THE EFFECTIVENESS OF AN ACTIVE EMPLOYMENT POLICY: SHORT- AND MEDIUM-TERM EFFECT

Tatiana Stuken – Tatiana Lapina – Olga Korzhova

Abstract

Active Labor Market Policy (ALMP) is a set of measures aimed at assisting in obtaining a job. At the same time, an important issue is a result achieved by the recipients of various measures. The results obtained in the short, medium, and long term can be multidirectional.

In this paper, the authors compare the short-term and medium-term effects of the implementation of ALMP in one of the Russian regions.

The study included two waves. In the first wave, we surveyed the unemployed and studied the data of employment centers. In the second wave, a year later, we assessed the changes in the position of respondents in the labor market and identified their relationship with the services provided in employment centers. The research methods are descriptive statistics and regression analysis.

The study showed that the greatest effect is achieved from programs aimed at direct employment (assistance in job search and in self-employment). It was also revealed that for certain groups of the population, ALMP does not bring the proper effect and the problem of a job search for such groups becomes especially acute.

Key words: active labor market policy, unemployment, evaluation of the effectiveness of government programs, employment service

JEL Code: J60, J64, J68

Introduction

An active labor market policy (hereinafter - ALMP) is a set of methods and tools for working with unemployed aimed at reducing unemployment. It represents the state's interference in the functioning of the labor market in terms of training for the unemployed, subsidized employment, assistance in job search, including referrals to employers, and free access to the job database (Martin, 2015; Mušikić et al., 2017).

Estimates of the impact of ALMP on improving the position of service recipients in the labor market are ambiguous. On the one hand, ALMP measures can help a person find a new job

and prevent long-term unemployment and social isolation. On the other hand, the measures themselves may not be effective enough, and the improvement of the situation of some employees may be achieved at the expense of others. The effectiveness of active labor market policy measures depends on many factors, including their goals, content, indirect effects, etc. (Brown & Koettl, 2015; Card et al., 2010, 2018). Given the significant attention of the state to ALMP implementation, it is important to have tools for evaluating its effectiveness.

The choice of tools for evaluating the effectiveness of ALMP is also ambiguous. A frequent decision of state bodies is to conduct monitoring aimed at assessing the implementation of key performance indicators established by employment centers. Their main disadvantage is that in this case, there is recorded the fact of providing a service, but not its usefulness for a person. In addition, an independent problem is taking into account the regional specifics and the structure of the population when determining the list and normative values of key performance indicators.

An alternative to monitoring the implementation of key performance indicators is the use of Evidence-based policy tools, which is based on strictly established objective evidence that reflects the achievement of policy goals. The assessment of the ALMP effectiveness at the individual level includes, for example, an assessment of the change in the probability of employment, re-entering the category of unemployed, the duration of unemployment, etc. after participating in various programs (Vooren et al., 2019).

The selection of evaluation tools makes it possible to correctly assess the impact of various ALMP measures on recipients, to some extent solve the problems associated with self-selection, when the most capable employees are selected to participate in the program, which overstates the obtained effect.

The evidence-based policy should provide for the possibility of evaluating the effectiveness in different time intervals. For example, the available studies do not always provide statistically significant estimates of the short-term effectiveness of ALMP, but the presence of a long-term effect is noted more often (Banociova, 2017; Crépon & van den Berg, 2016; Card et al., 2018). There is also a different effectiveness of programs for different social groups of the population (Escudero, 2018).

Therefore, for a more accurate assessment of efficiency, an analysis of the trajectories of recipients of services provided under the ALMP in the labor market is required.

This is especially important because the labor market may have the effects of displacement of workers employed in subsidized jobs after the end of the support period (Brown et al., 2011), or the effects of blocking, when participation in ALMP programs reduces employment opportunities, including due to a reduction in time for job search (Martin & Grubb, 2001).

With this in mind, it is important to evaluate not only the short-term, but also the long-term effects of the implementation of ALMP and fix their differences on the example of one of the Russian regions.

1 Research methodology

The evaluation of the ALMP effectiveness was carried out on the example of one of the Russian regions, which, according to most characteristics of the labor market, can be attributed to typical regions of the country. The population of the region is 1.9 million people, while about 1.2 million people live in the regional center. The population outside the regional center is concentrated in small towns and rural areas. The region is one of the leading centers of industrial production and agriculture in Russia. The unemployment rate during 2020 averaged 8.9%. In 2021 due to the improvement of the epidemiological situation and the lifting of some restrictions, it decreased to 5.9% by July 2021. The level of registered unemployment after the cancellation of additional unemployment benefits in 2021 began to decline rapidly. As of July 1, 2021, the unemployment rate was 1.8% compared to 5.1% at the beginning of the year.

The research is based on the following sources of information:

- an impersonal database of service recipients in state employment centers, which makes it possible to evaluate the receipt of services within the framework of ALMP, dates of registration and deregistration, reasons for deregistration, and socio-demographic characteristics of respondents (this is the general population, more than 24.0 thousand observations, including more than 16 thousand completed cases of unemployment);

- a survey conducted in the employment centers of the region in summer of 2020 to assess the expectations and satisfaction of the registered unemployed regarding the services received and to collect contacts for a subsequent survey (here and after – the first wave of survey);

- a repeated survey conducted during the summer of 2021 in order to determine the current status of the respondent in the labor market, the characteristics of the workplace occupied, the presence of repeated applications, the usefulness of the services received at the employment center for the respondents of 2020 (those who have agreed to participate in a repeat survey in a year). The database formed based on the telephone survey includes about 1.2 thousand observations (here and after – the second wave of survey).

During the analysis, we studied several questions:

- How do respondents assess the usefulness of services provided by employment centers, directly during the period of unemployment and a year later?

- What factors, including the services of employment centers, affect the probability of finding a job in the job search process and maintaining this status a year after the first wave of study?

- What is the probability of re-applying to employment centers during the year and what factors influence re-applying?

- What are the characteristics of the jobs occupied by the former unemployed? How big are the differences in occupied jobs depending on the level of human capital, demographic and settlement factors?

The main methods of analysis:

- descriptive statistics based on a comparison of indicators for 2020 and 2021 in terms of assessing the usefulness of services received at the employment center based on the materials of two waves of surveys. We also evaluated the status on the labor market in the context of individual groups of the labor force. On the one hand, we were interested in whether the respondents had a job, and on the other hand, the job´s qualitative characteristics. The significance of the differences was assessed using Kramer's V.

- regression analysis to assess the impact of ALMP measures on the probability of the respondent's employment a year after receiving services at the employment center. To do this, we used a logistic regression model, where the dependent variable takes values in the range from 0 (has no job) to 1 (has a job) and can be interpreted as the probability of having a job in. For 2020, we used an impersonal database collected by employment centers, for 2021 - the results of a repeated survey of people who applied to employment centers in 2020. In addition to the socio-demographic characteristics of the respondents, the regressors include the services of an active labor market policy that were provided to the respondents. To clarify the composition of services, in the second wave of the study, the question about their provision in 2020 was repeatedly asked in order to take into account situations when the service was received, but after the respondent took part in the first wave of the survey. Given that the first wave of the study was conducted in middle 2020 during the COVID-19 pandemic, for the correct assessment of the ALMP in the logistic regression model, we selected observations only for those unemployed who were interested in searching for a job when applying to employment centers. Since the significantly increased amount of unemployment benefits, combined with the difficult situation on the labor market, led to the fact that people turned to employment centers exclusively to receive unemployment benefits.

2 The main results

The differences in short-term and deferred effects are already noticeable at the level of respondents' subjective perception of the usefulness of services received in employment centers within the framework of ALMP. For all services (except for assistance in self-employment), we see significant differences in the responses in the first and second waves of the study. In the first wave, all respondents had the status of unemployed. A year later, when the second wave of the study was conducted, the status of the majority of respondents changed and they could assess the experience of interaction with employment centers differently from the positions of subsequent experience (Table 1).

Tab. 1: The percentage of respondents who rated the services of employment centers as "useful" and "very useful" (as a percentage of the number of the corresponding services recipients)

Services	Wave 1	Wave 2
Assistance in searching for a job	74.1	93.6
Psychological support	70.1	40.2
Professional training	60.3	34.9
Career guidance	78.1	31.7
Social adaptation in the labor market	70.0	49.8
Assistance in self-employment	53.6	49.3
Public works	53.6	26.0

Source: authors

We can see that, for example, psychological support for the unemployed, social adaptation in the labor market, and the opportunity to participate in public works have a pronounced situational value for respondents, being important precisely during the period of unemployment. At the same time, a year later, despite a significant decrease in estimates, 40-50% of respondents still highly assess the importance of the first two services. On the contrary, the efforts of employment centers in assistance in job search at the time of unemployment are estimated lower than later (probably because a suitable job has not yet been found in the first wave of the survey).

Let us also pay attention to the change in the assessment of the usefulness of professional training provided by employment centers. Its serious decline in the second wave of the survey may be due to inflated expectations of the unemployed. In accordance with Russian legislation, the completion of professional training is the basis for the deregistration of an unemployed

person. Therefore, if after completing the training a person does not manage to find a job quickly and deprives of the opportunity to receive unemployment benefits, then this causes disappointment.

In the first part of the study based on microdata of employment centers, we recorded that the fact of employment of the unemployed (both independently and with the assistance of the employment service) is positively associated with receiving services within the framework of the ALMP. Employment is not the only reason for the deregistration of the unemployed. Other reasons for the deregistration may be the completion of professional training, prolonged absence of an employee to the employment center, refusal of the unemployed from receiving services, retirement due to age, etc. The analysis of completed periods of unemployment showed that the deregistration in connection with employment is positively associated with the receipt of employment assistance services ($p<0.01$) and social adaptation in the labor market ($p<0.05$). Participation in public works and career guidance are negatively associated with the fact of employment ($p<0.05$), some of the other services provided do not have a statistically significant impact on the fact of employment (Stuken & Korzhova, 2020). It should be noted that according to the data of employment centers, it is impossible to assess the impact of professional training on the fact of employment. After completing training programs, the unemployed are being deregistered, and their further trajectory in the labor market is not tracked by employment centers. However, this possibility appears when using the data of the second wave of the survey (Table 2).

The information provided shows that within a year after the survey, only services related to direct assistance in the job search have a significant correlation with employment. The obtained estimates are well correlated with the respondents' assessment of the usefulness of services, including professional training (see table 1). Given that professional training is a relatively expensive service, the obtained results require a more careful consideration of the features of the choice and implementation of educational programs.

The control of the socio-demographic characteristics of the respondents showed that largely the fact of having a job is determined by the characteristics of human capital and the state of the labor market (living in a large city or other settlements). We will especially highlight the negative relationship between the fact of employment and the availability of preschool children for women. At the same time, many women noted that they would be ready to go to work if there were suitable vacancies (proximity of work to home, flexible working hours, part-time employment, and remote employment).

Tab. 2: The results of evaluating the logit model (the dependent variable is the availability of work in the second wave of the study)

Independent variables (factors)	B	EXP(B)	p-level
Services of employment centers (2020):			
Assistance in job search	0.368	1.444	<0.05
Professional training	0.031	0.969	
Career guidance	0.008	1.008	
Social adaptation in the labor market	0.207	1.230	
Psychological support	-0.203	0.816	
Assistance in self employment	0.542	1.719	<0.05
Public works	-0.07	0.993	
Characteristics of respondents:			
Place of residence (regional center - ref.)	0.262	1.300	<0.10
Gender (male - ref.)	-0.074	0.612	
Women with preschool children (no children-ref.)	-0.601	0.548	<0.01
Education (no professional education - ref.):			
Higher	0.592	1.807	<0.01
Secondary professional education	0.233	1.263	<0.05
Age (over 45 - ref.):			
Age up to 25 years	1.287	3.623	<0.01
Age from 25 to 45 years	0.923	2.518	<0.01
Work experience in the labor market a year or more (no experience-ref)	0.123	1.133	
Nagelkerke R-square	0.087		

Source: authors

The main reason for unemployment recorded in the second wave of the study is the lack of a suitable job. This is indicated by 47.7% of unemployed respondents. At the same time, there were no significant differences in age, gender, educational and settlement characteristics. Our study also showed that during the year 28.3% of respondents repeatedly applied to employment centers. This value is higher for those who do not live in the regional center (32.4% vs. 16.1%, $p<0.01$ for Kramer's V), for people over the age of 46 (36.2% vs. 25.3%, $p<0.05$), and those who do not have higher education (29.9% vs. 18.6%, $p<0.05$). Simple calculations show that the problem of unemployment of every seventh respondent is chronic.

Next, we will briefly focus on the characteristics of the workplaces of the employed respondents. Most jobs are positions with relatively low wages. Every 6 out of 10 respondents receive a salary that does not exceed half of the average salary in the region. This situation is more common outside the regional center (66.7%). However, on average, the total salary fund

is slightly higher than the one that the respondents had before registering as unemployed in 2020. Moreover, 29% of survey participants noted a decrease in earnings, 22.9% of respondents noted that the earnings remained the same.

Almost every fourth employee (24.2%) works informally. In the regional center, such employment is more common than the average (32.4% of cases), and among people 46 years and older – less often (16.0%). 86.2% of respondents have a full-time job. 75.2% of respondents signed an employment contract for an indefinite period. In almost 60% of cases, the job found by the unemployed corresponds to professional training. This is more typical for men (64.6%), less typical for young people under 25 (50.0%).

The level of positions, in general, correlates with the level of education of the employee. Among the employees with higher education, 70.3% occupy the positions of specialists, 23.1% occupy the positions of workers. Employees with secondary professional education are more often employed as workers than specialists (52.1% vs. 39.6%).

Conclusion

The study confirmed that the estimates of the effectiveness of ALMP depend on the period. A comparison of the relationship between ALMP measures and the fact of employment in the first and second waves of the study showed certain differences.

First, a year later, most of the services received by respondents were evaluated as less significant. Probably, this was a consequence of the accumulated experience in the labor market, and the fact that some of the services were aimed at achieving short-term results and were not initially considered as playing an important role in employment (for example, public works, psychological support). The most effective measures were those aimed at direct employment (assistance in a job search and self-employment). All the methods of analysis used by us have shown their effectiveness.

Secondly, it is important to pay attention to the evaluation of the effectiveness of training programs. Their specificity is such that it is almost impossible to get an estimate in the short term. Our assessment obtained a year later, did not record a statistically significant impact of professional training on employment.

Thirdly, for some respondents, the measures of the ALMP do not give the proper effect, since every fourth respondent returns to the employment center less than a year after being deregistered, again experiencing difficulties with searching for a job. The low quality of the

jobs offered is also an additional factor complicating the situation in this segment of the labor market.

The solution of the problem can be associated with an integrated approach to the implementation of ALMP, taking into account both the development strategy of the region and the territorial specifics of settlements.

Acknowledgment

The reported study was funded by RFBR, project number 20-010-00489

References

Banociova, A., Ťahlová, S. (2017). Active Labour Market Policies of Selected European Countries and Their Competitiveness. *Journal of Competitiveness*, 9, 5-21. https://doi.org/10.7441/joc.2017.03.01

Brown, A., Koettl, J. (2015). Active labor market programs - employment gain or fiscal drain? *IZA Journal of Labor Economics*, 4(12), 1-36. https://doi.org/10.1186/s40172-015-0025-5

Brown, A.J.G., Merkl, C., Snower, D.J. (2011). Comparing the effectiveness of employment subsidies. *Labour Economics*, 18(2), 168-179. https://doi.org/10.1016/j.labeco.2010.11.001

Card, D. E., Kluve, J., Weber, A.M. (2010). Active Labour Market Policy Evaluations: A Meta-Analysis. *The Economic Journal*, 120(548), F452-F477. https://doi.org/10.1111/j.1468-0297.2010.02387.x

Card, D. E., Kluve, J., Weber, A.M. (2018) What Works? A Meta Analysis of Recent Active Labor Market Program Evaluations. *Journal of the European Economic Association*, 16(3), 894–931. https://doi.org/10.1093/jeea/jvx028

Crepon, B. & van den Berg, G. J. (2016) Active Labor Market Policies. *Annual Review of Economics*, 8, 521-546. https://doi.org/10.1146/annurev-economics-080614-115738

Escudero, V. (2018). Are active labour market policies effective in activating and integrating low-skilled individuals? An international comparison. *IZA Journal of labor policy*, 7(4), 1-26. https://doi.org/10.1186/s40173-018-0097-5

Martin, J.P., Grubb, D. (2001). What works and for whom: A review of OECD countries' experiences with active labour market policies. *Swedish Econ Policy Review*, 8(2), 9-56. http://dx.doi.org/10.2139/ssrn.348621

Martin, J.P. (2015). Activation and active labour market policies in OECD countries: stylised facts and evidence on their effectiveness. *IZA Journal of labor policy*, 4(4), 1-29.

https://doi.org/10.1186/s40173-015-0032-y

Mušikić, S. R., Marčetić, M. N., & Đurović, S. Đ. (2017). The role of the active policy of the labor market in the Republic of Serbia. *Ekonomika*, 63(2), 79-86. https://doi.org/10.5937/ekonomika1702079M

Stuken, T., Korzhova, O. (2020). Evaluating the effectiveness of employment assistance measures: case of Russian state employment centers. *Strategic management*, 20(4), 044-053. https://doi.org/10.5937/StraMan2004044S

Vooren, M., Haelermans, C., Maassen van den Brink, H. & Groot, W. (2019). The Effectiveness of Active Labor Market Policies: A Meta-Analysis. *Journal of Economic Surveys*, 33(1), 125-149. https://doi.org/10.1111/joes.12269

Contact

Tatiana Stuken

Dostoevsky Omsk State University

Russian Federation, Omsk, prospect Mira, 55-A

stuken@omsu.ru

Lapina Tatiana

Dostoevsky Omsk State University

Russian Federation, Omsk, prospect Mira, 55-A

lapinaomgu@gmail.com

Olga Korzhova

Dostoevsky Omsk State University

Russian Federation, Omsk, prospect Mira, 55-A

olishb@yandex.ru