Budapest Institute

TARGETING AND IMPACT EVALUATION OF ACTIVE LABOUR MARKET PROGRAMMES

Executive summary

The Budapest Institute evaluated the targeting and outcomes of five mainstream EU-funded active labour market programmes (ALMPs) organised within the framework of the Hungarian Social Renewal Operational Programme (SROP).[1] The evaluation was commissioned by the National Development Agency (NDA).[2] The programmes were implemented between 2009 and 2013, and absorbed 56% of all SROP funds spent during this period.

The Hungarian employment rate is 6-7 %point lower than the EU-27 average and this gap is mostly explained by the low participation rate of unskilled and older workers. According to previous studies, low employment can be traced back to the distortions of the Hungarian labour market, and may only be solved by a long-term labour market strategy targeting labour demand and supply at the same time. The five programmes we analysed included incentives for both demand and supply.

Three of the programmes[3] provided a personalised combination of subsidies and services, such as labour market counselling, mentoring, vocational training and wage subsidies. The fourth, *Start* (SROP 1.2.1) programme offered wage subsidies, and lastly, the *One step ahead!* (HRDOP 3.5.3 & SROP 2.1.1) [4] provided general or vocational training to participants who had primary education or less, and in exceptional cases, vocation retraining to those with a vocation considered outdated.

We examined the targeting and employment effects of the programmes using an individual-level dataset consisting of the unemployment and employment history of all the participants entering the programmes before December 2010 and comparable control groups. In particular, the programme participation databases and the

[1] In Hungarian: Társadalmi Megújulás Operatív Program (TÁMOP)
[2] In Hungarian: Nemzeti Fejlesztési Ügynökség (NFÜ)
[3] SROP 1.1.1, SROP 1.1.2, SROP 1.1.3
[4] HRDOP stands for the Human Resources Development Operational Programme . In Hungarian: Humánerőforrás-fejlesztési Operatív Program (HEFOP)

unemployment registry of the National Labour Office (NLO)[5] linked with the administrative reports of newly hired employees[6] formed the base of our dataset.

Table 1: Details of the programmes

Programme	Duration of the programme	Entry/exit periods in the NLO database	No. of participants (NLO data)
Rehabilitation and improvement of employability of disabled people (SROP 1.1.1)	SROP 1.1.1: 1 Mar 2008 – 28 Feb 2013	Programme entry: 16 Jun 2008 – 31 Dec 2010 Programme exit: 10 Feb 2009 – 31 Oct 2012	10 911
Improvement of employability of the disadvantaged (SROP 1.1.2)	SROP 1.1.2: 1 Jan 2008 – 30 Apr 2011	Programme entry: 1 Jan 2008 – 31 Dec 2010 Programme exit: 15 Jun 2008 – 31 Dec 2011	57 894
Road to the world of work (SROP 1.1.3)	SROP 1.1.3: 1 Nov 2009 – 31 Oct 2011	Programme entry: 28 Nov 2009 – 31 Dec 2010 Programme exit: 31 Mar 2010 – 27 Feb 2012	5 831
Start (SROP 1.2.1)	SROP 1.2.1: 1 Jul 2007 – 31 Dec 2012	Date of claim: 1 Jul 2007 – 31 Dec 2010 Expiry date: until 31 Oct 2012	27 619
One step ahead! (HRDOP 3.5.3 & SROP 2.1.1)	HRDOP 3.5.3: Jan 1, 2006 – Dec 31, 2008; SROP 2.1.1: Sept 1, 2007 – Nov 4, 2009; SROP 2.1.1/B: Dec 15, 2009 – Dec 30, 2010	Programme entry: 9 Jan 2006 – 11 Dec 2010 Programme exit: N/A	23 088
Control group		Registered unemployed for at least a day during the entry period of the programmes.	

Source: Official documents and BI calculations from NLO data.

The targeting of the programmes had been planned in accordance with their goals. The eligibility criteria were set to cover the most disadvantaged groups of jobseekers: the uneducated, the unskilled, the long-term unemployed, etc. During programme implementation, however, participants were slightly shifted towards the more advantaged, younger and more educated unemployed. This can be explained by both self-selection of participants and distortions in the selection process at the public employment service offices. The relative importance of these two factors cannot be estimated from the data available.

[5] In Hungarian: *Nemzeti Munkaügyi Hivatal (NMH)*

[6] These reports are to be sent by employers to the tax authority and form the basis of the Standardized Hungarian Labour Dataset, SHLD. In Hungarian: Egységes Magyar Munkaügyi Adattár, EMMA.

The coverage of the programmes varies considerably: the aim of the *Rehabilitation and improvement of employability of disabled people* (SROP 1.1.1) programme was to reach the entire group of the disabled receiving rehabilitation subsidy, and the *Start* (SROP 1.2.1) programme was available to its target group on a universal basis. The SROP 1.1.2, 1.1.3 and 2.1.1 programmes, however, had a tighter budget relative to the size of their target groups and could only reach a small percentage of the potential pool.

1. Table: Short description of the programmes

Programme	Target groups	Programme elements
Rehabilitation and improvement of employability of disabled people (SROP 1.1.1)	▪ people with disabilities (recipients of a disability benefit*)	A personalised combination of subsidies and services: vocational rehabilitation, including covering the costs of training and vocational education; psychological counselling; coaching; covering commuting and other related costs of working; wage subsidies; etc.
Improvement of employability of the disadvantaged (SROP 1.1.2)	▪ the uneducated (having primary education or less) ▪ school leavers ▪ people aged above 50 ▪ parents with young children ▪ the long-term unemployed ▪ those at risk of long-term unemployment	A personalised combination of subsidies and services: labour market counselling, mentoring, vocational training and wage subsidies.
Road to the world of work (SROP 1.1.3)	▪ the long-term unemployed	A personalised combination of subsidies and services: labour market counselling, mentoring, vocational training and wage subsidies.
Start (SROP 1.2.1)	START PLUS: ▪ those on maternity leave ▪ the long-term unemployed START EXTRA: ▪ the disadvantaged long-term unemployed (older than 50 or uneducated)	A wage subsidy to the employer of up to 27%, for up to 2 years.
One step ahead! (HRDOP 3.5.3 & SROP 2.1.1)	▪ the uneducated (having at most elementary school degree) ▪ those with outdated vocational qualifications	Vocational training in high-demand vocations or opportunity to complete primary education. During their training participants also received cash transfers.

Source: BI collection from official documents. Note: * two types of benefit for those with at least 40% of work capacity lost (rehabilitációs járadék, rendszeres szociális járadék).

There was no significant overlap between participants of the five programmes. Some of the participants of SROP 1.1.2 and 1.1.3 also obtained a *'Start card,'* which entitled them to a wage subsidy. This however does not contradict the goals of the programmes, but rather as a natural combination of supply and demand incentives. As regards the rest of the programmes, we found no overlap between participants.

Table 4: Impact of SROP 1.1.1 & 1.1.3 programmes

	Rehabilitation and improvement of employability of disabled people (SROP 1.1.1)				*Road to the world of work (SROP 1.1.3)*			
	All participants		Without wage subsidy		All participants		Without wage subsidy	
	% of participants	% points effect*	% of participants	% points effect*	% of participants	% points effect*	% of participants	% points effect*
MEN								
Found employment during programme or within 6 months afterwards	66	26	51	14	72	16	69	13
Found employment within 6 months after programme	11	6	10	6	41	25	43	26
Found employment after entering programme	70	30	56	18	79	19	77	17
Exited unemployment and did not enter again within 6 months after programme	87	17	84	15	59	-4	60	-3
Exited unemployment and did not enter again during the whole observation period	86	19	83	16	67	7	67	7
Number of observations	515		356		495		443	
WOMEN								
Found employment during programme or within 6 months afterwards	72	30	55	16	70	17	64	11
Found employment within 6 months after programme	13	8	11	7	36	22	38	23
Found employment after entering programme	75	32	59	18	77	21	72	16
Exited unemployment and did not enter again within 6 months after programme	83	6	75	-2	55	-10	56	-8
Exited unemployment and did not enter again during the whole observation period	83	10	74	2	65	0	67	2
Number of observations	973		611		469		399	

Source: BI estimation using NLO data. *Estimated programme effect based on counterfactual impact evaluation. It shows how the programme affected the probability of finding employment/not re-entering unemployment. For example, in case of men, the SROP 1.1.1 programme increased the probability of finding a job during the programme or within 6 months afterwards with 26%points comparing to a theoretical case in which participants had not participated in the programme.

On average, about 70-93% of the participants found employment during or shortly after the programmes. For two of the five programmes we also estimated whether participation increased the probability of finding a job. We conducted a counterfactual impact evaluation of the SROP 1.1.1 and 1.1.3 programmes focusing on their uneducated participants. We constructed a control group using a combination of propensity score and nearest neighbour matching methods to estimate counterfactual outcomes, and compared employment outcomes of programme participants and matched controls.

We found that uneducated participants of the SROP 1.1.1 were 26-30 %point more likely to be reemployed than their comparable peers who did not participate in the programme. The SROP 1.1.3 increased the probability of finding employment by 16-17 %points. Both programmes reduced the probability of re-entering unemployment again, by about 4-17 percentage points. The positive effect of the programmes is significant on the long-term unemployed as well, and it is also considerable on those who did not receive wage subsidies.

These large and significant positive impacts are likely to be biased upwards and therefore are to be interpreted as the upper bound of the possible programme effect. The bias can be partly caused by the afore-mentioned unobserved (self-)selection of the participants (which implies that they had already had an advantage before the start of the programme), and partly by the lack of available data on undeclared work. It seems likely that those not participating in any programme (and thus not benefitting from a wage subsidy) are more likely to be reemployed in the shadow economy, which imposes a downward bias in the observed employment outcomes of the control group. Lastly, these are gross impacts as we could not estimate substitution effects, nor deadweight loss.

Regarding the length of employment, for the first three programmes[7] we found that two-thirds of those who received a wage subsidy for 1-3 months and about half to one-third of those who received it for a longer period lost their jobs after exhausting the subsidy. In the Start Plus and the Start Extra programmes (where there was no further hiring obligation imposed on the employer neither during the programme nor afterwards), 21-35 % of the recipients remained in the same job after the expiration

[7] SROP 1.1.1, 1.1.2 and 1.1.3.

date of the subsidy. 46-67 % of those who were followed for three years after the launch of the programme were still working after two years, and this ratio had not worsened by more than a few percentage points by the end of the third year.

Further research is needed to evaluate the employment effect of active labour market programmes more precisely. Randomising programme participation within the target group would enable more accurate estimates of the effect. International practice shows that randomised experiments are gaining more and more importance in the implementation and evaluation of social policy programmes. If randomisation is built into timing or geographic allocation, all of those eligible can get access to the programmes sooner or later, so moral concerns can be minimised.