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## Active labour market policies and COVID-19: (Re-)connecting people with jobs

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Active labour market policies (ALMPs) will be vital in shaping the labour market recovery from the COVID-19 crisis. Connecting people to jobs through effective training, assisting companies to retain and recruit staff, and providing comprehensive support to people with major employment obstacles, will help to ensure an equitable and efficient emergence from the crisis, avoiding labour market detachment of more vulnerable individuals. Many countries reacted swiftly in increasing funding for their public employment services (PES), training programmes, hiring subsidies and other measures to increase labour demand. PES have hired additional staff and expanded remote and digital accessibility to their services to ensure service continuity. This chapter draws on a cross-country survey of policy responses to the crisis to highlight areas of good practice and institutional features that facilitated the development of contingency plans and adjustment to the new environment.

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# In Brief

## Key findings

Despite the significant progress in the vaccination campaign in many OECD countries and the gradual re-opening of their economies, in April 2021 there were still 7 million more people unemployed than before the onset of the pandemic and many more discouraged jobseekers and people on reduced hours of work. In the still uncertain recovery, active labour market policies (ALMPs) play an important role as they help displaced workers find jobs more quickly and facilitate the matching of jobseekers with emerging job opportunities. At the same time, ALMPs are needed to support the labour market integration of groups with major employment obstacles to build a more inclusive labour market in the recovery. In response to the COVID-19 crisis, governments across the OECD are developing or putting into place medium- to long-term strategies to boost the jobs recovery and be better prepared for future shocks. These strategies include redesigning and scaling up ALMPs and increasing funding for their public employment services (PES). This chapter reviews how countries reshaped their PES and ALMPs to cope with the pandemic and prepare for the recovery. It presents new analysis on the institutional features that enabled a quick and effective response to the crisis. It draws on the responses of 45 countries and regions to an OECD/European Commission questionnaire on “Active labour market policy measures to mitigate the rise in (long-term) unemployment”, conducted at the end of 2020. The chapter highlights good country practices and identifies key challenges that will need to be addressed in the future.

PES together with private employment services (PrES) have been playing a key role in supporting jobseekers, employers and workers since the start of the pandemic:

- Despite social distancing restrictions, difficulties in service provision and limited job vacancies, 41% of all unemployed people contacted the PES to find work in 2020 in Europe (EU countries plus Iceland, Norway, Switzerland) and Turkey, just 4 percentage points below the 2019 figure. This underlines the important role of the PES and PrES in providing good quality services to a growing number of clients.
- Around two-thirds (65%) of countries increased their budget for public employment services and administration over the course of 2020 and just over half (53%) of countries plan increases in 2021 beyond the 2020 level. The reallocation and training of staff have also been used to increase PES capacity. Almost 90% of countries responding to this question indicated that changes in PES operating models (principally adjustments in service delivery processes, the expansion of remote channels and reallocations of staff) represented the core of their short-term employment policy response to the COVID-19 crisis. Some countries also increased capacity by contracting out employment services to complement public provision and address peaks in demand.
- During the crisis, there was a widespread need for PES to rapidly scale up the use of digital and remote services to continue providing support to clients. Around 80% of PES offered remote access, compared with 50% before the pandemic. Of the PES that offered remote access to services prior to the pandemic, around 40% subsequently expanded this offering to facilitate delivery during the crisis (e.g. by streamlining application processes or opening up more digital channels).

- The scale of the expansion of remote and digital access in less than one year almost exceeded the total volume of digital services built up prior to the pandemic. Going forward, it is vital that each country's PES continues to develop its technological capacity to enable customers to engage with services digitally and fully utilise the tools and information at their disposal online.

Certain features of the institutional and regulatory set-up of ALMP provision have influenced each country's ability to adjust to the new environment and develop contingency plans and new strategies:

- More than half of countries responding to the OECD/European Commission questionnaire highlighted co-operation and co-ordination between stakeholders and policy domains (e.g. health, employment and social policies) among the main factors facilitating their COVID-19 responses. Moreover, all countries have involved almost all key stakeholders (the PES, the ministry responsible for labour market policies, the social partners, sub-national levels of government and private providers) in their ALMP systems when developing their strategies.
- Close to a third of countries stated that flexibility in ALMP implementation due to their organisational set-up has been crucial for their agile response to the crisis. Some favourable features of the organisational set-up are highlighted by two-thirds of countries with a PES set up as an autonomous public body with tripartite management.
- Countries with more flexible ALMP regulations (e.g. where the legislation passed by parliament only defines the main principles of ALMP provision, with the details of design and delivery set by lower-level regulations) were able to redesign their policies faster. Meanwhile, countries where the details of ALMP design require the approval of higher-level institutions, or where there is a more complex regulatory system, experienced delays in adjusting their ALMPs.

Recognising the important role played by ALMPs in mitigating the impact of the crisis, seven in ten OECD and EU countries reported an increase in funding for active labour market measures in 2020 and half of the countries are planning increases in 2021. While too early to assess the adequacy of public spending on ALMPs in 2020 and 2021, past evidence suggests that there is a clear risk of countries investing too little. Moreover, the effectiveness of public spending will depend on a successful implementation of the measures that were – or will be – introduced or adapted to support the recovery. Additional investments may be necessary in a number of areas:

- Investing in up-skilling and re-skilling of unemployed and displaced workers is important to support job transition in the recovery and respond to changes in the demand for skills brought by automation, digitalisation and structural changes. Training programmes have been found to be particularly effective during past downturns as lock-in effects (enrolment in training programmes preventing an early return to work) tend to be smaller. Training has therefore been expanded during the pandemic to support the reallocation of workers and to upskill those at risk of displacement, with countries making additional training places available and moving classroom-based training courses online. More than ever before, the current crisis has emphasised the importance of cultivating the skills needed to access various digital tools, including for job search and online training.
- Measures to foster job creation and increase demand for labour have been introduced or expanded in many countries. Almost two-thirds of OECD and EU countries have scaled up their employment incentives and 42% of countries lowered social security contributions for some or all employers. This was important to preserve employment that had been impacted by sudden economic shutdowns imposed by COVID-19 and to prevent detachment of individuals from the labour market. The targeting of employment incentives on groups in need can increase their effectiveness and avoid money being wasted on subsidies for the hiring or retention of workers who would have been hired or retained anyway. Many countries have therefore targeted their

new measures on young jobseekers, the long-term unemployed, people with disabilities, the older unemployed and other disadvantaged groups. Other countries expanded public sector direct job creation programmes and start-up incentives. Further changes in the mix and sequencing of ALMPs might be needed as countries enter the recovery period.

- This crisis risks leaving deep scars on vulnerable groups marginally attached to the labour market facing major or multiple employment obstacles. Barriers to (re)enter the labour market include scarce work experience faced by many young people, care obligations particularly amongst women with young children, low skills or health limitations. Not all these groups show up on the radar of PES, which is why it is important to identify the groups at risk and their needs, develop effective outreach strategies, and provide integrated, comprehensive and well-targeted support. This in turn requires a good exchange of information and co-operation between the relevant institutions responsible for the provision of employment, health, education and social services, as well as income support.
- Furthermore, evaluations of the new policies and programmes introduced in response to the COVID-19 crisis will be required, to identify effective ones and those that are less effective and need to be adapted or terminated. These efforts should be best embedded in a broader framework of evidence-based policy making that would enable countries to conduct regular and timely evaluations of their policies.

## Introduction

Active labour market policies (ALMPs) perform an important function in making labour markets more resilient, helping displaced workers to get back into work quickly and enabling them to seize emerging job opportunities. The deep shock to labour markets everywhere brought about by the COVID-19 pandemic has highlighted the importance of this role but also the strain that has been placed on traditional ways of providing employment assistance to growing numbers of jobseekers in a time of social distancing and restrictions on mobility.

Against this background, this chapter illustrates the part that public employment services (PES),<sup>1</sup> private employment services (PrES)<sup>2</sup> and ALMPs have played, and continue to play, during the COVID-19 pandemic in supporting jobseekers, employers and workers based on new information on countries' policy responses (see Box 3.1).

The remainder of this chapter is structured as follows. First, it shows the extent to which unemployed people remained active during the crisis and contacted the PES to find work (Section 3.1). Second, it presents a new dashboard of the institutional set-up of ALMP provision in OECD and EU countries, highlighting features that have enabled a quick and effective response to the current crisis and detailing the key elements of countries' strategies for moving from crisis management to medium- and long-term strategies (Section 3.2). Third, it shows how countries adjusted their funding for ALMPs over the course of 2020 and 2021 and how investments in technology can increase the effectiveness and efficiency of these policies (Section 3.3). Fourth, the chapter provides an overview of the areas in which countries have already adjusted and extended their ALMPs. It pays particular attention to vulnerable groups, who are facing major labour market integration obstacles and are at risk of being left behind in the economic crisis, and outlines the support needed by these groups to enable them to improve their labour market outcomes and access good jobs (Section 3.4). The chapter concludes with some remarks on the importance of continuous evaluation of policy measures to identify those that are less effective and need to be modified or terminated (Section 3.5).

### Box 3.1. The OECD/European Commission questionnaire on “Active labour market policy measures taken by countries in response to the COVID-19 crisis”

The analysis presented in this chapter draws on a questionnaire on “Active labour market policy measures to mitigate the rise in (long-term) unemployment” sent by the OECD Secretariat in collaboration with the European Commission (EC) to all OECD and European Union (EU) member countries in September 2020, with responses received during October and November 2020 from 45 countries and regions. For Belgium, four sub-national responses were received and these are counted separately in some of the statistics of the chapter<sup>1</sup>, although the chapter generally uses the term countries in all cases.

In order to obtain a comprehensive overview of the discretionary ALMP measures taken in response to the COVID-19 crisis, the questionnaire asked countries to provide information on policies and programmes in place in 2020 or planned over the course of 2021. Also included were questions on the institutional set-up of active labour market policy design and provision, as well as institutional settings that influence the responsiveness of ALMPs during times of crisis.

The chapter also benefited from information collected from PES across the European Union by the Secretariat of the European Network of Public Employment Services, on behalf of the EC on PES actions that have been implemented or will be introduced to cushion the effects of COVID-19. This information has been updated frequently since March 2020.

1. The four questionnaire responses from Belgium concern the three regions of Brussels, Flanders and Wallonia and the country's German-speaking community.

## 3.1. How has the COVID-19 crisis changed the composition of PES clients?

This section uses data available from the European Labour Force Survey to examine changes in the number and composition of unemployed people who contact the PES to find employment. The number of unemployed people who contacted the PES to find work in Q2-Q4 2020 has risen in many countries but not in all. In 16 out of the 26 countries presented in Figure 3.1, the share of unemployed who contacted the PES to find work out of all unemployed has fallen in the second, third and fourth quarters of 2020 relative to the same period in 2019. This reflects the confinement measures that severely restricted mobility of job seekers as well as the operation of PES in many countries throughout 2020, and the fall in available vacancies. Nevertheless, large increases are observed in Switzerland, Latvia, Lithuania, Iceland and Estonia. In the latter, the increase may still reflect, at least partly, the effects of the Work Ability Reform, which increased the incentives for people with long-term health conditions or disabilities to register with the PES, offered them comprehensive services and promoted their labour market participation.

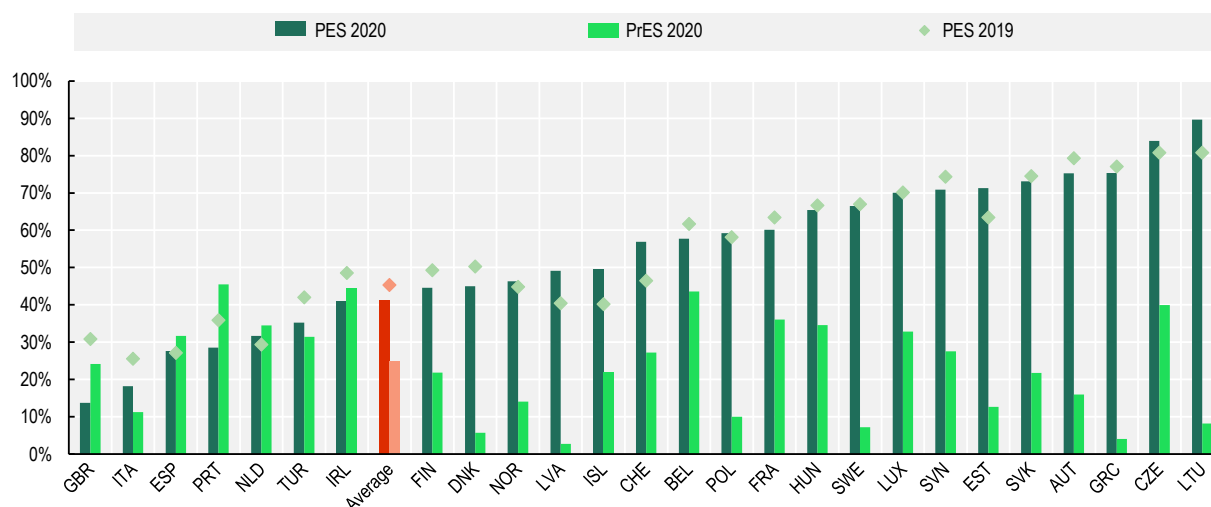
The drying up of job vacancies as a result of lockdowns and social distancing requirements also meant that it was neither feasible nor desirable to keep up mutual obligations requiring jobseekers to actively look for work while receiving benefits. As part of their initial response, one in seven countries suspended job-search requirements and six in ten countries changed them, sometimes following an initial suspension. Among countries that suspended or changed job-search requirements the vast majority had restored such requirements by the end of 2020. The pace was different across countries, with some restoring the requirements at the end of the first lockdown periods (e.g. France and Latvia), whereas other countries waited until the third (e.g. Australia, Estonia and Switzerland) or fourth quarter (e.g. Finland, Israel, Luxembourg) of 2020.

While enforcement of job-search requirements is important to uphold the active stance of an activation regime that seeks to encourage active job search and reduce benefit dependency, it needs to be matched by maintaining mutual support offered through the PES. Indeed, countries taking longer to fully restore job-search requirements first needed to make adjustments to their delivery channels expanding online services, e.g. through introducing or expanding remote channels to deliver job-search assistance, before restoring the pre-COVID-19 requirements. In-person services are often reserved for more vulnerable jobseekers (see Section 3.4.3) or only used for specific transactions (e.g. referral to ALMPs). Over a quarter of countries did not change their job-search requirements due to the COVID-19 imposed restrictions. Countries that kept their job-search requirements intact often already had online and other remote channels of job-search assistance available before the crisis (e.g. Chile, Japan, Norway; see also Figure 3.8).

Despite the drop in the number of vacancies and limited hiring taking place during the last three-quarters of 2020, unemployed people still relied on the support of PES in their job-search efforts. In total, in Europe and Turkey, 41% of unemployed people contacted the PES to find work in 2020, slightly below the share in 2019 (45%). In over 42% of the countries in Figure 3.1, this share was above 60% and reached 90% in Lithuania, 84% in the Czech Republic and 75% in Austria and Greece. In contrast, in the United Kingdom and Italy only 14% and 18% respectively of unemployed people contacted the PES to find work in 2020, which represents a further decline of 17 and 7 percentage points respectively relative to the same period in 2019. Private employment services also support the unemployed in their job search. Close to one-quarter of unemployed people contacted private employment services to find work in Europe in 2020.<sup>3</sup>

### Figure 3.1. Jobseekers rely on public (and private) employment services in their job-search efforts

Share of unemployed persons who contacted an employment office to find work in 2019 and 2020 (Q2-Q4)



PES: Public Employment Service; PrES: Private Employment Service.

Note: The average is weighted and includes the EU27, Iceland, Norway, Switzerland, Turkey and the United Kingdom.

Source: European Labour Force Survey.

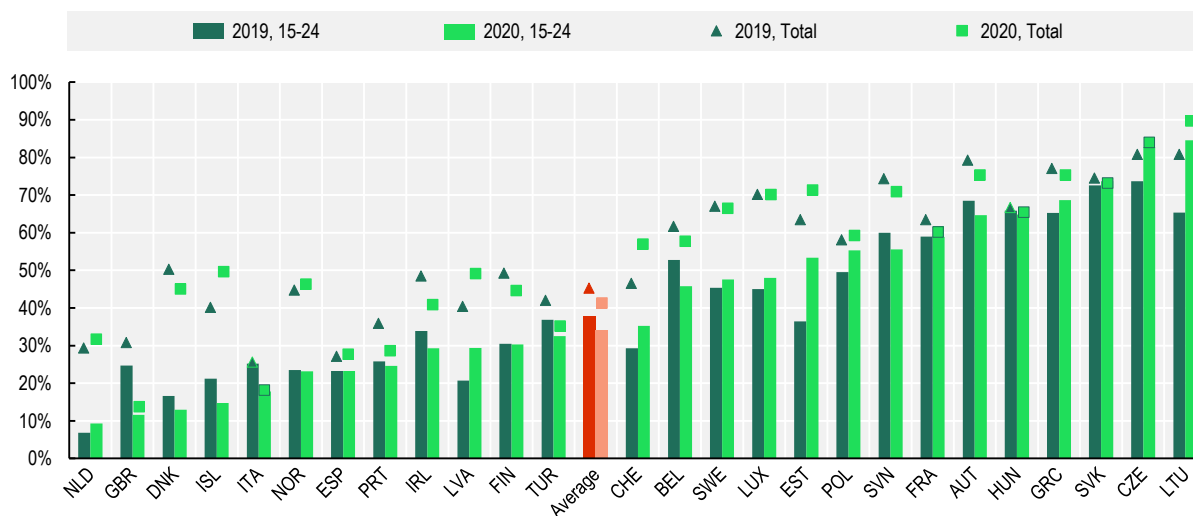
StatLink <https://stat.link/uty3g2>

The groups that have been more heavily affected by the COVID-19 crisis and who were also the most vulnerable groups after the Global Financial Crisis (GFC), tended to have less contacts with PES during the pandemic. Notably, young unemployed people use the PES much less than other age groups, and this gap has increased over time.<sup>4</sup> In total, in Europe and Turkey, only 34% of the unemployed aged 15 to

24 years contacted the PES to find work in 2020, versus an average of 41% among all age groups (Figure 3.2). Moreover, this share also declined by 4 percentage points during the COVID-19 pandemic. PES outreach is even lower in some European countries: fewer than 15% of unemployed youth contacted the PES to find work in the Netherlands, the United Kingdom, Denmark and Iceland. In addition, in the United Kingdom and Iceland, this share dropped by 13 and 6 percentage points respectively between 2019 and 2020. In contrast, unemployed youth in Estonia and Lithuania relied even more on the PES to find work during the pandemic, with the shares increasing from 36% and 65% in 2019 to 53% and 85% in 2020 respectively.

**Figure 3.2. PES should increase its outreach to unemployed youth**

Share of unemployed persons (aged 15-24 and total) who contacted the PES to find work in 2019 and 2020 (Q2-Q4)



PES: Public Employment Service.

Note: The average is weighted and includes the EU27, Iceland, Norway, Switzerland, Turkey and the United Kingdom.

Source: European Labour Force Survey.

StatLink  <https://stat.link/d7t5uk>

## 3.2. Contingency plans of ALMP provision

Some countries have managed to adjust to the new environment imposed by COVID-19 and develop contingency plans and new strategies quickly and smoothly, while others have struggled. This section first presents key features of the institutional set-ups of ALMP provision in OECD and EU countries and then identifies those features that enabled swift responses to the crisis. It also discusses the content of country responses as they have moved from crisis management to adjusting medium- and long-term strategies.

### 3.2.1. How the institutional set-ups of ALMP provision can support agile responses during times of crisis

The dashboard presented in this section provides a schematic framework to help identify key features of the ALMP systems that enable quick responses to changes in labour market conditions and efficient adjustments in the provision of ALMPs. The dashboard displays the institutional set-up of ALMP provision separately in three dimensions (see specific indicators in Annex Table 3.A.1 and complementary discussion in Lauringson and Luske (forthcoming<sup>[1]</sup>)):



- Organisational set-up of ALMP provision – the division of responsibilities for ALMPs, co-ordination and co-operation between the key stakeholders.
- Regulatory set-up of ALMP provision – the key legislation relevant for ALMP design and implementation.<sup>5</sup>
- Capacity of ALMP systems – the resources for employment services and ALMP measures.

*Organisational set-up of ALMP systems varies across countries more in terms of policy implementation than policy design*

The high-level responsibilities for labour market policies and thus for providing the general framework for ALMP provision lie in the relevant ministries, although more stakeholders are often involved in the policy design. In systems where the ministry responsible for labour market policies and PES are separate public bodies, generally both organisations are involved in designing strategies and accountability frameworks for ALMP provision, as well as ALMP interventions and their budgets (Annex Table 3.A.1). While a single body responsible for drafting changes in policy design might make the process quicker in an emergency situation, involving more stakeholders might ensure better implementation. Furthermore, the majority of ALMP systems (76% of countries responding to the OECD/EC questionnaire) have an official or quasi-official role for the social partners whether through advisory or supervisory bodies, and almost all other countries involve the social partners ad-hoc for consultations (except Israel and Mexico).<sup>6</sup> These practices could potentially facilitate designing policies that meet the needs of both labour demand and supply.

There are stark differences in the organisational set-up of ALMP implementation (Figure 3.3), particularly concerning the autonomy of organisations implementing ALMPs. This can heavily affect the agility of the system. On the one hand, greater autonomy of PES and involvement of PrES can facilitate fast changes in operating models, which is crucial in a health crisis when rules on the working environment change abruptly. On the other hand, for contracted-out employment services, it might be difficult to change the contractual terms as a result of sudden changes in needs. The continuation of service provision may then depend largely on willingness of PrES to co-operate. High levels of decentralisation of ALMP provision can lead to more responsiveness to local labour market needs (OECD, 2020<sup>[2]</sup>; 2014<sup>[3]</sup>), but require a well-designed national-level accountability framework to function successfully in the long term (Weishaupt, 2014<sup>[4]</sup>).

In addition to implementing ALMPs, many PES have additional tasks and responsibilities. For example, slightly more than half of the PES in the European Economic Area (EEA) are partially or fully responsible for unemployment benefit schemes (Peters, 2020<sup>[5]</sup>). Other responsibilities can include administering short-time working schemes, social assistance benefits, parental benefits, pre-retirement benefits or sickness and disability benefits, managing training centres and career services for schools, issuing work permits, licencing private employment services and beyond. A crisis in the labour market means that the PES in charge of benefit schemes are under particular pressure as the needs for both active and passive labour market policies increase. Yet, responsibilities for other services and measures might help PES provide more integrated and holistic support to the people. Furthermore, different services, measures and benefits facilitate PES outreach to vulnerable groups and motivate them to register (Konle-Seidl, 2020<sup>[6]</sup>).



Figure 3.3. Dashboard: Organisational set-up of ALMP implementation

**Autonomy of ALMP implementation in respect to national governments**

Role of PrES	Set-up of public institutions	Department in a ministry coordinating public and/or private providers	National level PES fully managed by a ministry	National level PES with tripartite management body	Sub-national PES with a national coordinating agency	Sub-national PES without a national coordinating agency
Mainly public providers	CYP, JPN, LUX	CHL, CRI*, CZE, ISR, SVK	DEU*, EST, HRV, PRT, SVN	CHE, DNK	CAN	
PrES relevant on the market in addition to public providers		BGR, LTU, LVA, MEX, NLD*	GRC, ISL, ROU, TUR	COL, ESP		
Employment services are partially or fully contracted out	AUS, FIN*, GBR, HUN, IRL, NZL,	KOR*, MLT, NOR, SWE	AUT, FRA	ITA	BEL, POL, USA	

Note: ALMP: Active Labour Market Policy.

*Public employment service* (PES) is a public body whose main responsibility is to actively facilitate the integration of jobseekers into the labour market and which implements employment services (providing placement and related services as defined by category 1.1 in the methodology of the OECD Employment and Labour Market Statistics database and European Commission Labour Market Policy database: services that facilitate the integration of jobseekers in the labour market or which assist employers in recruiting and selecting staff, including the provision of self-service facilities such as on-line job-banks), potentially in addition to other active labour market policies (training, employment incentives, sheltered and supported employment and rehabilitation, direct job creation, start-up incentives), and which optionally fulfils additional public functions. “National level PES fully managed by a ministry” refers to cases where a separate national level body exists to implement employment services, i.e. not a fully integrated department in a ministry as in the most left column.

*Private employment service* (PrES) is a private company or an NGO providing employment services (category 1.1 of labour market policies according to the OECD/EC methodology, i.e. placement and related services), regardless of the financing source (i.e. regardless of having a contract with the public sector or not). The category “PrES relevant on the market in addition to public providers” refers to countries that replied that PrES provide employment services, but did not reply that employment services are contracted out to PrES.

\* Only the mainstream / first tier system mapped, while alternative systems are present (e.g. local authorities provide additional employment services).

Source: Responses to OECD/EC questionnaire “Active labour market policy measures to mitigate the rise in (long-term) unemployment”; OECD Employment and Labour Market Statistics database, <https://doi.org/10.1787/data-00312-en>; and European Commission Labour Market Policy database <https://webgate.ec.europa.eu/empl/redisstat/databrowser/explore/all/lmp?lang=en&display=card&sort=category>.

#### *Finer details of specific ALMPs are often set in few flexible regulations*

High-level regulations of ALMP provision can limit the flexibility of the regulatory set-up. Generally, the higher the level of the institution that needs to adopt the regulation, the longer the process takes; also as these regulations often need to be approved first by lower-level bodies. For example, amending an act in a parliamentary process can take considerably longer than adopting a ministerial decree or amending a PES internal guideline. However, it might be important to fix the general framework for ALMP provision (the organisational set-up, objectives of ALMP provision) in higher-level regulations to make a top political body accountable for the system and ensure democratic processes.

The agility of the regulatory set-up also depends on the complexity of the system. When ALMP design is set in several regulations, amending the design to meet the changing needs of the labour market can be a cumbersome process.

Figure 3.4 provides an overview of how agile the regulatory set-ups of ALMP provision across the OECD and EU countries potentially are. The complexity of regulation is indicated by the number of types of regulations that set the conditions of ALMPs (i.e. design of ALMP measures and services). Theoretically, this number could be up to eight (regulations adopted by the parliament, government, minister, ministry, PES supervisory body, PES executive management, regional or local authorities or other bodies). In practice, only eight countries use more than three types of regulations to set ALMP conditions, although the number of regulations can in practice be higher if several regulations on the same level are in force. The indicator for the flexibility of the ALMP regulation is defined in two groups – whether at least one regulation for ALMP conditions is an act passed by the parliament or not. More than half of the countries belong to the latter group and they could potentially change the ALMP design swiftly when labour market needs change.

**Figure 3.4. Dashboard: Regulatory set-up of ALMP provision**

Lean regulation			
Regulatory complexity	Conditions of specific ALMPs are set in 3 or more types of regulation	Conditions of specific ALMPs are set in 2 types of regulation	Conditions of specific ALMPs are set in 1 type of regulation
Regulatory flexibility			
Some or all conditions of specific ALMPs are adopted by the parliament	DEU, EST, FRA, HUN, ITA, LUX, MEX	AUT, BGR, DNK, FIN, GRC, POL, TUR	LTU, ROU
Conditions of specific ALMPs are not adopted by the parliament	AUS, ESP, ISR, JPN, PRT, SVK, SVN	COL	BEL, CAN, CHE, CRI, CYP, CZE, GBR, HRV, IRL, ISL, KOR, LVA, MLT, NLD, NOR, NZL, SWE

Note: ALMP: Active Labour Market Policy.

The *regulatory complexity* (the indication for a “Lean regulation”) counts eight types of regulations to set ALMP conditions: 1) Act passed by the parliament, 2) Decree/order by the government, 3) Decree/order by a minister, 4) Decision by a ministry (key official), 5) Decision by the PES supervisory body, 6) Decision by the PES executive management, 7) Decision by regional/local authorities, 8) Other regulations.

In Belgium, the conditions of specific ALMPs are set by one type of regulation in each region, although slightly differently across regions (by a decision of the PES supervisory body in the Brussels region, and by a decree of the government in Flanders and Wallonia).

*Conditions of specific ALMPs* include eligibility criteria, durations, amounts etc. relevant for implementing each ALMP. The types of regulations to set the general groups eligible for ALMPs, list of specific ALMPs, target groups of specific ALMPs, and ALMP budgets are presented in Lauringson and Luske (forthcoming<sup>[11]</sup>).

Source: Responses to OECD/EC questionnaire “Active labour market policy measures to mitigate the rise in (long-term) unemployment”.

### *Capacity of ALMP systems defined through public expenditures on employment services and ALMP measures*

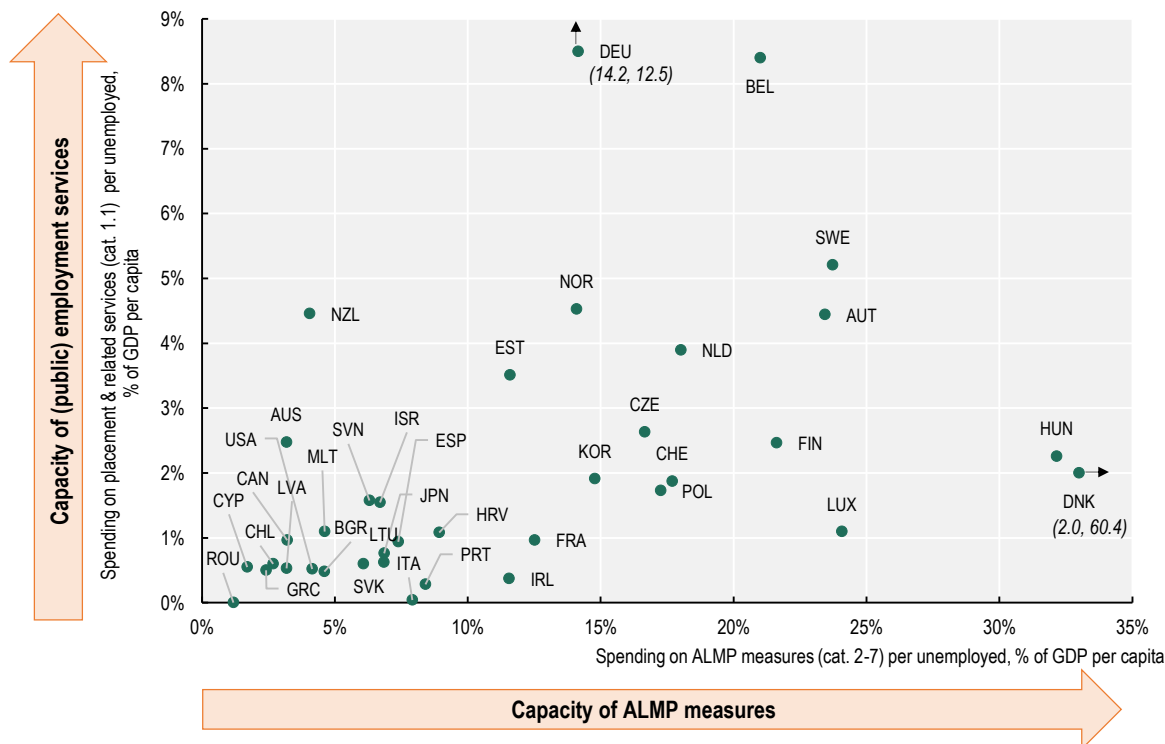
More resources available for ALMP systems before a labour market shock occurs can facilitate absorption of increased pressure on the system. In most OECD and EU countries, budgets for ALMPs are not automatically adjusted according to the labour market situation and amending budgets follows fixed procedures, including negotiations between stakeholders. Even in countries where ALMP budgets do have automatic corrections (Belgium (Flanders), Switzerland), actual implementation of the budget can take some time – e.g. hiring additional staff for employment services or contracting out additional training places. A system with lower caseloads for employment counsellors could more easily continue with effective job search counselling by making some adaptations (cutting time for counselling sessions, focusing on more vulnerable groups, cutting some parts of additional support services), while a system already working on its limits might not have any room for manoeuvre.

Figure 3.5 provides some indication of the capacity of ALMP systems before the COVID-19 pandemic. The figure displays on the horizontal axis the expenditures on ALMP measures (categories 2 to 7, i.e. training, employment incentives, supported employment and rehabilitation, direct jobs creation and start-up incentives) per unemployed as a share of GDP per capita in 2018. This indicates the capacity of the system to support jobseekers with intensive interventions and takes into account the level of unemployment in countries. The vertical axis displays the expenditures on placement and related services per unemployed as a share of GDP per capita – category 1.1 according to the OECD categorisation of labour market policies that aim to capture expenditures on employment services by public employment services and other publicly-financed bodies, but excluding expenditures on benefit administration (OECD, 2015<sup>[7]</sup>). The latter is an indication of staff levels and caseloads in the employment services. Furthermore, empirical evidence shows that these types of expenditures are generally most cost-effective as the relative cost is lower compared to other ALMPs (Brown and Koettl, 2015<sup>[8]</sup>; Card, Kluve and Weber, 2018<sup>[9]</sup>). An ALMP system was potentially able to absorb the first effects of COVID-19 better when neither of the indicators were at a low level.

Although the latest data for ALMP expenditures are from 2018, these likely present the situation relatively well also for the beginning of 2020, as the resources available for ALMPs do not change usually a lot from year to year when the economic situation is relatively stable. Nevertheless, the indicators might underestimate or overestimate the capacity of systems in countries where it is not possible to accurately differentiate between expenditures for administering ALMPs, and benefits and other measures, or where digital tools are highly advanced and the need for staff is lower.<sup>7</sup> Annex Table 3.A.1 provides an additional indicator for the capacity of the ALMP systems comparing ALMP expenditures (without administration costs of labour market policies and other activities, i.e. categories 1.1 and 2 to 7) to expenditures on passive labour market policies (categories 8 to 9, above all unemployment benefit schemes) to indicate how activation oriented different labour market policy systems are.

### Figure 3.5. Dashboard: Capacity of ALMP systems

Expenditures on ALMPs in 2018



Note: ALMP: Active Labour Market Policy.

Estimations for “Capacity of (public) employment services” for Bulgaria and Switzerland. Canada: data include federal expenditures on programmes implemented by the provinces and territories, but do not generally include the provinces’ additional or complementary funding of these programmes.

*Capacity of (public) employment services*: Publicly funded expenditures on placement and related services (category 1.1) per unemployed person as a percentage of GDP per capita (i.e. other expenditures in category 1, above all expenditures on benefit administration, are excluded).

*Capacity of ALMP measures*: Publicly funded expenditures on ALMP measures (categories 2 to 7: training, employment incentives, supported employment and rehabilitation, direct jobs creation, start-up incentives) per unemployed person as a percentage of GDP per capita.

Expenditures on ALMPs per unemployed as a *percentage of GDP per capita* are calculated as expenditures on ALMP relative to GDP multiplied by population size over the number of unemployed.

*Unemployed* according to the International Labour Organization (ILO) definition of unemployment and based on OECD Labour Force Statistics. For detailed ALMP categories, see <http://www.oecd.org/els/emp/Coverage-and-classification-of-OECD-data-2015.pdf>.

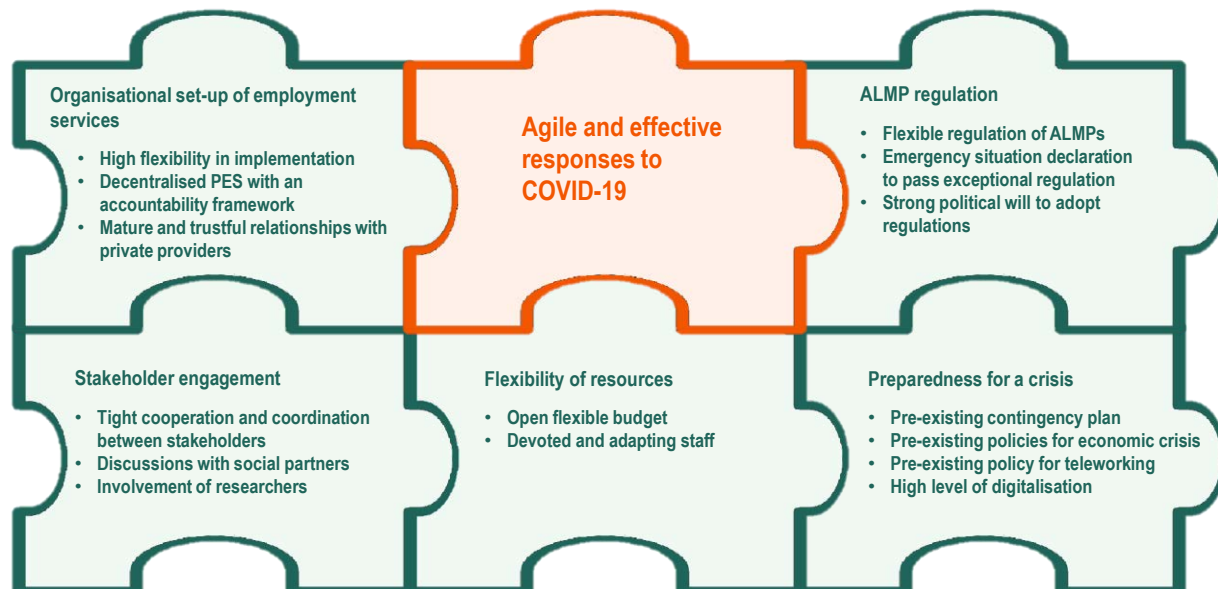
Source: OECD Employment and Labour Market Statistics database, <https://doi.org/10.1787/data-00312-en> and European Commission Labour Market Policy database <https://webgate.ec.europa.eu/empl/redisstat/databrowser/explore/all/lmp?lang=en&display=card&sort=category>.

StatLink  <https://stat.link/y21n0m>

#### *Institutional features that enable effective and agile responses to labour market shocks identified by countries in 2020*

The most important features highlighted by countries to enable them to develop both their short- and long-term responses to COVID-19 were stakeholder engagement, organisational set-up of the ALMP system, regulatory set-up of the ALMP system, resources for ALMPs and preparedness for a crisis that imposed remote working arrangements (Figure 3.6).

**Figure 3.6. Key features of ALMP systems for agile and effective responses to COVID-19**



Note: ALMP: Active Labour Market Policy.

The graph is based on self-assessments by the OECD and EU countries provided as responses to OECD/EC questionnaire “Active labour market policy measures to mitigate the rise in (long-term) unemployment”. The countries were asked to highlight the key enablers that helped them adjust their ALMP responses to COVID-19. The analysis enables to summarise those elements that are potentially helpful for agile and effective responses, but does not provide quantitative evidence on causal links.

Source: Responses to OECD/EC questionnaire “Active labour market policy measures to mitigate the rise in (long-term) unemployment”.

Virtually all countries have involved all key stakeholders of their ALMP systems in developing their strategies on mitigating the effects of the COVID-19 crisis on the labour market, taking advantage of the wider set of expertise this offers. Countries that have a national level organisation for PES overwhelmingly involve them in strategy development, in addition to the ministry responsible for labour market policies. Other key partners in the development process have been employers’ associations and trade unions, sub-national levels of government and ALMP providers (such as organisations representing local private employment services and training providers). Strategy development has often involved other ministries and public sector institutions more closely than before to ensure co-ordinated responses to the crisis across policy fields. For example, in response to the COVID-19 pandemic, Australia dissolved the New Employment Services Reference Group to allow for the establishment of a new advisory group with a broader remit to support economic recovery, including experts across business, training, social welfare and the employment services industry.

Tight co-operation and co-ordination between the stakeholders in ALMP systems has been key to quick and well-designed responses to address the challenges in the labour market posed by the COVID-19 outbreak. More than half of the countries replying to the OECD/EC questionnaire highlight co-operation and co-ordination as one of the main factors facilitating their COVID-19 responses. Co-ordination and established governance models have become particularly critical in decentralised systems, where a high share of responsibilities for ALMPs lies in the regional or local level authorities (last two columns in Figure 3.3). For example, Italy has worked intensively on establishing the governance model and stakeholders’ roles and responsibilities after a major reform in the organisational set-up was launched in 2014-16, and which results have facilitated the country to co-ordinate responses to COVID-19 crisis. Co-operation and establishment of designated steering groups for crisis management have been important in systems where responsibilities to design and implement ALMPs are shared among several national level

organisations, such as in cases where the PES is set up as an autonomous public body (countries in the middle column in Figure 3.3). For example, the ministry and PES in Slovenia have had almost daily contact since the start of the COVID-19 crisis, which is based on a long tradition of open communication between the two organisations and shared objectives.

Close to half of the countries that consider the co-operation of stakeholders as a particularly beneficial practice, highlight that engaging the social partners in the development of their short- and long-term responses has been of particularly high value. In addition, Austria, Belgium (Brussels), Finland and Norway have involved researchers in the development of their employment policy responses. In the Brussels region, *View Brussels* (the Brussels Employment and Training Observatory, whose main mission is to observe and analyse the regional labour market) has participated actively in the dedicated task force to re-design and implement employment policy in response to COVID-19, providing the task force with regional monitoring data. In Finland, the Ministry of Economic Affairs and Employment and the Ministry of Finance appointed a working group swiftly when COVID-19 reached the country to prepare an assessment of the impact of the crisis on its economy and labour market and develop a strategy to tackle these impacts. The three-stage strategy to reduce the immediate adverse effects, stimulate the economy and repair the damages was proposed already in early May 2020 (Ministry of Economic Affairs and Employment, 2020<sub>[10]</sub>). Also, in Austria, researchers were involved in re-designing the ALMP package from the very beginning of the crisis through a standing research committee.

Countries with more flexible ALMP regulations were able to redesign their policies quicker. About one-third of the countries that responded to the survey find that an emergency situation declared by their government or passing particular emergency laws enabled them to adopt the necessary regulations for redesigning ALMPs quickly, without the normal parliamentary process. However, close to one-third of the countries already had very general framework laws for ALMP provision before the crisis, so that introducing and redesigning ALMPs was possible without particular emergency laws. In these countries, adaptations of regulations by their government or ministries was sufficient, or no changes in regulations were necessary at all (the Czech Republic, Malta and New Zealand). Although in total two-thirds of countries regulate the details of ALMP design in lower-level regulations (Figure 3.4), half of them had to still make major adjustments to introduce new schemes. Regardless of how flexible the regulations were before COVID-19, strong political will played a crucial role in many cases to adapt ALMPs to the new needs. The crisis also demonstrated that leaner higher-level ALMP regulations might be desirable as well in a more normal economic situation, to adapt to the continuously changing labour market needs. While the finer details of ALMP design should be flexible and adaptable by lower level institutions, the general framework should be fixed via a parliamentary process to ensure political accountability and democratic processes.

Higher autonomy in PES to decide their operating model and ALMP implementation details has supported responsiveness to local labour market needs and the continuity of ALMP provision despite sudden changes in the working environment. One-third of countries state that high flexibility in ALMP implementation due to their organisational set-up (supported by flexible ALMP regulation) has been crucial in their swift responses to the crisis. Having an autonomous national level PES set up with a supervisory body involving the social partners, is often highlighted by countries as a means to deliver flexible and swift policy responses (in total two-thirds of countries in the middle column in Figure 3.3 stated that some features of their organisational set-up were of key importance). Close to 40% of the countries with a decentralised ALMP system (last two columns in Figure 3.3) note that their set-up enabled fast changes in operating models that took into account local labour market conditions. Mature governance models and co-ordination of activities were critical enablers of this. In countries where a large share of employment services are outsourced, mature and trustful relationships between the ministry and the providers have been key to adapt to the new situation (stressed by Australia and the United Kingdom), involving, for example, changes to the contractual terms agreeable to both parties.

Only a minority of countries exercise a high flexibility of resources to respond to changes in the labour market. Sweden has been successful in amending its ALMP budget in response to COVID-19 faster than

other countries as its regulations mean that an increase in long-term unemployment automatically raises funds available both for benefits and ALMPs. Similarly, in the Netherlands, some resources for ALMPs become available automatically for PES when expenditures on unemployment benefits increase. In Switzerland, where cantons are responsible for ALMP provision, ALMP budgets are directly linked to the number of registered jobseekers in cantons and can be adjusted during the year. In Belgium (Flanders), most ALMPs use open budget, which means that additional funds are automatically made available when the needs exceed expectations.

Regarding the flexibility of human resources in PES, close to half of the countries were able to increase their staff numbers in 2020 in response to the crisis and two-thirds made staff re-allocations (mostly for call centres, registering jobseekers, processing benefits, see details in Section 3.3.1). Belgium (Brussels), Croatia, Finland and Slovenia consider the adaptability and devotedness of staff, as well as possibilities to reallocate tasks, to have been key in coping with the challenges of COVID-19 in 2020.

Of all OECD and EU countries, only Israel and Switzerland had a plan prepared before the COVID-19 outbreak to tackle a potential crisis on the labour market that proved to be useful in early 2020. Nevertheless, as the COVID-19 crisis posed challenges that were not foreseen, even these crisis management plans had to be adjusted extensively. Responses to the COVID-19 challenges were facilitated in Austria, Finland, Germany, the Netherlands, New Zealand and Switzerland, as they had already specific measures in place to tackle an economic crisis situation, which were designed during the GFC or following natural disasters (New Zealand). As the COVID-19 crisis posed challenges to the working environment, countries' preparedness to respond to the situation was also highly dependent on the level of digitalisation and possibilities to telework. Some countries consider these factors as integral in coping with the new situation.

### **3.2.2. From crisis management to longer term strategies**

In the face of the COVID-19 pandemic, the PES (and PrES) in all countries needed to switch to a crisis management mode and quickly adapt to the new situation to minimise its impact on employment by delivering ALMPs, processing job retention schemes (see also Chapter 2), minimising delays in benefit payments despite record applications, providing information to jobseekers, employees and employers, and encouraging jobseekers to stay active even when there were fewer vacancies (OECD, 2020<sub>[11]</sub>). After the initial shock and adjustments in the operating models, countries have started to adjust their medium- and long-term strategies, adapting the basket of ALMPs in line with the changed composition of jobseekers as well as support the speedy recovery of enterprises and ensure effective matching of jobseekers with new job openings.

#### *Responses in 2020 focused on PES operating models*

The short-term responses of ALMP systems to the COVID-19 crisis involved above all changes in the operating models of public and private employment services, while the scope for redesigning active support to jobseekers was limited. First, the suddenness of the COVID-19 outbreak and the subsequent restrictions on social interactions imposed a rapid change in working environments and service delivery models. Second, many PES witnessed high inflows of applications for benefits and registrations as well as increased needs for information by the clients (OECD, 2020<sub>[11]</sub>). On top of that, the approaches taken needed tight monitoring and frequent re-assessments, which required establishment of crisis management systems in many PES, supported by adopting new monitoring tools and dashboards and using data for management decisions more than ever before. Close to 90% of countries responding to the OECD/EC questionnaire highlight the changes in PES operating models as the core parts of their short-term responses to the COVID-19 crisis. More specifically, the key changes involved: i) digitalising processes, boosting remote channels, automating processes for clients and the back-office, ii) simplifying processes for clients and staff, iii) adapting processes to meet health guidelines on the premises, iv) adopting new



tools to increase the quality and timeliness of statistics and management information, v) adapting communication to staff and clients, and vi) reallocating staff, increasing staff numbers and training staff to increase PES capacity. One third of countries made more significant changes to ALMP design already in their short-term strategies in 2020.

### *Medium- and long-term strategies aim at re-designing ALMPs to meet new needs*

Most countries had started developing their medium and longer-term strategies of labour market policy responses to the COVID-19 crisis by October/November 2020, but only about half of the countries had already adopted a new strategy. Discussions on the longer-term responses were hindered as day-to-day crisis management absorbed policy makers and implementers throughout 2020. In addition, the health situation, social distancing requirements and the forecasts of the labour market situation kept changing significantly over the year (see Chapter 1), with implications on the appropriate longer-term policy responses.

Compared with the short-term responses, longer-term strategies tend to focus much more on the content of the support to jobseekers, employees and employers, rather than delivery models and PES operating models. The planned changes concern redesigning the basket of ALMPs to match the changed needs of jobseekers and enterprises. All countries responding to the OECD/EC questionnaire that had adopted their longer-term strategy by October 2020, or were to adopt the strategy soon, identified ALMP design and targeting as key components of their plans for 2021 and beyond. For example, Belgium (Brussels) aims to give more priority to the most vulnerable groups, who have suffered more in the COVID-19 crisis and to apply a sectoral approach to employers to meet better the sectoral needs. Belgium (Wallonia) intends to further prioritise individualised approaches to jobseekers, particularly to those who have been recently dismissed, in its new model of “instant support” focusing more on coaching and finding solutions swiftly. Greece is planning to give particular attention to supporting jobseekers from the sectors that have suffered the most in the current crisis, e.g. tourism and culture. Slovenia is trying to increase co-operation with the providers of social services to better support groups that have multiple labour market barriers, and promoting employment of disadvantaged jobseekers (including support with job interviews and post-placement support). Colombia is planning to address the labour market integration challenges of several vulnerable groups, such as youth, older workers, jobseekers from the sectors that suffered exceptionally more due to COVID-19, as well as people working informally. Changes in different ALMPs are discussed in more detail in Section 3.4 of this chapter.

At the same time, still more than half of the countries plan to continue fine-tuning the ALMP delivery models in their longer-term strategies, learning from the experience of 2020. For example, the COVID-19 outbreak led many countries to review and simplify their processes (internally and with clients) and to decrease the level of bureaucracy. Several countries aim to continue making their ALMP design and implementation processes leaner through reviewing structural set-ups, and functions and tasks of all stakeholders involved. Also further digitalisation and automation of processes remain high in the PES agenda, aiming at further increasing PES efficiency (see Section 3.3.2 for more details).

### **3.3. Increasing ALMP capacity to support a rapid return to work for all jobseekers**

Following an economic downturn like the one caused by COVID-19, ALMPs play a key role in supporting the rapid return to work of the unemployed and the reallocation of labour from declining to growing firms, including across sectors and regions. As has been argued before, this requires countries to adjust existing ALMPs and delivery models or design new ones in an agile manner, as well as additional investments into ALMPs. This section argues that countries need to further scale up their investments in two areas: First, additional expenditure on ALMPs will be needed over the course of 2021 and the years to come to enable public and private employment services to serve a higher number of jobseekers and offer additional support

to those who do not return to work quickly. Second, strategic investments into digital infrastructures of employment services are needed to increase ALMP effectiveness and efficiency both in the short and long term.

### 3.3.1. *Scaling up resources for ALMPs*

This section provides an overview on countries' adjustments to ALMP spending in 2020 and 2021, staffing adjustments in PES and the option to complement public provision through contracted provision. While too early to assess sufficiency of public spending on ALMPs in 2020 and 2021, past evidence suggests that there is a clear risk that countries invest too little in this area.

#### *Increasing public expenditure on ALMPs*

Evidence shows that spending on ALMPs can help reduce unemployment and long-term unemployment.<sup>8</sup> Following the onset of the GFC many countries reacted swiftly with discretionary changes to ALMP expenditure in response to the economic downturn to sustain labour demand and support the unemployed find work. Measures taken by OECD countries as early as 2008/09 included increased funding for their PES and additional investments in ALMPs such as employment incentives, reductions in non-wage labour costs, public sector job creation, business start-up incentives, work experience and training programmes (OECD, 2009<sup>[12]</sup>).

Countries responded swiftly also to the current downturn and made adjustments to their ALMPs. While some of these adjustments did not require additional funding (e.g. reallocation of staff), most countries increased their funding for ALMPs over the course of 2020 and are planning further changes in 2021. Two principal expenditure categories are distinguished for describing these changes in funding:

- **Labour market services:**<sup>9</sup> This includes public provision (or private provision, with public financing) of counselling and case management of jobseekers, financial assistance with the costs of job search or mobility to take up work, and job brokerage and related services for employers, including similar services delivered by private providers but with public financing. Also included is the administration of benefits such as unemployment benefits, job retention schemes and redundancy or bankruptcy compensations.
- **Active labour market measures:**<sup>10</sup> These include training, employment incentives, sheltered and supported employment and rehabilitation, direct job creation and start-up incentives, if targeted on the unemployed and closely-related groups such as inactive who would like to work, or employed who are at known risk of involuntary job loss.

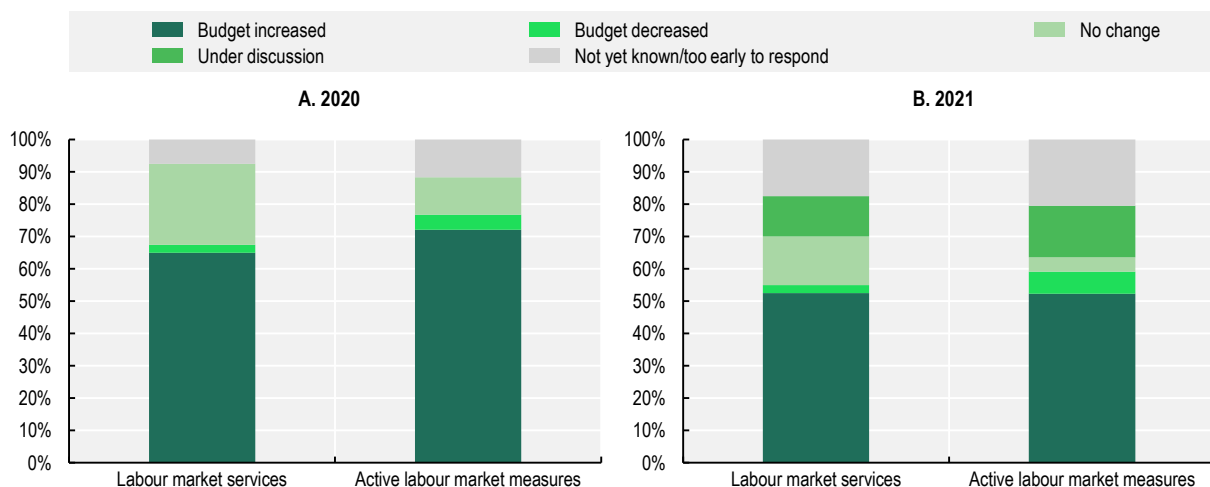
Just under two-thirds (65%) of all responding countries increased their budget for labour market services over the course of 2020 (Figure 3.7). For example, in Denmark, the Netherlands and Switzerland the budget for labour market services and active labour market measures automatically increases in line with rising unemployment making the system more responsive to changes in labour market needs (see Section 3.2.1). In many countries additional resources for labour market services were used to hire additional staff to support a higher caseload of jobseekers. In Australia, additional funding was used to enhance the digital service offer for jobseekers. A bolder picture emerges for active labour market measures. Seven in ten countries reported an increase in funding for these types of programmes. For example, Canada more than doubled the funding for the Workforce Development Agreements<sup>11</sup> in comparison to the 2018/19 financial year. Hungary increased its expenditure for active labour market measures by 21% in comparison to 2018, Portugal by 30% in comparison to 2018 and Switzerland estimated the increase at around 20%. Details on new or expanded active labour market measures are provided in Section 3.4.

In 2021, just over half (53%) of all responding countries plan to increase the funding levels for labour market services in comparison to 2020, with a similar number of countries (52%) planning an increase in

and active labour market measures. A number of countries, however, had to make difficult choices. For 2020, Mexico reported a budget decrease both for labour market services and active labour market measures in order to redirect spending to address priorities and deal with the health crisis caused by COVID-19. In Spain, unused spending on active labour market measures was re-allocated to job retention policies. In 2021, three countries (Hungary, Poland and the Slovak Republic) expect to decrease their expenditure on active labour market measures in comparison to 2020. All three countries reported increases in 2020 and expect to return to pre-crisis levels again. For a full overview of all countries' spending decisions on labour market services and active labour market measures in 2020 and 2021 see OECD (2021<sup>[13]</sup>).

### Figure 3.7. The majority of OECD/EU countries increased expenditure on active labour market policies in 2020 and further increases are planned in 2021

Public expenditure budget allocation for labour market services and active labour market measures, percentage of countries by type of action



Note: *Labour market services* includes public (or private, with public financing) provision of employment services and administration of benefits. *Active labour market measures* includes training, employment incentives, sheltered and supported employment and rehabilitation, direct job creation and start-up incentives.

Source: OECD (2021<sup>[13]</sup>), "Active labour market policy measures to mitigate the rise in (long-term) unemployment: A summary of country responses to the OECD/EC questionnaire", <https://www.oecd.org/els/emp/almptmeasuresCOVID-19.pdf>.

StatLink  <https://stat.link/1f5jcl>

While the evidence presented here shows that many countries moved quickly to increase ALMP spending, it is too early to judge whether additional resources made available in 2020 and planned for 2021 were, or will be, sufficient to provide the required level of support to ensure a rapid return to work in the recovery.<sup>12</sup> Following the GFC, OECD governments scaled up ALMP spending more strongly than in earlier recessions, probably due to their fuller appreciation of the need to retain an activation stance during a deep recession. Nevertheless, spending per unemployed person declined by 21% on average (in real terms) across the OECD between 2007 and 2010 (OECD, 2012<sup>[14]</sup>). Larger additional investments into PES and ALMPs may be needed going forward to support the reallocation of labour from declining to growing firms, including across sectors given the persistence of depressed conditions in some sectors (e.g. leisure and hospitality – see Chapter 1). This requires advanced planning, as in contrast to income support policies it may not be straightforward to translate increased funding into higher capacity in the short run. To achieve this, PES need to hire new staff, existing programmes need to be expanded or new ones established, which in turn requires agile systems of ALMP provision, as argued in Section 3.2.

*Staff reallocations alleviated initial pressures, but additional PES staff is needed in many countries*

The immediate effect of the COVID-19 crisis hit PES when governments introduced lockdowns and social distancing measures in March/April 2020, with the number of jobseekers and applications for job retention schemes rocketing (OECD, 2020<sub>[11]</sub>) – see also Chapter 2. Sixty-seven percent of countries responding to the OECD/EC questionnaire reported staff reallocations in their PES as an immediate reaction to deal with the most pressing tasks (for information by country see OECD (2021<sub>[13]</sub>)). Often staff reallocations were made to support the handling of short-time work and other job retention schemes, both in countries with pre-existing schemes as well as those that introduced such schemes for the first time (OECD, 2020<sub>[15]</sub>). Reallocation of staff to help with processing of job retention schemes was reported by Austria, the Czech Republic, Korea, Luxembourg, the Slovak Republic, Slovenia, Switzerland and Turkey. For example, in late spring 2020, more than 60% of staff in the provincial directorates of the Turkish PES were assigned to payment of short-time working benefits to ensure that payments were processed correctly and paid on time to beneficiaries. Staff were also reallocated to support the processing of unemployment benefit claims and registration of new jobseekers in Finland, Germany, Iceland, Ireland, Korea, Latvia, New Zealand and Norway, and to support the contact/call centres in Belgium (Brussels) and Slovenia. During the peak of the crisis, the German PES reallocated up to 20% of its staff.

Staff reallocations have often not been sufficient to ensure service continuity and over half of all countries therefore reacted with hiring additional PES staff over the course of 2020 (for information by country see OECD (2021<sub>[13]</sub>)). In many hiring PES, the new positions are on a fixed-term basis and sometimes involved shifting staff from other public institutions into the PES. New staff have been hired to deal with short-time work and other job retention schemes (e.g. Lithuania, Luxembourg), process the high number of unemployment benefit claims (e.g. New Zealand and Norway), boost call centre support, (e.g. Finland, Luxembourg), provide counselling services to jobseekers and employers (e.g. Estonia, Finland, Ireland, Japan and Korea) and support the further development of online solutions (e.g. Turkey). In most hiring PES the increase in staff over the course of 2020 has been modest, ranging from 1% to 5%. Notable exceptions are Iceland, Ireland, Israel, Japan, Korea and Switzerland where PES staffing levels have been increased by 10% or more. Iceland increased its PES staffing by 37% in comparison to the beginning of 2020 and Korea by 79% through fixed-term contracts.

Public employment services are likely to require additional staff in 2021 to deliver high-quality services and have a comprehensive offer of ALMPs for a higher number of jobseekers. Without additional staff, there is a clear risk that PES may not be in a position to offer individual comprehensive support that more vulnerable groups may require (see Section 3.4.3). Among countries responding to the questionnaire almost half (47%) reported plans to further increase PES staff levels in 2021 (for information by country see OECD (2021<sub>[13]</sub>)). For example, the PES in France and the United Kingdom plan to hire additional staff to increase front-line staff in local offices and the new employment programmes for young people, *1 jeune 1 solution* (“1 youth 1 solution”) in France and *Kickstart* in the United Kingdom. The PES in Luxembourg plans to hire new staff in 2021 to guarantee high level of service quality to both jobseekers and employers, as well as to develop new services. The Turkish PES plans to hire additional software developers and IT experts to support the expansion of online services. In many countries PES plans were still under discussion at the time the OECD received questionnaire responses and a number of countries highlighted that hiring decisions depend on the further development of unemployment.

*Contracting out employment services as an option to increase capacity in the medium- to longer-term*

Many PES face capacity constraints, as inflows of jobseekers applications continue to be high. One option to address the higher and potentially further rising need for employment services is to contract out publicly financed labour market services such as counselling and case management of jobseekers to external

service providers. Increased use of contracted provision is likely to be considered mainly by countries with extensive experience in tendering of employment services. While offering the opportunity to scaling up the support for different types of jobseekers, outsourcing of labour market services also carries risks in its design and implementation (Langenbucher and Vodopivec, forthcoming<sup>[16]</sup>).

Two in five of the countries covered by the OECD-EU survey already contract out employment services to external parties, including both to for-profit and not-for-profit entities. A number of countries foresee expanding the use of contracted out services in the near future. Among them are Austria, Belgium (Brussels), Ireland, Israel, Korea, Sweden and the United Kingdom, and (potentially further into the future) Slovenia. Austria and Belgium (Brussels) recently expanded the use of contracted provision to support displaced workers who lost their jobs due to business closures or other economic reasons and other groups at risk (see Box 3.2).

A number of countries use some form of contracted-out provision for all types of jobseekers (e.g. Colombia, Denmark, Italy, Norway, Sweden) or particularly job-ready jobseekers (e.g. France). Other countries outsource specialised support to specific target groups, including young people (e.g. Korea, New Zealand), persons with a disability or a health condition (e.g. the United Kingdom (England and Wales)), older jobseekers (e.g. Austria, Belgium (Brussels)) and long-term unemployed (e.g. Ireland and Poland). Following the GFC, large-scale programmes using contracted-out employment services to support a high number of long-term unemployed back into work have been introduced in the United Kingdom in 2011 (*Work Programme*; (OECD, 2014<sup>[3]</sup>)) and Ireland in 2015 (*JobPath*; see Box 3.3). Both programmes ran over a period of five years. Building on the experience with the *Work Programme*, the British Department for Work and Pensions has already started the commissioning process for a new programme in England and Wales, called *Restart*, which will go live in summer 2021.

### Box 3.2. Scaling up resources for displaced workers and other groups at risk through contracted provision in Austria and Belgium (Brussels)

#### **Corona-Joboffensive (“corona job initiative”) in Austria**

With the *Corona-Joboffensive* the Austrian Government introduced a new funding package with the aim to support over 100 000 participants from October 2020 onwards, including unemployed seeking professional reorientation or further training, unemployed young adults without a qualification, women re-entering the labour market, workers at risk of displacement and other target groups (e.g. persons with disabilities, persons with language-related employment barriers and people with complex needs). The new package combines a number of different measures, most of which are outsourced to contracted providers, including both not-for-profit and for-profit entities. Amongst the measures are:

- Professional guidance and counselling for education and career planning, taking into account individual requirements.
- Labour market training to support upskilling and reskilling in growing occupations and sectors with a focus is on digitalisation; science, technology, engineering, and mathematics (STEM); the green economy; and the care, health care and education sectors.
- Start-up incentives.

Participants who complete a qualification measure or (re)training under the corona job initiative that lasts longer than four months receive an education bonus (EUR 180 per month) in addition to their regular unemployment benefits.

### **Rebond.brussels (“Rebound Brussels”) in Belgium**

The PES of the Brussels region in Belgium set up the new *Fonds Rebond* in response to bankruptcies in the Brussels region since the start of the COVID-19 crisis. Workers made redundant by a Brussels employer following a bankruptcy declared after 1 July 2020 have access to this free service on a voluntary basis<sup>1</sup> to support their re-integration into the labour market as quickly as possible. The programme lasts up to 12 months and consists of two components:

- Social component: it supports participants with benefit claim procedures and informs them about mutual obligations attached to unemployment benefits.
- Employment component: participants have a personal coach who supports them with counselling, skills assessment, and career advice and helps access other support that is part of the programme, such as workshops and training.

The employment component is provided either by an existing provider of the PES or by a specialised outplacement office. The choice of the service provider depends on several criteria such as age, employment history and career goals.

1. Participation in outplacement services is mandatory for displaced workers aged 45 and over and at least one year of seniority with the employer declared bankrupt. Refusal may result in benefit suspensions ranging from 6 to 52 weeks.

Source: Bundesministerium für Arbeit (2020<sup>[17]</sup>), “Die Corona-Joboffensive”, <https://www.bma.gv.at/Services/News/Coronavirus/Corona-Joboffensive.html> and Actiris (2020<sup>[18]</sup>), “Bénéficiaire de Rebond.brussels”, <https://www.actiris.brussels/fr/citoyens/beneficiaire-de-rebond-brussels/> (accessed on 20 May 2021).

### **Box 3.3. Contracted out employment services for the long-term unemployed in Ireland**

Following the GFC and the sovereign debt crisis, unemployment and especially long-term unemployment reached very high levels in Ireland. Staff-to-client ratios at the Irish Public Employment Service (PES) of around 1:500 remained far too high. While there had been efforts to increase the number of PES counsellors, financial and recruitment constraints limited the degree to which PES services could have expanded further. Against this background, the Irish Department of Social Protection prepared for large-scale contracting out of employment services targeting the long-term unemployed through the *JobPath* programme. *JobPath* was the single biggest contract for employment services of the Irish state. Long-term unemployed were referred to contracted providers between mid-2015 until end-2020 through a randomised referral mechanism. The programme applied to all of the Republic of Ireland, which was divided into four contract areas and eventually delivered by two providers only (each operating in two contract areas). The payment model was characterised through a high outcome-based component providing strong incentives to achieve sustained employment for the participants (the maximum fees per clients could only be claimed after 52 weeks of employment). A set of minimum services requirements guaranteed one-to-one meetings with a counsellor at least every 20 days while the participants were unemployed, development of a “Personal Progression Plan”, quarterly in-depth review meetings and in-employment support for at least the first 13 weeks of employment.

A counterfactual impact evaluation of *JobPath*, exploiting the random referrals to the programme, found that unemployed who participated in *JobPath* in 2016 were 20% more likely to move into employment in 2017 than without *JobPath*, and 26% more likely in 2018. *JobPath* participants who found a job also earned 16% more per week in 2017 and 17% more in 2018 than the comparison groups (long-term unemployed not (yet) referred to *JobPath*). This means that, on average, individuals who benefited from



*JobPath* in 2016 had earnings from employment that were 35% higher than they would have been without the programme in 2017 and 37% higher in 2018. What is more, positive effects were found for all participant cohorts, including those furthest from active participation in the labour market. Qualitative surveys of *JobPath* participants also revealed good performance of *JobPath* providers. More than half of the participants felt that the contracted providers offered services similar or better than comparable PES services.

Source: Department of Employment Affairs and Social Protection (DEASP) (2018<sup>[19]</sup>), "Satisfaction with JobPath service providers (Online research 2018)"; DEASP (2019<sup>[20]</sup>), "Satisfaction with JobPath service providers (October 2018, Phone)"; Department of Employment Affairs and Social Protection (2019<sup>[21]</sup>), "Evaluation of JobPath outcomes for Q1 2016 participants", DEASP Working Paper, Dublin; and Intreo (2014<sup>[22]</sup>), "Pathways to work 2015".

### 3.3.2. Harnessing technology to increase ALMP effectiveness and efficiency

The utilisation of digital tools has been a cost-effective method to deal with increased demand for services and reduced physical capacity. More sophisticated digital tools, that are now becoming more widespread in PES, offer further advantages in tailoring services to clients, increasing efficiency and facilitating self-service amongst clients. However, care will need to be taken to ensure that all processes designed as short-term fixes to acute demand pressures are reviewed to ensure they are fit for purpose for the longer term.

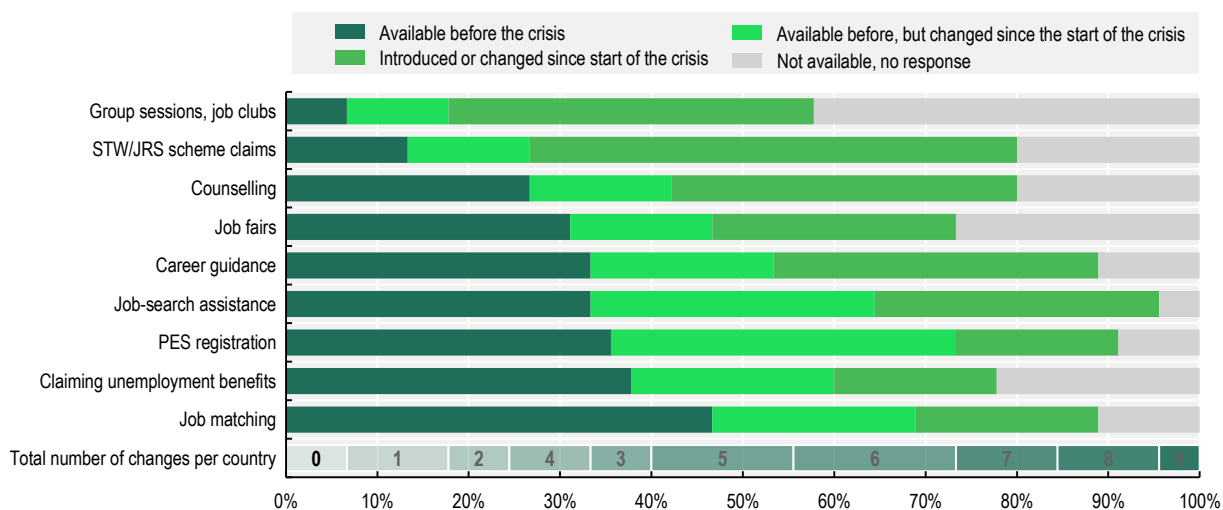
#### *Remote channels have been crucial to maintain services*

Facilitating greater use of technology and expanding services beyond traditional face-to-face settings have been features of many PES strategies long before the current pandemic. However, the severity of the recent face-to-face restrictions forced PES to scale up and adapt this capacity at an unprecedented pace. They also represent a unique opportunity for PES to seize this momentum and advance a step-change in technology utilisation, to better serve their customers as they continue into a post-pandemic world.

Figure 3.8 shows the dynamics of PES digital and remote access to services. Prior to the pandemic, on average, around half of PES offered remote access across the range of activities undertaken. Subsequent to the social distancing restrictions imposed due to COVID-19, this has increased to around 80% and the variation in remote access between activities has dropped. Of those PES offering remote access to services prior to the pandemic, 42% have augmented delivery subsequent to it. The strides made in extending remote and digital access by PES in less than one year, almost surpasses the totality of that access that was built up prior to the pandemic. Across the nine activities surveyed, 60% of countries had made changes to facilitate remote access across five or more activities. Those countries with good remote access prior to the pandemic (e.g. Belgium (Flanders), Estonia and Sweden) had to make relatively few changes to their delivery, compared to those with relatively little previous remote access (e.g. Spain having made changes to the entire suite of activities surveyed).



**Figure 3.8. Proportion of PES offering remote/digital access to services**



Source: OECD (2021<sup>[13]</sup>), "Active labour market policy measures to mitigate the rise in (long-term) unemployment: A summary of country responses to the OECD/EC questionnaire", <https://www.oecd.org/els/emp/almppmeasuresCOVID-19.pdf>.

StatLink  <https://stat.link/wdha2c>

The recent introduction of remote access by some PES and the expansion of it by others suggests there is still much development – to both scope and content – that can be achieved, building on recent successes. It is important to note that whilst PES have increased their ability to deal with customers remotely this was often piecemeal, designed to meet the immediate pressures of COVID-19 inflows. This included allowing customers' registrations via paper applications sent by ordinary mail and applications via email and by phone. Others streamlined their existing digital channels to remove some face-to-face contact. The challenge for PES will be to review their processes subsequent to the pandemic and to design remote and digital channels that offer streamlined and future proof delivery. Some of the shortcuts to registration may have weakened checks and balances on fraud and error, a compromise to ensure that speed of support to individuals was maintained. Work will need to be undertaken to review the impact of the changes made, so that integrity of benefit administration is maintained when we move beyond the pandemic.

#### *Digital channels and automation provide efficient service capacity to PES*

The speed at which the pandemic unfolded and the impact of social distancing restrictions, brought an abrupt halt to face-to-face delivery of services across OECD countries. Increased digitalisation of services helped PES mitigate the impact in several ways:

- *Teleworking arrangements for staff* in front and back-office functions allowed service continuity, protected workers and maintained capacity where the physical demands of social distancing reduced available office capacity (European Commission, 2020<sup>[23]</sup>; ILO, 2020<sup>[24]</sup>).
- Remote channels for ALMP provision have allowed continuation of counselling, career guidance, job matching and training via online channels. Interactive service provision such as counsellors interacting with a client via an online channel (e.g. in the United Kingdom via the Universal Credit "journal" where caseworkers and clients can interact with one another) has been supported with more "static" online support (information on PES websites, general guidelines for job search, videos for training etc.).
- *Remote benefit applications and jobseeker registrations* (remote channels and user-interfaces enabling jobseekers to send or upload their data to PES IT systems) have protected customers by limiting social exposure risk and facilitated the speed and volume of applications.

PES that offered comprehensive e-services for clients, in combination with automated back office systems, were able to almost fully serve their clients without the need for personal interaction (e.g. Estonia, Belgium (Brussels and Flanders), Iceland, the Netherlands, Norway the United Kingdom). This served twin benefits: i) to facilitate quick and easy application for benefits, critical for individuals and families to meet their sustenance and security needs; and ii) to allow PES to reserve what little face-to-face capacity they retained for their most vulnerable customers. PES with more advanced digital capacity were able to preserve their capacity for ALMP delivery. For example, the Estonian PES was already providing career counselling via Skype prior to the pandemic, allowing them to seamlessly continue high quality service provision to their customers as the pandemic hit (Holland and Mann, 2020<sup>[25]</sup>).

Whilst digital penetration is now much higher among PES (see Figure 3.8), there are still some PES that do not offer such access across a majority of services. An important element of digital strategies will be to embed the use of e-services as the default mode for registration and administration of benefits (e.g. already in Iceland, Italy, the Netherlands, Norway) also beyond the pandemic. In turn, it is important to reserve face-to-face interaction for those clients without digital skills or with complex needs that may necessitate personal contact. ALMP provision should rely on a combination of digital and face-to-face support, depending on the specific needs of target groups and the services and measures in question. Careful evidence building is required before moving to broader digital provision of ALMP in the longer term. Previous evidence has shown that there can be some risk to channel shift in delivery, so building theories of change and testing the impact of digital delivery on outcomes should be incorporated prior to any shift. For example, the reform in Finland in 2013 substituting face-to-face counselling with online counselling in 60 municipalities, has been estimated to have increased unemployment length by 2-3 weeks (Vehkasalo, 2020<sup>[26]</sup>). The importance of channel management to fit to the target groups has been demonstrated also in Austria, the Netherlands and the United Kingdom (Middlemas, 2006<sup>[27]</sup>).

It is vital that PES continue to develop their technological capacities so that they may design and implement digital services at the heart of their offer going forwards. This will require a continued investment in IT infrastructure to allow both PES employees and customers to seamlessly utilise all the tools at their disposal. It should be designed with the service users' needs at the centre. Case workers should be able to easily review customer circumstances, skills and experience, match them to vacancies and use them to provide well-targeted ALMPs. PES customers should be able to easily navigate the information, support and training available to them and to select the best available vacancies. For example, the PES of Belgium (Flanders) restructured its product development so that the customer is at the heart of the design and implementation process and any application not used sufficiently by customers after its implementation is now discarded (Peeters, 2020<sup>[28]</sup>).

PES should also consider the most appropriate co-ordination of data and services across national and local agencies, to ensure that data can be linked and shared and service provision tailored for maximum effect. PES that can link customer data to benefit, income and employment records and to local and national training provision and vacancies, will be able to cross-use the data and increase efficiency for customers. For example, the move to *Universal Credit* in the United Kingdom means that customers no longer have to make separate applications for five different benefits, particularly useful for people that cycle into and out of work frequently.

There will always exist a group of customers for whom a purely digital and/or remote offering is not appropriate and PES should retain some face-to-face capacity to ensure continued support for these customers. At the same time, with a fuller digital capacity for society as a whole, PES should – in collaboration with other responsible agencies – seek to equip those without digital capability with the tools to enable them to participate. This will require not only training in digital skills and IT but also access to the necessary equipment to do this. For example, through labour market transfer agreements, Canada has provided provinces and territories, who design and deliver training and employment programming, with the flexibility to use federal funds to provide IT equipment and internet access to learners that may have otherwise been excluded from participation. This is particularly important as those individuals without this

access are also those who may benefit the most from it (for example, older workers, migrants or those with fewer skills). Colombia has also sought to include people without access to computer equipment or with limited internet connection (such as students living in rural and remote areas) by introducing tools such as pre-recorded classes, tutorial videos, groups on messaging applications, emails, video calls or phone calls.

### *Artificial Intelligence (AI) can enhance service delivery going forwards*

The use of Artificial Intelligence (AI) practices and advanced analytics can help PES manage their COVID-19-related caseload in the short term and build capacity to improve longer-term outcomes. However, care needs to be taken to protect service users in the design and implementation of any service improvements via the use of AI and algorithms for decision-making and sufficient heed paid to the equitable assignment of customers to provision, based on digital recommendations. Functionality will need to be designed to protect user data, compliant with data protection regulations. Box 3.4 discusses the various aspects of ALMP provision that AI and advanced analytics can facilitate in more detail and provides some country examples. PES that had already begun to utilise AI in their work will be better placed to mitigate the extra burden placed upon them by increased numbers of jobseekers, principally along three dimensions:

- **Better matching workers to vacancies:** In a period of accelerated structural change, AI can facilitate better matching of individuals to vacancies, particularly through the assimilation of data on jobseekers' existing skills. Learning algorithms can spot emerging patterns that may speed up the reabsorption of displaced workers into industries requiring similar skillsets – see also Chapter 1 and OECD (2021<sup>[29]</sup>) – and AI can quickly process large pools of jobseekers. Usage of click data may also help to identify how workers search for vacancies to improve recommendations for new jobseekers.
- **Better tailoring of services and ALMP:** Not only has COVID-19 substantially increased caseloads of jobseekers across countries, it has also altered their composition, as some groups have been affected more by the current health and economic crisis than others (Chapter 1 and Section 3.1). This may result in traditional profiling tools used by PES – either digital or via caseworker assessment – becoming less accurate as they are dealing with unknown individuals. AI algorithms allow for rapid and consistent adjustment of profiling based on the new information on these individuals, meaning that services can be adapted and deployed at scale and with pace.
- **Greater efficiency and increased “self-service”:** The demands placed upon many PES by the rapid influx of new jobseekers mean that support had to be rationed, as there are fewer staff per jobseeker. The provision of virtual job coaching via the use of AI means that PES with this capacity can facilitate fast and accurate matching and job finding for individuals that are potentially easier to place in the labour market, reserving the support of case workers for those in greater need. This has potential benefits to both the efficiency and equity of PES services.

It is important to note that due to the relative infancy of PES offerings in the AI space, there is a scant literature of robust impact assessments. Therefore a crucial part of offering these services in the future will be to ensure they are evaluated and properly scrutinised alongside existing service provision. There is a trade-off between accuracy and equity in algorithmic assignment which may lead to unintended discrimination between individuals (Desiere and Struyven, 2020<sup>[30]</sup>) without proper consideration and discussion of risks. In the absence of complete information, some things that are observed (like ethnicity or socio-economic status) may be confounded with unobserved data (like motivation or intrinsic ability). It is likely that data underlying algorithmic assignments is insufficient to generate completely socially equitable outcomes, at least in the medium term. Therefore a human backstop is essential to review and monitor implementation of policy via these channels and rigorous evaluation conducted to support this.

### Box 3.4. Automation, AI and the future of PES

Combined technological advances in data capture, storage and processing, offer a multitude of potential tools for PES to address:

- Automation of application processing – Fully automated processes without human involvement to make decisions on eligibility to register or granting a benefit based on information provided on the application and pulling data from registers (e.g. Estonia). This can also involve, or be supported by, AI tools to detect fraud and tools for quality assurance (comparing data from different sources, potentially also using predictive analytics).
- Profiling to segment jobseekers and/or target ALMPs – tools predicting labour market outcomes of jobseekers and identifying potential labour market barriers to support counsellors (Belgium (Flanders), Estonia, the Netherlands, the United States and many others). These tools detect those clients that need more support and provide recommendations on the type of support needed. Sophisticated profiling tools provide detailed analysis of the labour market prospects of a jobseeker and recommend strategies on labour market integration and advice (e.g. *Bob* in France developed by an NGO is open also to PES clients).
- Matching jobseekers and vacancies automatically including sending automatic alerts. Particularly sophisticated tools in Flanders (Belgium) apply semantic matching of jobseekers and vacancies using deep learning, which works across languages i.e. French and Dutch. A more sophisticated “personal assistant” is planned in VDAB in the future.
- Proactive vacancy identification – identifying companies with a high potential for recruitment before they publish job announcements (France); web crawlers to collect vacancies across internet (e.g. the Netherlands via their contract partner Textkernel).
- Career counselling, career advice and training provision – tools to map distance to occupations and identify gaps in competencies are used by the PES in Belgium (Flanders), tools using machine learning to inspire career and education choices by analysing expected skills by employers and career choices of workers are work in progress in Germany. AI is also used to draw up skills assessments and/or fill gaps in CVs.
- Chatbots and conversation bots to provide information and (today still basic) counselling (basic chatbots e.g. in Croatia and Slovenia).
- Fraud recognition – As PES have had to make changes to ensure that they can quickly process and begin supporting the surge in new customers from COVID-19, they inevitably had to trade off speed against rigour in claim administration. This has given potentially greater room for fraud and error within the system, as opportunities arise to exploit potentially weaker compliance checks. The use of AI algorithms to detect and reduce these errors lowers the risk for PES. For example, the Dutch PES has developed an application that detects fraudulent behaviour based on click data.

That France and Belgium feature repeatedly in the list of possible automation and AI use by PES is an example of how a co-ordinated strategy can help to establish and integrate technology and AI into PES activities. The PES in Belgium (Flanders) established an innovation lab as early as 2014 and first begun to use AI tools in 2018. The French Government launched “*Action Publique 2022*” in 2017 and “*TECH.GOUV*” in 2019 with the aim of bringing digitalisation to the heart of their services. Both agencies established partnerships with university centres – for example, the Sorbonne’s LIP6 IT lab in France and KU Leuven in Belgium – and with external data science companies to spur innovation and create products for their PES services.

Source: Bob (2021<sup>[31]</sup>), Avec Bob, la recherche d'emploi devient plus simple!, <https://www.bob-emploi.fr>; Desiere, Langenbucher and Struyven (2019<sup>[32]</sup>), "Statistical profiling in public employment services: An international comparison", <https://dx.doi.org/10.1787/b5e5f16e-en>; Ministère de la Transformation et Fonction publiques (2017<sup>[33]</sup>), *Transformation publique*, <https://www.modernisation.gouv.fr/laction-publique-se-transforme/avec-les-administrations-et-les-operateurs-publics/action-publique-2022>; TECH.GOUV (2020<sup>[34]</sup>), *Stratégie et feuille de route 2019-2022: édition actualisée mi-2020*, <https://www.numerique.gouv.fr/publications/tech-gouv-strategie-et-feuille-de-route-2019-2021/>; OECD (2020<sup>[11]</sup>), "Public employment services in the frontline for employees, jobseekers and employers", <https://doi.org/10.1787/c986ff92-en>; Owlgroup (2019<sup>[35]</sup>), Artificial intelligence in employment services – a mapping. Final report; Pieteron (2019<sup>[36]</sup>), Digital technologies and advanced analytics in PES, European Commission; Scheerlinck (2020<sup>[37]</sup>), AI & Advanced Analytics @ VDAB, [https://www.oecd.org/els/emp/EU\\_OECD\\_Webinar\\_Agenda.pdf](https://www.oecd.org/els/emp/EU_OECD_Webinar_Agenda.pdf) and VDAB (2015<sup>[38]</sup>), *Dotting the I's in IT. VDAB innovates with information*, [http://wapes.org/en/system/files/dotting\\_the\\_is\\_in\\_it\\_1.pdf](http://wapes.org/en/system/files/dotting_the_is_in_it_1.pdf).

To establish a productive AI capacity, PES need to bring together investment in data infrastructure and human capital. Data need to be set up and stored in a way that they are accessible to AI computations. An important element of this is having the right data available – requiring near-live data exchange across databases to provide comprehensive details, as well as up-to-date information across work history, skills, education, demographics and job-search. Furthermore, using big data is generally at the core of AI tools. For example, the “traditional” register data need to be linked to click data, so that information on time spent and navigation of available vacancies and training materials can be incorporated into algorithmic decision making. The requirements for data availability need to be coupled with the appropriate human expertise to utilise these data to develop a suite of AI capabilities. Agile developing methodology should be applied when advancing in digitalisation and AI, involving cross-functional development teams. In case IT expertise is outsourced, PES in-house experts need to collaborate closely with the external partners to develop tools that support well the content of service provision, as well as meet the data protection requirements. This all needs to be embedded within a tight ethical framework so that AI practices explicitly consider and protect outcomes for all PES clients.

### 3.4. Ensuring the appropriate ALMPs reach the groups in need

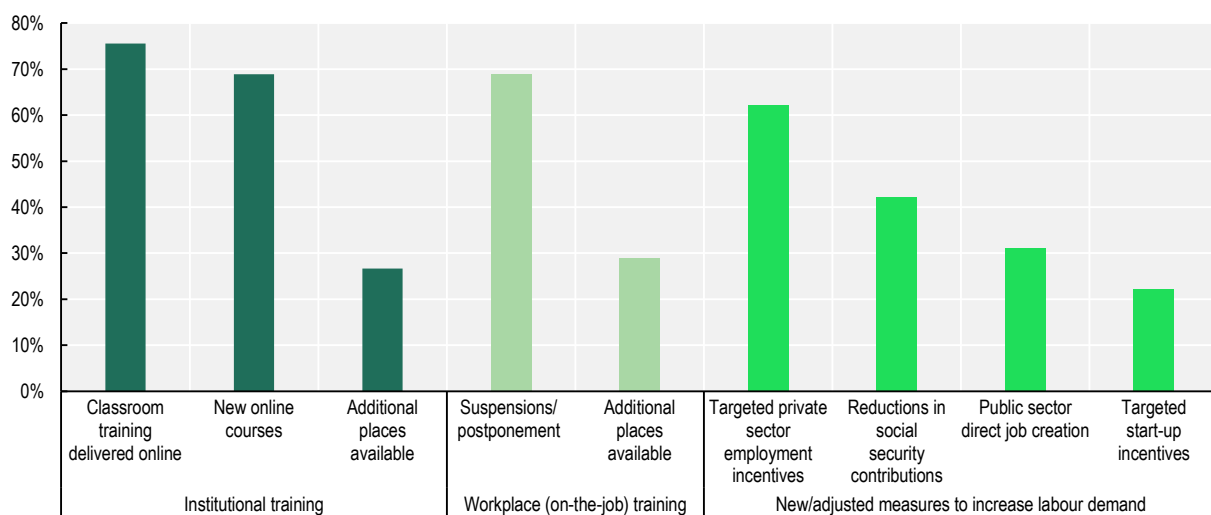
After the initial shock to ALMP delivery due to the unprecedented social distancing rules, countries quickly started adjusting their ALMP strategies and design to meet the new labour market challenges in the changed working environment. Further changes in the mix and targeting of ALMPs might be needed as countries enter the recovery period. Programmes to upskill and reskill displaced workers, unemployed people and those at risk of job loss are particularly needed during the crisis while social distancing restrictions prevail to facilitate transitions across firms, sectors and occupations. As economies start opening up, well-targeted employment incentives, such as hiring subsidies should temporarily gain importance to support labour demand and economic recovery. Start-up incentives, although usually small in scale, would be needed beyond the short-term to support job creation, including in specific sectors and locations. Support to vulnerable groups facing major labour market integration obstacles via cross-policy responses and intensive ALMPs (such as rehabilitation and supported employment) needs to remain in the PES agenda to build inclusive labour markets along the recovery process. ALMP measures to increase the employability and skills of PES clients need to remain of high importance even when unemployment starts falling, considering that the most employable clients will be leaving the PES registers first.

In 2020, countries made extensive alterations across the suite of ALMPs, adjusting content to support the reallocation of labour from declining to growing firms, including across sectors and regions, changing delivery models and increasing the number of places available (Figure 3.9 and OECD (2021<sup>[13]</sup>) for information by country). Existing classroom-based training programmes have been moved online and additional courses added to both address the needs of social distancing and increase access to training. While the suspensions or postponement of workplace training was widespread during periods of lockdowns, about a quarter of countries have also added new places to on-the-job training. Beyond

measures to upskill or reskill jobseekers, countries across the OECD and EU also expanded existing measures (or introduced new ones) to foster job creation and increase the demand for labour. Sixty-two percent of OECD and EU countries have scaled up their employment incentives, 42% of countries lowered non-wage labour costs for some or all employers, 31% of countries introduced or expanded public sector direct job creation programmes and 22% of countries changed existing (or introduced new) targeted start-up incentives. The first two sub-sections analyse countries' alterations of these different types of ALMPs, based on responses to the OECD/EC questionnaire. The third section zooms in on the general pathways for the most vulnerable groups, who had poorer labour market outcomes already before the onset of the current crisis. The final sub-section calls for rigorous evaluations of both existing and new policies and programmes and identifies four factors that can enable this process.

**Figure 3.9. Countries have made extensive adjustments to their active labour market policies**

Share of countries having made adjustments



Note: "Reductions in social security contributions" includes countries with stock subsidies that are either i) universal (all employers for all employees) or ii) targeted (certain employers or employees only) and universal hiring subsidies (no country reported targeted hiring subsidies). Source: OECD (2021<sup>[13]</sup>), "Active labour market policy measures to mitigate the rise in (long-term) unemployment: A summary of country responses to the OECD/EC questionnaire", <https://www.oecd.org/els/emp/alm政策措施COVID-19.pdf>.

StatLink  <https://stat.link/7ea3rn>

### 3.4.1. Supporting reallocation of workers across sectors and occupations through training

The combination of specific shocks to sectors and industries alongside rapid adoption of new labour-saving technologies and ways of working, may result in an impetus for greater reskilling of the workforce (OECD, 2020<sup>[39]</sup>). Persistent job losses in some sectors (e.g. hospitality, travel and tourism) and job creation in others (e.g. technology and care services) may leave economies with a surfeit of some skills and a deficit of others. Furthermore, as Chapter 1 demonstrated, unemployment is likely to remain higher and unemployment spells longer than prior to the crisis for some time, providing greater scope for investment in training, notwithstanding sectoral imbalances. Lessons can be drawn from past analyses to provide insight into policies countries may adopt to help them weather any mismatches that arise between demand and supply for skills. Strategies that support effective re-allocation of workers that have been displaced and provide skills needed by employers, will be crucial to ensure that any negative effects of the COVID-19 crisis to workers and firms are quickly left behind. Supporting displaced workers will require targeted

services and programmes, such as job-search assistance and re-training tailored to their occupations and sectors to help them get back to work quickly and prevent them from becoming trapped in long-term unemployment and benefit exhaustion (OECD, 2018<sup>[40]</sup>; 2018<sup>[41]</sup>). Moreover, skills investments made during this period could support the transition to greener jobs and help to respond to the digital transformation.

### *Training will be vital to match workers to jobs*

Effective training programmes will be essential to ensure labour supply adequately meets labour demand both in the shorter term, as some industries face immediate shortages, and in the longer term as firms and sectors adjust post-crisis. However, even prior to the COVID-19 crisis, many adult learning systems failed to match investments in training with labour market needs. Adults in jobs at high risk of being automated were 30 percentage points less likely to train than adults in safer occupations (OECD, 2019<sup>[42]</sup>). Only about 13% of firm-provided training was fully aligned with the strategic needs of the company. Additionally, not all training was aimed at reskilling workers, about one-fifth of training hours were taken up by compulsory health and safety courses (OECD, 2019<sup>[43]</sup>). Countries will need to improve the responsiveness of training to changing demand, to ensure they are in a good position to meet this immediate needs as well as those emerging in the medium term. This will rely on good co-operation between employers, providers, government agencies, social partners and policy makers to deliver for jobseekers, workers and firms alike. In addition to targeting training on jobseekers with low or outdated skills, PES are increasingly targeting and tailoring training programmes on employers needing to upskill their existing staff due to restructuring and new technology, or needing labour with specific skills not available on the local labour market, such as in Estonia (OECD, 2021<sup>[44]</sup>), Germany (Mosley and Dohse, 2019<sup>[45]</sup>), some regions in Italy – Friuli-Venezia Giulia and Trento (OECD, 2019<sup>[46]</sup>) – or Slovenia (OECD, 2016<sup>[47]</sup>; European Commission, 2016<sup>[48]</sup>).

The current deep and widespread crisis could be the occasion to scale up adult learning opportunities that facilitate labour reallocation from declining occupations and sectors to emerging ones, taking advantage of longer unemployment spells and periods of idleness in the context of short-term work schemes. Empirical evidence has shown that training programmes are particularly effective during recessions. In their meta-analysis of over 200 studies Card, Kluve and Weber (2018<sup>[9]</sup>) compare the effectiveness of different types of ALMPs over the business cycle. Of all the types of programmes studied – training, job-search assistance, private sector subsidies, and public works are examined – they find that the most positive effects tend to be associated with training programmes and private sector subsidies (which are discussed in Section 3.4.2). In their classification, the latter includes on-the-job or classroom-based training. The beneficial effects are particularly pronounced when examining outcomes beyond the short term, more than one year after the end of the training. In addition to this, training programmes can reduce inequalities resulting from job losses, as they tend to produce larger positive impacts for low-skilled and vulnerable groups (this is discussed in more detail in Section 3.4.3)

Expanding longer-term training programmes during recessions makes sense because of diminished opportunity costs. While enrolled in a training programme, participants are less likely to enter unsubsidised employment due to a combination of decreased job-search intensity and a diminished willingness to accept a job offer. Evidence of such lock-in effects is well-documented (e.g. Forslund, Fredriksson, and Vikström (2011<sup>[49]</sup>)), but the associated costs are lower when job vacancies are scarcer. Evidence shows that firms' job creation responses following a major reallocation shock lag behind the job destruction response by at least one year (Barrero, Bloom and Davis, 2020<sup>[50]</sup>), supporting the view that the opportunity costs of any lock-in effects may be lower in the current context. An additional argument for increased training is that recessions tend to be associated with periods of accelerated structural change entailing a reallocation of workers across industries and occupations, meaning that a large share of jobseekers may need to acquire new skills to become reemployed without incurring significant earnings losses (see also Chapter 1).



There are several arguments in favour of expanding short-term training as an immediate response to COVID-19, in addition to reviewing longer-term provision. Countries should enable and encourage jobseekers and workers to move from firms and sectors that operate below capacity to those that have expanded as demand shifts due to COVID-19. This could be supported through increasing the number of places and variety of short-term programmes, such as short vocational training, general and remedial training and internships, as well as training programmes tailored jointly with employers in acute need for skilled labour. For example, in July 2020 Ireland announced funding for an extra 12 500 places using its *Training Support Grant*, designed to fund quick access to short-term training or to renew or obtain professional certifications. This will facilitate the flow of workers to the sectors that need them most and provide capacity, ensuring workers have the skills needed to quickly assimilate in their new roles. In addition, COVID-19 has introduced pressures in some industries – notably health care – hence responsive and rapid provision of training is vital to meet demand. In Estonia, a collaboration between care homes, ministries, the Unemployment Insurance Fund and health care schools led to a road from recruitment to introductory e-training to being operational at work in only a few weeks. This provided care homes with needed labour force and gave opportunities to people whose job was affected by the crisis.

Similarly, in the short term, governments may also focus attention on those workers at risk of displacement. France provides two illustrations of policy interventions in this area. Firstly, it has sought to supplement its existing short-time work (STW) scheme with a training subsidy that was originally developed for firms undergoing structural changes. The *FNE Formation* fully covers training costs (OECD, 2020<sup>[51]</sup>) and government compensates workers for 84% of the gross wage but 100% if they participate in training (cf. Chapter 2 for more details). This encourages the productive use of time that may otherwise be lost due to the pandemic and may help to bring gains to productivity in the longer term. Secondly, the introduction of *Transco* in January 2021 provides funding for the re-training of workers at risk of redundancy; fully covering training costs for very-small and small to medium sized enterprises (or 75% and 45% of costs for larger firms with over 300 and 1 000 workers respectively). This will help to pre-empt potential disengagement from the labour market for workers in firms that are struggling due to the pandemic.

Acting early has proved effective prior to the current crisis. The Swedish Job Security Councils (*Trygghetsråden*) are a good example targeting workers at risk of collective dismissals, due to company closure or restructuring for technological or economic reasons (OECD, 2018<sup>[41]</sup>). The Councils have been relatively successful at placing workers in further training or sustainable employment. Along the same lines, the 2018 Australian Stronger Transitions Package targeted workers in five regions (it closed to new entrants in July 2020) which are impacted by structural change and hence where expectations of future employment opportunities are low. The package includes a set of tailored interventions that come into action before redundancies have taken place. Training measures include comprehensive skills assessments; job search preparation; resilience training; language, literacy and numeracy support; digital literacy training; exploring self-employment options and industry experiences (OECD, 2019<sup>[52]</sup>).

Shortening the average duration of programmes or introducing a modular format is another option for scaling up the provision of training, to accommodate demand for training in the near term. In addition, modular training programmes which take into account an individual's prior learning allows the content of courses to be tailored to participants' specific existing knowledge and interests. For example, *Bruxelles Formation* in Belgium (Brussels) have offered additional online training solutions with blended-learning modules that take account of trainees' IT numeracy and IT equipment available to them. In the medium term, countries would need to ensure that training modules provide certificates that feed into the national qualification framework so that learners can cumulate courses and ultimately acquire a qualification.

Publicly subsidised training programmes should be responsive to employers' needs. Many OECD countries conduct skills assessment and anticipation exercises that can guide their expenditures on adult learning investments (OECD, 2019<sup>[43]</sup>). To the extent that cross-sectoral imbalances in labour and skill demand persist as economies open up, countries will also benefit from further developing their skill assessment and anticipation, and skills profiling tools, as well as their career guidance systems, which can

guide workers to the most efficient job transition (OECD, 2020<sup>[39]</sup>). Tools to support firms in clearly identifying skill needs are also important, particularly for SMEs. In Lombardy, Italy, the *T.I.M.E.* pilot programme (Training Innovation Management Experience) provides personalised counselling services to SMEs managers in order to guide them through the steps needed for an effective identification of their company skill needs and to plan adequate skill development programmes (OECD, forthcoming<sup>[53]</sup>).

One common challenge is co-ordinating the efforts across various private and public actors to streamline the decision-making and build a common evidence base (OECD, 2019<sup>[43]</sup>). In France, the Employment and Skills Network (*Réseau Emplois Compétences*) was created in 2015 to co-ordinate the parallel skills assessments taking place at the national, regional and sectoral levels, with participants sharing their experience, methods and tools. Estonia introduced a legal obligation in 2015 for stakeholder involvement in the governance of skills anticipation (Box 3.5). The System of Labour Market Monitoring and Future Skills Forecasting (*Töökõu- ja oskuste vajaduse seire- ja prognoosisüsteem* called OSKA) incorporates five government ministries, social partners, education institutions, PES, researchers and experts from economic sectors to produce quantitative skill forecasts in specific sectors as well as qualitative insights.

In some countries (e.g. Austria, Belgium (Flanders), Estonia), additional income support or grants are available for training in occupations with shortages; other countries (e.g. Chile, Denmark, the United States) restrict publicly-funded training programmes to those identified as being in short supply in the local labour market (OECD, 2019<sup>[43]</sup>). It will also be important to consider the formal recognition of the qualifications of new jobseekers – including skills learned on-the-job so that employers can effectively fill vacancies with suitable candidates. Validation arrangements for formally recognising such skills are now in place in all EU countries, albeit with considerable differences in how broadly on-the-job skills can be recognised as a substitute for credentials otherwise obtained with formal education or training (Cefedop, 2019<sup>[54]</sup>).

### Box 3.5. The Estonian skills assessment and anticipation exercise (OSKA)

Estonia's skills assessment and anticipation exercise (OSKA) implemented since 2015 analyses the needs for labour and skills for the 10 years ahead, providing recommendations for improvements for the stakeholders of education and training system in addition to the forecasts of the labour market needs. OSKA methodology combines qualitative and quantitative methods, involving individual interviews and group discussions with experts of specific sectors and analysis of linked administrative and survey data. Each year, five economic sectors are covered in-depth, while more general forecasts are provided across the labour market.

OSKA is a great example of cross-policy and cross-institutional co-operation. The high level management body includes high-level representatives of five ministries (responsible for education, economy, social affairs and employment, finance, and interior affairs and integration), the social partners, the central bank and the PES. The methodology of OSKA is developed and fine-tuned by OSKA Panel of Advisors comprising key experts of the organisations represented in the management body as well as the best labour market and education experts from the Estonian universities, research organisations and think tanks. A good co-operation of stakeholders via the management and advisory bodies has been instrumental for the success of OSKA, which has been possible due to a high acceptance of the necessity for the skills assessment and anticipation exercise. The relevance of OSKA is enforced by the government, which discusses every year OSKA activities and recommendations.

The Estonian PES (EUIF) uses OSKA assessments on future skill needs systematically when providing training aiming to prevent unemployment. The unemployment prevention programme was introduced in 2017 to target those employed people that are at risk of losing their job due to their low qualification or whose changed health situation restrains them to continue on the same occupation. The same

programme supports also employers hiring new employees needing skills in fields that are identified to be scarce by OSKA, or retraining their existing staff due restructuring, new technology or new qualification requirements. Since 2018, the EUIF relies on OSKA and the short-term skills assessment and anticipation exercise conducted by the EUIF itself (the Occupational Barometer) for all labour market training programmes for jobseekers. In addition, OSKA assessments for skill needs are used in the planning phase of formal and non-formal education in the education sector, although in the implementation it has proved difficult to get rid of programmes that have been traditionally supplied and demanded, but no longer needed in the labour market in the same volume.

Assessments of OSKA by the think-tank Praxis in 2018 and Cedefop in 2020 (Cedefop, 2020<sup>[55]</sup>; Melesk, Haaristo and Haugas, 2018<sup>[56]</sup>) deemed that OSKA has been successful in creating practical and useful labour market intelligence, and that the assessments of skill needs are accepted and widely used by the stakeholders in policy design and implementation.

Source: Cedefop (2020<sup>[55]</sup>); Strengthening skills anticipation and matching in Estonia: capitalising on OSKA's potential to realise national ambitions, [https://www.cedefop.europa.eu/files/4183\\_en.pdf](https://www.cedefop.europa.eu/files/4183_en.pdf); Estonian Unemployment Insurance Fund (2020<sup>[57]</sup>), Occupational barometer, <https://www.tootukassa.ee/eng/baromeeter>; Sihtasutus Kutsekoda (2020<sup>[58]</sup>), What is OSKA?, <https://oska.kutsekoda.ee/en/>; Melesk, Haaristo and Haugas (2018<sup>[56]</sup>), Tõjõuvajaduse seire- ja prognoosisüsteemi OSKA rakendamise analüüs, Poliitikauuringute Keskus Praxis, [http://www.praxis.ee/wp-content/uploads/2018/04/OSKA-rakendamise-uuring\\_Praxis.pdf](http://www.praxis.ee/wp-content/uploads/2018/04/OSKA-rakendamise-uuring_Praxis.pdf); OECD (2021<sup>[44]</sup>), Improving the Provision of Active Labour Market Policies in Estonia, <https://doi.org/10.1787/31f72c5b-en>.

At the same time, countries should be cautious about moving too strongly toward a “train-first”, rather than “work-first”, strategy. Investment in training tends to be more expensive than interventions offering job-search assistance (Martin, 2016<sup>[59]</sup>), increasing the stakes that public funds may be used inefficiently. In addition, high-quality training programmes take time to be established, and existing providers of high-quality services may find it difficult to rapidly expand capacity while maintaining a consistent level of quality. Countries may also lack the administrative capacity to monitor the quality or relevance of training provided by either public or private training providers, thus increasing the likelihood that such programmes are ineffective. As a minimum, countries may impose a minimum service quality requirement, such as achieving a basic client satisfaction score, to avoid instances of egregiously poor training. Setting up quality assurance for non-formal learning would take longer (OECD, 2021<sup>[60]</sup>) but quicker solutions could be envisaged. In 2014, France set up the *Datadock* system whereby training providers self-report along some key dimensions of provision quality. The system will be replaced by a fully-fledged quality assurance mechanism but has worked well in connection with training provided by the French Individual Learning Account (the *Compte Personnel de Formation*). Another option is to link a small proportion of fees to outcomes. For example, training funded by the Skills Funding Agency in the United Kingdom through the Adult Skills Budgets had 20% outcome-based component linked to employment of training participants (OECD, 2014<sup>[3]</sup>).

### *The current crisis has emphasised the need to boost digital skills*

The crisis has highlighted that the continued development of online learning will be fundamental in the future of adult learning systems (OECD, 2020<sup>[61]</sup>). The nature of social distancing policies has sped up digitalisation trends and has put more primacy on the need for countries to invest in digital training and skills. Enabling jobseekers to conduct job search and training online allows greater immediate participation and provides benefits for future utilisation of this mode of delivery. It also allows for more efficient provision of training as content is easy to adjust and can be delivered to customers' timescales and needs. As the previous section highlighted, it will be important to ensure equity in digital access, as the development of basic digital skills will be fundamental to ensure the returns to online learning are shared among the population.

Countries that had existing online training solutions have been able to adjust rapidly to continue training provision, particularly during the initial months of the pandemic (OECD, 2020<sup>[11]</sup>). In France, over 150 new training courses have become available online on the *Emploi Store*. In Estonia, the PES quickly developed e-learning for care workers who were in high demand during the crisis in conjunction with relevant stakeholders. The Dutch PES, which already offered webinars prior to the pandemic, has increased their frequency and capacity. They can now accommodate several hundred clients in a live session, with one PES staff member presenting and several others simultaneously answering questions in the chatroom (WAPES, 2020<sup>[62]</sup>). These responses during the crisis neatly demonstrate the virtues of flexibility and scalability that online training embodies and that broadening the range of courses can make online training more inclusive, opening it up to new professions and industries (OECD, 2020<sup>[61]</sup>).

During the pandemic, several online learning platforms have made their content freely available for jobseekers, including some major platforms offering massive open online courses (MOOCs). For example, the French national platform for MOOCs, France Université Numérique, worked in collaboration with partner institutions – including leading French universities – to freely offer its MOOCs to interested users (OECD, 2020<sup>[63]</sup>). MOOCs offer a particularly interesting proposition in the current context: they offer virtually unlimited participation in interactive courses, incorporating mechanisms such as peer grading to ensure scalability, and are commonly offered in short modular courses. Previously users were predominantly highly educated men, so communication will be important to increase uptake amongst jobseekers and the low skilled, and ensuring that women or other socio-economic groups are not excluded (OECD, 2019<sup>[64]</sup>).

Basic computer literacy training can allow low-skilled jobseekers to acquire digital skills that are now required in almost every occupation, as well as necessary for job search. Many countries have set up programmes targeting adults with very low ICT literacy skills (OECD, 2019<sup>[43]</sup>). Basic computer literacy training can allow low-skilled jobseekers to acquire digital skills that are now required in almost every occupation, as well as necessary for job search. Many countries have set up programmes targeting adults with very low ICT literacy skills (OECD, 2019<sup>[43]</sup>). For example, in the United Kingdom, low-skilled adults have access to fully funded digital skills programmes, similar to existing maths and English programmes. Greece provides ICT e-training for NEETs and vulnerable groups. The municipality of Ljubljana in Slovenia offers over 55-year-old citizens free modular computer literacy courses, 20-35 hours long and catering to those with differing initial computer skills. These courses can provide a stepping-stone for individuals to access additional resources online and offer direct benefits to PES, facilitating participation in online services to better match individuals to vacancies.

Portugal has introduced a comprehensive suite of digital training programmes, to equip its workforce with the skills needed to succeed in the digital age through its *Activar.PT* programme. It has worked with private sector stakeholders to quickly identify skills gaps and create accredited training programmes for unemployed young adults and vulnerable groups in a range of training paths. It has simultaneously introduced the *Digital guarantee* to ensure that by 2023 all unemployed people have a digital training offer suitable for their level of qualification and skills profile. These measures will provide individuals with the skillsets to flourish in a modern digital economy.

### **3.4.2. Measures to increase labour demand**

As OECD countries starts engaging in a recovery from the COVID-19 crisis, it is important to support job creation temporarily through scaling up and introducing new measures to support the demand for labour and economic recovery when the pandemic gets under control. This support can take the form of employment subsidies to support the hiring of workers, public works programmes that directly create public sector jobs and business start-up incentives for jobseekers to encourage take up self-employment.<sup>13</sup> During the pandemic, there is some evidence of reduced job-search efforts in some countries (cf. Chapter 1, and Forsythe et al. (2020<sup>[65]</sup>) and Hensvik, Le Barbanchon and Rathelot (2021<sup>[66]</sup>) for evidence from the United States and Sweden respectively) and a relatively tight labour market, suggesting that subsidies to

support labour demand could result in deadweight losses during these periods. However, these measures are likely to become particularly relevant after the lockdown periods and in the early phases of the recovery.

This section provides a short overview on the effectiveness of these different types of ALMPs and how countries used and continue to use these measures as part of their labour market policy responses to the COVID-19 crisis in 2020 and 2021. Beyond these more narrowly targeted ALMPs, countries across the OECD and EU have introduced other public policy initiatives such as infrastructure projects and restructuring support for troubled firms and industries. Such policies fall outside the scope of this chapter, even though they are motivated in part by the desire to create or protect jobs.

### *Stimulating labour demand through hiring subsidies and employment incentives*

Time-limited, well-designed and targeted hiring subsidies can be a cost-effective way to reduce unemployment, strengthen the employability of workers and support the most vulnerable population groups (Kluve, 2010<sup>[67]</sup>; Brown, 2015<sup>[68]</sup>). What is more, such support is easier to scale up operationally than many other types of ALMPs. The challenge is to design programmes that reach the groups most heavily affected by the crisis, while ensuring that supported jobs do not displace ordinary employment and that take up by employers is sufficiently high. Although restricting the availability of these incentives to specific groups limits their use as a general tool to manage unemployment, good targeting of such measures makes it easier to ensure cost-effectiveness. Following the GFC, many OECD countries scaled up their employment subsidy programmes or targeted them more clearly at specific groups, such as long-term unemployed, persons with disabilities, youth, older workers, certain regions or sectors (OECD, 2010<sup>[69]</sup>). Over the course of 2020 and early 2021 nearly two-thirds of OECD and EU countries already scaled up (or are planning to do so) their employment incentives to stimulate labour demand – see Figure 3.9 and OECD (2021<sup>[13]</sup>) for information by country. While some countries introduced new schemes (e.g. Chile, Latvia, the United Kingdom), most countries increased the coverage of existing hiring subsidies. Some countries introduced subsidies in the form of reductions or waivers of social security contributions for larger groups, beyond the unemployed or inactive persons (see Box 3.6).

Well-designed and targeted hiring subsidies tend to have a greater positive impact on post-participation labour market outcomes than many other ALMPs (Kluve, 2010<sup>[67]</sup>; Brown, 2015<sup>[68]</sup>). However, to derive the net employment impact of employment subsidies, it is important to take into account their possible indirect effects, notably deadweight losses, substitution and displacement effects and efficiency losses. Deadweight loss arises when subsidies support the hiring (or retention) of certain workers that would have anyway been hired or retained even without the subsidy. Substitution or displacement effects arise when eligible workers replace otherwise similar but ineligible persons – see Brown (2015<sup>[68]</sup>) for a discussion of the indirect effects of employment subsidies and their net impact on employment. Efficiency costs arise when employment subsidies lead to higher wages than the workers' productivity or to hires beyond the actual demand.

Targeting of employment incentives to groups in need and those who benefit the most from participation can help reduce deadweight losses and increase cost-effectiveness – e.g. Martin and Grubb (2002<sup>[70]</sup>) and Bernhard, Gartner and Stephan (2008<sup>[71]</sup>). Beyond their impact on net employment (which may be limited), these targeted hiring subsidies can be effective in promoting a more equal distribution of unemployment (OECD, 2010<sup>[69]</sup>). Recessions further justify the need for targeting of employment subsidies to prevent a disproportionate impact on disadvantaged groups and minimise the risk that these groups disconnect from the labour market. In line with these arguments, most OECD countries target employment subsidies to specific groups such as the long-term unemployed, youth, older persons and those with disabilities and may make them available for new hires only. Moreover, targeting subsidies to the unemployed reduces the total cost of the programme by potentially reducing public expenditure on unemployment benefits or other benefits. Although tight targeting is important to increase the effectiveness of employment subsidies, it can also lead to stigmatisation of participants, who are perceived as low-productivity workers (Brown, 2015<sup>[68]</sup>; Burtless, 1985<sup>[72]</sup>).

To avoid displacement effects and ensure positive net employment effects, some programmes provide the subsidy conditional on increases in net employment at the firm level to ensure beneficiaries do not displace other workers (Boockmann, 2015<sup>[73]</sup>). These stringent conditions, as well as the heavy monitoring which is sometimes attached to hiring subsidies, might deter employers and lead to low participation by employers (Burtless, 1985<sup>[72]</sup>; Neumark, 2013<sup>[74]</sup>), particularly when the amount of the subsidy is relatively small. However, the level of bureaucracy could be set off by enhancing use of administrative data and digitalisation. For example, the Estonian PES administers employment incentives by using near-live data from the Tax and Customs Board, freeing employers using the scheme from monthly reporting.

Among the 28 countries that expanded existing or introduced new hiring subsidies in response to the COVID-19 crisis, 12 use these measures especially to support the employment of young jobseekers (Australia, Chile, France, Greece, Hungary, Ireland, Korea, Luxembourg, New Zealand, Portugal, Romania and the United Kingdom) or the long-term unemployed (Flanders and Wallonia regions of Belgium), Greece, Hungary, Korea, Portugal and Sweden). Other target groups include people with disabilities (Chile and France), older unemployed (Portugal and Romania) and other disadvantaged groups (e.g. Māori in New Zealand and victims of the armed conflict in Colombia). Some of these measures are still available, while in some countries the measures only covered a short period of time (OECD, 2021<sup>[13]</sup>).<sup>14</sup>

### Box 3.6. Hiring subsidies in the form of reductions or waivers of social security contributions

In some cases hiring subsidies that do not target only unemployed or inactive persons<sup>1</sup> – often in the form of reductions or waivers of social security contributions – can produce positive results, especially when temporary and implemented in challenging economic conditions. For instance, temporary hiring subsidies that were not anticipated and were made available for jobs with rigid wages were found to produce positive results in France (Cahuc, Carcillo and Le Barbanchon, 2018<sup>[75]</sup>) and the United States (Neumark and Grijalva, 2017<sup>[76]</sup>) following the GFC. In August 2020, Italy introduced an exemption from social security contributions paid by employers for six months for companies hiring new workers on open-ended contracts, provided they increase their overall workforce. An exemption from social security contributions paid by employers was also available for employers in the tourism sector for three months, regardless of contract type and a net increase in the workforce. Chile introduced a hiring incentive available for all newly hired workers, but offers higher rates to employers hiring women, youth and people with disabilities.

Beyond such hiring subsidies, 15 countries introduced reductions in social security contributions also applying to existing staff – see Figure 3.9 and OECD (2021<sup>[13]</sup>) for information by country. Such stock subsidies can help boost employment, but they are expensive and involve deadweight losses by subsidising jobs that would have existed without the subsidy (OECD, 2010<sup>[69]</sup>). Costa Rica, Iceland, Norway and Sweden introduced temporary reductions in social security contributions applying to all employers. The remaining countries targeted the reductions to particular employers such as SMEs (e.g. the Czech Republic, Estonia, Korea, Poland and Portugal) and companies or sectors hit by the pandemic (e.g. Hungary, Portugal and Spain).

1. Most such measures are not considered ALMPs, as they are usually not targeted on the ALMP target groups, including unemployed persons, employed at risk and inactive individuals who would like to work.

Source: Cahuc, Carcillo and Le Barbanchon (2018<sup>[75]</sup>), “The Effectiveness of Hiring Credits”, <http://dx.doi.org/10.1093/restud/rdy011>; Neumark and Grijalva (2017<sup>[76]</sup>), “The Employment Effects of State Hiring Credits”, <http://dx.doi.org/10.1177/0019793916683930>; OECD (2021<sup>[13]</sup>), *Active labour market policy measures to mitigate the rise in (long-term) unemployment: A summary of country responses to the OECD/EC questionnaire*, <https://www.oecd.org/els/emp/alm政策措施COVID-19.pdf>; OECD (2010<sup>[69]</sup>), *OECD Employment Outlook 2010: Moving beyond the Jobs Crisis*, [https://dx.doi.org/10.1787/empl\\_outlook-2010-en](https://dx.doi.org/10.1787/empl_outlook-2010-en).

### *Using public works as transitional support to the most vulnerable*

The effectiveness of direct job creation programmes,<sup>15</sup> such as public works, in bringing participants back to open market jobs is questionable. The meta analysis of the literature by Card, Kluve and Weber (2018<sub>[9]</sub>) finds that these programmes are generally ineffective in the short, medium and longer term. This may be why Denmark, Estonia, Israel, Norway, and Switzerland do not use public work schemes as part of their ALMP mix. Moreover, many countries that have such programmes have reduced their spending on direct job creation programmes relative to other types of programmes. The relative expenditure on direct job creation has fallen in six out of ten countries between 2008 and 2018 and a higher share of these countries' ALMP budget is now spent on other ALMP categories. In the remaining countries, the relative expenditure on public work schemes has increased over the same period.<sup>16</sup>

Although these schemes are not effective in bringing people back to open market jobs, they may be useful in times of crisis to provide some complementary income to vulnerable households, build local public infrastructure, services and social capital (ILO, 2020<sub>[77]</sub>). However, they should be targeted on very disadvantaged groups, of temporary nature and well integrated in broader strategies to address unemployment. Following the rise in (long-term) unemployed in the aftermath of the GFC, many OECD countries scaled up their public works programmes to reduce unemployment and some introduced programmes for a limited amount of time. Responses to the OECD/EC ALMP questionnaire show that around a third of OECD and EU countries introduced or expanded direct job creation programmes since the start of the COVID-19 crisis. Hungary, Ireland, Luxembourg and Slovenia have allocated additional budget to existing schemes to create additional jobs. In Japan, New Zealand and Spain jobs are created mainly by regional and local levels of government.

### *Start-up incentives to support prospective entrepreneurs and keep existing start-ups going*

Over the course of 2020, the primary concern for countries has been providing support to existing self-employed who often could not continue their activity or could only partly continue their activity because of lockdowns or sickness (OECD, 2020<sub>[78]</sub>). Given the specific circumstances SMEs and self-employed are facing, countries have put in place special measures to support them. The most widely used instruments in response to the outbreak were income and profit tax deferrals, loan guarantees and direct lending to SMEs, and wage subsidies (OECD, 2020<sub>[18]</sub>). In the Netherlands support for the self-employed moved to the next phase as of January 2021 to prepare those benefitting from government support for a new future, either as an independent entrepreneur or as an employee. Municipalities will work with independent entrepreneurs to identify whether and what support the self-employed person needs and provide them with coaching, advice, further training or retraining and reorientation. In 2020, Lithuania introduced extra support for self-employed individuals who recently profited from its targeted start-up incentives.

Beyond support for existing self-employed about four in ten OECD countries<sup>17</sup> run start-up incentives programmes that promote entrepreneurship by encouraging the unemployed and other target groups to start their own business or to become self-employed. Evaluations of start-up incentives in OECD countries suggest that these programmes can reliably create employment options where few others are available, including in the long-term – see for example Wolff and Nivorozhkin (2012<sub>[79]</sub>), Caliendo et al. (2016<sub>[80]</sub>), Caliendo and Künn (2011<sub>[81]</sub>), Wolff et al. (2016<sub>[82]</sub>). About a fifth of countries expanded start-up incentive programmes targeted on unemployed and other disadvantaged groups in response to the COVID-19 crisis (OECD, 2021<sub>[13]</sub>). For example, Australia, Belgium (Brussels and Flanders), and Estonia adjusted their existing start-up incentive programmes through increasing the financial support available to jobseekers starting their own business. Sweden extended the duration of an existing programme and the Slovak Republic introduced a new start-up incentive programme called *Work, change your life*. Portugal introduced *Empreender2020* a national competition for start-up projects launched by young unemployed people. Successful applicants receive advice and technical training during the first year of their start-up.



### 3.4.3. Addressing the needs of vulnerable groups

The labour market consequences of COVID-19 have been worse for groups, who had poorer labour market outcomes already before the onset of the crisis. In many OECD countries, employment rates and working hours decreased most for low-skilled and low-educated workers, workers in low-paid occupations, youth and workers in non-standard jobs, such as part-time, temporary and self-employed workers (Chapter 1). In addition, sectors that traditionally employ these groups are likely to struggle economically for a longer period even when economies will start a steady recovery, widening the socio-economic gaps in labour market outcomes and poverty. Furthermore, the drop in labour demand has increased the competition for the fewer vacancies available, pushing people with already weak labour market attachment even further away and increasing the number of discouraged workers. The share of people with weak labour market attachment was substantial already before the COVID-19 breakout as more than a third of 15-74 year-olds were not in employment in the OECD countries in 2019.<sup>18</sup>

This section focuses on vulnerable groups who are more likely to be only marginally attached to the labour market, although they could be available for the labour market with appropriate ALMP support co-ordinated with other services.<sup>19</sup> Many of these people face major or even multiple labour market integration obstacles, such as low skills, care obligations, health limitations, addictions or geographic mobility challenges (OECD (2021<sub>[44]</sub>), Fernandez et al. (2016<sub>[83]</sub>)). Interventions of other services (such as health and social services to combat addictions or health limitations) need to be at times provided before effective provision of ALMPs becomes possible, and need to continue going hand-in-hand throughout the labour market integration process.

Although the individual circumstances and combinations of labour market challenges are often unique, some labour market integration obstacles affect certain groups more than others, underlining careful targeting and monitoring of ALMPs and other interventions to achieve an inclusive labour market (OECD, 2021<sub>[44]</sub>). For example, care obligations concern a significantly higher share of women than men (and this gap has widened due to COVID-19, see Chapter 1), a lack of language skills is a greater challenge among jobseekers with a migrant background, health limitations become more prominent with age, and young people are in worse labour market position due to their scarcer work experience. To address the challenges of these specific socio-economic groups, the EU has reinforced its Youth Guarantee, many individual OECD countries have developed cross-policy strategies to support young people (OECD, 2021<sub>[84]</sub>), and close to half of the PES in the EU have strategies to promote equal employment opportunities for men and women, and fight against gender discrimination (European Commission, 2020<sub>[85]</sub>). Nevertheless, the people in particularly vulnerable labour market situations have often multiple labour market integration obstacles beyond the obstacles shared with their peers, requiring more intensive support than outlined in general strategies.

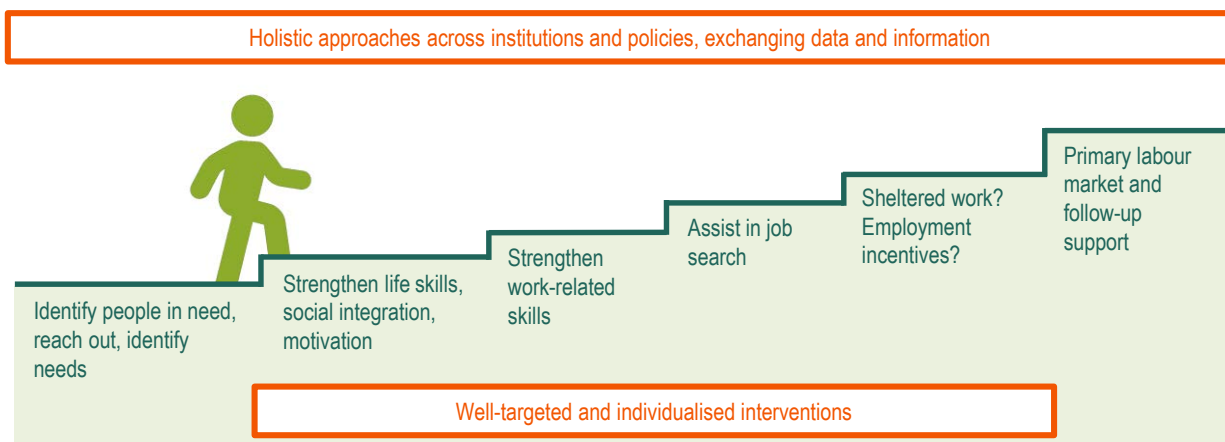
In addition to supporting people at risk of job loss and displaced workers due to COVID-19, PES need to find and allocate resources to also continue supporting vulnerable groups to prevent their further marginalisation, whether by adapting the PES internal budgets and approaches, or contracting some activities out to NGOs and the private sector. This subsection outlines the ALMP support that vulnerable groups with weak attachment to the labour market due to their major labour market integration obstacles require to access good jobs.

*PES need to provide individual comprehensive support to vulnerable groups throughout the labour market integration pathway*

It is crucial to continue supporting the most vulnerable groups during the COVID-19 crisis, as preparing them for labour market integration takes time. Addressing their employability now increases the chances that the vulnerable groups become ready for labour market integration when the economies start to recover and employers' needs for labour increase. The labour market inclusion pathways can involve many of the different ALMPs discussed in the previous sections of this chapter, such as training to increase digital skills

to make the person able to look for job, followed by job search assistance, and potentially employment subsidies. As the most vulnerable groups face often very specific or even multiple obstacles, it is important to provide them with individualised support, and at times even tailor-made support, to meet their complex needs. This often involves a step-by-step approach which relies on the co-operation between institutions and policy domains, as other types of services (social, health, education, childcare, housing and beyond) as well as social protection measures and benefits might be needed before as well as during ALMP provision to tackle the social integration obstacles more generally (Figure 3.10). For example, a key initiative *1 jeune 1 solution* in France addressing COVID-19 challenges in the labour market and targeting youth living in disadvantaged neighbourhoods, aims to offer youth a comprehensive package of ALMPs to address their individual obstacles, involving recruitment support, apprenticeships, employment incentives, training and beyond. Canada's Opportunities Fund for Persons with Disabilities programme uses an "escalator" model outlining the different steps and interventions needed for labour market integration.

**Figure 3.10. Key features of successful programmes for vulnerable groups**



The first step in the labour market integration pathway is identifying the people in need of support and their challenges. Using administrative data (particularly using personal data) can make the support to vulnerable groups more effective and efficient, but also requires cautious practices to comply with data protection regulations:

- The key to improving employment support to vulnerable groups is a better understanding of which groups are not contacting PES (or other relevant institutions) and receiving support and why, the labour market obstacles they face and how well the ALMPs provided to these groups match with their needs. It is crucial to identify people that are only marginally attached to the labour market and whose labour market situation could be improved by ALMPs, as well as those who should be supported with social, health or education services first. Analysing linked administrative data from different registers is best suited to generate the relevant knowledge (see OECD (2021<sup>[44]</sup>) for a recent example of such work in Estonia).
- As vulnerable groups are often less likely to contact PES themselves (e.g. see Figure 3.2 on youth), it is important that PES make more efforts to proactively reach out to these groups. While the channels to personally reach out to them tend to be limited for the PES, co-operating with other providers of public services and NGOs can be effective. Furthermore, using administrative data can enable the providers of public services to track people who could need support, but do not contact any of the institutions (for example, practiced in Estonia to reach out to young people not in education, employment or training).<sup>20</sup>

- Among the clients that PES establish contact with, it is necessary to identify the vulnerable groups and their needs early. Quantitative profiling tools using administrative (and survey) data can be effective and efficient tools to identify the clients needing additional support as well as target the ALMPs more effectively, which is particularly important in times of high inflows of clients and limited staff numbers. These tools are used today by more and more PES, and are most advanced in Australia, Belgium (Flanders), Estonia, the Netherlands and the United States (Desiere, Langenbucher and Struyven, 2019<sup>[32]</sup>).

For some vulnerable groups, one step on the pathway to labour market integration can be sheltered or supported employment or some other type of support involving the social economy, although the effectiveness of these programmes is highly dependent on their exact design. In Portugal, the involvement of the social economy is one of the elements in the strategy to respond to COVID-19 approved in June 2020 (*ATIVAR.PT*), foreseeing a co-operation between local authorities, the social economy and other local actors to identify and refer the most disadvantaged people to jobs and training programmes.

Sheltered and supported employment should only be provided simultaneously with training and mentoring and still aim at the integration into the primary labour market in the longer run to be effective, such as done already for many years in Austria, where the PES co-operates with a wide network of companies that pursue a social mission (Hiebl, 2020<sup>[86]</sup>).<sup>21</sup> A French experiment implemented since 2016 called *Territories of zero long-term unemployment* provides a framework for local communities to create jobs in the social economy for the long-term unemployed (TZCLD, 2020<sup>[87]</sup>), although this scheme does not (yet) provide effective and efficient outcomes according to interim impact evaluation results as its targeting is too wide and it does not have sufficiently strong training and counselling components (DARES, 2019<sup>[88]</sup>). A new experiment involving the social economy launched in Austria partly as a response to COVID-19 at the end of 2020 (University of Oxford, 2020<sup>[89]</sup>) addresses the vulnerable groups' needs for training, counselling and social services better than the French scheme, but does not target only the most vulnerable either.

Once a vulnerable person has successfully entered the primary labour market, they might need continued support from PES (involving contracted private providers, social services and other types of service providers if needed) to stay in employment. The positive evaluation results in Germany (Stabile, 2017<sup>[90]</sup>), and Denmark and France (Scharle, Weber and Puchwein Roberts, 2014<sup>[91]</sup>) of post-placement support and counselling to vulnerable groups has inspired Estonia's strategy to tackle COVID-19 challenges. Since the beginning of 2021, Estonia has introduced systematic follow-up support to groups at risk of rapid return to unemployment due to health limitations, lack of work experience, previous long-term unemployment or other labour market integration obstacles. Case managers in the Estonian PES continue counselling during the first six months of employment, keeping in touch with the client as well as the employer and, when necessary, involving the local social workers or other service providers (Sotsiaalministeerium, 2020<sup>[92]</sup>).

In addition to ALMPs, vulnerable groups need often comprehensive integrated approaches involving social, health, education measures and beyond. Nevertheless, achieving co-operation and integration of services to support vulnerable groups holistically is often very cumbersome. A Eurofound (2017<sup>[93]</sup>) study among EU countries shows that poor co-ordination of employment and other services tends to be one of the key issues limiting effective support to people furthest from the labour market, which can be exacerbated when the responsibilities for the services lie in different levels of governance. Even if services are formally integrated to one-stop-shops, their success is largely determined by co-operation practices and data exchange. The results of integrated employment and social services have been successful in the Basque county in Spain as it was possible to establish a common IT platform enabling proper data exchange, although establishing this took years (Gago, 2019<sup>[94]</sup>; OECD, 2020<sup>[95]</sup>). A Finnish experiment to move PES counsellors to municipalities was found to produce good results as well, but only because the capacity and financing available for ALMPs had increased (Arnkil, 2019<sup>[96]</sup>; Scharle et al., 2018<sup>[97]</sup>). Nevertheless, Finland continues with experiments (although with some delay due to COVID-19) to provide integrated services and has allocated additional resources for these experiments targeting youth, immigrants and long-term unemployed as a part of the strategy to tackle COVID-19 challenges (Ministry of Economic Affairs and Employment, 2020<sup>[98]</sup>).

When the institutions providing employment services or those providing social services are well-developed and have high capacity, platforms for co-operation practices and (virtual) one-stop-shops could be envisaged without changing the overall institutional set-up. These practices are successful when all parties have a willingness to co-operate and the necessary funding to do so. Practices based on voluntary co-operation between employment and social services have been tested in many countries, such as Belgium (Flanders), France, Slovenia and Sweden. For example, France has been successful with its initiative *l'accompagnement global* targeted on people with multiple labour market obstacles registering with PES, introduced in 2014. Jobseekers benefitting from this programme are supported by a PES caseworker and a local social worker. While the PES caseworker identifies the labour market obstacles and sets up an individual action plan to find employment, the social worker addresses social problems, related to housing or financial difficulties. The impact evaluation results indicate that the programme increases the probability to find stable employment within six months after entering the programme by 27% (Pôle Emploi, 2018<sup>[99]</sup>).

As the vulnerable groups generally need more activities to reach out to them, networking with other institutions, intensive counselling and motivation, and more follow-up support than other groups, their successful integration into labour market requires more attention by employment counsellors. Furthermore, while many processes in PES can be automated and digitalised to increase efficiency, counselling vulnerable groups is one field that still requires more interaction and face-to-face meetings with PES counsellors, also due to the often lower digital skills and/or more limited access to internet and devices among the vulnerable groups. Several PES, such as in France, Luxembourg, Korea and the United Kingdom, plan to hire additional staff particularly dedicated to implementing programmes for specific vulnerable groups in 2021 within their response to COVID-19 challenges (see Section 3.3.1).

#### *Financial difficulties and mental health problems need particular attention in the aftermath of COVID-19*

The health and economic crisis caused by COVID-19 has particularly amplified two labour market integration obstacles that PES together with other service providers need to address – high debts and mental health challenges. Both of these can severely constraint jobseeker's capacity for job search.

Although countries across the OECD have made more efforts to secure incomes during this crisis than any previous crisis by providing more generous job retention schemes or unemployment benefits (see Chapters 1 and 2), many households have seen their income fall significantly. For example, the income of a third of new claimants of Universal Credit in the United Kingdom was almost twice as small in January 2021 as the pre-COVID-19 level, with a fifth of households not being able to pay their essential bills on time, and a third having higher debts than a year before (Brewer and Handscomb, 2021<sup>[100]</sup>).

Only a few PES have more elaborate approaches to support jobseekers with high debts, most notably (ranking by how well debt relief is integrated in PES services) Austria, Norway, Estonia, the Netherlands, Germany and Finland (Sol, 2016<sup>[101]</sup>). These approaches can involve training counsellors to detect labour market integration barriers related to financial difficulties and debts, guidelines for counsellors about how to address these challenges, services for jobseekers to address the challenge (e.g. debt counselling), counselling to employers who hire jobseekers with financial difficulties, as well as measures to prevent debts among jobseekers. Nevertheless, regardless how developed the specific services to address debts are by the PES, other national and local level providers are often available to provide additional services to jobseekers to relieve the financial distress. Thus, it is crucial that PES are able to detect the needs for additional support and co-operate with other providers who might provide complimentary or more suitable services.

Subsequent to the COVID-19 outbreak, PES clients are particularly at risk of mental health challenges. Joblessness can have negative effects on health, particularly mental health in any economic situation – see an extensive meta-analysis by Paul and Moser (2009<sup>[102]</sup>). A global health crisis together with

restrictions on social interaction and activities can further elevate the rates of stress, anxiety and loneliness, as well as increase alcohol and drug use (WHO Europe, 2020<sup>[103]</sup>). At the onset of the COVID-19 crisis, the incidence of mental distress and mental health conditions increased significantly across the OECD (OECD, 2021<sup>[104]</sup>).

PES can have a critical role in identifying early mental ill health (OECD, 2015<sup>[105]</sup>), as they often are the first public institution newly laid-off people are in contact with. PES counsellors need to consider that mental health poses a significant barrier to finding employment, and is a crucial risk factor to long-term unemployment. While mandatory participation in psychological counselling as benefit conditionality is contraindicated, PES case workers' role can be advising their clients to get counselling in case they see a need. As outlined in the OECD Recommendation of the Council on Integrated Mental Health, Skills and Work Policy (OECD, 2015<sup>[106]</sup>), awareness and understanding of mental health issues among caseworkers is key to ensuring that appropriate and timely mental health support is available to jobseekers experiencing mental health issues. Regardless whether PES provide psychological counselling in-house or not, PES need to direct the people to the service providers, e.g. social service providers, health service providers, providers outsourced by PES or providers in-house in the PES. The take-up of mental health support might be higher if it can be provided more discreetly and the client can choose the provider. For example, the Estonian PES allows the clients to choose the specific provider for psychological, addiction or debt counselling from a list of accredited service providers since 2021 (Sotsiaalministeerium, 2020<sup>[92]</sup>). This would enable also people from small communities to choose a provider further away, ensuring more anonymity, which may be crucial in the context of widespread stigma against individuals experiencing mental health issues. Finland rolled out one-stop-shops for young people involving a wide range of professionals in 2018 (Savolainen, 2018<sup>[107]</sup>). The key staff are youth and employment counsellors from PES and social workers from municipalities, but also psychologists, nurses, outreach workers and education counsellors. In 2021, the Finnish Government is investing further in these youth centres, particularly aiming at boosting mental health services for the young and start providing short-term psychotherapy (Ministry of Economic Affairs and Employment, 2020<sup>[98]</sup>).

#### **3.4.4. Strengthening evaluation of programmes**

The OECD Jobs Strategy (OECD, 2018<sup>[40]</sup>) calls for rigorous evaluations of policy reforms to inform policy making and adjust or terminate inefficient measures and services. Policies built on a strong evidence base help to improve the quality, responsiveness and accessibility of public services and should be an integral part of the policy making cycle (OECD, 2019<sup>[108]</sup>). This is even more important in the context of tight budgets, when governments face pressure to provide good value for money. Countries should commit to improving the efficient and effective use of public finances to ensure that funds are spent on activities that provide the highest possible economic and social return (Crato and Paruolo, 2019<sup>[109]</sup>).

Evaluating the policies and programmes that countries introduce to address the new challenges arising from the COVID-19 pandemic and identifying which are inefficient and need to be adapted or terminated, is of utmost importance given limited resources. Furthermore, carefully evaluating how the impact of these policies varies over the business cycle and across groups may help policy makers to decide the optimal mix of measures at a given point. Among the possible evaluation methods (counterfactual impact evaluations, randomised controlled trials (RCTs), process evaluations, cost-benefit analyses), counterfactual impact evaluations determine what would have happened to programme participants (the treated group) had they not participated.

Following the GFC, a growing body of research using counterfactual impact evaluations helped to gain a good understanding of which ALMPs work, in what context and for which groups (Card, Kluve and Weber, 2018<sup>[9]</sup>). Moreover, there has been a rise in experimentation in ALMPs, through the use of RCTs – see Levy-Yeyati et al. (2019<sup>[110]</sup>) for a review of RCT evaluations of ALMPs. Nevertheless, the results of the impact evaluations carried out over the past decade may be of limited use today, when the context and

prevailing labour market conditions are substantially different. It is well established that besides the design and delivery of ALMPs, contextual factors determine the effectiveness of ALMPs. It is therefore crucial to integrate a monitoring and evaluation framework in the new and adapted programmes designed to respond to the current crisis. Many countries have such mechanisms embedded in their policy making processes, while others are currently building these mechanisms or conduct ad hoc evaluations of their labour market policies (OECD, 2020<sub>[111]</sub>). Given the nature of this crisis, it is important to look beyond employment outcomes and also evaluate social and human capital outcomes.

More generally, countries that have an established culture of evidence-based policy making and well-developed data infrastructure, are in a better position today to design and carry out counterfactual impact evaluations of the new policies and programmes they implemented to address the labour market consequences of the pandemic (OECD, 2020<sub>[111]</sub>). Many OECD countries that do not have such established mechanisms are looking into ways to build their capacity to evaluate the impact of their policies in a regular, rigorous and timely manner – see OECD (2020<sub>[112]</sub>) for a recent report on Spain.<sup>22</sup> At least four main factors are important in this process:

- Modern well-developed data infrastructure and technical solutions to link data across registers, store and share data with internal and external actors are key enablers of evidence-based policy making. In many countries, this capacity is driven by one or different institutions responsible for linking the data across registers. A good example is the Secure Data Services, a new platform in the Central Bureau of Statistics of the Netherlands, where government agencies can store and have their (privacy sensitive) data analysed in a secure environment for statistical and scientific research (Kartopawiro, 2019<sub>[113]</sub>). These institutions have effective solutions to address data privacy issues and standardised and efficient procedures to deal with data requests.
- Public institutions need to have a minimum level of analytical capacity and skills to conduct policy evaluation in house, but also to commission such research to a third party. Public institutions may thus benefit by building strong links with the research community, by liberalising the access to administrative data, hiring academic profiles, and fostering close co-operation with other institutions.
- Evaluation mechanisms built into policy design may be the most effective way to carry out policy monitoring and evaluation. This can take the form of experimentation of new measures through pilots and, if possible, with random assignment design before any larger-scale implementation. For example, Finland has allocated additional funds for pilots to test the integrated employment and social services in municipalities in 2021 and Sweden has continued its pilots to test the new model for employment services throughout the pandemic.
- A legal mandate for policy evaluation and clear leadership is a driver of evidence-based policy making. Recognising the importance of evidence-based policy making, some countries have institutionalised impact evaluations through legal requirements, which make the evaluation of policies and programmes an imperative. A strong culture of evidence-based policy making is conducive to the data investments needed and to building analytical capacity necessary to conduct impact evaluations. A recent example in this area is the legal changes that were introduced with Spain's new minimum income scheme to mandate the evaluation of the scheme and its inclusion pathways and guarantee access to the necessary data for that purpose.

In addition to counterfactual impact evaluations that allow estimating the net impact of a policy but often take time to be put in place and produce results, process evaluation can be a useful tool in the hands of policy makers. Process evaluation, through surveys, interviews or focus groups, provides insights on whether a policy or programme is being implemented as intended. It helps to provide information on policy or programme improvement, modification and management through providing insights into what is working well and what is not. Moreover, it is important to also conduct cost-benefit analyses which are often based on the results of counterfactual impact evaluations and aim to determine whether the benefits derived from a specific measure outweigh its cost.

### 3.5. Concluding remarks

ALMPs can play a key role in supporting the recovery of economies from the unprecedented COVID-19 crisis, by helping jobseekers find jobs, making training available to those most in need and providing comprehensive support to those who are struggling in the labour market. This chapter has documented how governments across the OECD and EU have planned to move from a crisis management mode to setting up medium- to longer-term strategies in response to the jobs crisis by redesigning and scaling up ALMPs and increasing funding for their PES. In the aftermath of the COVID-19 crisis, substantial additional resources will be needed for ALMPs and many, but not all, countries have already increased their expenditure in this area. Governments will also need to consider how in future they can scale up ALMPs and adjust the ALMP mix to the changed needs in both a timely and effective manner during a recession. A key element will be investment in the digital infrastructure of employment services. Those PES that had fully fledged digital tools in place prior to the COVID-19 outbreak have been able to serve their clients better through the seamless payment of income support (unemployment and related benefits as well as job retention benefits), support to jobseekers via remote communications and referrals to online training solutions. Many countries have made quantum-leap changes in the digitalisation of employment services over the course of 2020 and 2021. Nevertheless, there are still large differences between countries, so additional investments in digital capacity, channel management, automation and efficient internal processes are required in many countries, and this process will take time.

This chapter has presented the actions taken by countries in the field of ALMPs to address the labour market consequences of the pandemic but it has not drawn lessons regarding their effectiveness, as the data that would allow to assess them will take time to be released. Moreover, their effectiveness will depend on the way these policies are implemented, which also needs to be monitored closely. Going forward, it will be important to ground policy responses to the current crisis upon a strong evidence base to ensure that funding for ALMPs provides the highest possible economic and social return on investment. There are many lessons to be drawn from the GFC crisis and a rich and growing body of evidence on “what works and for whom” has been built up in its aftermath. Nevertheless, new evaluations will be required, as the context and prevailing labour market conditions are different from the GFC in many respects. Given the speed at which the recent changes were introduced by most countries, it was difficult to include an experimental evaluation angle already in the policy design, unless the countries had an appropriate system in place before. Indeed, while a number of countries have long-standing experience in developing evidence-based policies, others are now developing the capacity to evaluate the impact of their policies in a regular, rigorous and timely manner. Once the data become available, it will be important for countries to evaluate new policies and programmes introduced in response to the COVID-19 crisis, to identify those that are less effective and which need to be adapted or terminated. These efforts should be best embedded in a broader framework of evidence-based policy making that would enable countries to conduct regular and timely evaluations of their policies.



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## Annex 3.A. Additional information on the institutional set-up of ALMP provision

Annex Table 3.A.1. Dashboard of institutional set-up of ALMP provision

	Capacity of ALMP system (2018)			Organisational set-up (2020)				Regulatory set-up (2020)	
	Spending on ALMP measures (cat. 2-7) per unemployed, as a percentage of per capita GDP	Spending on placement and related services (cat. 1.1) per unemployed, as a percentage of per capita GDP	ALMP spending excluding administration costs (cat. 1.1, 2-7)/ PLMP spending (cat. 8-9)	PES organisational set-up (autonomy)	Role of PrES	PES involvement in policy design	Role of the social partners	Legal flexibility: Can conditions of specific ALMPs be changed without amending the law in the parliament?	Legal and regulatory complexity: How many different types of regulations exist to set the conditions of specific ALMPs?
Australia	3.2	2.5	0.29	1	3	4	advisory	yes	6
Austria	23.4	4.4	0.52	3	3	4	supervisory	partially	2
Belgium	21.0	8.4	0.63	5	3	4	supervisory	yes	1
Bulgaria	4.4	0.5	0.36	2	2	4	advisory	partially	2
Canada	3.2	1.0	0.27	5	1	4	no or limited	yes	1
Chile	2.7	0.6	0.30	2	1	4	advisory	n/a	n/a
Colombia	n/a	n/a	n/a	4	2	0	advisory	yes	2
Costa Rica	n/a	n/a	n/a	2	1	4	supervisory	yes	1
Czech Republic	16.7	2.6	1.57	2	1	4	advisory	yes	1
Croatia	6.5	0.6	2.13	3	1	4	supervisory	yes	1
Cyprus	2.1	0.3	0.21	1	1	4	advisory	yes	1
Denmark	60.4	2.0	1.59	4	1	4	supervisory	partially	2
Estonia	11.6	3.5	1.08	3	1	4	supervisory	partially	3
Finland	21.6	2.5	0.69	1	3	4	no or limited	partially	2

	Capacity of ALMP system (2018)			Organisational set-up (2020)				Regulatory set-up (2020)	
	Spending on ALMP measures (cat. 2-7) per unemployed, as a percentage of per capita GDP	Spending on placement and related services (cat. 1.1) per unemployed, as a percentage of per capita GDP	ALMP spending excluding administration costs (cat. 1.1, 2-7)/ PLMP spending (cat. 8-9)	PES organisational set-up (autonomy)	Role of PrES	PES involvement in policy design	Role of the social partners	Legal flexibility: Can conditions of specific ALMPs be changed without amending the law in the parliament?	Legal and regulatory complexity: How many different types of regulations exist to set the conditions of specific ALMPs?
France	12.5	1.0	0.29	3	3	4	supervisory	partially	6
Germany	14.2	12.5	0.67	3	1	4	supervisory	partially	4
Greece	2.4	0.1	0.40	3	2	4	supervisory	partially	2
Hungary	32.1	2.3	3.05	1	3	3	advisory	partially	3
Iceland	n/a	n/a	n/a	3	2	4	supervisory	yes	1
Ireland	11.6	0.4	0.47	1	3	4	no or limited	yes	1
Israel	6.7	1.5	0.37	2	1	4	no or limited	yes	4
Italy	7.9	0.0	0.32	4	3	4	no or limited	partially	4
Japan	6.9	0.8	0.63	1	1	3	advisory	yes	3
Korea	14.8	1.9	0.92	2	3	4	advisory	yes	1
Latvia	3.2	0.5	0.35	2	2	4	advisory	yes	1
Lithuania	6.8	0.6	0.62	2	2	4	advisory	no	1
Luxembourg	24.1	1.1	1.28	1	1	4	advisory	partially	4
Malta	6.2	4.3	3.00	2	3	4	advisory	yes	1
Mexico	0.00	0.0	n/a	2	2	4	no or limited	partially	3
Netherlands	18.0	3.9	0.33	2	2	4	advisory	yes	1
New Zealand	4.1	4.5	0.60	1	3	3	no or limited	yes	1
Norway	14.1	4.5	1.00	2	3	4	no or limited	yes	1
Poland	17.3	1.7	2.20	5	3	4	advisory	partially	2
Portugal	8.4	0.3	0.33	3	1	4	supervisory	yes	3
Romania	1.1	0.6	0.68	3	2	4	supervisory	no	1
Slovak Republic	6.1	0.1	0.65	2	1	4	advisory	yes	3
Slovenia	6.3	1.6	0.53	3	1	4	supervisory	yes	4
Spain	7.4	0.9	0.43	4	2	n/a	advisory	yes	4

	Capacity of ALMP system (2018)			Organisational set-up (2020)				Regulatory set-up (2020)	
	Spending on ALMP measures (cat. 2-7) per unemployed, as a percentage of per capita GDP	Spending on placement and related services (cat. 1.1) per unemployed, as a percentage of per capita GDP	ALMP spending excluding administration costs (cat. 1.1, 2-7)/ PLMP spending (cat. 8-9)	PES organisational set-up (autonomy)	Role of PrES	PES involvement in policy design	Role of the social partners	Legal flexibility: Can conditions of specific ALMPs be changed without amending the law in the parliament?	Legal and regulatory complexity: How many different types of regulations exist to set the conditions of specific ALMPs?
Sweden	23.7	5.2	2.17	2	3	3	no or limited	yes	2
Switzerland	17.7	1.9	0.92	4	1	4	supervisory	yes	1
Turkey	n/a	n/a	n/a	3	2	4	advisory	partially	2
United Kingdom	n/a	n/a	n/a	1	3	4	no or limited	yes	1
United States	4.1	0.5	0.60	5	3	n/a	n/a	n/a	n/a

Note: *Public employment service (PES)* is a public body whose main responsibility is to actively facilitate the integration of jobseekers into the labour market and which implements employment services (providing placement and related services as defined by category 1.1 in the methodology of the *OECD Employment and Labour Market Statistics database*, <https://doi.org/10.1787/data-00312-en> and *European Commission Labour Market Policy database* <https://webgate.ec.europa.eu/empl/redisstat/databrowser/explore/all/lmp?lang=en&display=card&sort=category>; services that facilitate the integration of jobseekers in the labour market or which assist employers in recruiting and selecting staff, including the provision of self-service facilities such as on-line job-banks), potentially in addition to other active labour market policies (training, employment incentives, sheltered and supported employment and rehabilitation, direct job creation, start-up incentives), and which optionally fulfils additional public functions. Only the mainstream / first tier system mapped in the table under *PES organisational set-up*, while alternative systems are present (e.g. local authorities provide additional employment services).

*Private employment service (PrES)* is a private company or an NGO providing employment services (category 1.1 of labour market policies according to the OECD/EC methodology, i.e. placement and related services), regardless of the financing source (i.e. regardless of having a contract with the public sector or not).

*ALMP*: Active Labour Marker Policy. ALMP category 1.1 refers to placement and related services, i.e. employment services; ALMP category 1.2 refers to expenditures on labour market policy administration and other service and activities of PES beyond labour market policies; ALMP categories 2 to 7 refer to training, employment incentives, supported employment and rehabilitation, direct jobs creation and start-up incentives. ALMP category 1.2 is excluded from the table as the responsibilities beyond placement services and ALMP measures differ greatly across PES and thus these expenditures are not comparable. Only about half of the PES in the European Economic Area are (partially or fully) responsible for unemployment benefit schemes and in addition, some PES are responsible for administering a variety of different services, measures and benefits (Peters, 2020<sup>[5]</sup>).

*PLMP*: Passive Labour Market Policy. PLMPs include categories 8 and 9 and refer to out-of-work income maintenance and support (above all unemployment benefits) and early retirement.

Estimations for cat. 1.1 for Bulgaria and Switzerland. Canada: data on labour market policies include federal expenditures on programmes implemented by the provinces and territories, but do not generally include the provinces' additional or complementary funding of these programmes.

*PES organisational set-up*: 1=Department in a ministry co-ordinating public/private providers; 2=National level PES (a separate public agency and not a fully-integrated department in a ministry) fully managed by a ministry; 3=National level PES with a tripartite management body; 4=Sub-national PES with a national co-ordinating agency; 5=Sub-national PES without a national co-ordinating agency.

*Role of PrES*: 1=Mainly public providers; 2=Private providers relevant in addition to public providers; 3=Services fully or partially contracted out. Category 2 includes those countries that replied that PrES provide employment services, but did not reply that employment services are contracted out to PrES.

*PES involvement in policy design:* whether PES is involved (consulted with, partly decides or fully decides) in designing (i) ALMP strategy, (ii) ALMP accountability framework, monitoring and evaluation framework, (iii) ALMP interventions, (iv) ALMP budget. 4=PES is involved in all four activities; 3=PES is involved in three of the activities; 2=PES is involved in two of the activities; 1=PES is involved in one of the activities; 0=PES is not involved in policy design.


*Role of the social partners:* role of the social partners in the organisational set-up of ALMP provision.

*Conditions of specific ALMPs:* eligibility criteria, durations, amounts etc. relevant for implementing each ALMP. The types of regulations to set the general groups eligible for ALMPs, list of specific ALMPs, target groups of specific ALMPs, and ALMP budgets are presented in Lauringson and Luske (forthcoming<sup>[1]</sup>).

*Note on Legal and regulatory complexity:* *How many different types of regulations exist to set the conditions of specific ALMPs?* In Belgium, the conditions of specific ALMPs are set by one type of regulation in each region, although slightly differently across regions (by a decision of the PES supervisory body in the Brussels region, and by a decree of the government in Flanders and Wallonia).

“n/a” refers to “not available”.

Source: Responses to OECD/EC questionnaire “Active labour market policy measures to mitigate the rise in (long-term) unemployment”, *OECD Employment and Labour Market Statistics database*, <https://doi.org/10.1787/data-00312-en> and *European Commission Labour Market Policy database* <https://webgate.ec.europa.eu/empl/redisstat/databrowser/explore/all/lmp?lang=en&display=card&sort=category>.

StatLink  <https://stat.link/spjbe5>

## Notes

<sup>1</sup> Public employment service as a public body whose main responsibility is to actively facilitate the integration of jobseekers into the labour market and which implements employment services (providing placement and related services as defined by category 1.1 in the methodology of the *OECD Employment and Labour Market Statistics database*, <https://doi.org/10.1787/data-00312-en> and *European Commission Labour Market Policy database* <https://webgate.ec.europa.eu/empl/redisstat/databrowser/explore/all/lmp?lang=en&display=card&sort=category>:

services that facilitate the integration of jobseekers in the labour market or which assist employers in recruiting and selecting staff, including the provision of self-service facilities such as on-line job-banks), potentially in addition to other active labour market policies (training, employment incentives, sheltered and supported employment and rehabilitation, direct job creation, start-up incentives), and which optionally fulfils additional public functions.

<sup>2</sup> Private companies and NGOs providing employment services (category 1.1 of labour market policies according to the OECD/EC methodology, i.e. placement and related services), regardless of the financing source (i.e. regardless of having a contract with the public sector or not).

<sup>3</sup> One of the factors determining registration with PES might be the obligation to do so in order to receive unemployment benefits. This obligation does not hold for private employment services that jobseekers approach on a voluntary basis.

<sup>4</sup> The fact that young people are less likely to register with the PES than other groups might reflect that in many countries, youth with limited or no employment experience do not meet the entitlement criteria for receiving unemployment benefits. For some young people, their lower use of the PES may also reflect greater use of alternative online sources of information on job vacancies.

<sup>5</sup> This section discusses only the regulatory set-up for ALMPs and not the content of regulations per se, such as ALMP design features and their adequacy or the promotion of co-operation between public and private providers. In case an ALMP system is set up well (adequate organisational set-up, regulatory set-up and capacity), it should lead to such a content of regulations that enables effective and efficient ALMP provision that meets the labour market needs.

<sup>6</sup> See a more detailed discussion on the role of social partners in the ALMP systems in Lauringson and Luske (forthcoming<sup>[11]</sup>).

<sup>7</sup> Although the level of digitalisation and automation might have an even greater role to increase PES capacity regarding administering labour market policies (category 1.2 in the OECD/EC methodology) than regarding placement and related services or ALMP measures.

<sup>8</sup> For a review of macroeconomic evidence on the impact of ALMPs on unemployment see Martin (2015<sup>[114]</sup>).

<sup>9</sup> In the OECD's Labour Market Programme database these services are reported in Category 1 *Public employment services and administration*.

<sup>10</sup> In the OECD's Labour Market Programme database these measures are reported in Categories 2 to 7.

<sup>11</sup> The Workforce Development Agreements are bilateral transfer agreements between the Government of Canada and individual provinces and territories, which provide funding for the development and delivery

of programmes and services that help Canadians get training, develop their skills and gain work experience.

<sup>12</sup> Data on labour market programme expenditure is available with a two-year time lag only.

<sup>13</sup> While employment incentives and public works could support labour demand particularly during the economic crisis and recovery, business start-up subsidies can be an effective tool through economic cycles to bring people from unemployment to self-employment, as well as to create additional jobs, although the low size of the potential target group limits its wide-scale use (Brown and Koettl, 2015<sup>[8]</sup>).

<sup>14</sup> For example, France introduced new recruitment incentives for youth and people with disabilities to be recruited on fixed-term or permanent contracts, which were open for application until early 2021. In Hungary, a wage subsidy was available between May and August 2020 and supported the hiring of 39 000 jobseekers; a new programme was introduced in October 2020, covering 50% of wages. Ireland introduced additional subsidies under its *JobsPlus* scheme to support the hiring of registered unemployed under the age of 30 over the course of two years. The United Kingdom introduced a new scheme, *Kickstart*, to create six-month work placements for benefit recipients aged 16-24 who are at risk of long-term unemployment and will accept applications from employers until December 2021. Slovenia extended the coverage of its existing employment incentive scheme *Employ.me* to also cover unemployed individuals over 30 years old who lost their job due to the pandemic. *Mana in Mahi* (Strength in Work) in New Zealand combines employment with apprenticeship or formal industry qualification to upskill Māori and provide them with meaningful employment opportunities. In Greece, an important aspect in supporting job creation and take-up of employment incentives was to enable online applications and accelerate the application procedure.

<sup>15</sup> Direct job creation programmes included here are different from public sector job creation schemes, such as large infrastructure projects – as planned e.g. in Iceland and Mexico. Direct job creation programmes create additional jobs, usually of community benefit or socially useful, which are temporary and have a non-market character. Individuals targeted by such programmes are usually long-term unemployed or persons otherwise difficult to place. Although in the context of the COVID-19 crisis such criteria may be relaxed. Latvia, for example, extended the eligibility for public works to all unemployed persons not receiving unemployment benefits regardless of the duration of unemployment.

<sup>16</sup> Calculations are based on the OECD/EC Labour Market Programme Database, Labour market programmes: Expenditure and participants, <http://dx.doi.org/10.1787/data-00312-en>.

<sup>17</sup> In the OECD's Labour Market Programme database (<https://doi.org/10.1787/data-00312-en>) 13 out of 32 countries, for which labour market programme data is available, reported expenditure on Category 7 *Start-up incentives* in 2018.

<sup>18</sup> Unweighted cross-country average.

<sup>19</sup> I.e. the section does not include groups who are fully unavailable for the labour market (in full-time studies, severely ill, not in working age, etc.).

<sup>20</sup> In Estonia, the Youth Guarantee Support System implemented in 2018 is a tool for the municipalities to reach out to young people not in education, employment or training and support them to continue their education, integrate into the labour market and contact PES or other institutions. The tool links data from nine registers to detect the young people in need of support (Kõiv, 2018<sup>[115]</sup>).



<sup>21</sup> Austrian programmes involving social enterprises have been evaluated on several occasions (see e.g. Eppel, Horvath and Mahringer (2014<sub>[117]</sub>) and Hausegger et al. (2010<sub>[116]</sub>)) and have been found to strengthen participants' labour market participation and unsubsidised employment in the primary labour market significantly. The positive effects are particularly pronounced for women, older workers and people with disabilities.

<sup>22</sup> The OECD and the EC co-operate in this area to support countries in building or strengthening their capacity to conduct counterfactual impact evaluations of their labour market and social policies through the use of linked administrative and survey data. This joint OECD-EC project is likely to include evaluations of measures that were developed or adapted during the pandemic, for which the required data are available.



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