

4 The role of Public Employment Services and active labour market policies during the COVID-19 crisis and recovery

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Active labour market policies (ALMPs) and Public Employment Services (PES) have an essential role in assisting jobseekers and people at risk of losing their job on their journey back to quality employment and helping employers in finding employees with the right skills. In times of crisis, this role becomes particularly acute. This chapter explores the contribution of PES and ALMPs to the Nordic labour market policy response to the COVID-19 pandemic. First, an overview is provided of trends in the reliance on PES by jobseekers and public expenditure on ALMPs in Nordic and OECD countries. Second, the chapter describes how Nordic countries altered PES operating models and adapted their ALMP provision during the COVID-19 crisis and the recovery. Institutional set-up of Nordic ALMP provision is then examined, including the role played by social partners. Finally, it highlights the importance of evaluating the effectiveness of ALMPs and tools used by PES.

In Brief

Key findings

The delivery of effective active labour market policies (ALMPs) by Public Employment Services (PES) becomes of heightened importance in times of crises resulting in large employment shocks – as was the case during the COVID-19 pandemic. This chapter focusses on ALMPs (such as job-search support and counselling, training, employment incentives, sheltered and supported employment and rehabilitation, direct job creation and start-up incentives) and excludes temporary employment and income maintenance programmes. Such measures fall under the umbrella of job retention schemes and are discussed separately in Chapter 3 of this report.

In Nordic countries, much like many other OECD countries, the COVID-19 pandemic further intensified challenges facing PES before the crisis. These included the need to adapt the ALMP package, rapidly increase PES staffing levels and enhance PES IT infrastructure.

Prior to the COVID-19 pandemic, Nordic countries had comparatively high spending on ALMPs – with all countries except Norway spending significantly more than the OECD average on ALMPs in 2019 (1.06% vs 0.45% of GDP). Due to the resultant swift impacts of the pandemic on the labour market, OECD countries on average moved to increase the public expenditure allocated to ALMPs in 2020. However, the Nordic countries did not tread the same path – with all countries except Norway decreasing the share of spending allocated to ALMPs in 2020.

- Within the ALMP basket, while variations exist within individual countries, Nordic countries on average have typically outspent OECD countries on average in all categories of active labour market measures except direct job creation and start-up incentives.

Faced with rapidly changed circumstances, including the imposition of public health restrictions limiting face-to-face contact, Nordic PES adapted their operating models and delivery channels to enable continuity of service to clients.

- PES staffing levels were boosted via new hires and staff reallocation. In Sweden, this took the form of scaled up hiring of external job coaches to cater for increased caseloads.
- Due to the inability to deliver services in traditional in-person ways, Nordic PES also increased the digitalisation of services – a transition that was smooth, greatly assisted by the strong digital capacity of Nordic PES prior to the pandemic. New digital initiatives were implemented both in interactive services (such as job search training webinars in Sweden) and passive online supports (such as chatbots in both Norway and Iceland). These digital measures allowed clients to continue to receive support, while also enabling PES to cope with the elevated demand for information and other services.
- The unique nature of the crisis and its impacts on economic and labour market activity in the early stages also saw Nordic PES relaxing job-search requirements for jobseekers.
- Other changes to operating models included regional initiatives to address local impacts of the pandemic, including the set-up of a temporary job centre at Copenhagen Airport in Denmark.

In order to adapt to the vastly changed labour market backdrop and rapid inflows to unemployment, Nordic PES expanded and adapted their ALMPs. These changes primarily involved scaling up and making changes to pre-existing measures and – to a lesser extent – the introduction of new ones.

Changes to ALMPs in Nordic countries were narrower in scope (across fewer ALMP categories) in comparison with other OECD countries and focussed primarily on broad responses, with little put in place to specifically target vulnerable groups.

- All Nordic countries made changes to their provision of **job-search support and counselling** services for jobseekers, primarily involving moving the delivery of these services to remote means. Norway also introduced new digital job clubs to promote more active job search among jobseekers over the course of a six-week programme. At different points during the crisis, several Nordic countries also altered the prioritisation and targeting of job-search support and counselling aimed at: those furthest from the labour market in Norway; the young unemployed in Finland; and newly and long-term unemployed jobseekers in Sweden respectively.
- Across Nordic countries **training** provision moved primarily online. Some steps were also taken to introduce short courses aimed at meeting urgent labour market demands and to better target resources towards groups most in need (including young people and long-term unemployed). Denmark, Finland, Iceland and Norway enhanced and facilitated access to **mainstream education and training programmes** among unemployment benefit recipients – an avenue that was previously not always possible. However, the design of these initiatives posed challenges in some countries that in turn limited take-up, including overly restrictive course lists, narrow eligibility windows and barriers relating to pre-conditions (such as pre-requisite education and the language of delivery).
- **Employment incentives**, which stimulate the demand for labour by supporting the recruitment of jobseekers, were a feature of the ALMP response of several Nordic countries. In Sweden and Denmark, this saw changes and additional funding provided to existing supports, with new programmes introduced in Norway (targeted at young jobseekers) and Iceland.
- Although not a feature of every Nordic country's ALMP basket, pre-existing **start-up incentives** were adapted by Sweden, Finland and Iceland – with changes involving extending the maximum duration of support and expanding target groups.

Overall, when the pandemic hit, Nordic ALMP systems had the key elements for an agile and effective response to the COVID-19 crisis. This included flexible organisational set-ups of employment services, flexible ALMP regulation, strong stakeholder engagement and flexible resources (both human and financial). Even in countries such as Denmark, where ALMP regulation is highly entrenched, emergency solutions were found to circumvent the lengthy regulatory process. Furthermore, social partners were often involved in discussions surrounding changes to ALMPs and PES operations, even in those Nordic countries where social partners do not have a formal role in ALMP systems.

To draw out the policy lessons of the COVID-19 crisis, it will be crucial for Nordic countries to engage in counterfactual impact evaluations of their ALMP response. This will allow countries to understand what did or did not work and will assist in the formulation of contingency plans for future crises.

- Most Nordic countries already engage in a high level of routine activities to link administrative data relevant to the evaluation of ALMPs and have a strong track record of conducting such evaluations.
- However, there is room for improvement – including in engaging further with cost-benefit analyses and in ensuring that evidence gathered from evaluations actively informs policy. Furthermore, given the high level of digitalisation in Nordic PES, the scope of evaluation activities should also be expanded to cover digital tools and processes utilised by PES. This would help to better understand their impact and how to enhance their accessibility and inclusivity (ensuring that no groups or individuals are left behind).

4.1. Introduction

Public employment services (PES) and active labour market policies (ALMPs) are a crucial component in the promotion of resilient labour markets, helping unemployed jobseekers on their pathway towards quality employment and improving the matching between labour demand and supply. ALMPs comprise both the provision of labour market services (client services and administration of labour market measures and supports) and active labour market measures (training, employment incentives, sheltered and supported employment and rehabilitation, direct job creation and start-up incentives).¹ While such policies form a regular part of the day-to-day activities of PES, their role becomes increasingly important during times of economic crisis.

Following the onset of the COVID-19 pandemic in March 2020 and its immediate impacts on the labour market and unemployment levels (as discussed in Chapter 2), Nordic PES sprung into crisis mode. **In addition to rising caseloads, the COVID-19 pandemic served to exacerbate a series of challenges faced by Nordic PES before the crisis** (Table 4.1). This included the need to redesign the ALMP package to better meet the needs of jobseekers and employers. Nordic countries were not alone in this challenge, as the dramatically changed labour market backdrop and increased demand for PES services saw more than eight in ten OECD countries facing the same need to make changes to their ALMP offerings (OECD, 2022_[1]). Difficulties in filling vacancies in frontline occupations were also common to all Nordic countries and many OECD countries generally, with nine out of ten experiencing this challenge during the pandemic. Other challenges faced by the Nordic countries during the COVID-19 crisis included the need to increase PES staff levels and improve PES co-operation with other service providers.

Table 4.1. The COVID-19 pandemic brought with it new and old challenges to Nordic PES

Main challenges facing Nordic PES by type of impact

	Need to increase PES staff levels	Need for PES staff with higher / different skills	Need to investment in IT infrastructure	Need to increase ALMP budget	Need to redesign the ALMP package	Need to improve co-operation with other service providers	Difficulties in filling vacancies in certain “frontline” occupations
Denmark	Not a challenge before or during crisis	Not a challenge before or during crisis	Not a challenge before or during crisis	Not a challenge before or during crisis	Not a challenge before, but emerged	Not a challenge before or during crisis	Not a challenge before, but emerged
Finland	Challenge before and intensified further	Challenge before and intensified further	Challenge before and intensified further	Not a challenge before, but emerged	Challenge before and intensified further	Challenge before and intensified further	Challenge before and intensified further
Iceland	Challenge before and intensified further	Challenge before and intensified further	Challenge before and intensified further	Not a challenge before, but emerged	Challenge before and intensified further	Challenge before and intensified further	Challenge before and intensified further
Norway	Not a challenge before, but emerged	Challenge before and intensified further	Challenge before, but did not intensify further	Challenge before and intensified further	Not a challenge before, but emerged	Challenge before and intensified further	Not a challenge before, but emerged
Sweden	Challenge before and intensified further	Challenge before and intensified further	Challenge before, but did not intensify further	Challenge before and intensified further	Challenge before and intensified further	Challenge before and intensified further	Challenge before and intensified further

Note: The type of impact on countries is divided into four categories, each represented by a different colour in the table. Due to the highly decentralised nature of ALMP provision in Denmark, this table only captures the national view, which may not fully capture the view of individual municipalities responsible for the provision and design of ALMPs in their locality. In responding to the questionnaire, countries were asked to identify whether or not they faced the challenge pre-pandemic and whether the challenge emerged or was further intensified during the crisis.

Source: OECD Questionnaire on Policy Responses to the COVID-19 Crisis circulated in late 2021.

While the COVID-19 emergency period is largely in the past, many challenges remain for Nordic PES in the recovery period and are or could be exacerbated by other ongoing crises and events. In addition, new challenges have emerged in recent times due to the global energy crisis and the war in Ukraine, including the need to support inflows of people escaping the war.

This chapter explores the role played by PES and ALMPs in the suite of policies implemented by Nordic countries in response to the COVID-19 pandemic (excluding unemployment benefits and job retention schemes which are not classified as ALMPs and are explored separately in Chapter 3). It makes use of information gathered from extensive consultations with the key stakeholders in each Nordic country and various OECD questionnaires completed by each country, including a specific questionnaire designed for this project. Nevertheless, some limitations in the data available were encountered, including a time lag in the OECD/EC Labour Market Programme Database, meaning the latest data available on ALMP expenditures and participants are for the year 2020. Further data were collected through a specific request for this project; however, the differing availability and frequency of these data means that they cannot be used to make full cross-country comparisons and conclusions. In addition, at the time of writing, COVID-19 response measures introduced by the Nordics had largely not yet been subject to counterfactual impact evaluations, meaning it is too early to say if what was done was effective or not.

In exploring the PES and ALMP component of the Nordic COVID-19 response, this chapter begins with an overview of the impact of the pandemic on the use of employment services and ALMP and PES budgets. The next section undertakes a discussion of the ways in which Nordic PES adapted their operating models in response to the changed labour market backdrop and prevailing public health restrictions. The following section explores how Nordic PES expanded and adapted their ALMPs in attempts to better meet the needs of their clients and the labour market. To provide further insights into the structures supporting the delivery of ALMPs, the penultimate section examines the institutional set-up of ALMP provision in these five countries, including the role played by social partners. Finally, the chapter concludes with an overview of the importance of evaluating the effectiveness of ALMPs and the tools used by PES.

4.2. Nordic countries see relatively strong reliance on PES by jobseekers and high levels of public funding channelled towards PES and ALMP activities

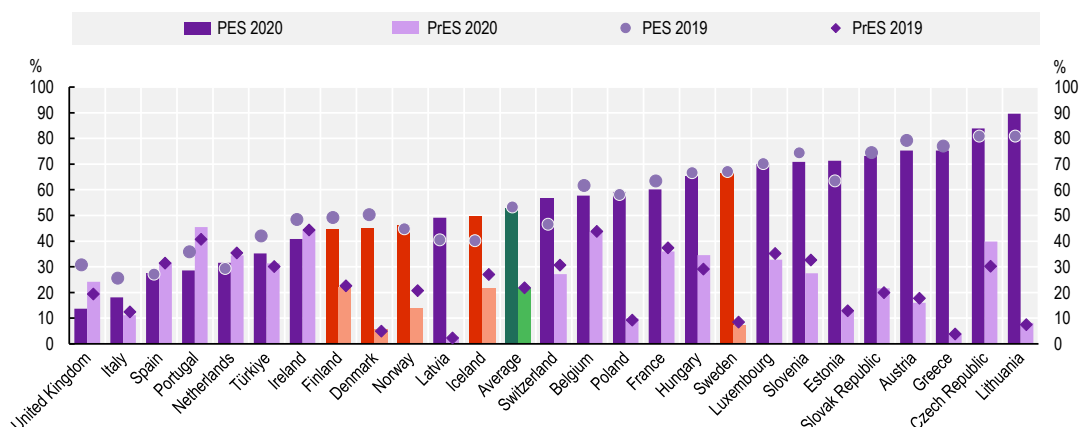
This section explores the extent to which Nordic jobseekers relied on employment services during the COVID-19 crisis and examines trends in ALMP expenditure across Nordic countries both before and during the pandemic – providing insights into the capacity of Nordic PES to respond to the labour market shock.

4.2.1. Despite a dampened labour market backdrop during the early stages of the pandemic, Nordic jobseekers still relied on PES to assist their job-search efforts

The COVID-19 pandemic and associated public health restrictions had significant negative impacts on hiring patterns and the number of vacancies, particularly during the height of the pandemic in 2020. Despite this, **jobseekers still relied on PES to assist their job search efforts during the pandemic period**. On average across Europe and Türkiye, 53% of unemployed jobseekers turned to PES for assistance to find work in 2020, relatively unchanged from 2019 (Figure 4.1). In the Nordic region, a decline occurred in Denmark, Finland and Sweden (to a very small degree), whereas the share rose in Norway and especially in Iceland (where an increase of over 9 percentage points took place between 2019 and 2020). A contributing factor to this increase was likely the Norwegian and Icelandic PES responsibility for unemployment benefit administration.

Figure 4.1. Jobseekers continued to rely on public (PES) (and private (PrES)) employment services in their job search efforts during the pandemic

Share of unemployed persons (15-64) who contacted an employment office to find work in 2019 and 2020 (Q2-Q4)



Note: The average is unweighted and includes the EU27 (excluding Germany), Iceland, Norway, Switzerland, Türkiye and the United Kingdom. Data for 2021 onwards are not available due to the introduction of a new EU-LFS questionnaire from January 2021, which no longer includes this question.

Source: OECD calculations based on the European Labour Force Survey (EU-LFS).

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Private employment services (PrES) also provide assistance to the unemployed on their job search journey. On average in Europe, one in four jobseekers sought assistance from PrES in 2020 (unchanged from the level in 2019). In Nordic countries, the rate of PrES usage is more mixed, with decreases from 2019 to 2020 experienced in all countries except Denmark. In 2020 the rates were particularly low in Denmark and Sweden, where 6% and 7% of jobseekers in these countries respectively sought job search assistance from private providers.

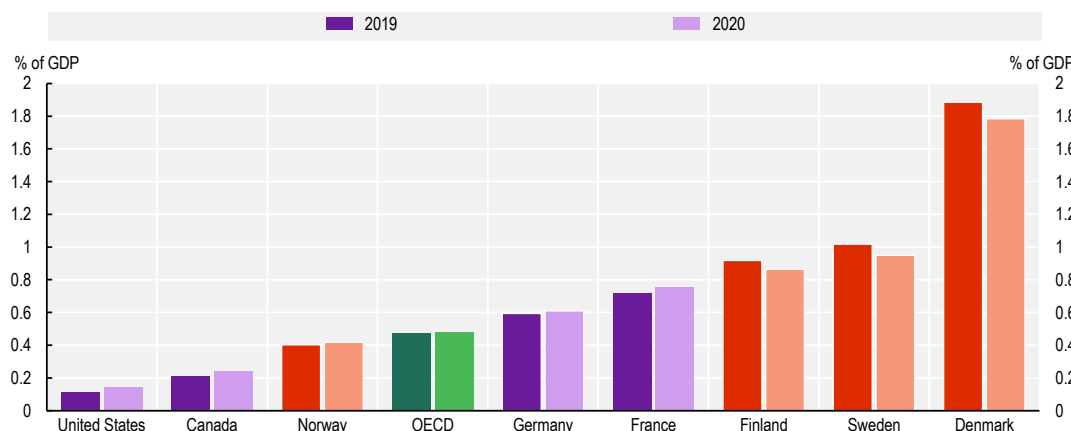
4.2.2. At the onset of the COVID-19 pandemic, spending on ALMPs was already relatively high in most Nordic countries

Prior to the pandemic, most Nordic countries had typically spent more generously on ALMPs² than on average across the OECD.³ In 2019, OECD countries on average had expenditure on ALMPs equal to 0.45% of GDP (Figure 4.2). In the Nordic region, this share was significantly higher in all countries except Norway, with average ALMP expenditure in the region at 1.06% of GDP in 2019. Furthermore, Denmark, Finland and Sweden were the top three spenders on ALMPs relative to GDP across the entire OECD.

While the majority of OECD countries increased public expenditure on ALMPs upon the onset of the pandemic, all Nordic countries except Norway reduced the share of spending allocated to ALMPs in 2020 (as a percent of GDP). Despite this reduction in expenditure in most Nordic countries, average ALMP spending in the region for 2020 was still significantly higher than the level seen across the OECD (at 1% of GDP compared to the OECD average of 0.48%). In Norway, ALMP spending was lower than the OECD average but increased slightly to 0.42% of GDP in 2020. These decreases seen in ALMP spending in most Nordics in 2020 should be understood in the wider context, including the significant allocation of expenditure to job retention schemes and related measures, particularly in the early phases of the pandemic (see Box 4.1 and Chapter 3 for an overview of the role of job retention schemes during the pandemic).

Figure 4.2. Compared to other OECD countries, most Nordic countries make higher investments in ALMPs, 2019 and 2020

Expenditure on ALMPs as a percentage of GDP in Nordic countries and selected OECD countries, 2019 and 2020



ALMPs: Active Labour Market Programmes, GDP: Gross Domestic Product.

Note: OECD is an unweighted average for the different types of employment support published in the OECD/EC Labour Market Programme Database and excludes Colombia, Costa Rica, Greece, Iceland, Israel, Korea, New Zealand, Türkiye and the United Kingdom with no or incomplete data. Data exclude category 4.2 (Employment maintenance incentives), which during the COVID-19 pandemic included some furlough-type schemes which are not considered ALMPs.

Source: (OECD, 2023^[2]), *OECD/EC Labour Market Programme Database*, <https://doi.org/10.1787/data-00312-en>.

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Box 4.1. Job retention schemes had a significant impact on labour market policy financing during the crisis

The first priority of Nordic countries upon the onset of the pandemic – like many other OECD countries – was to protect incomes and jobs in affected firms. This was commonly done via employment maintenance incentives (category 4.2) and partial unemployment benefits (category 8.2), both of which were often administered by PES and fall under the umbrella of job retention schemes (which are discussed in detail in Chapter 3). The measures in category 4.2 generally aim to maintain employment via employment incentives for employers, while the measures in category 8.2 aim to maintain income, with the measures covering specifically the hours not worked (short-time working schemes). In practice during the COVID-19 pandemic, the difference between these two types of measures was often insignificant. Overall, countries generally aimed to maintain both employment and income simultaneously, while the details of the design and implementation of specific schemes often dictated by the feasibility of implementation (e.g. data availability on hours worked, capacity to process such data, etc.).

These measures constituted significant shares of expenditure on labour market policies in 2020 in several Nordic countries – as shown in Table 4.2. Therefore, the reductions to ALMP expenditure seen in most Nordic countries in 2020 relative to 2019 can be understood, in part, by the increased resources allocated to these temporary measures to support the employment and income maintenance of workers in firms impacted by the crisis and the associated economic downturn. Thus, taking this and (other) expenditures on passive labour market programmes together with ALMPs, total expenditure on labour

market programmes (across all categories 1-9) as a share of GDP increased in all Nordic countries in 2020 relative to 2019.

Table 4.2. Nordic countries allocated significant resources to fund income and employment maintenance schemes for workers in firms impacted by the crisis

Expenditure as a percentage of GDP, 2020

	Denmark	Finland	Norway	Sweden
ALMPs (categories 1-7, excluding 4.2)	1.78	0.86	0.42	0.95
Temporary employment and income maintenance measures in continued employment relationships (categories 4.2 and 8.2)	0.85	0.04	0.77	0.62

ALMPs: Active Labour Market Programmes, GDP: Gross Domestic Product.

Note: The ALMP classification is defined by the methodology of the OECD Employment and Labour Market Statistics database (<https://doi.org/10.1787/data-00312-en>) and the European Commission Labour Market Policy database (<https://ec.europa.eu/social/main.jsp?catId=738&langId=en&pubId=8126&furtherPubs=yes>).

Source: (OECD, 2023^[2]), OECD/EC Labour Market Programme Database, <http://dx.doi.org/10.1787/data-00312-en> and OECD (2022^[3]), *The scope and comparability of data on labour market programmes*, <https://www.oecd.org/els/emp/ALMPdata-Scope-and-Comparability.pdf>


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Figure 4.3 presents a more detailed overview of this picture in the Nordic region and on average across the OECD, showing expenditure on different ALMP categories (defined according to the OECD/EC LMP Database) as a percentage of GDP.⁴ Overall, **Nordic countries on average typically outspend the OECD average in all categories of active labour market measures except direct job creation and start-up incentives.**⁵ However, within each category of active labour market measure variations do exist across the Nordic countries.

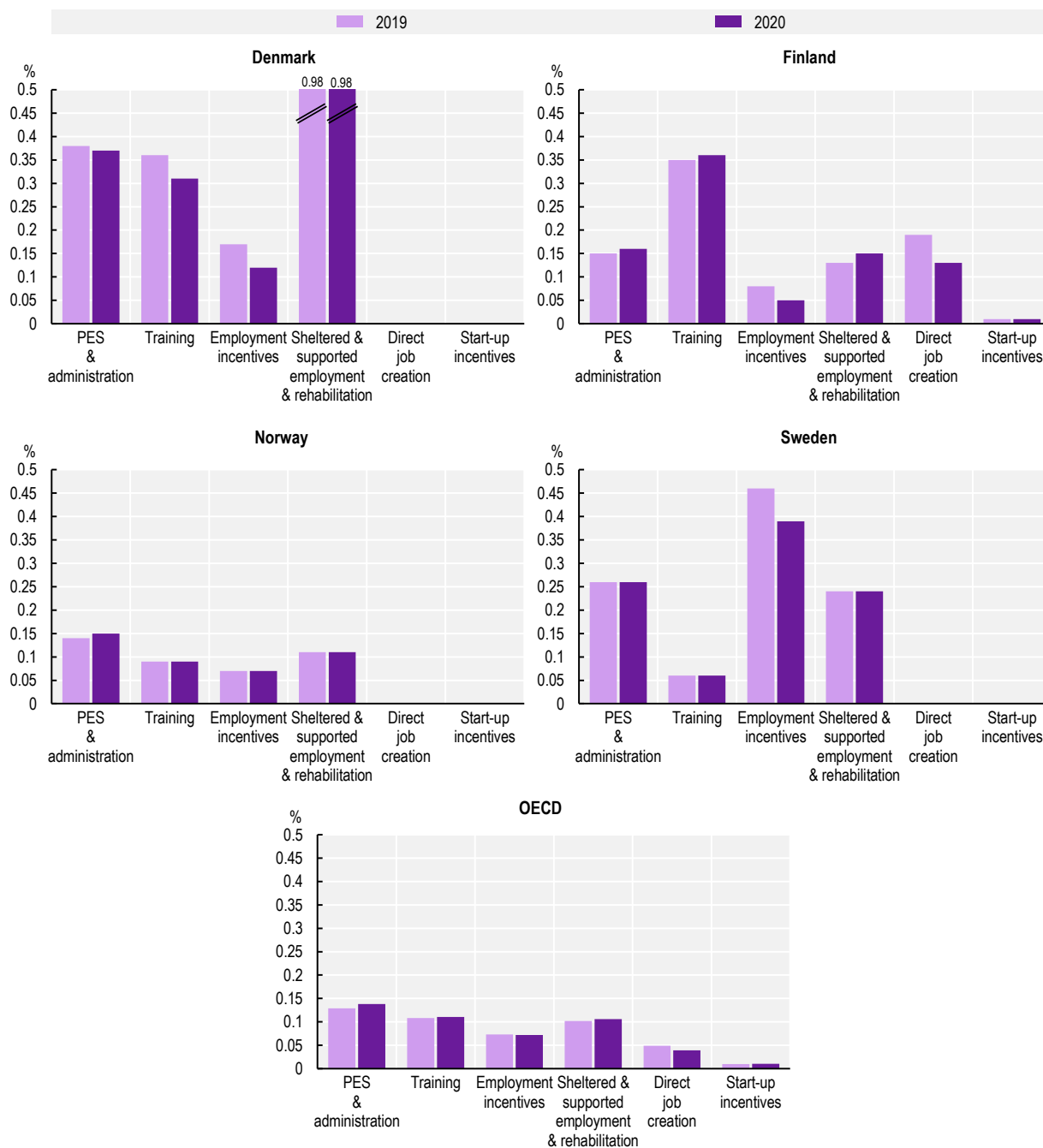
- Pre-pandemic, Nordic countries on average were spending twice as much (0.22% of GDP) on **PES and administration** as OECD countries on average (0.13% of GDP). Expenditure in this area covers the areas of client services (information services and case management), other activities (including the administration of supports and measures) and the costs of staff involved in the provision of the PES services and activities. Upon the onset of the pandemic, increases – albeit small – were made to spending PES and administration – with Nordic countries on average increasing spending to 0.24% of GDP and OECD countries spending 0.14% of GDP on average. Evidence suggests that this category of intervention tends to be the most efficient (often in terms of both effectiveness and costs) form of ALMP expenditure (Card, Kluve and Weber, 2018^[4]; Brown and Koettl, 2015^[5]; Dar and Tzannatos, 1999^[6]; Kluve, 2010^[7]). Even though the pandemic cultivated unique conditions – particularly in its early stages – it was still crucial for PES to continue to operate and provide such essential services (including through digital channels), despite public health restrictions impacting economic activity.
- Nordic countries spent 0.22% of GDP on **training** measures compared to the OECD average of 0.1% in 2019. These higher average levels of spending in the Nordic region were driven by exceptionally high expenditure allocations to training in Denmark (0.36% of GDP) and Finland (0.35% of GDP), with Norway and Sweden both trailing behind the OECD average. During the pandemic, OECD countries on average introduced a minor increase to their spending on training measures (0.11% of GDP). In the Nordic region spending on training in 2020 was largely unchanged (at an average of 0.21% of GDP), with Finland being the only country to see a higher share of spending allocated to training (albeit a small increase). Training interventions are important tools in actively addressing the barriers to employment and improving the competencies

of individual jobseekers. In addition, training can be crucial to addressing skills mismatches in the labour market; a factor of utmost importance at present given the labour shortages being faced across the Nordic region.

- **Employment incentives** aim to stimulate the demand for labour by incentivising the hiring of unemployed jobseekers by employers, often in the form of hiring subsidies to assist with labour costs. Nordic countries typically have higher expenditure on employment incentive measures than what is seen across the OECD as a whole, seeing spending of 0.2% of GDP in 2019 compared to the OECD average of 0.07%.⁶ This was driven in particular by Sweden and Denmark, who both outspent the OECD average by a considerable amount (0.46% and 0.17% of GDP respectively in 2019). Sweden saw the highest level of spending allocated to employment incentives within the Nordic region in 2020 (0.39% of GDP), far exceeding the OECD average. In addition, this category alone accounts for the highest share of spending on ALMPs in Sweden and was a significant focus of the country's ALMP response to the COVID-19 pandemic.
- **Sheltered and supported employment and rehabilitation** measures aim to support the labour market integration of vulnerable groups, primarily of people with disabilities or reduced capacity to work, and typically involve the use of recruitment subsidies to promote the hiring of these individuals. In this area, Nordic countries typically out-spend their OECD counterparts (which spent 0.1% of GDP on average in 2019, compared to the average in the Nordic region of 0.37%). In 2020 again, Nordic expenditure in this area was again higher than the OECD average. Denmark is undoubtedly the driving force behind the comparatively higher levels of spending on sheltered and supported employment seen in the Nordic region, where almost 1% of GDP was allocated to such measures in both 2019 and 2020. Outside of PES and administration activities, this is the highest area of ALMP expenditure in Norway, where a significant share of ALMP spending and efforts are targeted at persons with reduced work capacity – which is a structural rather than cyclical issue.
- **Direct job creation** measures, which see the creation of additional jobs in order to assist long-term unemployed or other vulnerable jobseekers into employment (usually in low-added value jobs in the public sector), do not feature in the ALMP packages of Denmark, Norway and Sweden. Empirical evidence on the effectiveness of these programmes is dubious, with analysis by Card, Kluve and Weber (2018^[4]) finding that direct job creation measures are largely ineffective into bringing people back to open-market employment. However, Finland typically spends higher than the OECD average in this area, including in 2020 where spending was equivalent to 0.13% of GDP (compared to the OECD average of 0.04% of GDP). This is a historically driven trend originating from the post-World War II period, which saw over half of jobseekers at the time gaining employment via public works schemes (Duell, Grubb and Singh, 2009^[8]). At the time, public works (which are a form of direct job creation) were largely the only income support available. While their prevalence has decreased over the decades that followed, their historical basis explains their comparatively higher usage in Finland still today.
- **Start-up incentives** provide an alternative route to the labour market by providing support to those jobseekers interested in starting their own business and becoming self-employed. In the Nordics, start-up incentives are only part of the ALMP basket in Iceland, Finland and Sweden but – in line with OECD-wide trends – account for a very small fraction of overall ALMP expenditure (0.01 and 0.005% of GDP in 2020 in Finland and Sweden respectively).

Figure 4.3. The composition of the ALMP basket differs across the Nordic region

Expenditure (as a percent of GDP) on ALMPs in Nordic countries and the OECD, 2019 and 2020



ALMPs: Active labour market programmes; GDP: Gross domestic product; PES: Public employment service.

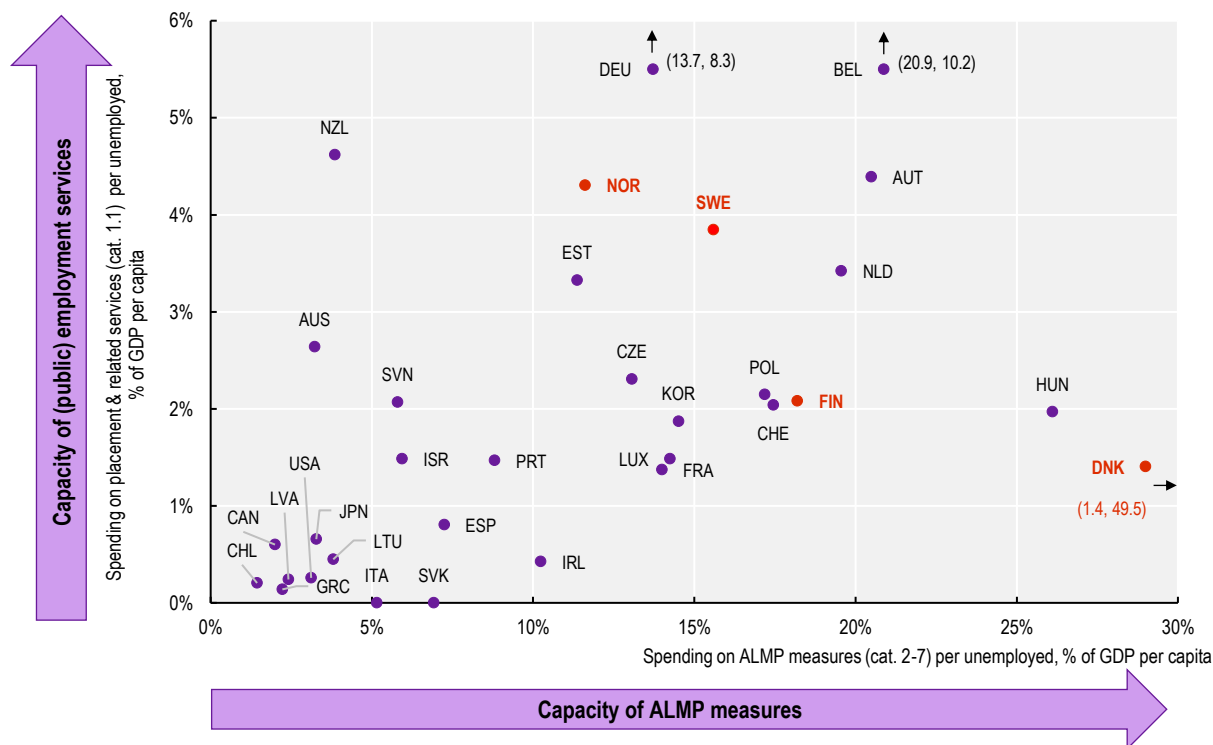
Note: OECD is an unweighted average for the different types of employment support published in the OECD/EC Labour Market Programme Database and excludes Colombia, Costa Rica, Greece, Iceland, Israel, Korea, New Zealand, Türkiye and the United Kingdom where there are no or incomplete data. Data excludes category 4.2 (Employment maintenance incentives), which during the COVID-19 pandemic included some furlough-type schemes which are not considered ALMPs.

Source: (OECD, 2023^[2]), *OECD/EC Labour Market Programme Database*, <http://dx.doi.org/10.1787/data-00312-en>.

Examining ALMP expenditure can also be useful in providing some insights on the capacity of a country's ALMP system, as shown in Figure 4.4. PES capacity, along with the organisation and regulatory set-up of ALMP provision, is an important driver of PES performance. Empirical evidence underpins this, including, for example, in studies of a Finnish experiment which saw PES counsellors moved to municipalities in the region of Pirkanmaa. The experiment resulted in positive boosts to labour market outcomes, which was found to not only be influenced by the change in organisational set-up, but was also linked to increased PES capacity and ALMP expenditure (Arnkil, 2019^[9]; Scharle et al., 2018^[10]).

Figure 4.4. Key indicators of ALMP system capacity

ALMP expenditure by OECD country in 2020




ALMP: Active Labour Market Policy.

Note: *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, 2023^[2]), *OECD/EC Labour Market Programme Database*, <http://dx.doi.org/10.1787/data-00312-en>; the *United Nations Population Prospects and the OECD dataset LFS by sex and age (for unemployed)*, <http://stats.oecd.org/Index.aspx?QueryId=9571>.

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The horizontal axis of Figure 4.4 presents expenditures on active labour market measures per unemployed person as a percentage of GDP per capita in 2020. By taking into account the level of unemployment in the country, this measure gives an indication of the effective capacity of the ALMP system, relative to the economy's overall productive capacity, to provide jobseekers with access to interventions designed to

assist their labour market integration. The vertical axis shows spending on placement and related measures per unemployed person as a percentage of GDP per capita in 2020. This provides an approximation of PES capacity in terms of staff levels and caseloads. Taking these two measures together, countries in the top right quadrant of Figure 4.4 – which have both well-funded placement services and active labour market measures – are more likely to have had the capacity to absorb the initial shockwaves of the pandemic (Lauringson and Lüske, 2021^[11]). In general, Nordic countries perform well against these metrics suggesting strong effective ALMP capacity in face of the COVID-19 crisis and the ability to reallocate resources as necessary. It is important to note, however, that these indicators do not capture all information that would be required to fully understand a country's ALMP capacity – including the level of digitalisation present (which can reduce staff case and workloads) – or the quality of the services provided. Furthermore, strong capacity – as was the case in Nordic countries – does not entirely mitigate the need for expenditure increases and reallocations upon the onset of a crisis, in order to ensure that the level and effectiveness of service does not decline as caseloads increase.

4.3. Nordic PES adapted their operating models to ensure service continuity and adapt to new challenges that emerged during the pandemic

Faced with dramatically changed circumstances and a variety of challenges resulting from the COVID-19 pandemic, Nordic PES – like those across the OECD – implemented a variety of changes and adaptations to their strategies and operating models to ensure service continuity. This section explores these adaptations to PES staffing levels and operating models, including changes to delivery models, increased use of digitalisation and the temporary relaxation of job-search requirements for jobseekers.

4.3.1. Faced with unprecedented demand for services, Nordic PES took action to boost staffing levels

PES staff resources quickly became under pressure following the onset of the pandemic, faced with rapid increases in newly unemployed jobseekers and applications to job retention schemes. As a result, the majority of Nordic countries were faced with the need to increase PES staffing levels (Table 4.1). Accordingly, **Finland, Iceland, Norway and Sweden reallocated existing PES staff** – an action taken also by about two-thirds of OECD countries (OECD, 2021^[12]).⁷ This level of flexibility and adaptability enabled Nordic PES to quickly prioritise staff to critical services and activities, most commonly the processing of benefit applications. While staff reallocations helped alleviate some of the pressure in the beginning, the persistence of the pandemic saw countries needing to take further steps to boost human resource capacity. Accordingly, **Finland, Iceland, Norway and Sweden hired additional PES staff** in 2020, a trend also seen in 55% of OECD countries.

As the focus of PES moved away from the immediate crisis response of registering clients and protecting and securing incomes and into the phase of providing proactive support to clients via their ALMP offerings, newly allocated and hired staff became increasingly focussed on these efforts and activities. In Iceland, when boosting PES human resources, particular attention was paid to the profile of client inflows, resulting in the hiring of PES counsellors with foreign language skills to be able to serve those who do not speak Icelandic. This was in response to the prevalence of foreign-born individuals among those workers displaced by the pandemic and associated restrictions.

As the COVID-19 crisis recedes and as pressure on PES declines, it will be important to reduce PES staff capacity accordingly. In Nordic countries, boosts to staff numbers are largely temporary and can be expected to be phased out as the crisis alleviates. The use of external contracted service providers is one route that can provide flexibility in this area and can allow PES capacity to easily move in tandem with unemployment levels.

This is the case in Sweden where ongoing PES reform means that in-house personnel levels have been reduced, with a move towards greater reliance on private providers of job coaching. Therefore, in face of rapidly growing unemployment in the initial months of the COVID-19 pandemic, the Swedish PES acted quickly to ramp up the hiring of external job coaches to meet the new levels of demand for services. These external job coaches managed significant caseloads over the course of the pandemic, handling 127 800 unemployed jobseekers in 2020 and 215 900 in 2021. These caseload numbers represented a significant increase from the pre-pandemic level managed by Swedish external job coaches, where external job coaches dealt with 56 300 jobseekers in 2019 or just above one-quarter of the 2021 peak level.

4.3.2. Strong digital foundations allowed Nordic countries to make swift changes to their PES operating models and modes of delivery during the crisis period

PES across the OECD had to make changes to their way of doing business during the pandemic. These changes often included enhanced digitalisation in order to support increased caseloads and to enable service continuity in face of limitations to in-person service provision (OECD, 2022^[13]; OECD, 2022^[11]). As a result, the COVID-19 pandemic has undoubtedly contributed to accelerating the digital leap of PES across the OECD.

In the Nordic region, this trend was no different, with increased levels of digital service delivery most prevalent in the areas of job-search support, counselling and training. However, **in Nordic countries the digital capacity of PES pre-COVID was significantly stronger than the OECD average**, with many central PES activities already possible on a remote or digital basis prior to the crisis (Table 4.3). This allowed for a comparatively smoother transition to meet the sudden need for much greater reliance on digital or remote services during the crisis. Building on this strong digital foundation, many Nordic PES further enhanced their digital capabilities, implementing digital/remote solutions where not previously available and making further changes and improvements to activities already available on a digital/remote basis pre-COVID.

Table 4.3. Nordic countries had strong digital foundations, offering remote/digital access to many services pre-COVID and made further advancements during the pandemic

Status of digital or remote access to selected PES services in each Nordic country and across the OECD

	Claiming of unemployment benefits	Registration as unemployed with PES	Job search assistance	Counselling	Job matching
Denmark	Possible pre-COVID	Possible pre-COVID	Introduced during COVID-19 pandemic	Introduced during COVID-19 pandemic	Introduced during COVID-19 pandemic
Finland	Possible pre-COVID, but adapted further in response	Possible pre-COVID, but adapted further in response	Possible pre-COVID, but adapted further in response	Possible pre-COVID, but adapted further in response	Possible pre-COVID, but adapted further in response
Iceland	Possible pre-COVID	Possible pre-COVID	Possible pre-COVID, but adapted further in response	Possible pre-COVID, but adapted further in response	Possible pre-COVID
Norway	Possible pre-COVID, but adapted further in response	Possible pre-COVID, but adapted further in response	Possible pre-COVID, but adapted further in response	Possible pre-COVID, but adapted further in response	Possible pre-COVID, but adapted further in response
Sweden	Possible pre-COVID	Possible pre-COVID	Possible pre-COVID	Possible pre-COVID	Possible pre-COVID
Percentage of OECD countries where it was possible pre-COVID	64%	73%	82%	36%	73%

Note: Percentage of OECD countries where remote/digital access was possible pre-COVID includes those where it was possible pre-COVID and no adaptation was implemented, as well as those countries where it was possible pre-COVID but was adapted further in response to the crisis. Remote, but not digital, typically refers to activities taking place over the phone. The status of digital services is divided into three categories, each represented by a different colour in the table. While not possible pre-COVID, Denmark utilised digital/remote counselling during the pandemic with digital engagement now an option for all jobseekers once they reach six months in unemployment.

Source: OECD (2021^[12]), 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/almptomeasurescovid19.pdf>.

Improvements related to the digitalisation of services for jobseekers during the pandemic period can be categorised into two main areas (OECD, 2022^[13]):

- **Interactive or active digital service provision** – this involved PES implementing measures to facilitate remote or digital counsellor-client engagements when in-person engagement was not possible. Digital/remote counselling was already possible in all Nordic countries except Denmark prior to the pandemic. Therefore, no new systems had to be developed, with these countries solely needing to scale up what was already in place. While remote engagement was not an option in Denmark pre-COVID, strong pre-existing digital and e-government infrastructure made for a relatively smooth transition to digital provision. In addition, positive experience among Danish PES clients and staff has seen a regulatory change introduced to make digital counselling a permanent option for all jobseekers unemployed for six months or longer. Further interactive digital service activities were also engaged in, including newly introduced job search training webinars in Sweden (European Network of Public Employment Services, 2022^[14]).
- **Static or passive online support** – this involved the design and implementation of online tools and resources to enable self-service for clients. Such tools were particularly useful in providing newly unemployed jobseekers with information on services available to them in a timely manner and alleviating pressure on PES staff by allowing jobseekers to access this information themselves. In this domain, the Icelandic PES implemented a chatbot tool, *Vinný*, on their website. This tool primarily facilitated clients in claiming unemployment benefits, but also provided support in other areas including assisting clients with job search. In Norway, PES call centres quickly became overwhelmed. To combat this, the Norwegian PES made improvements to its website and its

pre-existing chatbot, *Frida*, launched in 2018. *Frida* proved to be an extremely useful tool for the Norwegian PES, providing a much-needed boost to capacity in face of a 250% increase in enquiries and handled over 270 000 queries from citizens in the first few weeks of the pandemic alone (Boost AI, n.d.^[15]). During the pandemic's busiest periods, *Frida* was handling a volume of queries equivalent to the work capacity of 220 full-time employees. As a result, the tool was a huge success in providing information to citizens, while mitigating the need for further increases to personnel (including temporary ones).

In addition to further developing their digital capabilities, **Nordic PES also engaged new operations to tackle the unprecedented solutions – including regional initiatives to address local challenges** arising from the pandemic. An interesting example of PES engaging in new operations to tackle the unprecedented situation is that of the temporary job centre established at Copenhagen Airport, where impacted workers in the sector could receive counselling and retraining opportunities (Box 4.2). Further examples of adaptations to operating models include Iceland's PES opening a dedicated Polish language phone line in response to the prevalence of Polish workers in certain sectors of the Icelandic labour market (including the construction and service sectors).

The implementation of changes to PES operating models during the pandemic were not without challenges in some Nordic countries. One of these challenges, identified by stakeholders, was that they were not able to run sufficient checks when implementing changes to IT systems, as would be the case in normal times, due to the need for immediate action during the pandemic period. This was a challenge noted by the PES of both Norway and Iceland in adapting their IT infrastructure during the pandemic period. Similarly, in Denmark, shortcuts were taken to facilitate swift regulatory changes to ALMPs and PES operations – a process that is typically entrenched in an extensive regulatory process (this is discussed further in section 4.5.1). As a result, the full consultation of stakeholders that usually goes in tandem with such changes was not able to take place and the frequent changes to measures and operating models in the early phases of the pandemic became burdensome for job centre staff due to a lack of stability and constantly changing advice.

Box 4.2. Denmark: Temporary job centre at Copenhagen Airport

Due to the decentralised nature of the Danish PES, municipalities had the flexibility to implement regional initiatives to tackle the aspects of the COVID-19 crisis pertinent and unique to their locality. An example of one such regional initiative took place in Tårnby, home to Copenhagen Airport, the largest workplace in the municipality. At the time, approximately 22 000 employees were employed in approximately 1 000 companies in and around the airport.

Due to the significant impact of the pandemic on tourism and travel, which saw traveller numbers drop by 99%, Copenhagen Airport and associated companies were severely hit. Therefore, in the summer of 2020 the Danish PES in the Tårnby municipality – in co-operation with unions, the Ministry of Employment, SAS (Scandinavian Airlines) and Copenhagen Airport – established a temporary job centre at the airport. Impacted workers could receive advice, job search assistance and access to training opportunities. The service was open to both workers facing reduced activity and those laid off, meaning employees continuing their employment at the airport had the opportunity to upskill and laid off workers could enhance their skills and competencies to assist them in finding new employment elsewhere. In the lifetime of the temporary job centre, 1 500 people benefitted from its services between 2020 and 2021.

Source: CPH (2021^[16]), *Annual Report 2020*, <https://www.cph.dk/en/about-cph/investor/announcements/2021/3/annual-report-2020>; CPH (2021^[17]), *Copenhagen Airports: Group Annual Report 2020*, https://www.cph.dk/495dd5/globalassets/8.-om-cph/6.-investor/arsrapporter/2020/kl_ar_2020_uk_final.pdf; CPH (2020^[18]), *CPH: Fruitful negotiations leading to fewer redundancies*, <https://www.cph.dk/en/about-cph/press/news/2020/8/cph%20fruitful%20negotiations%20leading%20to%20fewer%20redundancies>; Routes (2020^[19]), *Tårnby will secure the jobs of the future at Copenhagen Airport with a new counselling and job centre*, <https://www.routesonline.com/airports/2392/copenhagen-airports-as-cph/news/291642/tarnby-will-secure-the-jobs-of-the-future-at-copenhagen-airport-with-a-new-counseling-and-job-centre/>.

4.3.3. Nordic countries moved to relax job-search requirements for jobseekers in response to prevailing public health restrictions and weak labour market conditions

Plummeting numbers of job vacancies in the early stages of the COVID-19 pandemic meant that it was not practicable to maintain the mutual obligation for jobseekers to actively search for a job while receiving unemployment benefits. As a result, just over one quarter of OECD countries opted to retain these job-search requirements, with remaining countries either making changes to or suspending them altogether in their initial response to the crisis (OECD, 2021^[20]). In the Nordic region, all countries made changes to their job-search requirements during the COVID-19 period, including temporary suspensions in Denmark, Iceland and Norway at the very beginning of the pandemic.

4.3.4. Key takeaways

While a rapid response to the labour market consequences of the pandemic was necessary, this speed was not without challenges. These challenges included the inability to implement proper quality checks and tests when introducing new tools and systems (Iceland and Norway), not being able to fully consult relevant stakeholders to the level that would usually take place, and knock-on effects on frontline PES staff from rapid changes taking place in quick succession (Denmark).

Nordic PES were generally well able to respond to the unprecedented demand for employment services and applications for unemployment benefits and job retention schemes. Nordic PES responded quickly by boosting staffing levels (both via reallocation of existing staff and hiring new staff) and utilising external providers to bolster capacity (in the case of Sweden). In addition, digital tools (such

as the chatbots utilised in Norway and Iceland) helped PES to cope with the heightened demand for information services and alleviated some pressure on PES staff.

Most Nordic countries decreased their ALMP expenditure in 2020 relative to 2019 (as a share of GDP). This was opposite to the trend seen in most OECD countries in their response to the COVID-19 crisis. Despite this reduction, ALMP expenditure in the region remained above the OECD average in most Nordic countries. The different trend in the Nordic region may be explained in part by the priority of Nordic countries in the early stages of the pandemic to protect incomes and workers (see Chapter 3), the greater investment of these countries in ALMPs prior to the pandemic (on average significantly higher than the OECD average) and the strong level of PES digitalisation present pre-COVID (meaning no significant investments were required in this area).

The strong digital infrastructure present in the PES of the Nordic countries pre-COVID meant that they were well paced to transition employment services to digital or remote delivery upon the onset of the crisis. Many of the key activities in the case management and job-search support process were possible online or remotely before the pandemic, meaning that in most cases services only had to be ramped up to cater to the new environment and challenges. In addition, passive tools such as chatbots proved useful in boosting capacity at a time when human resource capacity was under significant pressure. Overall, Nordic countries report that digital engagement worked well for both staff and customers and is to remain part of the suite of services going forward. This includes Denmark, where digital engagement was not possible pre-COVID, but a recent regulatory change means it is now a permanent option for all jobseekers once they reach six months of unemployment. This positive experience reported across countries was greatly facilitated by the widespread adoption of digital technologies by Nordic PES, and in public services more generally, prior to the pandemic.

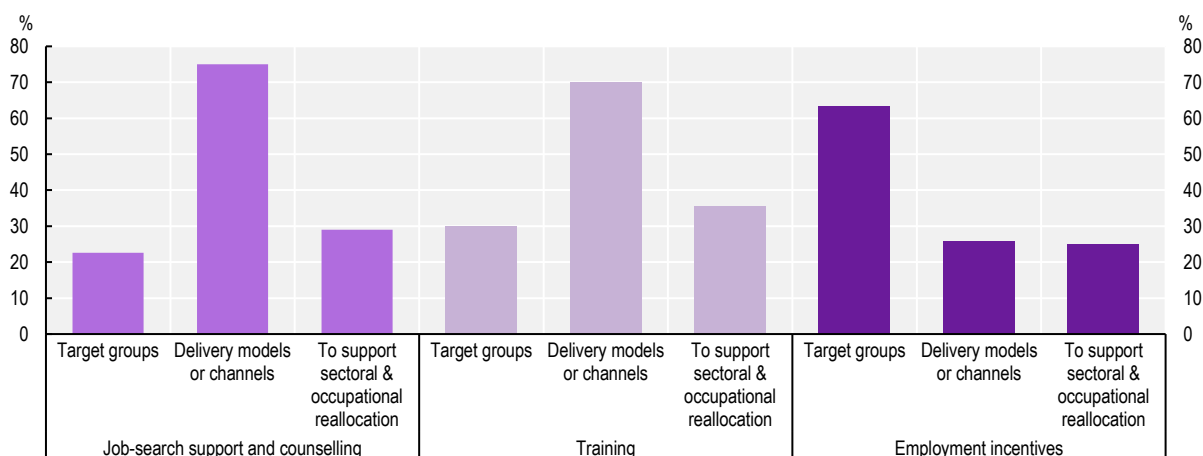
Despite enhanced digital service delivery, tailored solutions for certain individuals or groups were generally not introduced by Nordic countries. The pandemic risks leaving deep scars on some vulnerable groups of people who already faced multiple and complex labour market barriers pre-COVID. These groups require integrated, comprehensive and well-targeted support from the PES, as well as other institutions providing social, health and education services. In the Nordic region, adaptations to job-search support and counselling during the COVID-19 period were generally broad changes affecting all jobseekers – primarily seeing these services moved to digital or remote delivery. This kind of remote or digital engagement may not be the most suitable way to support these groups, who typically benefit more from personalised intensive support. Other groups with limited digital skills and partial or no means of access to digital services (i.e. no access to the internet or a device) may also have been left out during the period in which only digital service provision was possible and until in-person meetings resumed.

4.4. To respond to the new labour market landscape and the needs of their clients, Nordic PES took steps to expand and adapt the design of ALMPs

OECD countries made significant changes to their ALMP offerings to make sure that they were better suited to the needs of the labour market during the pandemic and provide better support to displaced jobseekers. Across the OECD, changes to ALMPs were most common in the areas of job-search support and counselling, training and employment incentives – with countries making a variety of adaptations, including to target groups, delivery models or channels and altering their offerings to better support sectoral and occupation reallocation (Figure 4.5 and (OECD, 2022^[1]).

Figure 4.5. OECD countries adopted a variety of changes to the design of ALMPs in response to the COVID-19 crisis

Share of OECD countries where the design is different in 2021 compared to pre-crisis (2019)



Note: For job-search support and counselling: statistics based on 32 country responses (excludes Canada, Colombia, Israel, the Netherlands, Norway and the United Kingdom); for training: based on 33 country responses (including Canada); and for employment incentives: based on 30 country responses (excluding Costa Rica, Germany, Mexico and the United States and including Colombia). Only ALMP categories with the largest changes are shown. The changes might have taken place either in 2020 or in 2021.

Source: (OECD, 2022^[1]), *OECD Employment Outlook 2022: Building Back More Inclusive Labour Markets*, <https://doi.org/10.1787/1bb305a6-en>.

StatLink  <https://stat.link/goa8mn>

Nordic countries also adapted their ALMP offerings to respond to the challenges of the COVID-19 pandemic. The policy mix and spread across the various categories of ALMPs varied within Nordic countries (Table 4.4) and was, in some cases, smaller in scope than seen on average across the OECD (OECD, 2021^[20]; OECD, 2022^[11]). For the most part, these changes in the Nordic countries primarily occurred in the latter stages of the pandemic, as societal and economic activity could gradually resume. This is because much of the day-to-day ALMP activity (outside of job-search support and counselling) was temporarily put on pause by Nordic countries in the early phases of the pandemic as a result of public health restrictions and due to the view within the region that such policies had limited potential in this crisis (particularly in 2020). Furthermore, the comparatively narrow ALMP response may have been impacted by the already high levels of investment in ALMPs pre-pandemic (as discussed in section 4.2.2), giving Nordic PES a comparatively stronger position in terms of capacity upon the onset of the crisis.

Nordic countries primarily altered ALMP measures already in place prior to the pandemic, with the introduction of entirely new policies or measures taking place to a far lesser extent (Table 4.4). They both expanded existing measures via additional resourcing and adapted their design to better respond to the new challenges brought about by the pandemic. Similar to the trend seen across the OECD on average, changes to ALMPs in the Nordic region were most commonly seen in the areas of job-search support and counselling, training and employment incentives.

Table 4.4. Nordic countries primarily expanded and adapted existing measures to adapt the ALMP provision during the pandemic period

Summary of main changes to ALMPs undertaken in response to the pandemic by country and type of change, March 2020-March 2022

	Denmark	Finland	Iceland	Norway	Sweden
Job-search support and counselling					
Expanded or adapted existing measure(s)	X	X	X	X	X
Introduced new measure(s)	X			X	
Training					
Expanded or adapted existing measure(s)	X	X	X		X
Introduced new measure(s)	X	X	X	X	
Employment incentives					
Expanded or adapted existing measure(s)	X		X	X	X
Introduced new measure(s)			X	X	
Start-up incentives					
Expanded or adapted existing measure(s)		X	X		X
Introduced new measure(s)					

Note: The ALMP categories of sheltered and supported employment and rehabilitation and direct job creation are not represented in this table, as no changes took place in these policy areas. Changes identified in the category of training also include non-ALMP or labour market training, primarily measures to facilitate access to mainstream education and training programmes for jobseekers while maintaining their benefit entitlements. The type of change to ALMPs is divided into two categories (expanded/adapted an existing measure or introduced a new measure), each represented by a different colour in the table.

Source: Information provided by national authorities through questionnaires and qualitative consultations.

4.4.1. Job-search support and counselling

Faced with public health restrictions on face-to-face interactions limiting the ability for PES to deliver their services in the typical in-person fashion, almost **nine in ten OECD countries implemented design changes to their provision of job-search support and counselling**. Similar changes were also seen in the Nordic region, where all five countries introduced changes to the provision of job-search support and counselling services. The majority of these changes centred on improving and expanding digital and remote service delivery to enable service continuity, including the introduction of digital counselling for the first time in **Denmark** – see previous section on adapting and changing PES operating models.

Norway made use of newly introduced digital job clubs to further assist jobseekers to find employment by promoting more active job search. The digital job club course takes place over a period of up to six weeks, focussing on providing knowledge on effective job search skills (including CV-writing guidance, interview training, information on different avenues for job search, etc.) and building self-motivation (including learning how to market your abilities to potential employers, enhancing motivation and self-esteem and developing a career plan). The digital job club comprises of tailored components, such as individual career guidance, and group-based activities, including group work and opportunities to share experiences with other jobseekers (NAV, 2022^[21]; NAV, 2022^[22]). These digital job clubs saw significant take-up, with almost 15 800 individuals participating in 2021 alone (this includes new registrants to digital job clubs and existing registrants to job club services that were changed to digital provision due to the pandemic).

Several Nordic countries also improved the prioritisation and targeting of job-search support and counselling. The Norwegian PES introduced an increased number of places for more intensive follow-up for those furthest from the labour market. In Finland, additional investments were made to employment services for young people, including extra funding to one-stop-shop guidance centres (*Ohjaamot*) for young people. In **Sweden**, prioritisation and targeting of job-search support and counselling evolved over the course of the pandemic. In the early stages, the Swedish PES ramped up job coaching (provided by

external job coaches) for newly unemployed jobseekers. In the spring of 2021, this focus transitioned to the long-term unemployed (jobseekers unemployed for 12 months or more); a cohort that was growing rapidly. Accordingly, the Swedish PES set out to increase the proportion of job-coaching services provided to the long-term unemployed. In doing this, the PES set a goal of allocating 80% of job coaching capacity to the cohort of long-term unemployed jobseekers (before spring 2021 the rate was approximately 60-70% newly unemployed).

4.4.2. Training and further education

Faced with a rapidly changed labour market, training measures formed a vitally important feature of the ALMP response across OECD countries. **Across the OECD, the expansion of training was widespread in efforts to upskill workers at risk of pandemic-related displacement and to assist in the reallocation of workers** (see Chapter 5 for further discussion of skills policies).

Across the OECD, and in the Nordics, training provision shifted to largely online provision following the onset of the COVID-19 pandemic. In the Nordic region, this proved to be a relatively smooth transition, due to the strong digital foundation in the countries prior to the pandemic. In addition to new delivery channels, Nordic countries also introduced specific short courses to meet urgent labour market needs. For example, Finland operated rapid retraining to displaced jobseekers for the agricultural sector, which was unable to obtain labour from abroad – a hiring approach common in the sector pre-COVID.

Several Nordic countries also made some efforts to better target training measures to groups most in need, including in Finland where EUR 60 million was allocated to enhance ALMPs, including training, for young people. Furthermore, Sweden changed the way labour market training was targeted as the pandemic and labour market situation progressed. In the beginning, training was targeted at newly unemployed jobseekers. However, later in the pandemic, because of rising long-term unemployment, the Swedish PES set a goal to increase the take-up of training among long-term unemployed jobseekers, primarily by attempting to actively channel them towards training measures.

In addition to changes to labour market training, **Denmark, Finland, Iceland and Norway facilitated take up of mainstream education and training programmes among unemployment benefit recipients** (as well as other people). Although not considered an ALMP, such initiatives improved access to formal (or higher) education for unemployment benefit recipients, a route that had not always been present prior to the pandemic. These initiatives are discussed in more detail in Chapter 5 (Section 5.2.1) and include temporary legislative changes in Norway and Finland to allow jobseekers to access training and higher education opportunities while maintaining their unemployment benefits. This facility has since been made permanent in the legislation in Norway.

These initiatives to enable access to education while in receipt of unemployment benefits were not without challenges in practice – which in turn had impacts on participation. The *Educational Lift* programme in Denmark and *Education as an Opportunity* in Iceland both sought to encourage jobseekers to upskill in areas of economic interest – particularly those sectors facing labour shortages at the time. In both countries, jobseekers could only take courses from a prescribed list – which may have proved too restrictive for some jobseekers. In addition, the Icelandic PES faced lower than expected participation in *Education as an Opportunity* likely due to combination of factors, including language requirements and the time-limited nature of the support, meaning that individuals who wished to continue this education for longer than one semester could only do so on a part-time basis for the remainder of their benefit eligibility or on a full-time basis unsupported by benefits. For many individuals, this would have required them to apply for student loans. Furthermore, many courses were only delivered in Icelandic, which may have acted as a barrier for some jobseekers.

The empirical literature on the effectiveness of ALMPs, including during times of crises (Card, Kluve and Weber, 2018^[4]), **supports the greater emphasis countries placed on training measures,**

especially during the early phases of the pandemic. Evidence surrounding long-term education and training programmes – such as those utilised by Nordic countries – indicates that participation can often be associated with lock-in effects. Findings indicate that participants are often less likely to accept a job offer and enter unsubsidised employment (as a result of reduced job search intensity) while undertaking the programme (OECD, 2021^[20]; Forslund, Fredriksson and Vikström, 2011^[23]). However, during times of economic downturn and reduced vacancies – as was the case during the height of the COVID-19 pandemic – such lock-in effects are less important. While Iceland’s efforts to incentivise longer-term education uptake amongst jobseekers came quite late in the pandemic (in early 2021), the time-limited nature of the measure (with jobseekers only supported by unemployment benefits for one semester) meant that the heightened risk of lock-in effects due to the delay in the intervention were likely diminished.

4.4.3. *Employment Incentives*

Employment incentives aim to stimulate labour demand by incentivising and supporting the recruitment of jobseekers, often belonging to some target groups. **Employment incentives featured strongly among the ALMP response of most Nordic countries**, with activity in this area most commonly taking the form of adaptations to pre-existing initiatives. The use of employment incentives by Nordic countries largely took place in the later stages of the pandemic in order to promote the labour market recovery and as public health restrictions were gradually eased:

- The **Swedish** PES operated a dual-phase approach to the COVID-19 pandemic. Following the first phase (which focussed on digital job coaching and training of newly unemployed persons), the second phase aimed to address rising long-term unemployment. A key component of this phase was employment incentives, with the Swedish Government boosting the funding of such programmes from spring 2021 in order to incentivise employers to recruit individuals unemployed for 12 months or more. This additional funding facilitated the extension of the maximum duration of employment incentives from 24 to 36 months and the number of staff in the PES working to actively steer and prioritise long-term unemployed jobseekers towards these opportunities. In general, these were pre-existing employment incentive programmes, including the *Nystartsjobb* (new start jobs) and *Introduktionsjobb* (introductory jobs) measures which are primarily targeted at the long-term unemployed and newly arrived immigrants. Despite these changes to these measures, take-up was significantly below pre-pandemic levels. Approximately 50 800 and 51 200 individuals participated in *Nystartsjobb* in 2020 and 2021 respectively, below the pre-COVID participation level of over 63 100 in 2019. The take-up for *Introduktionsjobb* followed the same trend, but with comparatively smaller participation levels – with around 21 500 and 25 900 participants in 2020 and 2021, respectively, compared with 34 200 in 2019. In addition to the long-term unemployed, newly arrived immigrants are also part of the target group for both of these measures. A further employment incentive *Etableringsjobb* (entry jobs) is also under development, with the same target groups. This new scheme, originating from a social partner proposal, will see the subsidy paid to the individual rather than to the employer. While such initiatives are welcome, the numerous initiatives with overlapping target groups suggests a potential to consider the consolidation of some of these supports. This would be simpler for both employers and jobseekers interesting in participating and could leave room for the development of new initiatives for other target groups not captured by the current offering.
- In attempts to tackle the high numbers of young people who registered as unemployed during the COVID-19 pandemic, many with little or no work experience, the **Norwegian** PES introduced a summer job initiative in 2021 (*Sommerjobb*). This was a targeted subsidy to public and private sector enterprises that provided young jobseekers (aged 16 to 29) with work experience opportunities. Priority was given to long-term unemployed youth or those with reduced capacity to work. The goal was to help them with their future educational and career trajectories and to motivate them to continue to participate actively in the labour market. The Norwegian PES covered

50% of the young person's salary, or 75% of the salary for persons with reduced capacity to work, for up to four weeks and offered follow-up support to the participant during their time in the workplace (NAV, 2021^[24]; NAV, 2022^[25]). This programme saw 634 participants in 2021, a relatively small number in comparison to the number of young people (under 25 years) who took part in employment incentives in Norway prior to the pandemic (3 395 in 2019). Low take-up could be possibly explained by the limited duration of the subsidy, with young jobseekers and employers alike potentially having a preference towards longer-term employment opportunities.

- Similar to Sweden, the **Icelandic** PES pivoted its focus in spring 2021 to the use of employment incentives to encourage the recruitment of jobseekers in the recovering labour market. Through a newly introduced *Let's work* initiative, largely built on a pre-existing support, employers in Iceland could obtain wage support for up to six months per unemployed individual. To be eligible, employers had to – among other things – pay the employee's wages according to collective agreements and already have at least one employee working in the company. The amount of the subsidy was equal to the rate of unemployment benefit for individuals unemployed for six months or longer and half the rate of unemployment benefit for individuals unemployed for 3-6 months, with the employer paying the difference between the wage and unemployment benefits to the worker. In some cases, such as in the case of a person with a disability, there was a possibility for the subsidy to be extended beyond the six-month time limit. In addition to being available to private sector employers, the support was also opened up to NGOs and municipalities to participate, something that had never been previously possible but was implemented due to the unique nature of the crisis. Take-up for this initiative was positive, with over 7 800 jobseekers hired through the scheme in 2021 (316 of which were hired by NGOs and municipalities).
- Also in response to rising long-term unemployment, **Denmark** initiated a package of initiatives worth just over DKK 159 million (Beskæftigelsesministeriet, 2021^[26]). This suite of measures aimed to assist long-term unemployed jobseekers back into the labour market and included, inter alia, additional funding to an existing wage subsidy to those employers who recruit a jobseeker over the age of 50.

4.4.4. Start-up Incentives

Approximately one in five OECD countries expanded supports for jobseekers interested in becoming entrepreneurs, to support job creation as economies began to recover (OECD, 2021^[12]; OECD, 2021^[20]). **Start-up incentives, although small in scale and not a widespread component of ALMP provision all Nordic countries, were also adapted during the COVID-19 pandemic.**

In **Sweden**, the maximum duration of the financial support provided to jobseekers who start a business was temporarily extended from six to 12 months during the pandemic period. Through this scheme jobseekers receive, in addition to business advice and guidance, an activity grant that is equivalent to the amount of unemployment benefit for the duration of the programme to help them get their business off the ground (Arbetsformedlingen, n.d.^[27]; Verksamhet, 2022^[28]). By extending the duration of available support, take-up of these initiatives was sustained during the crisis period, with 4 352 and 7 532 beneficiaries in 2020 and 2021 respectively – both higher than the pre-COVID level of 4 222 seen in 2019. Similarly, **Finland** opted to increase the maximum duration of their start-up support for jobseekers from 12 to 18 months; a policy that remained in force until 31 December 2021 and saw 3 819 beneficiaries in 2020 and 4 392 in 2021. In **Iceland**, the PES adapted existing start-up incentives by expanding the target group – extending eligibility to foreign jobseekers. On average over 6 500 and 6 000 jobseekers benefited from these start-up incentives in 2020 and 2021, respectively, a significant increase on the pre-pandemic level of 2 600 seen in 2019.

4.4.5. Key takeaways

Nordic countries changed their ALMPs in response to the pandemic to a lesser degree than was typically seen across other OECD countries. Changes to ALMPs implemented by Nordic PES were mainly introduced in the later stages of the pandemic and largely focussed on scaling up or adapting pre-existing measures. In addition, these changes to ALMPs were narrower in some Nordic countries compared to other OECD countries, taking place across fewer ALMP categories. The decisions behind this approach may be partially linked to the already higher investment in ALMPs in these countries prior to the pandemic and the prioritisation of unemployment benefits and job retention schemes among Nordic countries, particularly in the early phases of the pandemic (Section 4.2.2).

Nordic PES made changes to further facilitate access to formal (or higher) education to jobseekers while maintaining their benefit entitlements in countries where this was previously not possible. This trend is well aligned with evidence from many countries around the world which shows that training programmes tend to be particularly effective in bringing people back to employment, especially during times of crises, where lock-in effects are limited. These opportunities in the Nordic countries, while often limited to learning in areas of economic interest, were primarily targeted towards formal higher education routes, which typically take multiple years to complete and generally require at least secondary-level education. As a result of this, as well as the overly restrictive course lists in some countries (which precluded jobseekers wishing to study in other areas or those with insufficient language skills or prior education from participating), take-up of some of these offers was often limited and below PES expectations.

The use of start-up incentives in the COVID-19 response was more common in Nordic countries than on average across the OECD. Sweden, Finland and Iceland – the only Nordic countries where start-up incentives form part of the ALMP mix – all made changes to existing initiatives by altering the targeting and maximum duration of supports. Take-up of these measures was strong and generally exceeded pre-pandemic levels.

Nordic countries did not introduce measures to target vulnerable groups specifically, instead introducing largely broad measures. While some broad measures can also be useful for vulnerable groups, comprehensive targeted supports are essential in supporting their successful labour market integration (OECD, 2021^[29]). Furthermore, the design of some measures (including associated prerequisites) may have precluded some persons from vulnerable groups from being able to participate – this includes the access routes to education introduced in several Nordic countries. For certain individuals in vulnerable groups, particularly those facing significant barriers to work, such education routes are generally not suitable. The same can also be said for the various employment incentives introduced by several Nordic countries. These broad measures largely focussed on providing the financial incentive for employers to recruit jobseekers and in most cases did not incorporate coaching and training for participants – elements that are important in generating positive outcomes for vulnerable groups (OECD, 2021^[29]).

Changes to ALMPs made in response to the COVID-19 pandemic were initially intended to be temporary. However, several Nordic countries have seen benefits to some of these measures, opting to make them permanent – including in further enhancing digital services. Examples here include the facility for jobseekers in Denmark to choose whether to engage with the PES in-person or digitally once they reach six months unemployment – an option that was not possible before the pandemic. In addition, in improving access to education and training for jobseekers, Norway has made permanent the ability to combine benefits with education and training. Furthermore, based on positive experiences both on the side of the PES and on the side of clients, many countries are continuing to invest in digitalisation efforts and in the IT infrastructure of the PES. This included the introduction of a new PES IT system in Iceland in May 2022 to improve matching and profiling capabilities, among other things. Finland also launched a new service in May 2022 – the *Job Market Finland*. This new online service, which has been light-heartedly described as the “Tinder of the labour market”, marked the first steps to further enhance digital employment

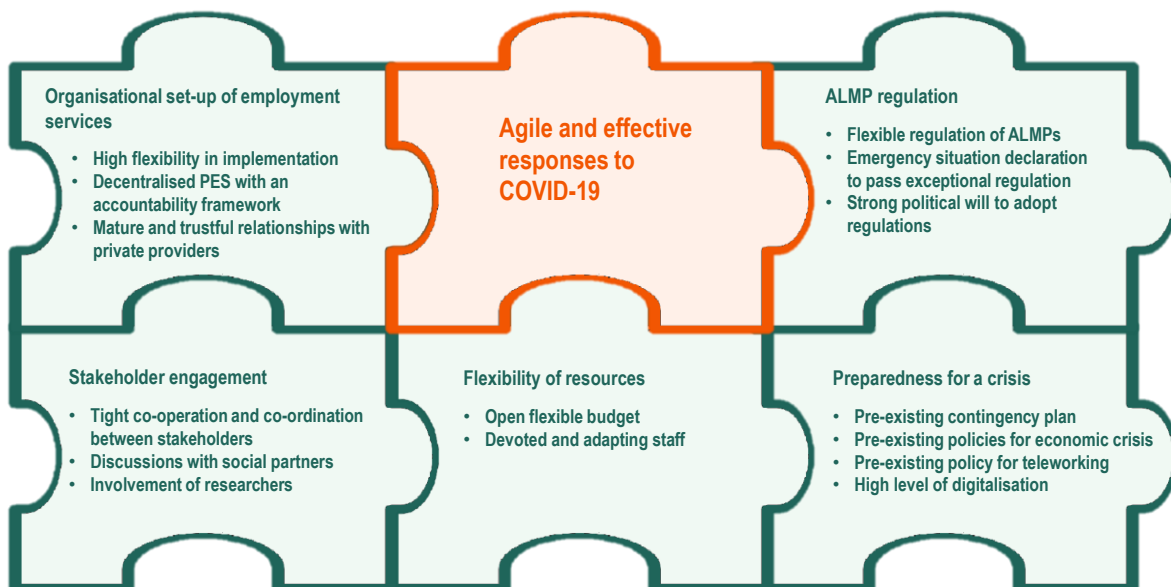
services in Finland. At present, it primarily encompasses an online job-matching service for jobseekers and employers.

Much of the changes to ALMP measures initiated by Nordic countries over the course of the pandemic were focused, directly or indirectly, on jobseekers displaced by the COVID-19 pandemic, with those unemployed before the crisis becoming a lesser priority. Consequently, long-term unemployment as a share of total unemployment rose during the pandemic period in some Nordic countries. Targeted initiatives to proactively help those who were unemployed before the pandemic and over the course of the crisis from becoming long-term unemployed were generally not present in the policy mix. Instead, countries largely took action to address the problem after levels of long-term unemployment began to rise. This meant these individuals were disadvantaged by the significant reduction in ALMP activity in the early days of the pandemic. While the prevalence of long-term unemployment has returned to pre-COVID levels in several Nordic countries, the region still faces a significant challenge in fully integrating those people who are still unemployed (including long-term unemployed individuals) into the labour market – driven by the skills mismatch, acknowledged by many Nordic PES, between their clients and prevailing labour shortages.

4.5. The institutional set-up of ALMP systems is a key determinant of the ability to respond to a crisis in an agile and effective manner

Certain key features of ALMP systems were very important in determining the ability to respond in an agile and effective way to the labour market challenges of the pandemic. Among these features is the organisational set-up of employment services, the regulatory set-up of ALMP provision and the level of stakeholder engagement (OECD, 2021^[20]). This section explores these elements by providing an overview of the institutional set-up in Nordic ALMP systems, while highlighting the role played by the social partners.

Figure 4.6. Key features of ALMP systems for agile and effective responses to COVID-19



Source: OECD (2021^[20]) *OECD Employment Outlook 2021: Navigating the COVID-19 Crisis and Recovery*, <https://doi.org/10.1787/5a700c4b-en>.

4.5.1. The institutional set-up of ALMP provision gives Nordic countries some flexibility

Countries' ALMP and PES responses to the COVID-19 pandemic depended in part on their institutional set-up of ALMP provision. Both the organisational set-up (i.e. how different institutions are involved in the provision of ALMPs) and the regulatory set-up (i.e. how the rules for the design and delivery of ALMPs are set) influence a country's ability to swiftly adapt ALMPs to new circumstances (Lauringson and Lüske, 2021^[11]). For example, if delivering the necessary responses to changing circumstances requires complex legislative changes, the response is likely to be slower than in more flexible set-ups. **Especially in times of a crisis, such as the COVID-19 pandemic, systems with a high degree of organisational and regulatory flexibility can be at an advantage.**

The organisational set-up of ALMP provision varies markedly across countries in the Nordic region, but in each country in the region, certain factors in the system allow for flexibility (Table 4.5). Iceland has a PES with a tripartite management body, while Denmark has a decentralised PES with a national co-ordinating agency (*STAR*). **In both Iceland and Denmark, the PES has a comparatively high degree of autonomy, which can contribute to swift and well-tailored responses to crises.** For example, in both countries, PES independently manage the daily implementation of ALMPs, as well as the co-ordination and co-operation with other stakeholders part of the ALMP system (Lauringson and Lüske, 2021^[11]).

Table 4.5. Key characteristics of the institutional set-up of ALMP provision in the Nordic countries

	Denmark	Finland	Iceland	Norway	Sweden
Organisational set-up					
Structure of PES	Decentralised PES with national co-ordinating agency	PES is an agency under the Ministry	National level PES with tripartite management body	PES is an agency under the Ministry	PES is an agency under the Ministry
Leading role for daily implementation of ALMPs	PES	PES and Ministry	PES	PES	PES and Ministry
Relevance of private employment service	Low	High	Medium	High	High
Regulatory set-up					
In how many different types of regulation are conditions for specific ALMPs set?	2	2	1	1	1
Are (some or all) conditions for specific ALMPs set in a regulation that has to be adopted by parliament?	Yes	Yes	No	No	No

Source: Lauringson and Lüske (2021^[11]), "Institutional set-up of active labour market policy provision in OECD and EU countries: Organisational set-up, regulation and capacity", <https://doi.org/10.1787/1815199X>.

In Finland, Norway and Sweden, PES are agencies under a Ministry (or fully managed by a Ministry), leaving less autonomy for the PES. Nevertheless, if implemented properly, such systems can enable quick centralised decisions on ALMP provision in line with national priorities. In addition, all three countries contract out some ALMPs which can increase their ability to scale up or down employment services flexibly according to changing needs. Furthermore, Sweden is in the process of an important PES reform which will see further reliance on contracted service providers. For instance, contracting out employment services can augment the maximum capacity for employment services temporarily to cope with sudden spikes in the number of jobseekers (e.g. at the onset of a crisis) without hiring new PES staff, and thus without the need to make long-term financial commitments (Langenbucher and Vodopivec, 2022^[30]).

Besides the organisational characteristics of ALMP provision, an ALMP system with an agile regulatory setting can also play an important role in responding in a swift and effective way to a crisis (Lauringson and Lüske, 2021^[11]). **Iceland, Norway and Sweden have agile ALMP regulatory systems** that are both lean (only one type of regulation governs the ALMP system) and flexible (conditions of specific ALMPs are not adopted by parliament). **In Denmark and Finland, the regulation pertaining to ALMPs is comparatively more entrenched**, seeing conditions of ALMPs set in two types of regulation and in acts adopted by parliament. Having more steps in the process to amend ALMPs in turn adds to the time it takes to enact changes. This was particularly evident in Denmark in the early days of the COVID-19 crisis when the ALMP regulatory system could not match the pace of the rapidly evolving crisis. To overcome this issue more widely, including to enact quicker changes in the health sector, Denmark put in place temporary legislation to circumvent this lengthy regulatory process. In particular, the temporary arrangement meant that pandemic measures were discussed every four weeks. While this sped up the regulatory process, the practical implementation on the ground was more difficult, with job centres overwhelmed with the many rapid changes that took place in quick succession.

4.5.2. Social partners play an important role in Nordic ALMP systems, including during the COVID-19 crisis

As representatives of workers and employers, social partners can bring important insights and provide valuable input to ALMP systems. Through their members, they often have an up-to-date understanding of what is happening in the labour market, which is of high relevance to PES as they seek to align their ALMP provision with the situation on the labour market. With strong involvement in unemployment benefit systems (Chapter 3), the organisation of job retention schemes (Chapter 3) and the formulation of skills policies (Chapter 5), ALMPs represent the area of labour market policies studied in this report where social partners in the Nordic region are the least involved. Despite this, **social partners still do play an important role in the majority of Nordic ALMP systems – a role that extended to the COVID-19 crisis.**

Across the Nordic countries, social partners are involved in the ALMP system to varying degrees (Table 4.6). **Denmark and Iceland see a very high level of formal social partner involvement in the ALMP system**, as social partners supervise the PES and advise the ministry, while in Finland, Norway and Sweden, social partners are not formally part of the ALMP system, but participate in discussions as needed on an ad hoc basis (Lauringson and Lüske, 2021^[11]).

Table 4.6. The role of social partners in the ALMP system varies across Nordic countries

Role of social partners in the institutional set-up of ALMP provision

	Social partners advise the ministry (via an advisory body)	Social partners supervise the PES	Social partners advise the PES (via an advisory body)	Social partners are not formally part of the system, but they are involved in the discussions as needed
Denmark	X	X	X	
Finland				X
Iceland	X	X	X	
Norway				X
Sweden				X

Source: OECD (2021^[12]), *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covid19.pdf>; Lauringson, A. and M. Lüske (2021^[11]), "Institutional set-up of active labour market policy provision in OECD and EU countries: Organisational set-up, regulation and capacity", *OECD Social, Employment and Migration Working Papers*, No. 262, <https://doi.org/10.1787/9f2c5aa5-en>.

Denmark has a significant track record of strong social partners and a high degree of stakeholder involvement (including social partners) in the ALMP system (OECD, 2021^[31]). The social partners have established advisory and supervisory roles in the Danish ALMP system, at a national, regional and local level. Due to these embedded roles, the proposals and inputs put forward by the social partners in Denmark are more or less systematically taken into account in the design of policies and are formalised by social partner involvement in the following bodies in Denmark (STAR, 2021^[32]):

- *National level:* The *Employment Council (BER)* – advises the Minister of Employment on employment policy), the *Board of Supervisors* (advises the Minister of Employment on STAR's supervisory activities) and various inter-ministerial working groups (working on national strategy co-ordination).
- *Regional level:* The eight *Regional Labour Councils* which seek to enhance co-ordination and to foster dialogue between municipalities and other actors, including unemployment insurance funds, businesses and vocational education and training (VET) centres, etc.
- *Local level:* No legal entities, but social partners are involved in informal bodies that have representatives from the business community, trade unions and educational institutions.

In addition to a strong relationship with the ministry, the social partners also have a high level of engagement with the Danish PES (*STAR*). During the pandemic, discussions between the social partners and the PES benefitted from a pre-existing group that met regularly to discuss social partner priorities and potential response measures. This existing group and established relationship of trust allowed for swift engagement and thus made it easier to gather consensus for new measures, which would have otherwise taken too long to co-ordinate in a crisis situation if no relationship had existed pre-COVID. This ongoing engagement approach proved effective and was very well received by the social partners. The approach to co-operation has continued in the recovery process with the Danish Government, the social partners and Local Government Denmark (*KL*) establishing a tripartite agreement to address the challenge of labour shortages (STAR, 2021^[33]), which is an issue common to many OECD labour markets post-COVID. The October 2021 agreement puts in place a package of DKK 84.6 million to tackle the challenge, focusing on – inter alia – enhancing jobseeker-employer matching and improving measures to support the labour market re-integration of older jobseekers.

Similarly, **Iceland** too sees formal social partners involvement in the ALMP system. At a national level, this is bolstered by social partners membership in the board of the Directorate of Labour (Icelandic PES). The role of the board, which is appointed by the minister, is to discuss and monitor the work and budget of the Directorate (*Vinnulastofnun*, n.d.^[34]). The board also manages policy decisions in the area of labour market measures and reports annually to the minister on the labour market situation and impacts of policies. In addition, this is bolstered at the regional level by the Labour Market Councils in each of Iceland's regions, which include members from both worker and employer representative organisations (*Stjórnarráðið*, n.d.^[35]; OECD, 2021^[36]). While these regional councils have no decision-making power, they must report to the Board of Directors in November of each year on the state of the regional labour market. In addition, they make non-binding proposals for the provision of ALMPs for the following year. Close engagement between the social partners and the ministry and PES also takes place outside of these structures, via other working groups and ad hoc discussions on different topics as needed, including on a more intensive basis during the pandemic. Furthermore, the legislation surrounding ALMPs and labour market policy more widely is currently under revision, focussing – inter alia – on simplifying and digitalising the system. This reform, which is expected to go before the Icelandic Parliament in 2023, is a joint initiative of the Icelandic Government, Directorate of Labour and social partners.

In Finland, Norway and Sweden, where social partners are not formally involved in the ALMP systems, the way in which ad hoc conversations typically took place during the pandemic differs greatly between countries. In **Finland**, in addition to informal discussions, a special “high-level group” was established to monitor the COVID-19 situation and to foster the discussion between the ministry and the social partners.

In addition, the social partners have also been involved in discussions on ongoing PES reform. This highlights that although the social partners have no formal role in Finland, their expertise and voice was acknowledged during the pandemic, and in other key moments such as wider reforms, by creating a forum for regular discussions. In **Norway**, the social partners were not involved in the defining of rules or designing of ALMP response measures during the pandemic but were involved in public hearings and invited to contribute to or provide feedback on draft legislation and proposals by the ministry on an ad hoc basis. Despite not being a formal part of the system in Norway, co-operation and dialogue was well-established prior to the pandemic, including via a discussion forum with the Ministry of Employment. This existing relationship and an established high level of trust facilitated smoother and more frequent dialogue during the crisis period. Finally, in **Sweden**, much of their ALMP response was focussed on adapting and expanding existing labour market measures. The social partners were only very partially involved in these discussions, with engagement with the ministry remaining ad hoc during the crisis period. However, the social partners have taken a bigger role in more recent discussion of new developments such as the entry jobs scheme (*etableringsjobb*) – an employment subsidy or incentive programme – which began as a social partner initiative in 2018 and is currently in development.

The institutional set-up of ALMP systems in Nordic countries, including the involvement of the social partners, enabled a swift response to the COVID-19 crisis. Nordic countries and their PES were, in general, able to enact relatively swift changes to respond to the crisis – including regulatory and legislative changes where relevant. This included changes to operating models, the design and set-up of services/measures, jobseeker requirements and financial and human resources. Decisions around changes to ALMPs and PES often included the social partners, even in Nordic countries where the social partners are not formally part of the ALMP system – including in autonomous territories such as the Åland Islands (see Box 4.3). The speed at which countries could respond was undoubtedly shaped by the institutional and regulatory set-up of their PES. Even in Denmark, with a heavily regulated ALMP environment, solutions were found in the shape of emergency laws to circumvent the rigorous regulatory processes and to enable swift changes as the crisis evolved. Therefore, the **ALMP systems of Nordic countries in general already had in place the key elements for an agile and effective response to the COVID-19 crisis** (as set out in Figure 4.6) – including flexible organisational set-ups of employment services, flexible ALMP regulation, strong stakeholder engagement (aided by pre-established relationships and trust) and flexible resources (both human and financial).

Box 4.3. Spotlight on how strong stakeholder co-operation in the Åland Islands enabled an agile and co-ordinated response to the COVID-19 pandemic

The Åland Islands and archipelago – a self-governing autonomous part of Finland – is made up of 6 757 islands and is home to over 30 000 inhabitants, having experienced population growth since the 1970s. Greatly reliant on the flow of people and goods to and from Finland (via water transit), the declaration of a state of emergency by Finland in March 2020 and resultant border restrictions impacted Åland greatly. Sprung into action, the Åland Government quickly established an emergency taskforce with all relevant stakeholders (including financial institutions, Chamber of Commerce, etc.), which in the very beginning met as frequent as once or twice daily. In response to the evolving crisis situation an emergency budget was introduced on 28 March 2020, the largest budget in Åland's history, along with the necessary legal framework to facilitate the implementation of policy responses that required new or adapted legislation.

Among the first decisions made was the introduction of liquidity supports for firms, based on a joint commitment among the taskforce to avoid all possible bankruptcies. This was particularly important to Åland authorities, given the high percentage of firms with less than four employees (half of Åland's approximately 2 300 firms).

By the end of April 2020, *Ålands arbetsmarknads- och studiestjänstemyndighet* (AMS, Åland's PES) had 1 945 individuals signed on as jobseekers – compared to 566 jobseekers in February 2020. This inflated the unemployment rate to 12.9% by Q2 2020, a significant jump from 3.6% in Q4 2019 (see Box 2.2 in Chapter 2 for further information on the labour market impact of the crisis on the Åland Islands). To protect the incomes of displaced workers, an elevated rate of unemployment benefit was introduced for three months. In the context of public health restrictions, PES offices were closed to the public and engagement with clients was done remotely (primarily by phone and e-mail). This new mode of service delivery worked well for both the PES and clients alike and has resulted in increased remote delivery and a permanent change to PES office opening hours (which from autumn 2021 have re-opened for reduced hours over three days per week, as opposed to five days pre-COVID).

Given the seasonal economy and labour market in Åland due to the large tourism sector, an employment incentive was introduced to assist during the more difficult winter period – a response jointly designed by the government and Chamber of Commerce. The programme had already been in place prior to the pandemic but was scaled up to increase the hiring of unemployed jobseekers between November 2020 and June 2021 and again during low season between November 2021 and June 2022. In addition, a further employment incentive was introduced during the summer period to promote the hiring of young jobseekers during the tourist season.

Overall, the strong relationships and high level of trust present in Åland between the government, the social partners, banks and businesses was hugely beneficial in responding to the COVID-19 crisis. Rather than a top-down approach with government drafting proposals for stakeholder consideration (which usually happens in normal times or in previous crises), COVID-19 response measures were developed together with the social partners and other relevant stakeholders. The already close-knit society created a common goal towards resilience, with people wanting to be part of the solution – highlighting that effective stakeholder relationships and collective decision making can create agile solutions to a crisis that are informed by a wider range of expertise and are transparent to citizens.

Source: Consultations with stakeholders from the Åland Islands; Åsub (2023^[37]), “Åland FAQ”, <https://www.asub.ax/en/aland-faq>.

4.6. Evaluating the effectiveness of the ALMP changes introduced during the pandemic will be crucial to draw lessons for the future

Designing policies and services informed by evidence should be a crucial component of the policy making process and in understanding “what works” (OECD and European Commission, 2018^[38]). Evidence-based policy making can help ensure the quality, accessibility suitability of services, while striving to make more efficient and effective use of public finances (OECD, 2021^[20]). In the context of the COVID-19 pandemic, such activities are of utmost importance in ensuring that those policies introduced and adapted had their desired impacts and that those that did not or proved inefficient are subsequently modified or brought to an end. Furthermore, this can help countries to better respond to future crises and enhance contingency planning.

One key activity central to evaluating the effectiveness of programmes, and understanding what works and for who, is the undertaking of counterfactual impact evaluations. Counterfactual impact evaluations seek to ascertain changes in outcomes of programme participants that can be credited to the programme and not external factors (OECD, 2022^[39]; OECD, 2022^[40]). Participants and non-participants are compared on selected observable characteristics (e.g. demographic characteristics, education, employment history, age, etc.) in order to estimate the “treatment effect” or the causal effect of programme participation, with outcomes of participants (or the treatment group) compared with the similar group of non-participants

(control group). An econometric approach is then employed to ensure the treatment and control groups are comparable and to yield unbiased results.

In having the supporting infrastructure to facilitate evidence-based policy making, **Nordic countries undertake relatively high levels of routine activities to link register data that are relevant for the evaluation of ALMPs**. Denmark routinely links external registers, its own registers and surveys; Norway and Sweden routinely link external and its own registers; Finland routinely links its own registers (OECD, 2020_[41]).⁸ Denmark, Sweden and Norway link administrative data for the specific purpose of conducting impact evaluation. In Finland on the other hand, linked administrative data are largely employed for the production of statistics and monitoring activities. This is similar to Iceland where the relative performance of the labour market and ALMPs is assessed via monitoring statistics, high-level analysis and surveys conducted by the PES (OECD, 2021_[36]). Rapid access to data (including up-to-date data on ALMPs, which were difficult for some countries to provide for this project) and systematic exchange with relevant institutions is crucial to the provision of effective employment services – particularly in a crisis period, where the situation is evolving rapidly.

In practical terms, the existence of this infrastructure enabling widespread availability and easily linkable administrative data in **Denmark** has led to a significant body of literature on impact evaluations of Danish labour market policies (OECD, 2020_[41]). In furthering the availability and reach of information on the impacts of particular labour market policies, the Danish PES (*STAR*) developed the *Jobeffekter.dk* research database in 2013 in co-operation with a number of independent researchers. This knowledge bank is regularly updated, providing timely insights into what works in labour market policy. In addition, all uploaded research is subject to an assessment which checks, among other things, the researcher's analytical method and whether it has been published in a scientific journal. Similarly, in **Sweden** the dedicated Institute for Evaluation of Labour Market and Education Policy (IFAU), established in 1997, has published a wealth of information using Swedish linked administrative data. The Swedish authorities also work with IFAU researchers to embed evaluations into the design of programmes they are piloting. For example, they currently are trialling different payment schemes for outside providers in a pilot programme of contracted-out employment services.

In **Finland**, research regarding ALMPs, including impact evaluation activities, is fragmented due to the decentralised organisational set-up of the Ministry of Economic Affairs and Employment. This means that the responsibility for analysis and research is scattered across the Department, instead of taking place in a single dedicated unit. Despite this, the rich data available means that counterfactual impact evaluations have been undertaken for most key Finnish ALMPs. However, there is scope for improvement, in particular, by systematically conducting cost-benefit analyses (OECD, 2023_[42]). Furthermore, the application of evidence to inform policy is not always routine. Finland generally engages in experiments and pilots before rolling out widespread reforms, however recent reform to the institutional framework of ALMP provision was decided on before the evaluation results were available.

The use of evidence to inform policy making should also extend from active labour market measures to digital services, tools and processes used by PES in the provision of ALMPs, including those implemented or used to a greater degree during the COVID-19 pandemic and aftermath. While Nordic PES do engage in customer satisfaction surveys and high-level monitoring, systematic and rigorous monitoring and evaluation of digital services and tools are not as common as studies into the impact of ALMPs more generally. Therefore, monitoring and evaluation frameworks should be extended to encompass the digitisation of employment services. This will allow Nordic countries to better understand the impact of such digital tools and services, including the impacts on service accessibility and different groups within the client base to ensure that nobody is left behind (OECD, 2022_[13]). The use and impact of tools available to PES counsellors aiming to facilitate service provision should also be subject to rigorous evaluations.

Overall Nordic countries are quite advanced compared to many OECD countries in the linking and use of administrative data to conduct impact evaluations of ALMPs, however there is scope for further improvements. While counterfactual impact evaluations of ALMPs are systematic in some Nordic countries, others could take further steps to better leverage administrative data for this kind of analysis. For example, Canada established the Labour Market Program Data Platform (LMPDP), which is a linked data platform bringing together a wealth of data on ALMPs and beyond (including data from the Canada Revenue Agency) and enabling efficient use of administrative data for evaluation purposes (OECD, 2022^[43]). Furthermore, there is room for the Nordic countries to improve the impact of such evaluations in directly influencing decision- and policy making. Moreover, it is important that they consider expanding the scope of evaluations to ensure that digital technologies, tools and processes used by PES to assist service delivery are also subject to the same regular and systematic evaluations to ensure their effectiveness in helping clients.

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Notes

¹ The ALMP classification is defined by the methodology of the OECD Employment and Labour Market Statistics database (<https://doi.org/10.1787/data-00312-en>) and the European Commission Labour Market Policy database (<https://ec.europa.eu/social/main.jsp?catId=738&langId=en&pubId=8126&furtherPubs=yes>).

² This section reports trends in the ALMP expenditure in the Nordic region, making use of the OECD/EC Labour Market Programme Database. All Nordic countries except Iceland participate in this data collection. In addition, due to the time lag present in this database, latest ALMP expenditure data available at the time of writing is for the year 2020 and thus only capture the height of the pandemic period.

³ Expenditure levels presented and associated comparisons drawn are a share of GDP and do not take account of differing unemployment levels across Nordic and OECD countries.

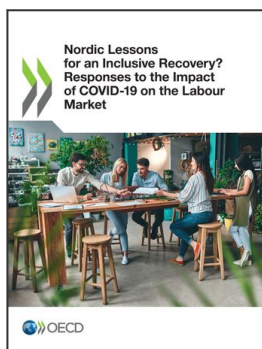
⁴ In Figure 4.3 and associated text, the OECD average excludes Colombia, Costa Rica, Greece, Iceland, Israel, Korea, New Zealand, Türkiye and the United Kingdom where there are no or incomplete data.

⁵ While Nordic countries on average typically outspend the OECD average in all categories of active labour market measures except direct job creation and start-up incentives, differences within countries mean that this trend does not hold true for all Nordic countries. In 2019, Sweden and Norway spent less than the OECD average on training and Norway matched OECD spending on employment incentives.

⁶ Expenditure on category 4 (Employment Incentives) excludes category 4.2 (Employment maintenance incentives) due to the inclusion of furlough-type schemes in category 4.2 in some countries that were particularly prevalent during the pandemic period.

⁷ Due to the decentralised nature of the Danish PES and the provision of ALMPs by municipalities, statistics for staffing levels were not available for Denmark.

⁸ Status for Iceland is unknown. Source: 2018 OECD-EC questionnaire.



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