

Increasing the Effectiveness of Youth Employment Policies

Main policy issues in EU

- Youth Guarantee is to provide a fitting offer for all young persons
- However, effectiveness is often linked to finding taylor-made solutions
- The Bridge to Jobs emphasizes the distinction between temporary and long-term NEETS
- Hence we need to evaluate the impact of programmes:
 - What do we know about which type of “active” program works?
 - Short-run vs. long-run effects?
 - Do ALMPs work better for some groups? In some places or times?
- We also need to study the *actual assignment* to programmes

The Role of the Youth Guarantee

- The YG has helped more than 36million NEETs (2014-2019) and around 15 billion EUR have been invested through the YEI and the ESF
 - we know relatively little: meta-analysis of ESF CIE in preparation
- Main categories of ALMPs: Job search assistance; Training; **Hiring incentives**; Direct job creation on secondary LM (public works)
- There are differences in the issues faced across the EU:
 - In some countries/for some groups the main issue is that youth are not (formally) employed, and are stuck in NEET status
 - in others, youth are stuck in temporary contracts, bad jobs

The promises of using administrative data

- **The advantage of administrative data:**
- High or full coverage, large sample sizes
- Often long time horizons, usually high reliability
- Relatively low costs of obtaining
- Potential of link different databases
- **Administrative data sources for labour market analysis:**
- Social security (Pension, health authorities)
- Public employment services
- Tax authority database (Personal and corporate income)
- Employer databases



Counterfactual impact evaluation

- Main problem: the counterfactual world is not observed -> The evaluator has to infer from actual data
- **But:** non-participants might differ from participants in observed and unobserved characteristics



Selection bias:

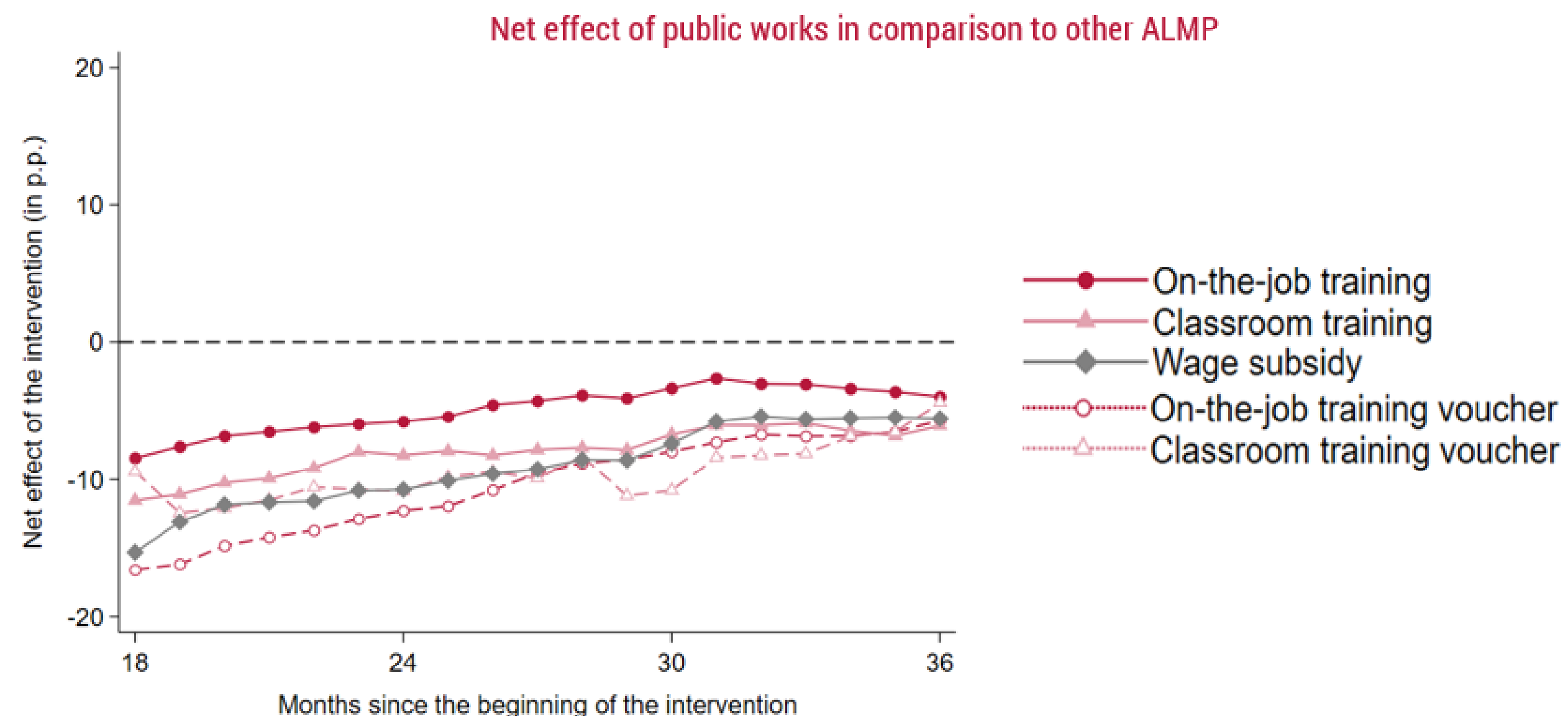
- **Baseline difference:** the outcome of the two groups are different even without the policy
- **Heterogenous policy effect:** the policy affects participants and non-participants differently
 - See 'Counterfactual evaluation of Youth Employment Policies' – this project
 - See 'Counterfactual impact evaluation of European Social Fund interventions in practice', DG EMPL

Issues with evaluating the Youth Guarantee

- **Can individual programmes within the YG be evaluated or it needs to be as a package?**
 - Depends on the context, in some countries, programmes in YG not very complex
- **In principle, clear age cutoff (under 25 vs over 25)**
 - In practice hard to separate from other similar ALMPs available for older unemployed persons
- **Can good control groups be found from within the same (YG eligible) age-group?**
- Typically, same eligibility rules for all programmes
- Participation depends on the choice of the young person or the PES counsellor
- Those who do not participate in an ALMP are (typically) a very heterogeneous group
 - Well-educated young persons who can find a job on their own
 - Those facing multiple disadvantages, and potentially with low motivation to find a job

Comprehensive evaluation of different ALMPs in Poland

- Evaluation of the relative effects of different ALMPs, not relative to the absence of participation
- Public works participation is not beneficial and it is particularly disadvantageous for those with low education, and those in high unemployment regions
 - In some cases, training vouchers are more effective than assignment by PES counsellors, for on-the-job training
- However, over a longer horizon, around 2.5 years after programme entry, effects tend to fade out



A job trial programme in Hungary

- Short term wage subsidy (90 days), up to 100% of total labour costs, no obligation of further employment
 - the job trial is widely used
- Evaluation shows that, relative to participation in public works (the largest alternative) the job trial is beneficial:
 - More days worked and higher earnings on the primary labour market
 - Effects tend to fade out with time
- However,
 - Only 40% (30%) of youth work at the same firm 6 (12) months after the programme
 - 10% work as a temporary worker and 5% as a public worker at the same firm
 - Some indication of using job trial for short term, seasonal work:
overrepresentation in accommodation and foods services sectors

A cautionary tale on targeting the YG

- Job trial (and YG) participants are the most employable registered jobseekers
 - More educated; Longer employment history, Shorter maternity history
- **Not consistent with** principles of the Youth Guarantee: priority should be given to most vulnerable groups and long term unemployed
- Estimation shows that positive impact is similar for lower and higher educated, but higher educated participate. Why?
- Main monitoring indicator of YG: employment 6 months after the programme (raw outcome, not impact)
 - PES have no incentive to 'push' vulnerable youth

Employment policies in dual labour markets

- **IT:** Social security cost rebates, the employers' expectation of reduced firing costs of (regular) employees
 - Effect on share of workforce hired with open-ended contracts is stronger for young individuals
- **ES:** the internship contract – long-term reduction in social security payments (and lower wages) to incentivise investment into training and promote job stability
 - Evaluation reveals that interns have a lower probability of obtaining an indefinite contract *at the same firm* than those on a regular temporary contract
 - Firms use the internship to prolong the period of temporary contracts
 - Youth typically obtain an indefinite contract if the move to a different firm

Conclusions

- Administrative data become relatively widely available for researchers
 - Counterfactual evaluations of YG with admin data are possible, but information on implementation details are important
- Evaluations show that often the type of young persons who end up in certain ALMPs are actually the ones who benefit from them less
 - Problem of outreach: more vulnerable NEETs do not registers as jobseekers -> have a lower chance of getting an ALMP
 - especially important in the case of young women
- Net impact estimates are markedly different from raw outcomes
 - Follow-up monitoring indicators of YG that take into account level of education/vulnerability could be a first step