EVALUATING THE EFFECTIVENESS OF ACTIVE LABOR MARKET POLICY

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Abstract

Active labor market policy (ALMP) is aimed at improving the situation on the labor market and the cost of its implementation in OECD countries in 2017 was estimated at 0.5% of GDP or 1.0% of total government spending, what actualized the need to evaluate its effectiveness. The study is aimed at identifying factors of ALMP effectiveness in Russia. The Omsk region was selected as a region with average socio-economic and demographic characteristics.

The information base of the study includes a database of the state employment service for the Omsk region, which includes more than 24000 observations. It contains information about the unemployed (socio-demographic characteristics, duration of unemployment, information about unemployment benefits and provided services); a database obtained as a result of an expert survey of employment service specialists on methods and tools for evaluating the ALMP effectiveness.

The obtained data was processed with the use of descriptive statistics and regression analysis. The results of the study identify the factors that influence the effectiveness of ALMP implementation; make conclusions about areas of development of the state employment service activities, which will improve the quality of their services, reduce the duration of unemployment, thereby increasing the level of employment and incomes.

Key words: active labour market policy, employment, unemployment, Omsk region.

JEL Code: J08, J64, J68

Introduction

Russian national project "Labor productivity and employment support" is aimed at the modernization of employment centers, improving their efficiency and the quality of their services. The cost of implementing ALMP is estimated to be quite high. Thus, OECD experts estimate the cost of implementing an active employment policy at 0.5% of GDP (Data on

active labour market policies, 2017). Such significant financial resources actualize the need to assess the effectiveness of employment centers.

Evaluation of the ALMP effectiveness is usually conducted at two levels - the level of the individuals and the level of a country and cross-country comparisons.

Evaluation of the ALMP effectiveness on the level of individuals is based on such indicators as changes in the probability of getting a job, re-entering the category of unemployed, duration of unemployment, etc. (Vooren et al., 2019). Several researchers have recorded a small positive effect from ALMP (Crépon & van den Berg, 2016; Card et al., 2018). It is noted that different state employment programs have different microeconomic efficiency. It is shown that the greatest impact on improving the position of labor market participants has assistance in finding a job (Kluve, 2010; Vooren et al., 2019) and training, though subsidized jobs are not effective at all (Boone & van Ours, 2004). Effects of start-up subsidies for the unemployed are considered in papers of M. Caliendo, S. Künn (Caliendo & Künn, 2014) and O. Dvouletý and M. Lukeš (Dvouletý & Lukeš, 2016). They found strong and positive effects of self-employment policies on employment rates and income of participants in long-term run (over 40 months).

The macroeconomic effects of ALMP are analyzed in the context of the unemployment rate and are usually based on cross-country comparisons. Thus, R.L. Bruno and R. Rovelli compared labor market institutions, policies and outcomes in the EU Member States, for the period between 1999 and 2006. They found out that higher employment rates are in general positively associated with measures of policy generosity, especially with the use of ALMP, and negatively with institutions and policies which induce rigidity in the labor market. The relation between ALMP and employment levels is conditional on the informal institutions prevailing in different countries (Bruno, Rovelli, 2010). The same result is confirmed by the work of L. Benda et al. (Benda et al., 2019), which revealed that the ALMP effectiveness depends on institutional factors, such as strictness of employment protection legislation and the "generosity" of unemployment benefits. Active employment programs have different effects on long-term unemployment, depending on the institutional configuration of the labor market. A. Bánociová et al. (Bánociová et al., 2017) based on an analysis of data from 21 EU countries found that increases in spending on ALMP programs were not significantly reflected in changes in the unemployment rate.

The experience of evaluating the effectiveness of state programs in the labor market on Russian data is presented in this paper of A.P. Martynova and S.Yu. Roshchin (Martynova,

Roshchin, 2008). The study revealed the main institutional constraints that prevent regular effectiveness evaluations of programs implemented by public authorities. Among the main limitations are lack of the methodology, lack of necessary microdata on the results of program implementation, lack of qualified personnel, and vagueness of the tasks of state programs.

1   Research methods

This research is aimed at evaluating the ALMP effectiveness on the example of Omsk region - one of the typical Russian regions. Key indicators of the labor market related to the labor force, level of unemployment, its duration, wages, educational level of the population are within the average (±1 standard deviation). The share of industrial production and agriculture in the structure of the economy is quite high, which is also typical for many Russian regions. Evaluating the ALMP effectiveness has some limitations, one of which is the characteristics of employees who implement programs and evaluate their effectiveness on behalf of the state - their opinions, qualifications, and skills determine which methods of effectiveness evaluating will be used. That is why the first part of the study presents the results of a survey of 10 experts – heads of employment centers and specialized departments of government bodies. All experts manage the ALMP and prepare analytical materials on these issues. Each expert has at least three years of experience in this field.

The study tests the hypothesis that there are institutional barriers to evaluating the ALMP effectiveness. We will consider the following states as indicators of institutional barriers. First, there are gaps in estimates between necessary and actual directions of evaluation – when the need for a separate direction is evaluated higher than its actual implementation. Second, there is a gap between necessary and the actual availability of a methodological and information base. Third is the rating of current difficulties in conducting an assessment. Fourth, there is a limited list of subjects involved in ALMP effectiveness evaluation, and a lack of readiness to openly interact with civil society institutions when dealing with issues related to ALMP. There was used method of descriptive statistics for data analysis.

The second part of the study is the analysis of the ALMP effectiveness based on data from the regional employment centers on provided services to people (100% of registered as unemployed in the region in 2019). These microdata contain information about the socio-demographic characteristics of individuals: gender, age, education, place of residence, date of registration, date of deregistration (if the unemployment period is over), list of services used

by the unemployed, reasons for deregistration. Regional employment centers have information about individuals for the period they are registered, but do not have information about how their position in the labor market changes after they are deregistered. This is due to the existing regulations of employment centers and legislation on the personal data protection. This circumstance not only imposes a restriction on the ALMP effectiveness evaluation, but also, to a certain extent characterizes the demand for ALMP effectiveness evaluation. The main characteristics of registered as unemployed in the region are shown in the table 1.

Tab. 1: The main characteristics of registered as unemployed in Omsk region in 2019

	Gender		Age				Education		
Share of respondents, %	male	female	up to 25 yers old	26-45 years old	46-60 years old	over 60 years old	no professional education	secondary professional education	higher education
	51,7	48,3	8,5	50,4	40,2	0,9	54,3	32,2	13,5

Source: authors

The ALMP effectiveness was evaluated using a multinomial logistic regression. The dependent variable - reason for deregistration - is categorical and takes the following values:

- deregistration due to employment in the direction of the employment center;

- deregistration due to independent job search and employment;

- deregistration due to employment in temporary, voluntary or subsidized jobs;

- deregistration due to professional training;

- deregistration due to prolonged absence from the employment center or refusal of its services.

Taken together, these categories include 97.22% of all cases of unemployment deregistration. Other reasons for deregistration (pension assignment, military service, court conviction, death.) are rare, so these cases are excluded from further analysis. As regressors there were used:

- socio-demographic characteristics of respondents, including gender (female, male), age (up to 25 years, 25-40 years, 41-50 years, 50 years or more), education (no professional education, secondary professional education, higher education), place of residence (regional center, other localities), work experience (less than a year, a year or more);

- characteristics that reflect registration in the employment center – unemployment period duration (up to 1 month, 1-3 months, from 3 to 6 months, 6 months or more), the list of

services used by the unemployed (information about the situation on the labor market, social adaptation, psychological support, assistance in searching for a suitable job, public works, career guidance, professional training, etc.).

In addition, we analyzed factors affecting the unemployment duration. In this model, the natural logarithm of the unemployment duration (days) is used as a dependent variable. The regressors include the same socio-demographic characteristics of the unemployed as in the previous model, as well as a list of services that were provided to the unemployed and pairwise products of variables that characterize the socio-demographic characteristics of respondents, and a list of services. They allow determining which ALMP activities are more effective for different categories of the unemployed. The total sample for completed periods of unemployment for these reasons of deregistration was 15 659 observations.

2 Research results

The survey of experts showed that experts' opinions on the current directions of evaluating the ALMP effectiveness were different (Fig.1).

7 experts noted that the implementation of target programs is being monitored in the region, and 6 experts said that the state assignment is being monitored. Despite this, the options suggested in the survey received a relatively small number of votes, which indicates that the majority of experts do not know how effectiveness is being evaluated. At the same time, the experts highly estimated the need to evaluate the effectiveness of ALMP – all the proposed areas of performance assessment received from 3 votes or higher, which underscores the demand from experts for such a direction of activity. Thus, if the current low implementation of the performance assessment can be considered as a barrier, then high estimates of the need for evaluation in a wide range of areas can be interpreted as a factor that can contribute to the implementation of the ALMP performance assessment in the future.

According to experts, among the barriers that make it difficult to evaluate the effectiveness of ALMP, the first place takes the lack of time due to a large amount of current work (40% of experts). In general, organizational reasons are the main barriers to evaluating the ALMP effectiveness at the present time. Methodological aspects and lack of necessary information are not considered serious problems by experts. In fact, such expert assessments indicate an administrative approach to evaluating effectiveness that does not always coincide with scientific approaches in this area. Experts are probably not familiar with modern

scientific approaches to evaluating the ALMP effectiveness, what is a significant barrier to implementing a scientific approach in the practice of employment services.

Fig. 1: Experts' opinions on the current directions of evaluating the ALMP effectiveness
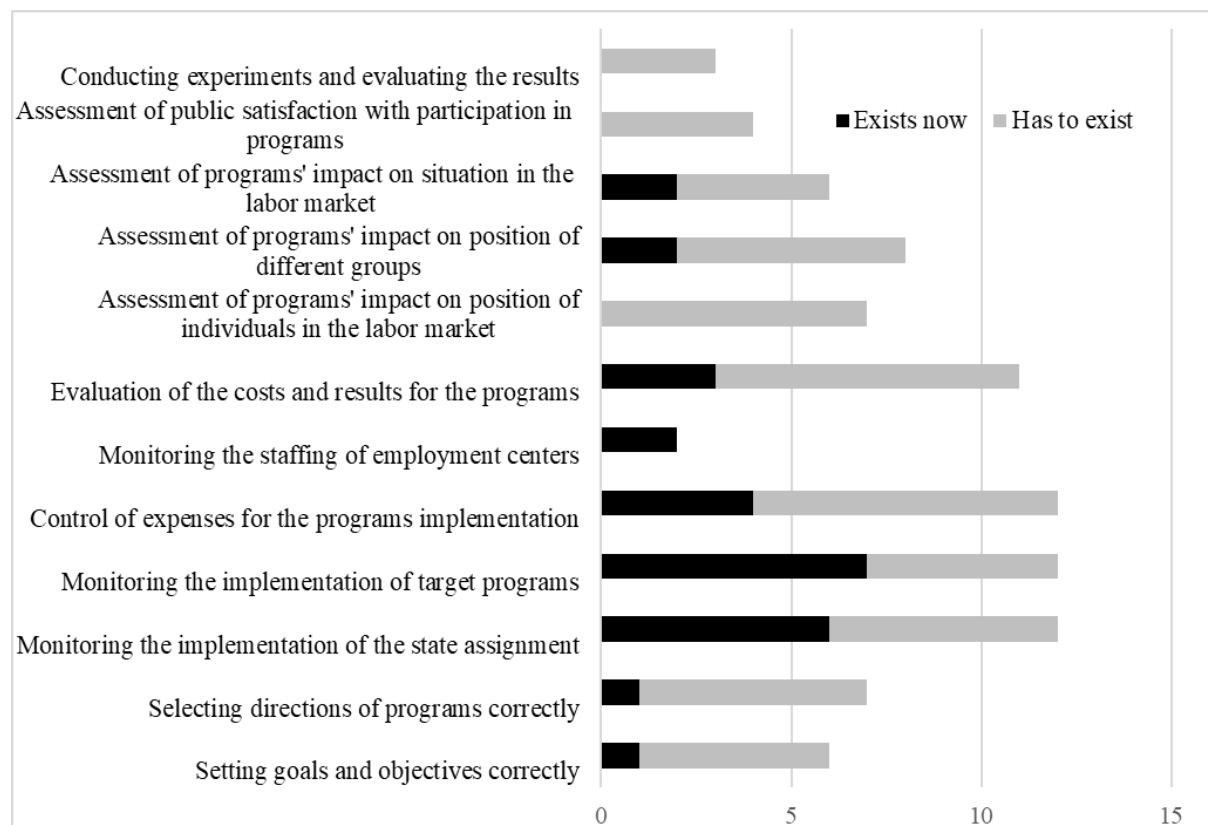
Source: authors

As it is known, not only the authorities, but also other stakeholders should take part in evaluating the socio-economic programs effectiveness. The wider the range of stakeholders, the more complete and relevant the results of the assessment are. As part of the survey, experts assessed the possibility and need for participation of various stakeholders at different stages of the ALMP effectiveness evaluation and got the following results:

Stage 1. Set goals and objectives for assessment. Stakeholders participating at this stage are employment centers and municipal authorities.

Stage 2. Develop a research methodology. Stakeholders participating at this stage are scientific community and other state and municipal authorities.

Stage 3. Organize information collection. Stakeholders participating at this stage are state statistics bodies, employment centers and other state and municipal authorities.

Stage 4. Provide information. Stakeholders participating at this stage are commercial organizations, population and public organizations.

Stage 5. Analyze information and make conclusions about the ALMP effectiveness. Stakeholders participating at this stage are scientific community ant other state and municipal authorities.

It can be seen, that the authorities dominate at all stages. Such assessments indicate that the ALMP effectiveness evaluation is understood as the prerogative of the authorities, what significantly reduces the opportunities for other stakeholders participation, and therefore can lead to quantitative and qualitative narrowing of the areas, methods and results of assessment. Thus the hypothesis that there are institutional barriers to evaluating the effectiveness of ALMP was confirmed.

When analyzing the reasons for deregistration of the unemployed, we used as a reference group the unemployed who were deregistered due to employment in jobs of relatively low quality (subsidized workplaces, public works and temporary jobs - 6.61% of all deregistration cases). When comparing the unemployed who were deregistered for other reasons, the following data were obtained in comparison with the reference group ($p<0.05$).

1. Independent job search accounted for 28.25% of all completed periods of unemployment. It is more typical for residents of regional centers, people with work experience of more than one year, aged up to 50 years, who are registered in the employment service for less than 6 months. Such employees are less likely to need services for informing about the situation on the labor market, social adaptation, psychological support and career guidance, professional training ($p<0.05$).

2. Employment in the direction of the employment service is typical for 18.67% of completed periods of unemployment. In comparison with the reference group, it is more common for residents of small localities, men, people who have been registered for more than 6 months and do not have work experience. This employment option is positively associated with receiving services of assistance in searching a job.

3. Residents of small localities, men, and middle-age groups are more likely to be deregistered due to professional training (22.19% of cases). For this group of employed people, it is especially important to receive not only professional training services, but also psychological support and career guidance.

4. The most difficult group that refused the services of the employment service (21.5% of cases of deregistration). It is more common for residents of regional centers,

men who have been registered for more than 6 months, who received fewer services (with the exception of services for informing about the situation on the labor market).

Let's consider the results of the unemployment duration analysis. As expected, the unemployment duration depends on age: the higher the age, the longer the unemployment period. Thus, all other things being equal, the unemployment period for people over 50 years is 27.3% higher than for those under 25 years. The shorter unemployment period for those without work experience (below 19.9%, (0.139, $p<0.05$), can be explained by the fact that the criteria for suitable job can be expanded for this group of individuals. There are no differences in the unemployment duration by gender and place of residence.

All services provided by the employment service have a statistically significant impact on the deregistration reasons. Standardized beta coefficients show the strongest positive impact of the following services on the unemployment duration: social adaptation (0.139, $p<0.01$), psychological support (0.108, $p<0.01$), career guidance (0.106, $p<0.01$). This is probably due to the fact that these services are provided in most cases to citizens who are experiencing significant difficulties in serching for a job. For those who used these services, the unemployment duration is higher by an average of 22.7-33.2%. Participation in professional training programs reduces the unemployment duration (-48%, $p<0.01$), but it is necessary to understand that professional training by Russian law is the basis for deregistration, regardless of the fact of getting a job.

At the same time, some provided services have a greater effect on certain categories of unemployed. Thus, psychological support has a greater impact on people without professional education (a decrease in the unemployment duration is on average by 9.8%, $p<0.05$) and on those who live outside the regional centers (a decrease by 6.2%, $p<0.1$). Public works have a greater impact on the unemployment duration reduction in small localities compared to the regional centers (-23.0%, $p<0.05$). Assistance in job search has a greater impact on reducing the unemployment period for individuals with secondary professional and higher education compared to those without professional education (-27.0%, -14.9%, respectively, $p<0.01$). Professional training is more effective for women and residents of large cities: -25.8% ($p<0.01$) and -5.7% ($p<0.05$), respectively.

Conclusion

Thus, the study allows drawing several conclusions.

1. Experts recognize the need to improve the evaluation of ALMP effectiveness. However, there are several problems associated with lack of knowledge of modern assessment methods, desire to perform the work primarily on their own, minimal involvement of other stakeholders, and the hope that the information available now will be sufficient.

2. The available data suggest that the services provided by the employment service have a generally positive impact on the situation of the unemployed. Universal services such as assistance in searching for a job, social adaptation and psychological support are quite effective. At the same time, it should be noted that there are certain differences in the impact of ALMP on groups of unemployed identified by gender, age, and type of settlement. In addition, the real benefits of provided services can be assessed not by the fact of deregistration, but by the results of employment. In this regard, it is necessary to create a database that takes into account the situation on the labor market of people who were previously clients of the employment service.

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