveness, which can be understood differently in various contexts, taking into account a variety of indirect effects and intermediate outcomes of ALMPs (particularly, in the case of vulnerable groups).

1. METHODOLOGICAL CONSIDERATIONS

1.1 Defining active labour market policies

One of the crucial issues in analysing the effectiveness of ALMPs is the definition of the term itself, as it sets the perspective from which the effectiveness of measures should be analysed. ALMPs are broadly understood as all forms of social expenditure (other than formal educational measures such as vocational education and training) aiming to improve the beneficiaries' prospects of finding employment or increasing their earnings capacity. Therefore, they are regarded as a crucial element of a successful activation policy (Martin, 2014).

For the European Commission (2017), the main goal of ALMPs is to increase the employment opportunities for jobseekers and to improve matching between jobs (vacancies) and workers (i.e. unemployed people). As stated in the document: 'In so doing, ALMPs can contribute to employment and GDP [gross domestic product] growth and reduce unemployment and benefit dependency.' Therefore, the possible outcomes and impacts of ALMPs are broadly understood. These broad targets are to be achieved by a range of labour market policy (LMP) interventions.

According to the OECD, this category includes spending on PESs and administration, labour market training, special programmes for young people when transitioning from school to work, labour market programmes to provide or promote employment for unemployed people (excluding young people and people with special needs) and special programmes for people with disabilities. The European Commission (2017) concluded that: 'ALMPs range from institutional and workplace training offers over indirect employment incentives (job retention, job-sharing, recruitment subsidy) to the setting up of sheltered and supported employment or to the provision of direct job creation (public work schemes) and start-up incentives.'

There are different perspectives on ALMPs that take into account short to long term impact on beneficiaries such as promotion of careers, qualifications' development, improving connections between jobseekers and employers. To enhance the comparability across countries, the report is focused on the European Commission's definition.

More precisely, the European Union (EU) statistics (2018) and LMP databases cover all labour market interventions, defined in [Box 1.1](#).

Box 1.1 Defining public interventions

The LMP database covers all labour market measures which can be described as public interventions in the labour market aimed at reaching its efficient functioning and correcting disequilibria and which can be distinguished from other general employment policy interventions in that they act selectively to favour particular groups in the labour market. Public interventions refer to measures taken by general government in this respect, which involve expenditure, either in the form of actual disbursements or of foregone revenue (reductions in taxes, social contributions or other charges normally payable).

Source: European Commission (2018)

Three types of interventions are recognised.

- **Services** – labour market interventions where the main activity of participants is job search related and where participation usually does not result in a change of employment status. This category includes PESs, such as placement and other services for employers, administrative functions and other activities depending on the responsibilities of the given PES.
- **Measures** – labour market interventions where the main activity of participants is not job search related and where participation usually results in a change in employment status. This category covers, primarily, interventions¹ that provide temporary support for groups that are disadvantaged in the labour market. Most measures are aimed at activating unemployed people, helping people move from involuntary inactivity into employment, or maintaining the jobs of those threatened by unemployment.
- **Support** – interventions that provide financial assistance, directly or indirectly, to individuals for labour market reasons or which compensate individuals for disadvantage caused by labour market circumstance².

Considering the scope of this report, ALMPs can be placed both under *services* and *measures*. Such a broad understanding of ALMPs can influence the ability to analyse effectiveness of these interventions.

In the European Commission statistics, all LMP interventions are classified by type of action, which refers to the way in which an intervention acts to achieve its objectives (e.g. training or employment incentives)³. The classification scheme identifies one category of LMP *services*, five categories of LMP *measures* and two categories of LMP *support*, most of which have two or more sub-categories (see [Box 1.2](#))⁴.

This detailed classification of measures is not always replicated in the available studies on ALMP effectiveness. For example, Kluge uses instead four main categories of ALMPs (Kluge, 2010; ETF/Kluge, 2014):

- job search assistance,
- (labour market) training,
- private sector employment incentives,
- public sector employment.

¹ Governments are in general the main funding source of labour market measures but in many countries such interventions are funded through a combination of sources (e.g., government, external loans or grants, donors, even private sources such as companies).

² As this group of interventions refers to ‘passive’ labour market policies, it will not be analysed in detail, unless the support is part of a more complex measure, including both active and passive elements.

³ While different classifications of ALMPs exist – as noted in this report – we focus on the classification of the European Commission’s LMP interventions, as it pinpoints the main ALMPs (under LMP measures classification). We are aware of the limitations of this statistical classification, including level of granularity of data, possible treatment of interventions as either service or a measure (depending on institutional arrangements in a given country) or overlapping of categories. However, as a unified methodology, it allows for the comparability of LMPs between countries.

⁴ For a detailed description of this classification of interventions (LMP services and measures), please see Annex 1.

Box 1.2 Classification of LMPs

LMP services

1. Labour market services
 - 1.1. Client services
 - 1.1.1. Information services
 - 1.1.2. Individual case management
 - 1.2. Other activities of the PES
 - 1.2.1. Administration of LMP measures
 - 1.2.2. Administration of LMP support
 - 1.2.3. Other services/activities

LMP measures

2. Training
 - 2.1. Institutional training
 - 2.2. Workplace training
 - 2.3. Alternate training
 - 2.4. Special support for apprenticeships
3. Job rotation and job-sharing (Not used any more – included in category 4)
4. Employment incentives
 - 4.1. Recruitment incentives
 - 4.1.1. Permanent
 - 4.1.2. Temporary
 - 4.2. Employment maintenance incentives
 - 4.3. Job rotation and job-sharing
 - 4.3.1. Job rotation
 - 4.3.2. Job-sharing
5. Sheltered and supported employment and rehabilitation
 - 5.1. Sheltered and supported employment
 - 5.2. Rehabilitation
6. Direct job creation
7. Start-up incentives

Source: European Commission (2018)

As other evaluation studies (including meta-analyses) identified in this report often use other classifications, it raises significant methodological concerns. As the analyses (especially meta-analyses) focus on broad groups of interventions, it is often hard or impossible to pinpoint the effectiveness of some services or measures. It is further limited by a lack of granular data on the country level.

To tackle this, the present report will follow the European Commission's (2018) classification of LMP measures, with the addition of job search assistance following its use in the literature (Kluve, 2006; ETF/Kluve, 2014; OECD.Stat, 2020)⁵.

Box 1.3 Categories of ALMPs

- • Training employment incentives
- • Sheltered and supported employment
- • Direct job creation
- • Start-up incentives

To this we added:

- • Job search assistance (which Eurostat places under labour market services more generally)

The decision to add job search assistance to the other five ALMPs follows the precedent in the literature to count job search assistance as an active measure as well as a service (Vooren et al., 2019; Card et al., 2010, 2018; Kluve, 2010; Malo, 2018). This happens when the service provided by a PES is concerned with activating unemployed people, for example renaming them 'jobseekers' and providing counselling and sanctions to make work the default.

Another limitation to this study concerns target groups. As defined by the European Commission (2018), the LMPs (including ALMPs) can be targeted at unemployed people, employed people at risk and inactive people (see [Box 1.4](#)).

Box 1.4 Target groups of interventions

The scope of the EU LMP database is limited primarily to interventions which are explicitly targeted in some way at groups of people with difficulties in the labour market – referred to here as target groups. This specification facilitates a distinction between LMPs and more general employment, social protection or fiscal policies which may have similar aims in terms of promoting employment, but which act in a non-selective way across the population.

Unemployed people: persons usually without work, available for work and actively seeking work. Persons considered as unemployed according to national definitions are always included here even if they do not fulfil all three of these criteria.

Employed people at risk: persons currently in work but at risk of involuntary job loss due to the economic circumstances of the employer, restructuring, or similar.

Inactive people: persons currently not part of the labour force (in the sense that they are not employed or unemployed according to the definition above) but who would like to enter the labour market and are disadvantaged in some way.

Source: European Commission (2018)

⁵ We note the significant diversity of LMP interventions across countries that makes difficult any attempt to capture it in one single and widely accepted categorisation. We do not relate here to specific, national level classifications – as these can be broader (rarely) or narrower (more often, e.g., in case of employed at risk; or different categories of unemployed).

In practice, the majority of ALMPs – especially those governed and implemented by PESs – are targeted at unemployed people⁶. Therefore, the majority of effectiveness (and impact evaluation) studies also covers this group of beneficiaries. Moreover, as the targeting of interventions is one of the determinants of effectiveness, ALMPs implemented by PESs usually cover more specific target groups, including:

- young people,
- women,
- long-term unemployed people,
- low-skilled unemployed people.

Depending on the scope of services offered by PESs, ALMPs can also be targeted at:

- people with special needs,
- people with complex problems (requiring comprehensive and longitudinal support),
- NEETs (young people not in employment, education or training),
- migrants (including returning migrants).

In some countries, these groups are covered by other institutions, including social services, other specialised agencies and networks of NGOs.

Due to this, it is difficult to find evaluations covering all target groups or sometimes even broadly understood groups of ‘unemployed people’. This problem also relates to meta-analyses, as they rely on reliable research findings. Consequently, the analysis might not be fully comprehensive, as it is based on the review of available sources.

1.2 Measurement of the effectiveness of active labour market policies

1.2.1 Diversity of ALMP outcomes

As stipulated by the majority of researchers, the key outcome of ALMPs should be the employment of the participating individual. As noted by Koning and Peers (2007), ‘the most important question evaluations of active labour market measures should answer is whether a person participating in a measure gets a higher chance to find a job as a result of it’.

However, the review of available literature reveals that there are numerous assumed outcomes of ALMPs (see [Table 1.1](#)), covering both employment and earnings outcomes, as well as wider societal effects (spill-over effects) and ‘soft’ outcomes. This enumeration of various possible outcomes of ALMPs reveals the complex nature of intervention effects, not only employment-related ones.

Each of these groups of outcomes can further be refined, which makes the measurement of broadly understood ‘ALMP effectiveness’ highly challenging.

⁶ Some PESs have developed effective outreach strategies to cover the inactive population; it is also often the case (especially in EU countries) that this part of the population is targeted via integrated services, covering both social assistance and labour market measures. The same applies to employed people at risk (or in the transition period), who can use some of the services and measures before being laid off (a ‘safety net’ approach). There are significant differences as regards outreach strategies and tools as compared to ALMPs for registered individuals, therefore separate analyses of ALMPs impact on various target groups are highly advisable.

Table 1.1 Assumed outcomes of ALMPs and their measurement

Perspective	Key outcomes	Specific outcomes	Metric	
Employment outcomes	Increasing employment probability of individuals	Employment as an effect of the programme/intervention	Short-term employment effect	Employment rate after intervention within 12 months
			Medium-term employment effect	Employment rate after intervention within 12–24 months
			Long-term employment effect	Employment rate after intervention after 24 months or more
	Other employment outcomes	Employability increases as an effect of the programme/intervention	Increasing individual's capacity to find employment (e.g. by increasing in-demand skills)	Micro-level (individual) assessment based on PES administrative data Surveys
			Decreasing individual's distance to the labour market and/or increasing job readiness	
	Other employment outcomes	Job quality ⁷	Job content. Skills/qualifications requirements. Share of full-time and open-end contracts vs fixed-term contracts/other contractual forms (on-call, zero-hours)	Low/medium/high skills requirements. Individual assessments. Share of beneficiaries in full-time and permanent job after 6/12/24 months
Individual productivity			Increase of outputs/work productivity	Company-level data Aggregate data at national economy level
Welfare-related outcomes/income variation	Combating poverty	Decreasing poverty rate	Administrative data	
	Level/rate of unemployment	Decreasing aggregate unemployment		
		Decreasing rate/share of long-term unemployment in total unemployment		
Level of economy informality	Decreasing level of informality of the economy			

⁷ Over the years, the concept of job quality has evolved and, particularly in developed economies, multiple aspects are taken into account when assessing a job, going beyond simple measures of earnings or level of job formality.

Perspective	Key outcomes	Specific outcomes	Metric
Wider societal effects/spill-over	Crime rate	Reduction in crime rate	Administrative data
	Healthcare	Reduction in healthcare costs	
	Schooling/education	Reduction in school drop-out rate	
Soft outcomes	Well-being of beneficiaries	Increase in subjective well-being	Micro-level (individual) assessment based on PES administrative data Surveys
	Self-assessment of career/employment prospects	Increase in career confidence	
	Entrepreneurship	Increase in positive attitude towards self-employment	

Source: Author's own based on the literature review

The ideal evaluation process can thus be looked at as a series of three steps (Fay, 1996):

1. What are the estimated impacts of the programme on the individual?
2. Are the impacts large enough to yield net social gains?
3. Is this the best outcome that could have been achieved for the money spent?

However, as noted by Fay (1996), impact evaluations typically answer only the first question. Some impact evaluations consider the second question in a partial manner, while few – if any – consider the third.

Analysis of the effectiveness of ALMPs from this broad perspective requires designs that follow the logic of cost-benefit analysis (CBA). Despite the methodological approach employed, evaluators try to understand all possible benefits and costs (in monetary and non-monetary terms) associated with the given intervention. CBA is based on a comparison of 'two alternative courses of events, which must be clearly defined, and evaluates the programme's impact as the difference between the two. The alternative can be what happens under another project, but it generally represents what happens if no policy is carried out at all' (Corbanese and Rosas, 2009, p. 75). It also requires comparison of effectiveness of different programmes to identify those which maximise positive net benefits to society and to provide evidence for policy decision making (Speckesser, 2014).

A comprehensive CBA requires extensive data on both benefits and costs of a programme. While the calculation of costs is usually easier, some of the benefits are hard to measure based on existing evidence but constitute important spill-over effects of ALMPs. Due to these constraints, rigorous CBA studies of ALMPs are scarce due to a lack of adequate data and difficulties in calculating social costs and other externalities⁸. In terms of different measures used in ALMPs, the CBA is most used for apprenticeship and traineeship schemes (see for example Kuczera, 2017). The literature review revealed little evidence on the systematic use of CBA approaches in ETF partner countries and developing countries (Alzúa et al., 2016)⁹.

While evaluations of studies of self-employment and micro-enterprise creation exist (ILO, 2016a), other externalities or indirect effects are almost impossible to measure using statistical and econometric methods. For example, ALMPs may lead to reductions in crime and healthcare costs that

⁸ See Blattman and Ralston's (2015) argument on the difficulty finding a skills programme that passes all CBA tests as context is so dependent.

⁹ E.g. see Alzúa et al. (2016) on CBA on Argentinian ALMPs.

may be associated with prolonged joblessness (Fay, 1996). However, impact measurement is highly problematic for elements other than employment (and welfare/earnings outcomes), especially ‘soft’ outcomes. There is evidence from developing countries on these ‘soft outcomes’ being important for programme participants, bringing them closer to the labour market (Angel-Urdinola et al., 2010).

1.2.2 Gross vs net effects

Analysis of ALMP effectiveness requires answering a key question: ‘How likely would a certain individual have experienced a successful outcome, if the programme had not existed?’ (Ecorys/IZA, 2012). Analysis of ALMP effectiveness therefore requires the analysis of net effects (programme impact). In terms of employment outcomes, the number of jobs created by the programme is its ‘gross’ effect. However, certain effects can cause programme ineffectiveness (see [Box 1.5](#)). Net impact evaluations measure the net effects of programmes on aggregate employment by estimating deadweight, substitution and displacement effects (Corbanese and Rosas, 2009). The net impact of intervention should therefore be understood as follows:

$$\text{Net impact} = \text{gross effect} - \text{deadweight loss} - \text{substitution effect} - \text{displacement effect}$$

Box 1.5 Terminology

Displacement effects (also referred to as ‘crowding out’) occur when the employment generated by the intervention displaces regular employment. For example, firms hire subsidised workers instead of unsubsidised ones, or when the subsidy expires, the formerly subsidised worker is dismissed. There may also be ‘fiscal displacement’ with respect to LMPs; fiscal displacement exists when central governments provide funding to local governments – typically for job creation projects – who in turn use this funding to carry out projects that they would have implemented anyway.

Deadweight loss/effect occurs when the intervention (either subsidised hiring or other resources invested in the programme) benefit individuals that would have been hired even in the absence of the programme. A common example is a wage subsidy to place an unemployed person in a firm, where the hiring would have occurred even without the subsidy. Another example is a training scheme targeting young graduates who would have been hired even without the training.

Substitution effect occurs when a programme provides incentives to substitute one type of worker for another due to the relative wage cost change. For example, subsidies for young workers might create an incentive for firms to hire them instead of other adult workers.

Source: Author’s own based on ILO (2016a), Fay (1996) and ETF/Kluve (2014).

Other (negative) effects might include the following (ILO, 2016a):

- creaming, where only unemployed people with higher employment probabilities (e.g. better education or motivation) are selected to participate in the programme;
- locking-in: during participation, individuals lower their job search efforts and therefore have a lower probability of finding a job compared to unemployed people who are not in ALMPs;
- carousel, which involves cycling between periods of open unemployment and participation in ALMPs;
- churning is the granting of incentives to unemployed people who have little interest in a job and only participate to gain entitlement to another round of unemployment/social benefits;
- stigmatisation, which is the situation when the measure is too tightly targeted at very disadvantaged unemployed people who may become ‘stigmatised’. The stigmatising effect signals

low productivity to employers and prevents them from hiring workers participating in the programme.

These effects are rarely (quantitatively) measured in available studies, so their impact on programmes and effectiveness is largely unknown.

As noted by the ILO (2016a), some of the interventions might be prone to these effects more than others¹⁰. For example, *incentives for retaining employment* (including work sharing to support labour demand during a crisis) carry large deadweight and substitution risks (from 40% to 90%). The *incentives for creating employment* show a lower deadweight effect (20% to 30%) for hiring subsidies than wage subsidies. Moreover, if the employer is required to reimburse the subsidy in case of dismissal, churn and deadweight are lower (20% to 30%). Longer-term positive effects are recorded when the hiring subsidy has a skills development component. For *incentives for human capital enhancement*, there is no evidence of displacement effects, but the cost of training programmes often leads to creaming (and therefore deadweight). Locking-in effects are also thought to be important, especially for longer training programmes, but there is little evidence on their magnitude. For *labour market matching*, the displacement effects are small compared to other interventions; deadweight may occur (if the services benefit those who would find a job without assistance, but they are rarely measured) and creaming is especially significant if caseworkers need to deliver good re-employment rates.

The complex nature of ALMP outcomes, especially for programmes that are integrated and holistic, as well as the need to find counterfactual evidence requires the use of diversified analytical approaches. There are many evaluation designs available for programme effectiveness analysis, including qualitative and quantitative methods. It is important to note that impacts can be obtained by different methodological designs (experimental, non-experimental, econometric, qualitative). In practice, an impact assessment is usually performed with the use of more advanced quantitative methods, either quasi-experimental or experimental design, including the following (European Commission, 2013):

- **matching approach** (propensity score matching), in which intervention and control samples are matched to each other based on their observed characteristics;
- **randomisation approach** (randomised control trials), which requires the allocation of target groups at random to 'treatment' and 'control' groups, but may raise ethical issues for curtailing access to individuals in similar situations to the ones who participate (unless being naturally occurring experiments);
- **difference-in-difference approach**, which makes use of pre-intervention result measures for intervention participants and controls;
- **regression discontinuity approach**, where members of a target group take part in an intervention depending on whether their score on a continuous measure (or rating) either exceeds or is below a predetermined threshold or cut-off. The threshold distinguishes the treatment from the control group;
- **instrumental variables**, which uses an instrument (a type of variable) to isolate exogenous variation in the receipt of an intervention – the idea of a natural experiment.

There are also more advanced methods used for impact evaluations, including sequence analysis, the dynamic method or the synthetic control method (European Commission, 2019).

¹⁰ For an analysis of the displacement effect of different types of programmes, see also ETF/Kluve (2014).

1.3 Methodological challenges of impact evaluations

The need for rigorous impact evaluations of ALMPs has led to an acceleration in the growth of available evidence (Romero and Kuddo, 2019). It is also evident in the literature on systematic reviews and meta-analyses (Kluve, 2006, 2016; ETF/Kluve, 2014; Puerto, 2007; Murtin and de Serres, 2013; Murtin et al., 2013; de Serres and Murtin, 2013; Yeyati et al., 2019).

In net impact estimation, the outcomes of programme participants are judged in relation to an appropriate comparison (control) group. An appropriate group can be specified either as part of a classical field experiment involving random assignment to participant and comparison groups (experimental evaluation), or by quasi-experimental methods which attempt to achieve the fiction of random assignment through statistical means (non-experimental evaluation) (Corbanese and Rosas, 2009). This approach poses significant challenges to researchers. Methodological issues are widely discussed in the literature.

- McKenzie (2017) discusses methodological problems with surveying and propensity score matching (selection bias¹¹).
- Corbanese and Rosas (2009) analyse methodological problems, including randomisation bias¹².
- Lechner (2000) and Stephan and Pahnke (2008) analyse common support problems in evaluations.
- Koning and Peers (2007) use the theoretical framework of hazard models to discuss to what extent the different evaluation approaches can be related to each other.
- Heckman et al. (1999) analyse difficulties in econometric evaluation.
- Blundell and Costa Dias (2000) and Kluve and Schmidt (2002) point to general methodological difficulties.
- Kluve notes that there is a time constraint in effectiveness and Vooren et al. (2019) discuss the issue that most ALMPs have negative short-term impacts followed by positive medium-term impacts.

As noted in the last point, the dimension one should be aware of in this report relates to the time effectiveness of ALMPs, as different policies display different time lags in effectiveness.

Box 1.6 Time effectiveness

This will be split into two modes of analysis: if at all, how long does it take for ALMPs to be effective, and are certain ALMPs more effective in the short or long term? Vooren et al. (2019) consider the short term up to one year after programme implementation and the long term after one year of implementation. Vooren et al.'s analysis of 57 experimental and quasi-experimental studies between 1990 and 2017 finds that most ALMPs have negative short-term impacts followed by positive long-term impacts (ibid).

¹¹ 'In an evaluation study, selection bias exists when programme outcomes are influenced by unobserved (or difficult-to-observe) factors that are not controlled for in the evaluation. For example, bias may be the result of unobserved differences in individual motivation. It can also arise as a by-product of the administrative selection process whereby certain individuals are selected for programmes based on their observed characteristics (administrators may "cream" the best to maximise the success of a programme) etc.' (Fay, 1996)

¹² 'This refers to bias in random assignment experiments. In essence, this says that the behaviour of individuals in an experiment will be different because of the experiment itself and not because of the goal of the experiment. Individuals in an experiment know that they are part of a treatment group and may act differently, and the same could hold true of individuals in the control group.' (Corbanese and Rosas, 2009)

In transition and developing countries, some additional challenges of ALMP evaluations can be observed.

- Weak registration and monitoring systems can result in incomplete registration and follow-up of unemployed and ALMP participants, as well as obsolete information management instruments, leading to significant problems in the comprehensiveness of evaluations (and in some cases possibility of undertaking impact evaluation studies).
- Multiple budget sources and implementing actors (the most common being the country PES, EU/bilateral or multilateral donors, and international organisations) can lead to varied and fragmented practices of ALMP monitoring and evaluation, and problems with comparability of data and results¹³.

Due to these challenges and the organisational setting of ALMP implementation, it is very difficult to construct fully-fledged impact evaluations in ETF partner countries. Net impact evaluations are usually linked to outstanding ALMPs or donor-funded projects only. This influences the underrepresentation of these countries in reviews and meta-analyses focusing on ALMP effectiveness.

The literature review allows us to formulate some salient points to consider when designing the impact assessment of ALMPs.

- Impact estimates from an individual-level analysis may provide only incomplete information about the full impact of the intervention, as systemic or market-wide changes, as well as ‘displacement effects’, might affect the scale and effectiveness of the intervention.
- While the economic significance of the impacts is likely small, larger than traditionally used samples are needed for accurate measures of their likely positive effects (Romero and Kuddo, 2019).
- The effects of ALMPs will often be revealed in the long term, after the follow-up periods of most impact evaluations (Card et al., 2016; Kluve, 2016).
- Substitution and deadweight effects could more easily be identified on the micro level, but this would require an experimental design for programme implementation, which virtually does not exist (Ecorys/IZA, 2012).
- Card et al. (2018) studied the global impact evaluation evidence and their main findings included that: unless outcomes are measured over the longer run (two to three years after programme completion), the effects measured will likely be zero (in particular for skills training). Also, there is systematic heterogeneity between groups with greater impact for females and those entering from long-term unemployment; and ALMPs have a stronger impact during recessions (in contrast to the earlier study) (Romero and Kuddo, 2019).
- The success of ALMPs depends on a comprehensive approach between policies (Immervoll and Scarpetta, 2012), and the outcomes of activation measures often depend on other institutions (Benda et al., 2020).

This last point should be analysed further as it relates to contextual factors influencing ALMP effectiveness.

¹³ There are also other challenges observed in developing countries, including inadequate budget to set up the experiment, ethical issues to deny people services in order to be in a control group, technical capacity to undertake/commission evaluations.

1.4 Factors influencing the effectiveness of active labour market policies

Yeyati et al. (2019) point to the fact that the impact analysis should be adjusted according to the different components of each programme, the context in which it is implemented and the target population for whom it was designed. As further noted by the European Commission (2017): ‘The design, coverage and targeting of ALMPs as well as the way they are implemented (by PES or others) matter a lot in terms of their effectiveness and efficiency¹⁴. By now there is a fair amount of evidence as to what policies work best for whom under which circumstances.’ A study by Ecorys and the Institute of Labour Economics (Ecorys/IZA, 2012) also concludes that ‘there is not one particular policy that can serve as a universal tool for improving the labour market perspectives of the unemployed’.

It is therefore crucial to consider interdependencies between policy measures in the analysis of ALMP effectiveness. Interventions are not separate from each other (Immervoll and Scarpetta, 2012), and their effectiveness is often dependent on other conditions which fall outside ALMPs, be it other policies (e.g. effectiveness of the training support may be dependent on income support, transportation allowance or housing support) or institutional and contextual factors (e.g. easy access to support through ‘one-stop-shop’ approach or online access; availability of information on support measures) (IBRD/World Bank, 2020). Clearly interventions should be geared to supporting individual pathways through a ‘customer journey’ approach, focusing on the varied needs of individuals, often out of scope of ALMP support (activation, housing, transportation allowance addressing non-labour market barriers that are identified through profiling and counselling). In some cases, the assumed effects of the ALMPs at macro level (e.g. income increase) might not be achieved due to contextual factors, such as the high incidence of ‘working poor’ populations in some ETF partner countries¹⁵. Therefore, it is vital to analyse the institutional and contextual framework to understand the factors behind ALMP effectiveness.

Studies, notably Pritchett et al. (2013), refer to the multidimensional and complex nature of measuring effectiveness. They particularly refer to the number of variables for classes of policies that can be delivered in a variety of different ways to different target groups with widespread variations in results. This has significant implications for the measurement of the effectiveness of ALMPs; if this potential variation is not considered, there is a considerable risk of erroneous conclusions being drawn. Systemic reviews assuming uniform design and limited contextual evidence will therefore be inadequate for ALMP evaluation.

Another important contextual element of this report is the economic development of the country under scrutiny.

¹⁴ Although Kluge (2006) claims that rather than contextual factors such as labour market institutions or the business cycle, it is almost exclusively the programme type that matters for programme effectiveness.

¹⁵ Countries considered under the metric ‘near poor’ and ‘moderately poor’ (ILOSTAT, 2021).

Box 1.7 Economic development

The level of economic development analysed in this report will be split simply as high, middle and low incomes. ALMPs in developing and emerging countries often provide different results from those in developed countries (Betcherman et al., 2004; McKenzie, 2017). It is therefore worthy of consideration, especially considering ETF partner countries are mainly middle- and low-income countries.

Source: European Commission (2018)

Tzannatos (1999) claims that the effectiveness of these programmes is further influenced by the phase of the business and labour cycle in which they are established. Yeyati et al. (2019) note that programmes are more likely to yield positive results when GDP growth is higher and unemployment lower¹⁶. In the context of developing economies, Escudero et al. (2016) note for Latin America that ALMPs have a positive effect on the chances of formalising labour (with the same observations as Abebe et al. (2016) in the Ethiopian context). On the contrary, Banerji et al. (2014) claim that ALMPs mainly benefit workers in the formal sector in developing countries¹⁷. Puerto (2007) notes that programme success is determined by the programme's targeting strategies towards disadvantaged young people, the country level of development and the flexibility of labour market regulations (McKenzie, 2017).

Hence, the context of the developing countries, or more specifically the context of ETF partner countries, most notably including economic growth and PES institutional capacity (which is a part of implementation capacity), might influence the effectiveness of ALMPs in these countries¹⁸.

Among the factors mentioned above, the institutional capacity of PES in the respective ETF partner country is crucial in determining the effectiveness and the type of ALMP that they will be able to deliver¹⁹. The key determinants of PES capacity are (i) the adequacy and dependability of resources, and (ii) political priority afforded to the organisations, the latter frequently determining the former. In developing countries, PESs with agency status often have a clearer strategic management mandate and more of a focus on operational delivery than PESs that are within the departments of ministries. The latter frequently provide only residual services. The existence (or lack) of specific PES strategic plans describing goals, HR policies, objectives, funding, and targets is also a very good proxy for the level of PES maturity/capacity. Similarly, information on numbers of registered clients and volume of vacancies handled can provide insights as to how well established a PES is.

¹⁶ We discuss the effectiveness of crisis interventions in detail in subsequent parts of this report.

¹⁷ For the same argument, see Bonoli and Lietchi (2018).

¹⁸ It should also be noted that access to ALMPs can be administratively limited, especially for inactive people and workers in the informal economy. These may not be registered, may not want to register or may not meet the necessary requirements to benefit from services and measures due to administratively set limitations. Requirements may also not appropriately reflect the local context e.g. limiting access when individuals own property, even if they live in poverty.

¹⁹ While we are aware of the different institutional arrangements being in place to deliver ALMPs, we focus our analysis on a PES-centred model of delivery, which is also including other actors, most notably social services and educational providers. In this model the services are coordinated by PES, which plays a central role in ALMPs delivery.

Box 1.8 How to measure institutional coherence of PES

One of the few sources allowing for the comprehensive assessment of PES capacity is the World Association of Public Employment Services report (IDB, WAPES and OECD, 2015). The report includes analysis of what is called institutional coherence of PES, which 'refers to the "fit" of different services and within services, meaning that whatever services provided by these agencies should be delivered in a coordinated manner and correspond to one another in a way that guarantees the best possible way to target persons according to their labour-market-related needs'. This includes:

- targeted, results-driven services;
- coordinated, actively managed service provision;
- client-oriented services, appropriate for the individuals served;
- sufficient complexity of the service portfolio, enabling the PES to address a variety of issues relevant for labour market intermediation.

On this basis, this study proposes three main criteria for the analysis of PES capacity:

1. comprehensiveness of services;
2. operational model of PESs;
3. resource capacity.

These criteria have been proposed as a framework to be used to assess the PES capacity in ETF partner countries. Annex 2 includes further details regarding the assessment criteria for PES capacity.

2. ASSESSMENT OF THE EFFECTIVENESS AND RELEVANCE OF ACTIVE LABOUR MARKET POLICIES FOR ETF PARTNER COUNTRIES

2.1 Assessment of measures

This section will now turn to each category of ALMP and assess through a qualitative reading of the literature its effectiveness along the dimensions of what works (as historically evidenced), for whom (target group) and why (context). This study comes at a peak of interest in ALMP effectiveness with a marked increase in impact evaluations since 2016 (Yeyati et al., 2019).

2.1.1 Training

Key findings:

- Training is most effective at increasing employment outcomes when focused on specific groups of people and sectors with skills gaps.
- Effectiveness related to training is normally demonstrated in the long term.
- Assigning counsellors to trainees helps to improve employment effectiveness.
- It is most effective in low- and middle-income countries when tied to counselling and focused on women and all age groups.

Training contributes strongly to improving the employability of target groups through building human capital. These programmes are most often funded publicly, although private sector involvement in delivery is common. This measure focuses on the supply side of the labour market, with the hope to increase the supply of labour to meet an envisioned demand. Increasing the labour market relevance of training by focusing on employer-led current and future development needs should be the key aim for training (although this is not always the case in reality). Training can either take place institutionally (in a school or more often for ALMPs at a training institution), or in a workplace, or a mixture of the two (alternate training). More formalised, long-term training is sometimes referred to as an apprenticeship²⁰.

Training is the most common ALMP implemented worldwide to tackle unemployment (Kluve et al., 2012; Romero and Kuddo, 2019). There is, however, a distinct split in the literature regarding the effectiveness of training. According to one running theme in the literature, the effectiveness of these programmes is negligible (Dar and Tzannatos, 1999; Estevão, 2007; Calmfors et al., 2002; Martin and Grubb, 2001). Furthermore, a number of studies have found that training measures can be ineffective for young people, with conclusions that the real rate of return for youth training programmes in advanced economies is low to negative (Tzannatos, 1999; Kluve and Schmidt, 2002; Greenberg et al., 2003).

However, other meta-analyses find more positive conclusions on the effectiveness of training. Kluve and Schmidt (2002) find that training measures are more effective than subsidy schemes. In general, programmes with a large training component have also been evaluated as effective in improving employment outcomes (Raaum and Torp, 2002; Brodaty et al., 2002; Kluve et al., 1999; Van Ours, 2001; Abrassart, 2015; Bassanini and Duval, 2006; Nie and Struby, 2011). Likewise, Boone and

²⁰ In some countries, apprenticeships follow strict legal requirements including a formal contract, a stipend for the learner, a balance of practical and theoretical work, as well as clearly defined responsibilities for employers and TVET (technical and vocational education and training) institutions.

Van Ours (2004) analysis of 20 OECD countries between 1985 and 1999 finds that training measures have a positive impact on the labour market employment rate. More recently, Godec and Benčina (2018) conclude that, unlike employment incentives, which are often reactive measures in a time of crisis, training programmes retain their proactiveness across time.

To try to understand this literature split, it is worth considering the nuances regarding *which* conditions allow for training programme success. According to Tzannatos (1999), training was found to have been most effective when the economy was in a recovery phase. The type of training programme in question is also important, with large-scale schemes having little impact compared to more targeted programmes addressing specific skills needs (Tzannatos, 1999; Greenberg et al., 2003; Meager, 2009). Escudero (2018) continues this project focus by concluding that sufficient allocation of resources to programme administration and policy continuity are particularly important.

The time dimension of effectiveness in what regards training measures is also worth noting. According to Fredriksson's (2021) study of 19 welfare states between 1985 and 2013, training reduces unemployment in the short run and increased PES spending can reinforce long-term effects from training. Similarly, Vooren et al. (2019) find that training has positive employment effects from six months after programme inception and beyond 36 months. Furthermore, the relatively small impacts in the short term can become significantly positive outcomes years later (Card et al., 2010, 2018; Forslund and Vikström, 2011).

Box 2.1 Internship programmes in Montenegro

To help tackle Montenegro's high youth unemployment rate, three internship programmes were created: (i) vocational training, (ii) traineeship (*pripravnik*), and (iii) volunteering. Participants in the programme are reimbursed by the state at 50% of the average national salary with all programmes lasting 12 months or less. All programmes are enforced by a legal contract, protecting both parties involved. According to Montenegro's Ministry of Education, the programme has been a large success with around 48% of participants in the programme finding work at the end of their internship. The separate ministries of Education, Labour and Public Administration provide the institutional framework for the programmes with other social partners involved in planning. Going forward, the internship programmes will be regulated, the awareness raised, and the capacity of internship providers increased.

Source: Ademi (2018).

The level of economic development in a country also has important ramifications for programme effectiveness. Training is the most common type of intervention in low- and middle-income countries and is the most important ALMP in terms of expenditure in high-income countries. Training can be slightly more effective in middle- and low-income countries, with most effectiveness reserved for women-centred training programmes in low-income countries (McKenzie, 2017). Indeed, training programmes in developing countries more frequently target the most disadvantaged (ILO, 2016b).

Other outcomes aside from increases in net employment are also worth considering. For example, training in low- to middle-income countries has been found to have success in increasing the probability of an unemployed person finding *formal* employment (Escudero et al., 2016). This is particularly relevant to such countries, as informal employment is very high and formalising the labour market is a policy goal of many low- and middle-income countries. Indeed, Jessen and Kluve (2019) find that measures with the explicit aim of formalising workers tend to be successful.

Lack of continued funding is blamed for training programme failure in low- to middle-income countries (Auer et al., 2008). Training programmes focused on young people in low- to middle-income countries seem less effective than all-age programmes (Malo, 2018). However, training targeted at women is

shown to be effective (ibid.). Finally, any such programme in developing countries needs to be balanced against equity concerns, i.e. which disadvantaged group ought to be prioritised.

In conclusion, training measures can be effective, particularly if they are well targeted and focus on disadvantaged groups (especially women). A long-term approach and sufficient resources are necessary to see positive impacts. On top of this, a number of recommendations from Kluve (2010) are worth taking forward. Firstly, subsidies, counselling and intermediation services are complementary to training delivery. Secondly, delivery should operate through one-stop-shops which can be public, private or NGOs²¹. Finally, assigning a counsellor to the trainee for a competence and skills assessment can help better plan the usefulness of training to prospective trainees.

2.1.2 Employment incentives

Key findings:

- This is an expensive ALMP measure.
- Assessment of employee suitability is necessary for effectiveness.
- Employment incentives are best focused on specific target groups.
- These incentives are most effective in low- and middle-income countries when tied to training.

Employment incentives²² aim to facilitate the recruitment of unemployed people through subsidies to employers funded by the state or sometimes NGOs. By effectively lowering the cost of labour, this policy aims to stimulate an increase in demand to meet a higher equilibrium of employment. Furthermore, the skills learned by those participating in such programmes can contribute to human capital development and create a more skilled working-age population.

Employment subsidies are most commonly found in economically developed countries due to the high cost involved in their implementation (Malo, 2018). Indeed, the largest expenditure on employment incentive ALMPs anywhere in the world is in Denmark and Sweden (Fredriksson, 2021). Aside from in these two countries, employment subsidies historically make up a small proportion of overall ALMP expenditure even in OECD countries (Tzannatos, 1999). Like training measures, the literature is broadly split on the effectiveness of subsidy measures. They have been found to be ineffective or in some cases negative in numerous meta-analyses (ibid.). Kluve and Schmidt's (2002) meta-analysis finds that subsidy schemes are much less effective than training or job search assistance. This is particularly the case in the public sector, with slightly improved performance when subsidies are given to the private sector (Rosholm, 1999; Gerfin and Lechner, 2000).

Much of these negative effects can be explained by the displacement and deadweight concern of subsidies. The risk is that by subsidising new entrants into jobs, others may lose work (displacement). A deadweight loss then occurs when employers would have created these jobs anyway. Employment incentives then become a form of artificially cheap employment for employers who abuse the measure.

However, wage subsidies have been given a more positive evaluation in other parts of the literature. For example, in an updated meta-analysis of wage subsidies by Kluve (2006), subsidies had become the most effective ALMPs; this was equally mirrored in De Koning's (2005) findings. Similarly, Estevão (2003, 2007) found that subsidy programmes are the most effective ALMP type in 15 high-income

²¹ Although one should note from other sources that one-stop-shops have variable results, and effective delivery can be achieved with other results.

²² This category clusters together a wider range of types and formats of employment incentives, such as subsidised employment, wage subsidy, bonuses, job rotation and sharing, other incentives targeting employers and jobseekers. Limited availability of evidence for each type of incentives prevented a more disaggregated analysis.

countries. In a separate assessment (Butschek and Walter, 2014), it is argued that wage subsidies are the only ALMP that can be confidently recommended to European policy-makers.

To decipher these conflicting findings, it is useful to understand which subsidy programmes are most effective. Subsidies with a more targeted programme structure (e.g. for women or steel workers) are found to improve effectiveness (Tzannatos, 1999; Kluge and Schmidt, 2002; Eurofound, 2017). Indeed, Card et al. (2018) find that targeting the long-term unemployed people in particular has the biggest employment effect. Programme structure also ought to involve the monitoring of employer behaviour to prevent subsidy programmes being abused to recruit cheap labour. On top of this, increased resources devoted to wage subsidies can be expected to reduce unemployment rates.

It is also worth noting that wage subsidies can play an important role as a counter-cyclical labour market stabiliser, as pointed out by McKenzie (2017). This means that wage subsidies, when used as job retention schemes, might not generate additional employment but can still play a social protection role during recessions. Certainly, the largest experiment in the effectiveness of wage subsidies is taking place presently, in the worldwide response to Covid-19 with overwhelming evidence that government interventions to subsidise the cost of labour to employers has saved millions of jobs. For example, in the United Kingdom (UK), at the scheme's peak in May 2020, 30% of the UK workforce was furloughed. The share of the workforce furloughed fell by more than half to 11% by mid-August 2020 – with such falls representing people returning to their (saved) jobs (HM Treasury, 2020).

On the dimension of time effectiveness, wage subsidies have clear short-term positive impacts with a disputed employment benefit in the longer or medium term. Well-resourced and structured subsidy programmes delivered with caseworkers – toward integrated service delivery – can have positive employment, productivity and wage effects up to five years after the programme ends (Lombardi et al., 2018).

On the dimension of economic development, employment subsidies are least common in low- and middle-income countries given their high cost (Malo, 2018). In all countries, employment subsidies target groups of workers with long-term distance from the labour market. Due to the general lack of wage subsidy programmes in low- and middle-income countries, it is difficult to make accurate comparisons. However, effective programmes in middle- and low-income countries do exist.

In particular, programmes which offer a package of services including counselling, training, job search assistance, and workplace subsidies have had success, especially when addressing sectoral needs. Such programmes have been delivered in Argentina (Proyecto Joven), Chile (Chile Joven), Colombia (Jóvenes en Acción), the Dominican Republic (Juventud y Empleo), Panama (ProCaJoven), and Peru (ProJoven). All such programmes have had positive employment effects to differing degrees, with the largest beneficiaries being women (Almeida et al., 2012). Programmes framed by targeted incentives to training to address sectoral needs (i.e. economic sectors) tend to be more effective. Experience suggests that good engagement between PES and employers on this level bears fruit. Well-coordinated sectoral development incentives with ALMPs provision, including career guidance services, facilitates matching between labour demand and supply.

Overall, employment incentives, most typically wage subsidies, have disputed effectiveness. However, when focused on particular target groups, with attention paid to programme structure and labour market shortages, wage subsidies are found to be effective at increasing employment outcomes with most evidence for this remaining in higher-income countries.

2.1.3 Sheltered and supported employment

Key findings:

- This is the least common ALMP.
- This measure requires strict programme management for effectiveness.
- It works best when trying to get people with disabilities into workplaces.

Sheltered and supported employment policies target unemployed people facing obstacles to engage in the labour market. This is often a policy aimed at people with disabilities. The rationale for this measure is that such people are prevented from entering the labour market due to barriers not of their own making. Attempts should therefore be made to make workplaces more inclusive so all who can and want to work do so. In this sense it is a matter of equity as much as it is employment promotion. The definitions for each of these are as follows (Eurostat, 2013):

- ‘**Sheltered employment** refers to employment in an enterprise operating in a commercial market, with or without public support, and established specifically for the employment of people with disabilities or other working limitations, but which may also employ able-bodied people in a limited proportion.’
- ‘**Supported employment** refers to employment in a regular working environment where people with disabilities or other working limitations are enabled through public support (financial or otherwise) to work alongside able-bodied employees.’

These are the least common of ALMPs for all countries and for this reason will not feature as prominently in this study, which requires a larger focus to meet the scale of unemployment from the Covid-19-induced recession.

No meta-analyses on the topic exist from which conclusions of effectiveness, time lags, and developing vs developed countries can be drawn. However, it is worth taking a look at successful individual examples of these types of schemes. For example, in Belgium, a social economy organisation called WEB focused on integrating long-term unemployed people with disabilities into work. The programme provided sheltered work for people with limited capabilities, and gradually evolved to a more autonomous function within the project, prior to open labour market placement following job carving interventions with prospective employers. In 2017, 138 clients out of a total of 370 benefited from actions related to job placement, and 140 clients completed a pathway to a job in the regular open labour market.

Box 2.2 Serbia: shelter and support package

Serbia has conducted several initiatives to foster the inclusion of people with disabilities in the labour market, in line with the national strategic documents for improving the position of persons with disabilities, as well as for employment promotion. Some examples of active policies and funding resources to employ persons with disabilities include the following: setting up of a fund managed by the Ministry of Labour, Employment, Veteran and Social Affairs and the National Employment Service (NES); introduction of NES professional rehabilitation services; introduction of creative employment plans; new rules stating that all employers with 20–49 employees must employ one person with a disability, and one for every 50 after that; and the creation of social enterprises for rehabilitation. In the period from 2011 to 2017, the relative share of persons with disabilities employed from the NES register increased from 1.58% to 2.41%.

Source: Ognjanov (2018).

Another successful example of this type of scheme can be seen in Malta. As a consequence of the enforcement of a 2% employment quota for persons with disabilities in Maltese enterprises, a substantial number of enterprises were required to hire people with disabilities. Due to the gap between the requirements of existing vacancies and the preparedness of the jobseekers with a disability, job-carving was adopted. Job-carving refers to the practice of rearranging work tasks within a company to create tailor-made employment opportunities for all people, but especially for people with reduced work capacity. This falls under the supported employment strategy. As of April 2018, 278 jobs had been created for jobseekers with disabilities by making use of the job-carving approach.

From these two examples it is clear that a well-resourced and managed programme is needed to create employment outcomes with, in the case of Malta, a wider policy agenda to improve integration also being a useful contributory factor.

2.1.4 Direct job creation

Key findings:

- This is most effective in a crisis context as a means to support those on low incomes and keep them close to the labour market.
- This measure is particularly effective in low- and middle-income countries with lower PES institutional capacity.
- The measure ought to concentrate on delivering socially beneficial outputs.

Direct job creation, or ‘public works’ (as they are frequently referred to in the literature), is a measure aimed at increasing the demand for labour by directly employing those without a job in work programmes. Such programmes are usually implemented for a short, fixed amount of time and are based around community benefit, often of local infrastructure. The jobs created tend to be in the public or non-profit sector. The rationale for such programmes is for the state to act as an ‘employer of last resort’, typically in periods where unemployment is high, such as during a recession.

Direct job creation schemes or public works are most common in the low-income country context (Malo, 2018). Although, due to low resources, coverage in such schemes also tends to be low (Robalino et al., 2014). In a review of 11 countries’ public works programmes in response to the 2008 crisis, the median number of beneficiaries served by at least one such programme was only 0.1% of the labour force (ibid).

In comparison, public works are even rarer in developed countries²³ and, where they do exist, focus intensely on the most marginalised (ibid). The literature broadly agrees that public works are not an effective policy tool for unemployment in the long term but can play a vital role during downturns to protect incomes. Their lack of effectiveness is at its highest in the public sector where programmes almost always fail to stimulate long-term employment (Rosholm, 1999; Brodaty et al., 2002; Kluve et al., 1999, 2012). Similarly, Nie and Struby (2011) use data from 20 OECD countries for the period from 1998 to 2008 to find that direct job creation had a negative effect on the unemployment rate in these countries. However, Fredriksson (2021) suggests that caution is needed when interpreting these results, stating that the precision of such estimates is low. Angel-Urdinola and Leon-Solano (2013) show that public works programmes have, on average, low employment rates after programme completion (approximately 12%) and are 10 times more costly on a per-capita basis than training programmes²⁴.

Even when the employment effects of public works are positive, they are still smaller than other ALMPs (Kluve, 2010; Card et al., 2010, 2018). The main rationale for such programmes in high-income countries is equity, the idea that integration in the labour market is better for people than long-term unemployment. In contrast, public works are far more commonly found in low-income countries where the rationale is to provide necessary income support in the absence of universal social insurance systems. Malo (2018) sees the best effectiveness of these policies in these countries as a kind of income-protection policy which can set the grounds for future labour market integration by maintaining levels of human capital, a perspective also defended by Khanna et al. (2014) and others (Almeida and Galasso, 2010; Jalan and Ravallion, 2003; Ferreira and Robalino, 2010). This is equally

²³ In more advanced countries with well-developed social protection schemes, public works programmes have been phased out due to their ineffectiveness in creating jobs. The income protection role that public works play in developing countries does not arise.

²⁴ Although one could argue against considering employment as key objective of such programmes when in practice public works are often playing a poverty alleviation/income protection role.

supported by Tzannatos (1999), who, through 13 evaluations of public works, finds that they can help disadvantaged groups most (e.g. older workers, long-term unemployed people, and those in distressed regions).

Perhaps the most promising aspect of public works is when they are combined with other ALMPs (Kluve et al., 2012). A number of examples exist of successful public works which are integrated with training in low- and middle-income countries²⁵. One example of this type of programme is Argentina's Jefes y Jefas, which involved a significant amount of training and educational activities for four to six hours a day. Evaluations of the programme show it had positive long-term effects on labour market outcomes. Other programmes in low- and middle-income countries have followed this example including the Rural Maintenance Programme in Bangladesh, the Expanded Public Works Programme in South Africa, and the Temporary Income Support Programme in El Salvador. Evaluations of these programmes are ongoing.

Further study of what works for direct job creation reveals that the wage rate should be set no higher than the market rate for unskilled labour, that restrictions on entry should be avoided and that works should be concentrated in poor areas which provide assets to those areas (Ravallion, 1998).

Another dimension to public works worth consideration is that they have the ability to aid informal workers in times of economic crisis (Robalino et al., 2014). In this work, Robalino et al. found that public works benefited informal-sector workers more than other policies in response to the 2008 crisis. In contrast, other ALMPs in low- and middle-income countries overwhelmingly benefited the formally employed, who are more likely to have more secure labour market positions.

Countries that were able to deploy public works during the previous crisis situations, particularly during the 2008–10 crisis, already had the systems in place in 2020, which explains the fact that new public works were implemented less in low-income countries than in high-income countries in response to the current Covid-19 crisis. Their relative greater importance to developing countries is shown by their budget allocation, which is twice the percentage of GDP than in developed countries (although at the low level of 0.1%). One example of successful extension of public works following the 2008 crisis was Mexico's Temporary Works Programme, extended in 2009 to provide work to 250 000 unemployed persons (0.5% of the labour force) at twice the minimum wage for six to four months. In Europe and Central Asia, two large-scale interventions were implemented in Kazakhstan and Turkey. In Kazakhstan, public works focused on vital infrastructure such as local roads, highways, electricity and gas networks.

Overall, what works for direct job creation is its delivery in a crisis context. Public works are also best deployed as a form of human capital and income protection in low- to middle-income countries. This can be explained by the differing institutional capacity between wealthier and poorer nations.

2.1.5 Start-up incentives

Key findings:

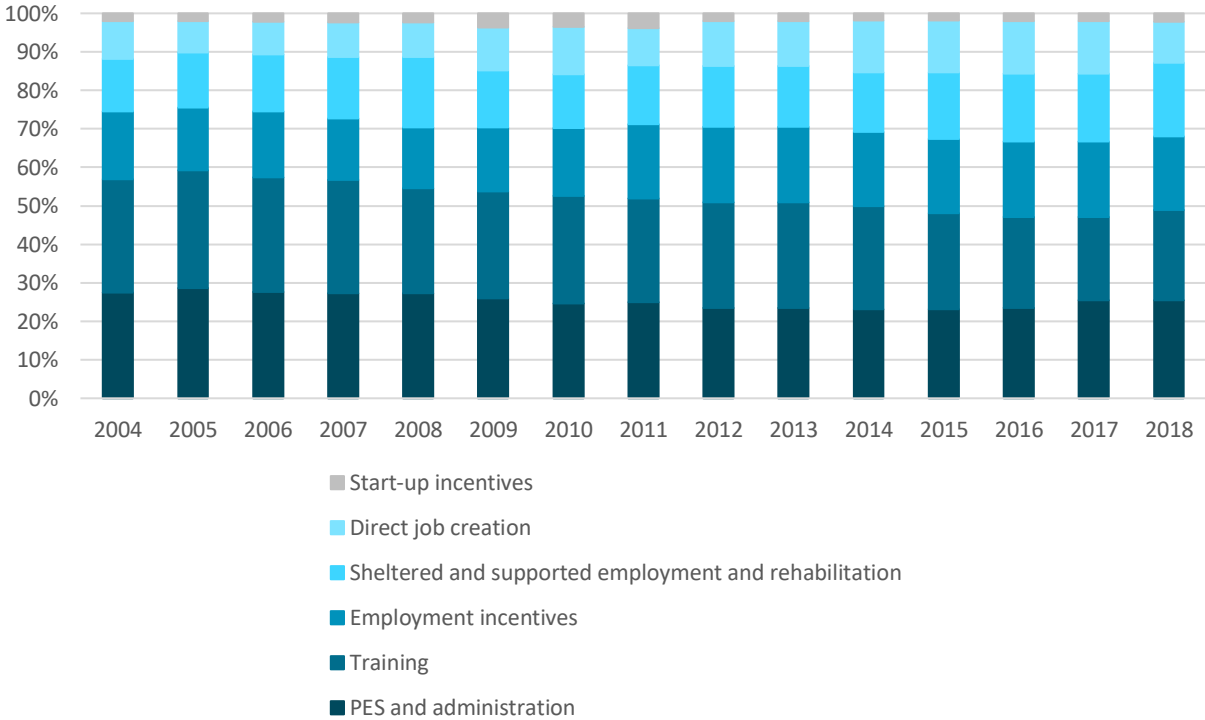
- This measure is particularly effective in low- and middle-income countries when partnered with training, mentoring or coaching.
- It is one of the least common ALMPs in terms of participants despite widely found success in all countries.
- It leads to particular success for women in low-income countries.

Start-up incentives aim to tackle unemployment by encouraging those out of work to start businesses. This entrepreneurship-focused strategy seeks to raise the demand for labour through businesses

²⁵ Moreover, ideally if training offered as part of public works schemes, is based on forecast of skills needs, proper access to career guidance and recognition of prior learning, this may lead to higher effects over employability and transition to formal employment.

hiring others in the future, while also increasing the supply of business-skilled labour. Typically, loans and subsidies are provided to unemployed people to enact a business plan of their creation under the advice of the PES or subcontracted delivery partner. The rationale behind start-up incentives is that people have the potential to be their own best source of employment. This provides opportunities for those who otherwise could not access investment in entrepreneurial activity. This type of action is effective for workers with strong work experience, open to new career tracks and/or unemployed due to dismissal.

Figure 2.1 OECD spending by ALMP



Source: OECD.Stat database

Start-up incentives account for only a small part of ALMP spending in high-income countries (see Figure 2.1; high income here denoted as OECD). While comparative spending data for low- and middle-income countries is not available, a slight increase in the share of overall spending on start-up incentives in lower-income countries can be expected due to NGO donors’ preference for this measure. Due to the minor role of start-up incentives in the ALMP armoury, fewer meta-analyses or evaluations exist of their effectiveness, thus limiting the conclusive results on the issue (Immervoll and Scarpetta, 2012). However, start-ups have played a key role in both the 2007–13 and 2014–20 European Social Fund (ESF) programming periods. In the former round, start-ups and self-employment ALMPs were found to deliver good results and high survival rates (Metis GmbH, 2015). The majority of businesses created were in the service sector and remained small but had enough longevity to be recommended in the next ESF programming period. For example, 86% of businesses created through the Greek Youth Entrepreneurship programme in 2008 were still active according to a sample survey conducted in 2014.

One of the few qualitative reviews of start-up schemes by Tzannatos (1999), which reviewed 13 evaluation programmes, found their effectiveness to be unclear. Failure rates of such start-ups ranged from 20% to 70% in the first year alone. The participants from all programmes did, however, do better on average under employment outcomes than non-participants. There can also be a multiplier effect from such programmes with surviving businesses creating on average half an additional job each.

More recent studies have made more positive conclusions about the employment effectiveness of such policies. In Pignatti and Van Belle (2018), start-up subsidies are found to reduce unemployment but with a smaller effect than other ALMP programmes. Escudero (2018) claims that start-up incentives are more effective than all other ALMPs at reducing unemployment with particular benefit for low-skilled people. Similarly, Sahnoun and Abdennadher (2018) concludes that start-up incentives seem to be the most effective policy at reducing unemployment, especially due to their relative low cost. However, others have highlighted the need to be cautious when reviewing their effectiveness during recessions due to the overall struggling business environment, with further evidence needed in this area (Ecorys/IZA, 2012).

The implementation of start-up measures follows slightly differing logic in high- vs middle- and low-income countries. While all share the aim of improving employment outcomes, the context of delivery and effectiveness differs. Even within high-income countries the evidence varies, with Scandinavia and continental Europe delivering more successful programmes compared to Anglo-Saxon and Mediterranean regions. Germany has had particular success with these schemes, with positive long-term employment effects found in two separate studies, with women and ethnic minorities the largest beneficiaries (Baumgartner and Caliendo, 2008; Caliendo and Künn, 2011). This is likely to be due to better administration of such programmes in the respective countries (Sahnoun and Abdennadher, 2018). Targeting of such programmes also differs between countries, with higher-income countries targeting young and higher-skilled individuals compared to more general uptake in low- and middle-income countries (Malo, 2018).

In comparison, in low- and middle-income countries, such programmes are most effective when combined with management training, often after graduation (Malo, 2018). The Middle East and North Africa are two regions that have experience in this area of policy with moderate success (Angel-Urdinola and Leon-Solano, 2013). According to a study completed by Cho and Honorati (2013), entrepreneurship programmes in this region had a positive effect on attitudes towards self-employment. This was deemed a large success in a region where public sector work is highly valued among all citizens but especially graduates.

Furthermore, start-up measures have a strong anti-poverty dimension with the funds available serving as a social protection measure. Malo (2018) also finds that start-up funding is more effective than wage subsidies in increasing employment in low-income countries. Programmes in these countries target both the formal and informal economy in a context where, in low-income economies, the majority of work is informal.

Overall, start-up incentives are undervalued in the ALMP options when trying to reduce unemployment. Evidence suggests that, when used in high-income countries, programmes are restricted to the most marginalised unemployed people and are most successful in robustly structured and funded programmes. In low- and middle-income countries these policies play a slightly different role as an income-protection mechanism with significant success when training is incorporated alongside delivery. Start-up/entrepreneurship incentives play a valuable role in supporting returning migrants. Going forward, entrepreneurship programmes will be increasingly relevant to changing labour markets defined by flexibility and irregular employment contracts.

2.1.6 Job search assistance

Key findings:

- This measure is most common in high-income countries.
- It requires high institutional coherence.
- Effectiveness is determined by well-balanced sanctioning and job search support.
- Young people particularly benefit from job search assistance.

Job search assistance is one of the principal ways in which PESs aim to 'activate' the unemployed. This measure means that unemployed people must spend a significant proportion of their time searching for work. In countries with welfare support, job-search and job-readiness are often conditionalities for receiving such benefits unemployment or other types of benefits during joblessness periods, creating a system of mutual obligations, monitoring, and sanctions. A PES official monitors unemployed and imposes sanctions for non-compliance. In some instances, the PES official will work with the unemployed person in guidance sessions to help them find work. The amount of time welfare recipients need to spend searching for work and the severity of sanctions for non-compliance varies largely between countries. The theoretical reasoning behind job search assistance is that there is an asymmetry of information (impressions of jobs available vs actual jobs available) between unemployed people and the labour market. In this setting, this ALMP is envisioned to increase the supply of labour to meet the actual level of demand in the economy.

Job search assistance can be understood as the core function of PESs, particularly in higher-income countries where unemployment benefits require automatic participation. Technically classified as a service, search and assistance became an ALMP over successive PES reforms which sought to 'activate' the unemployed service users.

Activities within this measure can be broken down into five categories according to Kluge: (i) job search training, (ii) counselling, (iii) monitoring, (iv) job clubs, and (v) sanctions (ETF/Kluge, 2014). They are widely praised as one of the most effective ALMPs for transferring unemployed people into work (Vooren et al., 2019; Card et al., 2010, 2018; Kluge, 2010; Malo, 2018). However, this finding is not unanimous, with Yeyati et al.'s (2019) review of 102 random control trials finding that job search assistance services were less effective than other ALMPs.

Job search assistance can be characterised as having a carrot and stick approach. The 'carrot' in this case consists of the service offering to the unemployed (activities i, ii, iii and iv) with sanctions (v) as the 'stick'. The effectiveness of job search assistance can be improved through both these mechanisms. Countries that have increased their service provision have increased the numbers of placements (Crépon et al., 2012; Hägglund, 2014). This so-called 'service effect' of PES shows a direct positive correlation between placements and meetings with caseworkers at the PES (Graversen and Van Ours, 2008). This trend also points to the time-effect dimension of job search assistance which tends to have positive employment impacts more quickly than other programmes (Card et al., 2018).

Capacity constraints are also crucial (Immervoll and Scarpetta, 2012). Adapting guidelines alone produces little effect in practice if PESs do not have the capacity to manage frequent contact with benefit recipients or are otherwise unable to monitor job search activities closely.

Sanctions (the 'stick' of job search assistance) have also shown success in increasing the number of unemployed people getting back into work (Boockmann and Brändle, 2015). The rationale behind this is that by making benefits harder to access, work will be made more of a default. Obviously, any such decisions need to be weighed against the quality of employment into which people are encouraged, with evidence suggesting that accelerating the search process can lead to lower-quality employment outcomes compared to the last job held (Arni et al., 2013). Excessive sanction regimes have also come under criticism for impoverishing already vulnerable people (Wright et al., 2020). Research demonstrates that appropriate individual screening and tailoring of interventions dramatically increases the success of interventions.

In terms of job search assistance beneficiaries, Caliendo and Schmidl (2016) find that it is particularly effective for unemployed young people in Europe. On a macro-level, Abrassart (2015) finds that increased spending on PES is positively associated with employment rates among low-skilled unemployed people.

Along the dimension of low, middle and high income, it is clear that higher-income countries have more resources to fund larger job search assistance programmes. The added value for job search assistance in these parts of the world is in making them targeted programmes (Malo, 2018). In the

case of low- and middle-income countries, such schemes require well-trained staff to ensure effectiveness which requires continuous development of PESs in these areas. With these constraints in mind, it is worthwhile supporting private and not-for-profit options in delivery, as has been implemented frequently in such contexts. Nevertheless, governments could strive to develop a reasonable level of PES to be able to perform a leading role in activation and matching, ensure appropriate legal and policy framework for the development and operation of other providers as well as promote cooperation with private providers.

Overall, job search assistance is an essential feature of an 'activated' PES. They are most effective when correctly balancing the 'carrot' and 'stick' at their disposal. Such programmes are widely agreed to have a positive immediate impact and ought to be developed in lower-income countries through wider sectoral partnerships. A question remains as to the absence of the 'carrot' in many of these countries, as unemployment benefit coverage is much lower than in high-income countries.

Box 2.3 Job clubs – Best practice case study: Launch pad for employment (Lanzaderas de Empleo, Spain 2013, ongoing)

This project sought to create support schemes based on a cooperative society model. It is co-financed by the ESF and run by the NGO Lanzaderas. Groups of volunteers agree to work together in self-managed learning teams (called Shuttles) for up to five months to help each other find employment, start their own projects, or improve their qualifications. The target is for 60% of participants to secure employment, re-enter education, or commence self-employment. The project was novel in that it sought to champion people's individual agency as a tool to help themselves and their fellow unemployed citizens in finding rewarding work. This is in stark contrast to the more typical hierarchical delivery of job search assistance in much of the world. The scheme led to enhanced employability, client empowerment, and social and labour market inclusion for the majority of participants. The most recent statistics from the scheme show that it has delivered more than 650 Employment Shuttles, and nearly 50 Connecting Employment Shuttles, in over 300 cities across the country. In total, more than 17 000 people have participated, of which the target of 60% improving their employment situation was met. This means they have either found work as an employee, or have started their business, or undertaken training. Due to the ongoing Covid-19 pandemic, the Shuttles have been transformed into a semi-virtual format with a mix of in-person and online sessions. The pandemic has also seen a new wave of participants, many unemployed for the first time who are now engaging in group sessions to re-evaluate their career prospects.

2.2 Contextual factors affecting the effectiveness and transferability of active labour market policies

2.2.1 Evidence on contextual determinants of ALMP effectiveness

The vast majority of meta-analyses agree that some ALMPs are more effective than others and that determinants of success are complex, with resource commitment, programme structure, demographic targeting, and macroeconomic environment all having an effect (Puerto, 2007; Malo, 2018; Escudero, 2018; Martin, 2014; Sahnoun and Abdennadher, 2018).

Puerto (2007) finds that programme success is not determined by the type of intervention but rather by the programme's targeting strategies towards disadvantaged young people, the country level of development and the flexibility of labour market regulations. Malo (2018) finds that social dialogue may enhance implementation, especially tripartite social dialogue at an aggregate level. He also finds that different ALMPs such as training seem to have different impacts in developed versus developing

countries. Additionally, he discovers distinctions in effectiveness for programmes targeting young people versus all-age programmes, women versus men, and the continuing concern for equity effects. Furthermore, many studies show that programme management and implementation are very important factors in determining ALMP effectiveness (Escudero, 2018; Martin, 2014).

Other areas of the literature, such as Sahnoun and Abdennadher (2018), highlight the wider contextual effect of the macroeconomic environment. They find that control variables, such as the tax wedge, employment protection legislation, inflation, investment, and GDP are all important in influencing the unemployment rate, which ALMPs alone cannot be expected to lower²⁶. They highlight continuing problems regarding poor evaluation, flaws in programme design, and administrative support. These findings are backed up by Benda et al. (2020) who find that the success of activation measures is significantly affected by employment protection strictness and unemployment benefit generosity. They find that stricter employment protections for temporary workers and less generous unemployment benefits both have a positive correlation with ALMP effectiveness. Similarly, Yeyati et al. (2019) find that programmes are more likely to yield positive results when GDP growth is positive and unemployment is low. Furthermore, programme length, monetary incentives, individualised follow-up and activity targeting play a role in determining the effectiveness of activation measures.

While the literature on ALMPs presents notable examples of good practice, much attention is paid to the persistent ineffectiveness of ALMPs. This is due to the fact that in many ALMP meta-analyses²⁷, little or no positive employment effects are found. This has left some to pessimistically conclude that ‘the general outlook for ALMPs is rather grim’ (Crépon and van den Berg, 2016). However, McKenzie (2017) offers some positivity in response to this conclusion by positing that the effectiveness of labour markets to reach market equilibrium (where demand for labour equals supply of labour) is actually quite high, and therefore the suggested asymmetries in skills and information that ALMPs ought to fix is not as large as commonly thought. Clearly, ALMPs are a complex policy tool with a mixed track record. This is inevitable given their number, global reach, and diverse programme structure, as well as the varied macroeconomic contexts of their delivery.

2.2.2 Contextual factors of ETF partner countries

EU countries have distinct differences in their ability to deliver ALMPs when compared to ETF partner countries. ETF partner countries are indeed characterised by a number of institutional and socio-economic factors that make ALMP delivery a particular challenge. On the basis of the literature review, this study can conclude that a feasibility²⁸ assessment for introducing or adjusting certain ALMPs ought to consider at least two criteria²⁹:

- institutional capacity of PESs,
- country income level.

In relation to the institutional capacity of PESs, it is important to note that the countries included in the ETF’s geographical remit are very diverse, covering significantly different political and economic histories which have produced the institutional and socio-economic capacity that is seen today. The standard approach of previous ETF reports has been to analyse countries by the regional groupings made by the ETF. That approach will continue in this report with a proposal for the added tripartite grouping of institutional capacity.

²⁶ Indeed, ALMPs alone cannot resolve the challenge of unemployment. Policies enabling job generation and economic growth, skills development as well as social protection and inclusion are crucial to address joblessness.

²⁷ See, for example, Kluve (2006), Baker et al. (2005), Fitoussi et al. (2000), Scarpetta (1996), Elmeskov et al. (1998) and Caliendo and Schmid (2016).

²⁸ Understood as suitability and relevance to the socio-economic and institutional context

²⁹ These are two fundamental criteria although a more complex analysis is advisable and could include political context, education system, various services availability, socio-cultural aspects and so on.

As noted in the methodological section of this report, three key criteria are used:
(i) comprehensiveness of services, (ii) operational model of PESs, and (iii) resource capacity.

These are based on groupings made by the WAPES, the IDB and the OECD. An assessment framework has been developed (see Annex 2) which splits the institutional capacity of PESs in ETF partner countries into a three-tier grading. Note that the information provided in Annex 2 is developed for reference purposes, which should lead to internal self-assessment of PES institutional capacity by ETF partner countries. Some information that can be used to assess PES capacity based on the framework proposed can be found in Elezaj et al. (2019), the relevant IDB, WAPES and OECD (2015) report, ETF resources³⁰ and many other country-focused reports or updates produced by the European Commission, the ILO, the IMF or the World Bank.

The institutional coherence of PESs varies widely throughout ETF partner countries. While generalisations are hard to draw and ought to be avoided, the Southern and Eastern Mediterranean and Central Asia are more likely to have lower institutional coherence. On the other hand, Morocco, Algeria, the Western Balkans, Israel and a number of countries in the Eastern Partnership region perform better, with all scoring 'moderate' in at least one criterion.

This analysis allows us to conclude that some of the ETF's partner countries will be better equipped in terms of PES capacity to design and successfully deliver more complex and demanding ALMPs. This contextual factor can also influence the transferability of new, innovative practices from more developed countries.

Our review reveals that country income level, as indicated by GDP per capita, also affects the use and effectiveness of ALMPs.

The information in Table 2.1 has been calculated from the qualitative literature review. As can be seen from the table, the income level has substantial effects on the feasibility of ETF partner countries to deliver ALMPs. Training requires significant programme commitments but is feasible in all country income contexts (McKenzie, 2017). Innovative examples of its delivery exist in low-income countries, as for example the Economic Empowerment of Adolescent Girls and Young Women (EPAG) project in Liberia (Chakravarty, 2013), where an NGO was the main delivery provider. Employment incentives similarly require large funding commitments and are particularly well placed for middle-income countries such as Tunisia where labour hiring costs are often perceived as obstructively high by companies. Sheltered and supported employment measures require high PES capacity (or institutional capacity – if ALMPs are delivered otherwise) and resources as well as a broader pro-inclusivity policy agenda to ensure success and therefore remain most feasible in high-income countries.

Direct job creation is particularly suitable to low-income countries where such measures can be used as a form of social assistance, infrastructure building and labour market engagement for unemployed people. Start-up incentives are a novel measure in that they remain feasible in all income groupings and yet remain among the measures with the least investment. Their feasibility stems from their relative low cost and capacity for delivery in low- and middle-income countries to enable participants to set up their own business in the face of a smaller formal labour market. Job search assistance requires substantial human resource commitments and is therefore restricted in feasibility to high-income and upper-middle-income countries which can handle a large case load and database of the unemployed.

³⁰ In particular, information gathering and evaluations carried out in the framework of Torino Process (2014, 2016 and 2018–20), and periodical country fiches covering education, training and employment aspects. Various reports (country or cross-country) available at: www.etf.europa.eu/en/publications-and-resources/publications

Table 2.1 Income level and ALMP feasibility³¹

Income level	Country	Training	Employment incentives	Sheltered employment	Direct job creation	Start-up incentives	Job search assistance
Low	Tajikistan Syria	***	**	*	***	***	*
Lower middle	Algeria Egypt Morocco Moldova Tunisia Ukraine Uzbekistan	***	***	*	***	***	*
Upper middle	Albania Armenia Azerbaijan Belarus Bosnia and Herzegovina Georgia Jordan Kazakhstan Kosovo Lebanon Libya Montenegro North Macedonia Russia Serbia Turkmenistan Turkey	***	***	**	**	***	**
High	Israel	***	***	***	*	***	***

Source: Author's own based on the literature review

Notes: * low feasibility; ** moderate feasibility; *** high feasibility

³¹ Analysis of feasibility/capacity based on the income level should not be regarded as formal country assessment and serves illustrative purposes in order to show the possible influence of contextual factors on the ability to effectively deliver ALMPs, beyond the composition of the programmes themselves, as well as the relevance to socio-economic context.

3. REVIEW OF THE DESIGN AND DELIVERY OF ACTIVE LABOUR MARKET POLICIES IN CRISIS SITUATIONS

3.1 Review of past crisis measures³²

Key findings:

- The 2008 crisis stimulated an increase in activation measures in high-, middle- and low-income countries as ALMPs became key measures to counter high unemployment as a result of the crisis.
- The crisis increased the use and expenditure on ALMPs in high-income countries, with employment incentives and training playing leading roles.
- ETF partner countries deployed ALMPs in response to the crisis, confirming the role of ALMPs as a crisis-response mechanism. Deployment of ALMPs varies immensely, with regional differences and institutional capacity determining delivery.
- Some ALMPs have begun to tackle the climate crisis in high- and middle-income countries.

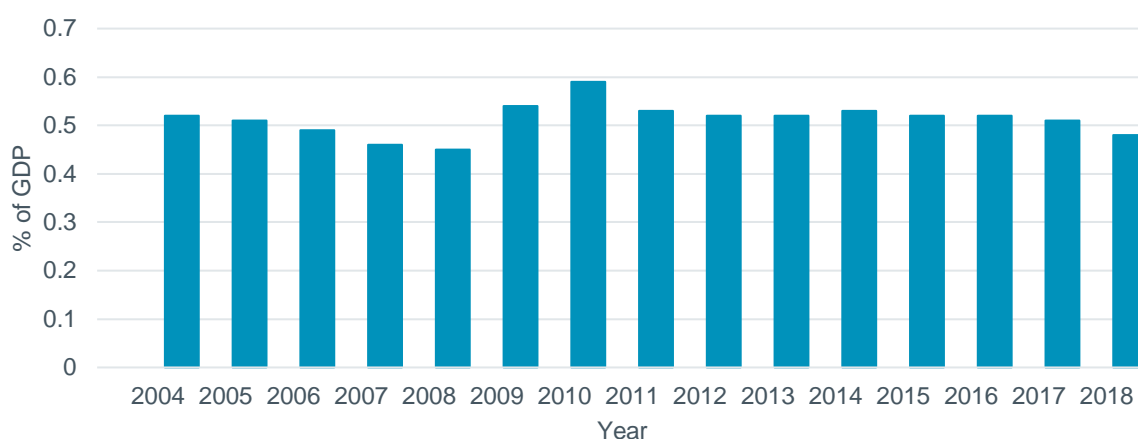
3.1.1 High-income countries (EU Member States and beyond)

ALMPs have increasingly become the cornerstone of OECD countries' fight against unemployment, particularly in response to structural change such as deindustrialisation, the transition from centralised economies to market economies, and most recently the aftermath of the 2008 economic crisis. The 2008 crisis increased the activation agenda in OECD countries with ALMPs expanded and diversified across the grouping (Martin, 2014). New and effective ALMPs have been created in short-time work (STW) schemes, 'green training' and (in a minority of cases) in public works. This was in the context of an already growing interest in ALMPs, for example in the European Commission's Flexicurity in Europe programme, becoming part of the Europe 2020 strategy since its launch in 2010, which promoted ALMPs as a key component of a new welfare approach.

Prior to the 2008 crisis, expenditure on active measures (as a share of GDP) had been slowly decreasing (see [Figure 3.1](#)). Yet by 2010, average spending on ALMPs in OECD countries increased to an average of 0.6% of GDP, up from 0.45% in 2007, with significant variation in expenditure among OECD countries (Denmark 2.02% in 2010 compared to USA 0.14%) (OECD.Stat, 2020). The 2008 crisis widened the mandate of ALMPs in the EU and OECD to a crisis-response tool. This moved such measures beyond their envisioned role focusing on long-term structural unemployment.

³² The timeframe here is taken from 2008, to include the financial crisis and the crisis in unemployment during the 2010s. This timeframe has seen the increasing use of ALMPs.

Figure 3.1 OECD expenditure on ALMPs



Source: OECD.Stat database

According to the OECD.Stat database, while passive measures continue to take a higher proportion of most OECD budgets, activation has become increasingly important. The legacy of the most common ALMPs delivered in response to the 2008 crisis is presented below.

Training

Training measures were both created and expanded in response to the 2008 crisis (Ecorys/IZA, 2012). In general, the waiting period for training was shortened in Finland and the UK. In Bulgaria, Cyprus, Spain, Ireland, Poland and Sweden, training subsidies were increased (ibid.). In some cases, training was implemented alongside STW schemes, which have been found to reduce labour costs to employers in the long run (Cazes et al., 2009). In Sweden, unions and employers in the manufacturing sector agreed to reduce working hours by 20% and replace this with training participation.

In some cases, these training schemes were adapted to suit the growing aim for a greener recovery. For example, in the UK, a programme began in January 2013 run by British Gas, Accenture and the environmental charity Global Action Plan, in partnership with the PES (shortly after the double-dip UK recession). The project aimed to train unemployed young people for new jobs in energy-efficiency retrofitting for UK homes. This project supported the government's policy of providing energy-efficiency measures to low-income and vulnerable households while tackling the climate crisis. The role of the PES was largely as a recruitment partner – a role it later repeated in the London Crossrail project. Similarly, in the Basque region of Spain, a project to support training/internships for 560 participants per year in 400 'green' companies was launched in 2012. The programme included a classroom training period of between 350 and 450 hours, followed by the practical application of new skills through an internship of 450 to 550 hours, to upskill unemployed young people for work in the green economy. Both examples show training measures being adapted to suit the new realities of the climate crisis.

Employment incentives (STW schemes)

STW measures were among the most common ALMPs deployed or expanded in response to the 2008 crisis in the EU. Such measures provide employed recipients with unemployment benefits to cover losses in working hours caused by employers reacting to aggregate falls in demand³³. Germany extended eligibility from 6 to 24 months in 2009; likewise, such schemes were extended in Austria,

³³ There is an ongoing debate on whether STW schemes are ALMPs as they can be considered partial unemployment benefit schemes. Also, there is limited availability of evidence on attempts to link STWs with skills development, and on their effectiveness.

Finland, France, Luxembourg and Portugal. A total of five OECD countries implemented STW schemes for the very first time during the crisis. These schemes were most effective in countries with high levels of employment protection (Hijzen and Venn, 2011) such as Germany, Austria and Japan, which also had the lowest proportion of temporary workers in the OECD. In Germany it is estimated that unemployment would have doubled without the scheme (Brenke et al., 2011). Deadweight loss from these schemes in this crisis context was estimated to be lower than other job subsidy measures and minimal due to the extent of the crisis (Hijzen and Venn, 2011). This is in line with McKenzie's (2017) finding that wage subsidies are unlikely to generate additional employment or determine access to jobs but can be a form of social protection during a recession.

Direct job creation (public works)

Public works were less popular than other ALMPs in the OECD following the 2008 crisis, but innovative examples do exist. Public works were mainly implemented in Hungary, Ireland, Latvia and Spain. Spain and Hungary invested in public works the most. Interestingly, in the Netherlands and Cyprus, job creation programmes were defunded entirely, perhaps following evidence that public works programmes are the least effective ALMPs in the OECD for employment outcomes in the long term (Kluve, 2016).

However, Latvia provides one of the most interesting examples of effective public works schemes in Europe in response to the 2008 crisis. This emergency public works programme targeted registered unemployed people who were not receiving unemployment benefits during the crisis (in which Latvian GDP shrank 21% – one of the largest falls globally). Those registered as unemployed could participate in the programme for up to six months, and the programme was quickly oversubscribed. More than 110 000 temporary jobs were created between 2009 and 2011, and beneficiary incomes were 37% greater than those of non-beneficiaries. The positive effect of the programme was due in part to the total absence of income-generating opportunities outside of it (the extent of the recession). This novel public works scheme was effective in improving income outcomes during a period of high unemployment, an approach that has been taken forward to Latvia's Covid-19 response (LSM.lv, 2020). This provides evidence that during periods of high unemployment, limited public works schemes can be an effective means to tackle income loss and continue interaction with the labour market, a legacy that is of specific interest to similar conditions likely in the post-Covid-19 recovery.

Job search assistance

According to the OECD (2009), more than two-thirds of member countries enacted job search assistance measures by increasing PES provision post-2008. This accelerated the use of activation methods and tools by PESs. From 2008 to 2010, Germany, Hungary, and Japan increased PES resources by around 10% (Banerji et al., 2014). Unemployed people who had historically worked on short-term contracts benefited from additional funds in Belgium and France. Two stand-out cases were Latvia, which increased the number of beneficiaries of job search assistance from 65 300 in 2008 to 171 800 a year later, and Lithuania, with an increase from 1.1 million to 2.1 million within the same timeframe. To serve more unemployed people, many countries increased the number of frontline PES staff (ibid.).

For example, in Spain, 1 500 professional counsellors were hired to provide additional vocational education guidance in Spain (Ecorys/IZA, 2012). In Latvia, the role of the PES was expanded to include a mapping of the needs of the labour market in terms of skills (ibid.). In France, the 'Pôle emploi' was developed to merge unemployment services with activation and accounted for 63% of total French PES expenditure in 2009 (ibid.). In the longer term in the UK, a stricter regime of financial sanctions was implemented alongside a reduction in benefits and privatisation in delivery. The results of the UK's PES reform have been controversial: a report conducted by the UN Rapporteur on Extreme Poverty (Alston, 2019) heavily criticised its punitive nature, yet the OECD praised the UK's activating reforms for limiting unemployment after the crisis (OECD, 2014). Many of the changes enacted during the crisis were a part of wider structural changes which remain in force to this day, summarised best as increased activation.

Overall

In terms of meta-analysis, Godec and Benčina (2018) find that, from a panel regression analysis of 20 EU Member States from 2007 to 2013, ALMPs had a positive impact on the employment rate during the crisis period. This finding aligns with that of Escudero (2018) and points to the effectiveness of these programmes in increasing the employment rate. Kluge (2010) finds that for European ALMPs, neither the regulatory environment nor business cycles play a significant role in the efficacy of ALMPs. Rather, it is the programme type or category that determines performance with a disparaging view of public works programmes. A greater understanding of the time dynamics of ALMPs has been developed as well. According to Vooren et al. (2019), most ALMPs have negative short-term impacts followed by positive medium-term impacts. However, ALMPs with enhanced services including job search assistance and training have a positive impact from their inception. Similarly, Card et al. (2016) caution that unless outcomes are measured over the longer term (two+ years after programme completion), the effects measured will likely be zero.

In the OECD, ALMPs were expanded and diversified across the group in response to the 2008 crisis. STW schemes were implemented on an unprecedented scale and had most success in well-protected labour markets. Active support as the default PES approach grew over the crisis period with novel developments in training programmes to target the climate crisis. Meta-analyses uncover that ALMPs have time lags in their impact, and training and search assistance policies continue to be among the most effective ALMPs. Overall, activation has solidified its position in OECD countries following the crisis, with participation in ALMPs and more rigorous sanctions becoming a near-universal pre-requisite for accessing social security (European Commission, 2017).

3.1.2 ETF partner countries

ALMPs are increasing in popularity in ETF partner countries following their wide adoption in high-income countries (Bird, 2020). Within the context of these countries, ALMPs have focused on tackling different labour market crises such as those connected with the 2008 economic downturn, the Arab Spring, but also other structural obstacles (such as high youth unemployment, or the inadequacy of skills development). ALMPs in these countries continue to focus on tackling disadvantaged communities such as young people, women and migrants. They are sometimes delivered as separate programmes detached from uniform unemployment insurance (which tends to cover very few unemployed people).

The impact of the 2008 global financial crisis affected ETF partner countries to differing degrees, while all had experienced positive growth for the majority of the 2000s (World Bank, 2020a). For example, in the Southern and Eastern Mediterranean region, which accounts for 10 of the 29 ETF's partner countries, 2008 posed a food, fuel and financial crisis despite growth remaining positive for all ETF partner countries in the region. This was also despite a falling trend in the unemployment rate across the region during the decade preceding the financial crisis (ibid.). Growth remained positive in Central Asia and the Southern and Eastern Mediterranean throughout 2008, with Central Asia avoiding recession altogether and the Southern and Eastern Mediterranean entering recession the next year followed by a sluggish growth rate throughout the 2010s. Conversely, the Western Balkans (with the exception of Albania and Kosovo³⁴), Turkey and Russia experienced a recession in 2008 (ibid.). Owing to the realities of the diverse institutional capacity, socio-economic contexts and resources in ETF partner countries, different ALMPs have been prioritised across the region.

Western Balkans and Turkey

Turkey, a country with medium to high institutional capacity and resources, has been able to react to crises with a substantial diversity of ALMP programmes. In response to the increase in unemployment from 2008, the Turkish government cut the tax wedge for the employment of women and young

³⁴ This designation is without prejudice to positions on status, and is in line with UNSCR 1244/1999 and the ICJ Opinion on the Kosovo declaration of independence – hereinafter 'Kosovo'.

people, the two demographics hardest hit by the crisis. It is estimated that these labour subsidies created over 27 000 jobs for women in 2009. A vocational training initiative was also launched and attended by an impressive 241 000 trainees (Erdođdu, 2011).

Turkey's neighbours in South Eastern Europe are relatively new to ALMP delivery and they remain funded at a low level apart from in [North Macedonia](#) (ETF/Kluve, 2014). For example, in [Kosovo](#), only 3.8% of the unemployed people were involved in ALMPs during the fallout of the 2008 crisis, and in [Bosnia and Herzegovina](#) spending amounted to just 0.06% of GDP. In [Albania](#), [Bosnia and Herzegovina](#) and [North Macedonia](#) the coverage and spending on ALMPs is generally low with a lack of evaluation (Numanović, 2016).

In [Serbia](#), a national youth-oriented programme was implemented in the First Chance Programme of 2012 with a net employment rate of 34%. ALMPs have since been placed front and centre of a new National Employment Action Plan to engage the 71% of jobseekers who contact the PES (far higher than states in the Southern Mediterranean where jobs are more frequently sought through family contacts). The focus of this new programme will be for the PES to track the net placement rate of any such programmes, not just the gross placement rate. This plan helps tackle the fact that very few impact evaluations exist for ALMPs in the Western Balkans and Turkey region.

Southern and Eastern Mediterranean³⁵

This region has some of the highest youth unemployment rates in the world, a trend that also disproportionately affects women of all age groups. This has been an ongoing crisis, which an increasing number of ALMPs have tried to mitigate since 2008. Despite this, overall youth-focused ALMPs remain a neglected social policy in the region (Barsoum, 2018) and are often underfunded (Angel-Urdinola and Leon-Solano, 2013).

Despite this context, effective programmes which seek to deliver multi-party responses to youth unemployment do exist. In [Morocco](#), where 25% of young people are not in employment, education or training, a multi-stakeholder (16 in total) approach has been engineered to help promote vulnerable young people on the formal job market in Tangiers and Casablanca (Gregoire and Badaoui, 2020). Tangiers is in the north of the country where the youth unemployment rate amounts to 30%. Organisations from the public, private and civil sectors have facilitated the delivery of an extensive search and assistance programme by partner NGOs. Since 2009, a total of 2 076 men and women have found work. This search and assistance programme is developed through Activa counters (five in Tangiers and four in Casablanca). These counters are staffed by trained specialists called professional integration technicians who guide young people in their job search. The technicians also provide outreach to recruit young people and constantly liaise with the private sector team entrusted with developing employment leads. The civil society partners involved have now become trusted recruitment pipelines for private sector organisations in the region.

Similarly, a multi-sectoral approach has been pioneered in [Tunisia](#) under the Initiation into the world of work scheme (SIVP – namely, stage d'initiation à la vie professionnelle). This is an employment subsidy aimed at the large number of unemployed university graduates in the country. The programme provides a subsidy worth between EUR 50 and EUR 125 to potential employers per month for a year. Studies of the subsidy have found that the graduates who gain a placement under this programme are less likely to remain unemployed than their peers. Similar subsidy schemes exist across the region, including the Idmaj programme³⁶ in [Morocco](#), the NOW (New work opportunities for women) programme in [Jordan](#) which successfully facilitated female graduate labour market entry and the subsidised work contracts (CTA – contrats de travail aidé) programme in [Algeria](#).

³⁵ It is worth noting that in the case of countries with social and cultural factors strongly influencing activation and participation in employment of various groups, in particular women, additional angles and levels of analysis and methodological approaches (e.g. sociological, anthropological) are necessary to complement the economic focused assessment of ALMPs effectiveness.

³⁶ Idmaj is a programme for subsidised employment.

These programmes have high effectiveness for increasing subjective well-being, career confidence and employment.

However, in the Southern and Eastern Mediterranean, there are only a few detailed impact evaluations from which one could determine overall effectiveness. Of the few that do exist, most have been funded by independent actors such as the World Bank (Angel-Urdinola et al., 2013). Owing to this donor-led approach, a bias has emerged for evaluating entrepreneurship programmes, despite them representing a small percentage of ALMP programmes in the region. The evaluations of such entrepreneurship programmes have shown limited effects: a programme in [Syria](#) increased knowledge and positive attitude to self-employment (Haddad, 2010); in [Tunisia](#), there was no net effect on employment but a change to greater self-employment and increased positivity towards it (Permand et al., 2011); and in [Morocco](#), household self-employment increased with no effect on other social indicators (Cho and Honorati, 2013).

Russia

Four main ALMPs are in operation in Russia: job search assistance and training on the supply side, and public works and wage subsidies on the demand side. The initial focus of such programmes was on the shock of industrial restructuring in the 1990s with an increasing focus on particularly vulnerable groups more recently. As a post-communist transition economy, universal assistance has been replaced with means-tested support in the wider welfare system (Dugarova, 2016). An activation strategy has been deployed to deal with persistent unemployment and poverty, starting relatively recently in the late 2000s and early 2010s. The scale and scope of such ALMPs vary across the country but they are typified by nationwide programmes administered by the state. The most effective programmes target particularly excluded groups such as women or young people. One of the largest ALMPs is Russia's Social Support of Citizens. This provides a one-off payment of EUR 390 on average with an agreed commitment to assisted job search, public works, training, self-employment or other activities agreed between the state and recipient. By 2014, a total of 48 000 contracts had been signed. This resulted in 60% of participating families increasing their income by 1.5 times.

Central Asia

In 2014 the [Kazakhstan](#) government implemented a similar conditional scheme with 4 000 families participating in the first year. Participant incomes more than doubled compared to their situation prior to the programme. Following the 2008 crisis, the government launched the Roadmap 2009–10, with the objective of creating jobs for vulnerable demographics in the labour market (women, young people, low-skilled people). Overall, 392 000 jobs were created as a result of the programme with just under half receiving training; half of these again found long-term work in the recovery. According to the government, 192 000 young people found work through the scheme in 2011. This had the effect of lowering the youth unemployment rate below the total average. This success spawned the 2011–20 Employment Roadmap which uses vocational training, micro-credit and entrepreneurship programmes for disadvantaged citizens. From 2011 to 2015, a total of 598 370 people took part, of which 76% found permanent work (Dugarova, 2016).

[Kyrgyzstan](#) is typified by higher rates of unemployment and migration than its neighbours. To help combat these crises, a 2013 programme provided a number of ALMPs from training to public works. Overall, 58% of those attending the course found employment through the course and it has been linked to the fall in Kyrgyzstan's unemployment rate since 2010 (ibid.). Like Kyrgyzstan, [Uzbekistan](#) has a fast-growing working-age population, with a large proportion of young people. Half a million graduates every year enter the labour market. Since 2009, the government has implemented a job creation programme which in 2015 created 980 000 jobs, of which 60% were rural, and 480 000 graduates gained employment. An expansion of micro-credit entrepreneurship programmes also occurred, with just below EUR 1 billion committed to such programmes, helping 200 000 women work from home through their own businesses.

The labour market in this region is affected by low pay, low productivity, informality and underemployment. ALMPs have become an increasingly used tool to deal with these problems.

The focus on activation and contractual obligations has been a marked change to former Soviet universal assistance. Success has been found in a number of programmes focused on more vulnerable groups such as women and young people in Kazakhstan and Uzbekistan.

Eastern Partnership region

As upper-middle-income countries (apart from Moldova), the Eastern Partnership states have greater fiscal ability to run extensive ALMPs such as search and assistance. Many states in this region have significant PES histories, such as [Armenia](#), which founded its State Employment Agency in 1991 upon independence and has integrated social services. In 2013 the model of the Agency was reformed to an active approach. Unemployment income support has been abolished and replaced with vocational education and training, entrepreneurship programmes, professional work experience, and work subsidies. Public works have been a significantly successful ALMP for reducing poverty and tackling unemployment in the country (Robertson and Melkumyan, 2021). The recent Work Armenia Strategy aims to embed career centres in secondary schools to reduce youth unemployment. In stark comparison, [Georgia](#) only established its own PES in 2019, with offices small in number. This was after some experimentation with search and assistance services in 2006–07, which were abolished shortly after. Georgia's current State Strategy and Action Plan on ALMPs aims to reverse this by implementing more and developing six regional offices (ETF/Ermsone, 2019).

[Ukraine](#) is another country in the region with a history of ALMPs, this time in its transition to a market economy. Data analysis shows that participation in training programmes in particular helped the transition from unemployment to employment for many from 2000 to 2003 (Mikhed, 2004). In 2001, the Ukrainian PES became one of the first state institutions to incorporate principles of equal treatment of men and women in its work and has become more relied upon for search and assistance by women than men (Kupets, 2010). An innovative 2017–22 ALMP modernisation programme is underway to enable the PES to deliver more effective and inclusive ALMPs with particular attention paid to skills matching (ETF, 2019). In [Azerbaijan](#), job fairs represent the largest ALMP with large numbers reached by the PES through this method. The First Step in Career project in this country specifically targets graduates to tackle asymmetries in information on graduate opportunities. Ukraine and Azerbaijan are the only two countries in this region to run training centres in conjunction with PESs.

In [Belarus](#), the PES offers a range of services including vocational training for registered jobseekers. More than 120 different training courses are on offer with financial support available. An employment incentive programme is also in operation whereby young people can be offered up to six months of employment with financial support given to the employer by the state. In addition, employers are obligated by law to give formal vacancies to the PES. This rule is not often adhered to (as is the case in Moldova and Ukraine) due to the ease with which employers fill positions, suggesting that tackling asymmetries in information at the recruitment end is not the greatest challenge in this country and region.

Eastern Partnership countries have an established record of ALMPs in size and number. There is potential for ALMPs in this region to focus on youth unemployment, an ongoing problem that has as yet not been served through ALMPs (ETF/Ermsone, 2019).

3.1.3 Other developing countries

In developing countries, PESs do not play as significant a role as in high- and middle-income countries. However, the past 20 years have seen a significant number of advances institutionally and programmatically. This has been followed by a wider increase in the total number of ALMPs in developing countries over the past decade (McKenzie, 2017). Public works remain popular, and several effective examples exist. The greatest proportion of programmes remains focused on skills training and entrepreneurship promotion, accounting for over 80% of all programmes (Romero and Kuddo, 2019). Like OECD countries, the 2008 crisis saw an expansion of active labour market responses to address a rising level of unemployment with over half of countries outside of the OECD implementing ALMPs of some kind beyond public works (Banerji et al., 2014). These policies were mainly found to benefit formal workers (ibid).

Entrepreneurship programmes make up one-third of all ALMPs in low- and middle-income countries compared to less than 10% in high-income countries (ibid). This is largely to do with the difference in labour market composition between wage/salaried work prevalence in the global North to self-employed work in the global South. An IDB, WAPES and OCED study (2015) found that the focus of ALMPs in developing countries is on the long-term challenges of disadvantaged groups (young people, people with disabilities, women, migrants) when tackling recessions (Romero and Kuddo, 2019). Others have noted that ALMPs focused on these marginalised groups can have an important role to play in crisis periods when such groups are often worst affected (Banerji et al., 2014).

What is new, effective and has changed in ALMPs in the developing world can be best summarised by the increasing sophistication of programmes as their number grows. For example, Mauritius has 'activated' its unemployment benefit through the Workfare Programme, which provides jobseekers with income support and activation measures of their choosing over the course of 12 months. Participants experienced an average wage gain after the programme, and this was higher for women (ILO, 2019).

Developing countries' labour markets have high informality, which adds another dimension to ALMPs. There is also a growing importance of outreach actions and engagement with regional development programmes. The Benin support project dealt with this issue successfully through an effective on-the-job vocational training programme focused on those in informal work. The programme had 20 000 participants, the majority of whom were women, and had a tripartite goal, namely: (i) to strengthen productivity of microenterprises; (ii) to improve employment stability; and (iii) to increase workers' revenues. The project resulted in enhanced availability, quality, and cost-effectiveness of vocational training (Whitford and Mathur, 2006). Similar complex multi-goal-oriented programmes have been implemented across developing countries including the Liberian Economic Empowerment of Adolescent Girls and Young Women (EPAG) project, which increased employment by 47% and earnings by 80% among women as well as boosting their self-confidence.

Public works are an enduring feature of developing countries' ALMPs, particularly among the poorest of these countries (Banerji et al., 2014). This is due to the lower institutional capacity required to run them compared to social insurance systems. A pertinent example to this study is the Ebola Public Works programme. When Ebola was widespread in eastern provinces of the Democratic Republic of Congo in 2018–19, a cash-for-work programme was launched. This provided short-term employment in Ebola hotspots to tackle infrastructure gaps that limited first responders' access to patients. Within six months, the project provided temporary jobs for 12 000 beneficiaries who worked on strategic transport corridors needed for medical and stabilisation efforts. The project was also integrated into the Ebola strategic response plan prepared by the national authorities with support from international partners.

Box 3.1 ALMPs and developing countries, 2008

Context

The 2008 crisis had less of an effect on GDP growth in middle- and low-income countries globally. In Latin America and the Caribbean, GDP fell by 1.7%, and in the economies of Asia, Africa and the Middle East, growth remained positive, although at a slower rate. Young people suffered the worst rises in unemployment, followed by men of all age groups who were worse affected than women.

Response

Policy responses to the slowdown were typically active interventions in the labour market. A significant share of ALMPs were targeted to young people and to a lesser extent women. Hence ALMPs correctly focused on the considerable toll of the crisis on young people. In terms of female-focused ALMPs, this may have been more of a reflection of the aims to increase their participation in the labour market rather than a reflection of their relative impact from the crisis.

Targeted employee-based subsidies linked to other ALMPs, such as training, were particularly effective in the Jóvenes programmes in several Latin American countries, including Argentina, Colombia, and the Dominican Republic. In Colombia, the government doubled the number of training slots through employment offices and training institutes, targeting young people (16–26). On top of this, Chile, Costa Rica, and Mexico introduced training programmes for workers in enterprises affected by the crisis.

ALMPs with a focus on facilitating job reallocation can be the most helpful in aiding productive recovery from a crisis. During this period of change, well-designed PESs offering functioning retraining programmes can effectively contribute to labour market reallocation.

Source: Banerji et al. (2014).

There are further examples of ALMPs adapting effectively to meet crises in developing countries. In 2008, the Labour-Intensive Works Programme (LIWP) was implemented in Yemen in response to the financial, food and fuel crisis (Gerhke and Hartwig, 2015). The short-term component provided participants with work for four to six months. Results found that, due to the crisis, LIWP wages ended up being higher than the market wage, so that the programme also raised the average wage. Impact estimates of the usefulness of the infrastructure generated show that, in villages with poor access to water, the LIWP reduced the average trip to fetch water during the rainy season by a third. In addition, the improved access to water meant that water shortages were reduced by one to two months per year. These examples show public works adapting in the developing world to meet current crises successfully.

Overall, developing countries have significantly increased their activation agenda with increasing sophistication in delivery, assessment and programme goals.

3.2 Review of measures under the European Social Fund (and their effectiveness)

The experience of the EU Member States in using EU funding, particularly the European Social Fund (ESF), to support activation, skills development and employment integration is extremely relevant to ETF partner countries. For this reason, we present here several major findings of a recent assessment concerning ESF interventions in the area of employment.

The European Commission conducted an evaluation of employment support operations carried out through the ESF, broadly corresponding to ALMPs (Fondazione Giacomo Brodolini et al., 2020). Investments in employment and mobility are a central objective within the ESF and focus mostly on

access to employment. The operations that combine multiple categories represent the largest share of the operations in terms of financial volume (18%). Support for entrepreneurs (18%) counts as one of the largest categories, closely followed by adaptability (14%), guidance and support (12%), and financial incentives (10%).

The study findings are broadly in line with the evidence presented in the previous sections of this report, but some are worth presenting as they add useful and interesting information on the effectiveness of ALMPs in the EU. In terms of the effectiveness of ALMPs funded through the ESF, the study found an increasing body of both micro- and macro-level counterfactual evidence on the positive effects of employment and mobility support. The effectiveness of this support is stronger where it is customised to labour market demand. In contrast, generic provision is less effective. For example, to be effective, vocational education and training needs to be tailored to the specific needs of employers. The nature of the operations – form, quality and appropriateness to labour market needs – is the main factor determining effectiveness (and cost-effectiveness). Another factor contributing to effective implementation includes integrated and partnership approaches to delivery, combined with sufficient management capacity.

ESF employment support seems most effective for individuals that are at a certain distance from the labour market, that is, neither too close (such as well-qualified individuals) nor too far away from it (e.g. presenting multiple disadvantages). The former group is likely to gain employment without any support, assuming good market conditions. For the latter group, getting a (permanent) job is a longer-term objective, while improving their employability and getting closer to employment is a more realistic goal. Actions targeted to individuals furthest from the labour market are characterised by additional costs incurred for recruiting and delivering to harder-to-reach groups, especially those in remote/rural areas. Evidence on the quality of employment gained is quite limited, also due to a lack of dedicated monitoring requirements, but generally positive despite some variations.

The study shows that the ESF support to employment and mobility is most relevant when combined with other measures that support the participants (including health and housing), especially those furthest away from the labour market, when they combine operations with integrated and tailored approaches, rather than isolated operations, and when employers are closely involved. The ESF has also helped EU Member States take a longer-term perspective, including establishing an entrepreneurial culture as an alternative to traditional employment.

Some operations, including job counselling, have a greater impact in the shorter term, but building up the skills of the individual and contributing to their employability through work-based learning and targeted training is more sustainable in the longer term. This is also generally true for operations that support entrepreneurship, provided the underlying economic conditions with Member States do not deteriorate. The sustainability of the operations supported is confirmed by evidence of mainstreaming of ESF support in national policies in many areas, although in weaker socio-economic contexts there are some risks of dependency on EU support.

Finally, the study finds that when the current ESF programming was developed (2012–13), the greatest concern among Member States was about addressing urgent needs, in view of the alarming levels of unemployment registered across the EU following the financial and economic crisis of 2008. However, during the first years of implementation (2014–18), labour markets showed significant signs of recovery. Within the limits of the flexibility given to Member States in making adjustments to the programmes, and particularly in those countries that experienced the largest improvements in the labour market, the emphasis progressively shifted towards the need for an adaptable workforce, including through active and healthy ageing measures as well as combating persisting gender employment and pay gaps.

3.3 Review of current developments (Covid-19 crisis)³⁷

Key findings:

- The crisis has seen the use and greater implementation of active measures first used in the 2008 recession.
- Income-protection measures through huge workplace subsidy schemes have been universal in reaction to the crisis.
- A small number of EU countries, such as Portugal and Lithuania, have developed innovative retraining programmes as a response measure.
- ALMP delivery during the crisis in many ETF partner countries is still focused on income protection and has not progressed to programmes to address unemployment.
- Some low- and middle-income countries outside of the ETF's partner countries and Europe are developing successful practices in terms of implementation of ALMP delivery to combat the crisis.
- Inequalities in access to digital services, especially in LMICs, have impacted the access to services for most vulnerable groups (Cedefop et al., 2020).

3.3.1 EU countries and beyond

The World Bank's baseline forecast suggests a 5.2% contraction in GDP in 2020, by far the largest recession in decades (World Bank, 2020b). Evidence in the labour market suggests the current downturn is having an uneven impact, with women, young people and the low-skilled people most affected worldwide (ILO, 2020). The ILO has forecast the potential loss of 340 million full-time jobs globally by the end of 2020 with working hours very unlikely to return to pre-crisis levels soon.

In this context, ALMPs have once again risen in importance as a means to tackle the significant labour market crisis that now presents itself to the world. Current developments have seen an unprecedented expansion in STW schemes in the short term, followed by an increase in public works and training programmes as the crisis continues. Many of these measures follow the same logic of the STW schemes used in the 2008 recession. For example, Germany implemented an extension to its 'gold standard' 2008 Kurzarbeit policy (STW) (IMF, 2020). This programme enables employees to work a reduced number of hours and get 60% of their salary from the government for up to 12 months. In total, German companies signed up 10.1 million workers to the scheme, 10 times the number involved in the 2008 crisis. Other wage subsidy programmes have been implemented from scratch in a number of OECD countries, such as Denmark (75% of salary), Italy (80%), and the UK (80%).

The vehicle for PES delivery has been increasingly digitalised as a result of the Covid-19 crisis with all OECD countries – if they had not done so already – enabling online registration for unemployment support. Estonia, an OECD country with high digital literacy, has gone further by transferring all of its job search counselling and intermediation work online. This has helped to keep unemployed people engaged with labour market events in the hope that it will create a more ready supply of labour for when recovery takes place.

Beyond the initial income replacement response, skills and training programmes have received extra funding in Luxembourg, Sweden, Norway, Ireland and Portugal (IMF Policy Tracker). Portugal has implemented both intern and vocational education and training programmes. The government covers 50% of gross monthly salary to help fund these programmes, and e-learning and national qualification

³⁷ The review is limited to information/evidence available at the time of writing. It only summarises key developments as ALMPs innovation and adjustment are documented in a separate report on mapping innovative practices in the field of ALMPs during the Covid-19 crisis (ETF, 2021).

standards have been implemented to improve quality. Ireland has promised EUR 200 million for training, education, skills development, work placement schemes, recruitment subsidies, and job search and assistance measures to help those who have lost their jobs retrain or develop new skills, in particular for emerging growth sectors (IMF Policy Tracker). Other high-income countries such as the United Arab Emirates have implemented a national virtual job-matching platform for workers made redundant.

The key findings from the OECD response to Covid-19 can be summarised by substantial income-protection measures, some of which, in the case of Germany, were based on successful STW measures from the 2008 crisis. Moving forward, PESs have substantially increased their digital capacity to continue service provision. A number of countries have begun to implement ALMPs to tackle the unemployment impact of the crisis and prepare for the 'new normal'.

3.3.2 ETF partner countries

The diverse institutional capacity and socio-economic situation of ETF partner countries influence the crisis-related measures that have been implemented in response to Covid-19. Like OECD countries, the initial response focused on work subsidies to replace employees' lost income. Of the operational PESs, all are experiencing an unprecedented influx of service users, which is a particular challenge due to their low level of resources. With the pandemic very much still present, the number of ALMPs implemented in these countries in response to the crisis is small in number and scope. Below is a selection of some that have been implemented so far.

Western Balkans and Turkey

PESs in the region have taken steps towards a digital delivery of services while managing an increased inflow of jobseekers. In [Bosnia and Herzegovina](#), the government has committed to boost activation programmes focused on the recently unemployed. In [Albania](#), a wage subsidy scheme has been implemented through a loan to businesses, which covers employee salaries for a three-month period. In [Kosovo](#), wage subsidies have been implemented for workers in pandemic-affected industries. A wage subsidy has also been made available for businesses hiring new staff. In [Turkey](#), a wage subsidy programme allows employers to claim three hours' staff wages per staff per day.

Eastern Europe

This region has created income-protection measures and a small number of new ALMPs. In [Armenia](#), the government has subsidised wages equal to the minimum wage and encouraged more flexible working hours. In neighbouring [Azerbaijan](#), the Ministry of Labour and Social Protection plans to establish vocational training centres in the Guba, Barda and Sheki regions in the near future (ETF, 2020). [Georgia](#) has removed income tax from salaries up to EUR 218. In [Moldova](#), the guaranteed minimum income level was increased.

In [Russia](#), federal wage subsidies cover the minimum wage for all employees affected by the pandemic. The Ministry of Education has delivered 1 500 college workshops of international standard. Going forward, the plan was to train 110 000 people in 2020, and half a million in 2021 (ETF, 2020). In [Ukraine](#) the PES moved key services online, such as outreach to and registration of newly unemployed cohorts, job search assistance, counselling, case management of vulnerable jobseekers, training, skilling and reskilling activities (World Bank, 2020).

Southern and Eastern Mediterranean

A rapid skills gap assessment has been enacted in [Palestine](#)³⁸ to identify the skills needed to recover from the crisis (ETF, 2020). The aim is to launch a rapid development of skilling and reskilling with e-learning programmes to prepare the workforce for emerging jobs. In [Egypt](#), the Ministry of Education and Technical Education has responded to the crisis by setting up digital and online learning systems (ibid.).

Central Asia

[Kazakhstan](#), [Kyrgyzstan](#) and [Uzbekistan](#) were able to invest quickly in shifting to digital distance education provision, also involving technical and vocational training centres. [Kazakhstan](#) has developed a number of upskilling and reskilling initiatives alongside the development of the digital Skills Bank of the Electronic Labour Exchange (Enbek.kz), which includes a focus on standards for several professions and free online training accessible through the platform (ILO, 2020). To aid the PES response, a specific programme for training PES personnel has been launched and included more than 1 500 employees during the months of lockdown. In [Uzbekistan](#), labour market interventions under the Anti-Crisis Fund include support to the development of entrepreneurship as well as the organisation of new vocational training centres.

ETF partner countries are therefore still very much focused on tackling the immediate fall in working hours in the labour market, with further moves to implement active measures focused on skills and work yet to be rolled out in full.

3.3.3 Other developing countries

This heterogenous grouping of countries has followed the standard practice during the pandemic of income protection for the economically vulnerable. Many of these countries have fared better than richer counterparts during the pandemic, particularly West Africa and South East Asia, both regions with prior expertise of pandemic management. For example, Nigeria's economic decline in the second quarter of 2020 was 6.1% and Indonesia's was 5.4%, compared to 22% in Spain and the UK (Hasell, 2020).

Several examples exist of developing countries implementing sophisticated ALMP responses to the crisis. For example, the [Mauritius](#) government has decided to increase by 9 000 the number of people employed in construction, manufacturing, information and communications technology and business process outsourcing, renewable energy and the circular economy through its National Training and Reskilling programme. Beneficiaries can expect to be paid monthly stipends over a six-month contract.

In [Malaysia](#), the government is encouraging training such as subsidising tourism-related training, investing MYR 50 million in short-course training in digital skills and high-skilled courses. In the nearby Philippines, the Technical Education and Skills Development Authority's Scholarship Programmes provided support to temporarily displaced workers through upskilling and reskilling. There is also a universal offer of free courses for anyone who would like to acquire new skills from home digitally.

Public works have been prioritised in [South Africa](#), developing on their successful delivery in 2008. In partnership with NGOs, the Department of Public Works and Infrastructure is assisting the Department of Health to recruit an additional 20 400 workers in the fight against the coronavirus pandemic. Participants will be trained in public health measures and will educate the population in several campaigns. In [Pakistan](#), public works are focusing on a green response modelled on Roosevelt's Tree Army from the Great Depression. The programme involves scaling up water conservation and other environmental works, and preserving nature by enrolling unemployed young people, women and returning city migrants to plant trees, revive protected areas and improve sanitation.

³⁸ This designation shall not be construed as recognition of a State of Palestine and is without prejudice to the individual position of the Member States on this issue.

Developing countries are therefore already implementing a number of skills focused ALMPs in response to the pandemic despite their weaker institutional capacity. A number of these are extensions of pre-existing programmes.

4. KEY MESSAGES AND LESSONS LEARNED

Definitional differences of active labour market policies (ALMPs) exist between key international institutions and major systematic reviews and meta-analytical studies. In the latter case, aggregations of ALMPs are often used, mostly due to the lack of granular data and the approach taken by researchers. This makes comparative analyses challenging and limits the possibility of drawing conclusions in relation to separate measures or target groups in question.

Employment of the beneficiary is usually assumed as a key outcome of an ALMP, but the literature review revealed a range of expected and actual outcomes of activation policies. While the major studies focus mostly on employment and earning outcomes, due to the possibility of quantitative analysis of these factors, 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 the effectiveness of policies.

Analysis of net effects of ALMP (programme/policy impact) requires taking into account negative effects (most notably deadweight, substitution and displacement effects) as well as lagged effects, by finding evidence on interventions actually causing results (counterfactual). This calls for the use of methodological designs beyond monitoring, including experimental and quasi-experimental studies, as well as qualitative reviews. Such an approach is challenging in design and delivery, and although the number of counterfactual impact evaluations has been growing in recent years, our review revealed a limited availability of these in developing countries (including ETF partner countries).

The literature review allowed us to formulate points to consider in designing the impact assessment of ALMPs, including time constraints (differences in impact between short, medium and long term for different measures), the need to combine micro- and macro-level analysis (to include labour market effects and 'soft' effects) and inclusion of interdependencies between policies and their implementation (with a comprehensive approach to measures supporting each other, as well as institutional cooperation, addressing the need of integrating policies and focusing on an individual).

Different contextual factors can influence the effectiveness of ALMPs. These include the phase of the economic cycle in which they are implemented (recession, recovery and prosperity), the economic development phase of the country under scrutiny (as represented by economic growth, income level and/or level of informality of the economy), institutional capacity (mostly in relation to PESs, as responsible implementation bodies) as well as socio-cultural dimension. The use and effectiveness of ALMPs – as well as remodelling of ALMPs building on international experience – can be limited in ETF partner countries due to these contextual factors, most notably the institutional capacity.

Analysis of each ALMP (training, employment incentives, sheltered and supported employment, direct job creation, start-up incentives, and job search assistance) based on a qualitative reading of the literature on its effectiveness performed on the dimensions of what works (as historically evidenced), for whom (target group) and why (context) revealed the following:

- The effectiveness of training measures is dependent on targeting (group/sector); impact is visible in the long term, increases with the use of other supportive measures (like guidance and counselling), and is most effective in low- and middle-income countries for specific groups (e.g. women).
- The effectiveness of employment incentives is dependent on targeting specific groups and is significantly prone to negative effects (displacement, deadweight); if used as a wage subsidy, it can be a counter-cyclical market stabiliser in protecting jobs and income during recessions. It is most effective in low- and middle-income countries when tied to training.

- The effectiveness of sheltered and supported employment measures is dependent on strict programme management and works best for inclusion of people with disabilities into workplaces (e.g. through the job-carving approach) or supporting autonomous social functioning (bringing a person closer to the labour market).
- The effectiveness of direct job creation is dependent on programme management (e.g. correct setting of wage level of public works to avoid displacement); it is most effective in the crisis context as an income-protection policy, keeping beneficiaries close to the labour market and retaining the level of human capital. It is particularly effective in low- and middle-income countries with lower institutional capacity.
- The effectiveness of start-up incentives is dependent on the economic context (e.g. it might be lower in recession due to unfavourable conditions of running a business). This measure is particularly effective in low- and middle-income countries when partnered with training (especially for the low-skilled people, and for women in low-income countries).
- The effectiveness of job search assistance is dependent on the existence of high institutional coherence (thus is most widespread and effective in high-income countries), the informality of the economy (affecting the availability of jobs in institutional registers and transparency of the market) and determined by the right balance of job search support and sanctioning, which is particularly effective for young people.

A review of past crisis measures revealed that a crisis generally increased the use of ALMPs in high-income countries, but middle- and low-income countries also increased spending and scope of their activation policies. In high-income countries, the most important measures included employment incentives and training. Some ALMPs have to tackle the challenge of climate change in both high- and middle-income countries (greening of jobs). Also, ETF partner countries actively used ALMPs in response to previous economic crisis, but the scale of implementation has varied greatly, with regional differences and institutional capacity determining delivery.

Effectiveness of ALMPs funded through the ESF – as evidenced by micro- and macro-level counterfactual analysis – is stronger when interventions are customised to labour market demand, delivered by integrated and partnership-based approaches, combined with sufficient management capacity, and targeted at individuals at certain (medium) distance from the labour market. For those furthest away from the labour market, ESF support is most effective when combined in the longer term with other measures that support the participants (including health and housing).

During the current crisis caused by the Covid-19 pandemic, activation measures used in the 2008 recession have been upscaled in many countries. The most important role is played by income-protection measures; most notably, large-scale subsidised employment has been used as a near-universal response. Some EU countries have developed new and innovative measures in relation to retraining/reskilling towards current and future labour market needs. In ETF partner countries, the majority of measures focus on income protection, with evidence on more innovative practices (and their effectiveness) being limited.

The EU has significantly supported employment policy development – including ALMP design and provision and PES capacity building – in the EU's neighbourhood over the last two decades. This contribution has to be acknowledged as well as efforts by governments of ETF partner countries to increase the effectiveness of their country's policies, which affects their ability to face the challenges of the crisis situation. Past crisis (2008–10) experiences of those countries, as well as the EU and selected developing countries, also provide grounds to select the right policy response. However, currently, the crisis caused by the Covid-19 pandemic is of unprecedented scale, negatively affecting the worldwide economy and causing unexpected turbulence and changes in the labour market.

ETF partner countries need to strengthen their efforts to adjust ALMP design and delivery capacity to effectively combat the negative effects of the current crisis. The most pressing policy challenges include strengthening PES institutional capacity for effective ALMP delivery in terms of comprehensiveness of services (especially in relation to a wide range of ALMPs), supporting and developing implementation structures, and increasing resource capacity. ETF partner countries should also develop an evidence base on the effectiveness of ALMPs (what works, for whom and why) by strengthening efforts to consolidate monitoring and evaluation, pursuing net impact assessments more regularly and adjusting methodologies to capture social impact (indirect effects of ALMPs). These efforts should also serve the development of measures and policy responses for the post-pandemic period.

ANNEXES

Annex 1. Classification of labour market policy (LMP) services and measures

Table A1.1 Classification of interventions – LMP services

Interventions	Definition
1. Labour market services	All services and activities undertaken by the PES together with services provided by other public agencies or any other bodies contracted under public finance that facilitate the integration of unemployed people and other jobseekers in the labour market or that assist employers in recruiting and selecting staff.
1.1. Client services	Services provided by the PES or other bodies that facilitate the integration of unemployed people and other jobseekers in the labour market, or that assist employers in recruiting and selecting staff.
1.1.1. Information services	Open services for jobseekers providing ad hoc information and referral to opportunities for work, training and other forms of assistance, together with job brokerage services for employers.
1.1.2. Individual case management	Services of individualised assistance (e.g. intensive counselling and guidance, job search assistance) and follow-up for unemployed persons provided as part of a planned path towards durable (re-)employment. Financial assistance for unemployed people in case of travel to interview costs, other costs related to job searching and similar cases are included here.
1.2. Other activities of the Public Employment Service	All other services and activities undertaken by the PES as defined above and which are not covered in any other category. Similar services and activities undertaken by organisations other than the PES are not included.
1.2.1. Administration of LMP measures	Activities related to the administration of LMP measures include: <ul style="list-style-type: none"> - the management/coordination of employers and services providers engaged as direct recipients in LMP measures; - other activities related to the management and implementation of LMP measures, e.g. planning, coordination, monitoring, evaluation, decision making; - any other functions directly related to the provision of LMP measures but which cannot be attributed to a specific measure, e.g. running costs of a PES's own training centres.
1.2.2. Administration of LMP support	Activities related to the administration of LMP support include: <ul style="list-style-type: none"> - the registration and monitoring of beneficiaries (where not directly linked to ongoing monitoring of job search activity); - the payment of benefits, validation of claims, etc.; - PES supervision or monitoring of external benefit funds/offices and legal developments.
1.2.3. Other services/activities	All other activities and general overheads of the PES that are not covered in any other category of the LMP database. The scope of this sub-category will vary between countries depending on the responsibilities of the PES. In countries where the PES is solely responsible for the provision of LMP and does not engage in other activities, then this sub-category may be empty.

Source: Author's own based on European Commission (2018).

Table A1.2 Classification of interventions – LMP measures

Interventions	Definition
2. Training	Covers measures that aim to improve the employability of LMP target groups through training and that are financed by public bodies.
2.1. Institutional training	Covers measures where most of the training time (75% or more) is spent in a training institution (school/college, training centre or similar).
2.2. Workplace training	Covers measures where most of the training time (75% or more) is spent in the workplace.
2.3. Alternate training	Covers measures where the training time is evenly split between a training institution and the workplace.
2.4. Special support for apprenticeships	Covers measures providing special support for apprenticeship schemes through: - incentives to employers to recruit apprentices, or - training allowances for particular disadvantaged groups.
3. Job rotation and job-sharing	Not used any more – included in category 4
4. Employment incentives	Covers measures that facilitate the recruitment of unemployed persons and other target groups or that help to ensure the continued employment of persons at risk of involuntary job loss.
4.1. Recruitment incentives	Measures providing incentives for the creation and take-up of new jobs or which promote opportunities for improving employability through work experience, and are payable for a limited period only.
4.1.1. Permanent	Measures providing incentives associated with permanent jobs (open-ended contracts).
4.1.2. Temporary	Measures providing incentives associated with temporary jobs (fixed-term contracts).
4.2. Employment maintenance incentives	Measures providing incentives to maintain the employment of persons at risk of involuntary job loss due to restructuring or other economic difficulties.
4.3. Job rotation and job-sharing	Measures that facilitate the insertion of an unemployed person or a person from another target group into a work placement by substituting hours worked by an existing employee.
4.3.1. Job rotation	Covers full substitution of an employee by an unemployed person or a person from another target group for a fixed period.
4.3.2. Job-sharing	Covers partial substitution of an employee by an unemployed person or a person from another target group.

Interventions	Definition
5. Sheltered and supported employment and rehabilitation	Covers measures that aim to promote the labour market integration of persons with reduced working capacity through sheltered or supported employment or through rehabilitation.
5.1. Sheltered and supported employment	Covers measures providing subsidies for the productive employment of persons with a permanently (or long-term) reduced capacity to work. - Sheltered employment refers to employment in an enterprise operating in a commercial market, with or without public support, and is established specifically for the employment of people with disabilities or other working limitations, but which may also employ able-bodied people in a limited proportion. - Supported employment refers to employment in a regular working environment where people with disabilities or other working limitations are enabled through public support (financial or otherwise) to work alongside able-bodied employees.
5.2. Rehabilitation	Covers measures providing rehabilitation for persons with a reduced working capacity (temporary or permanent) and which aim to help participants adjust to their disability or condition and develop competences that prepare them to move on to work (including sheltered and supported employment) or regular training.
6. Direct job creation	Covers measures that create additional jobs, usually of community benefit or socially useful, in order to find employment for the long-term unemployed people or persons otherwise difficult to place. Refers to subsidies for temporary, non-market jobs which would not exist or be created without public intervention (i.e. the jobs are additional to normal market demand). The jobs are created to provide an opportunity for persons to maintain an ability to work, to improve skills and generally increase employability.
7. Start-up incentives	Covers measures that promote entrepreneurship by encouraging the unemployed and other target groups to start their own business or to become self-employed. Assistance may take the form of direct cash benefits or indirect support including loans, provision of facilities and business advice.

Source: Author's own based on European Commission (2018).

Annex 2. Framework for assessment criteria for Public Employment Service (PES) capacity

Criterion 1. Comprehensiveness of services

In relation to the comprehensiveness of services, the criteria used to set up the typology are as follows:

1. Number of functions:
 - Comprehensive: combinations of five or six functions assigned as duty.
 - Core: combinations of three or four functions assigned as duty.
 - Basic: combinations of up to two functions assigned as duty.
2. Range of services:
 - Comprehensive: offer more than 80% of the services enquired in a given function.
 - Moderate: offer between 41% and 80% of the services enquired in a given function.
 - Limited: offer up to 40% of the services enquired in a given function.

Criterion 2. Operational model of the PES

In relation to the operational model, there are also two groups of criteria:

1. Legal construct:
 - Public agency or public body responsible to the ministry.
 - A line department of the responsible ministry, i.e. the PES has no independent agency status.
 - No PES agency or organisation, but there is ministerial responsibility to provide PESs by contract management (special case).
2. Implementation structure:
 - Internal organisational line structures within the PES in terms of regional or local units for service delivery.
 - Decentralised service delivery network of public, private and non-profit organisations coordinated by the PES headquarters.
 - Service delivery provided by organisations other than the PES in addition to or as an alternative to the agency's internal organisational line structures.
 - Complete provision of PES by private (for-profit and non-profit) sector organisations.

Criterion 3. Resource capacity

In relation to the resource capacity, there should be:

- a network of professional and well-equipped offices suited to the specifics of service delivery and accessible to service users, a particular challenge in remote rural areas;
- a sufficient number of appropriately skilled staff assigned appropriate tasks and locations;
- funding streams that are both stable and flexible enough to enable the agencies to meet (changing) demands for their services and to deliver on their objectives.

ACRONYMS

ALMP	Active labour market policy
CBA	Cost-benefit analysis
ESF	European Social Fund
ETF	European Training Foundation
EU	European Union
EUR	Euro (currency)
Eurostat	Statistical Office of the European Union
GDP	Gross domestic product
IDB	Inter-American Development Bank
ILO	International Labour Organisation
IMF	International Monetary Fund
LMP	Labour market policy
NES	National Employment Service
NGO	Non-governmental organisation
OECD	Organisation for Economic Cooperation and Development
PES	Public employment service
STW	Short-time work
UK	United Kingdom
WAPES	World Association of Public Employment Services

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