



# The Impact of Training for the Unemployed: Preliminary Findings on What Works in Ireland

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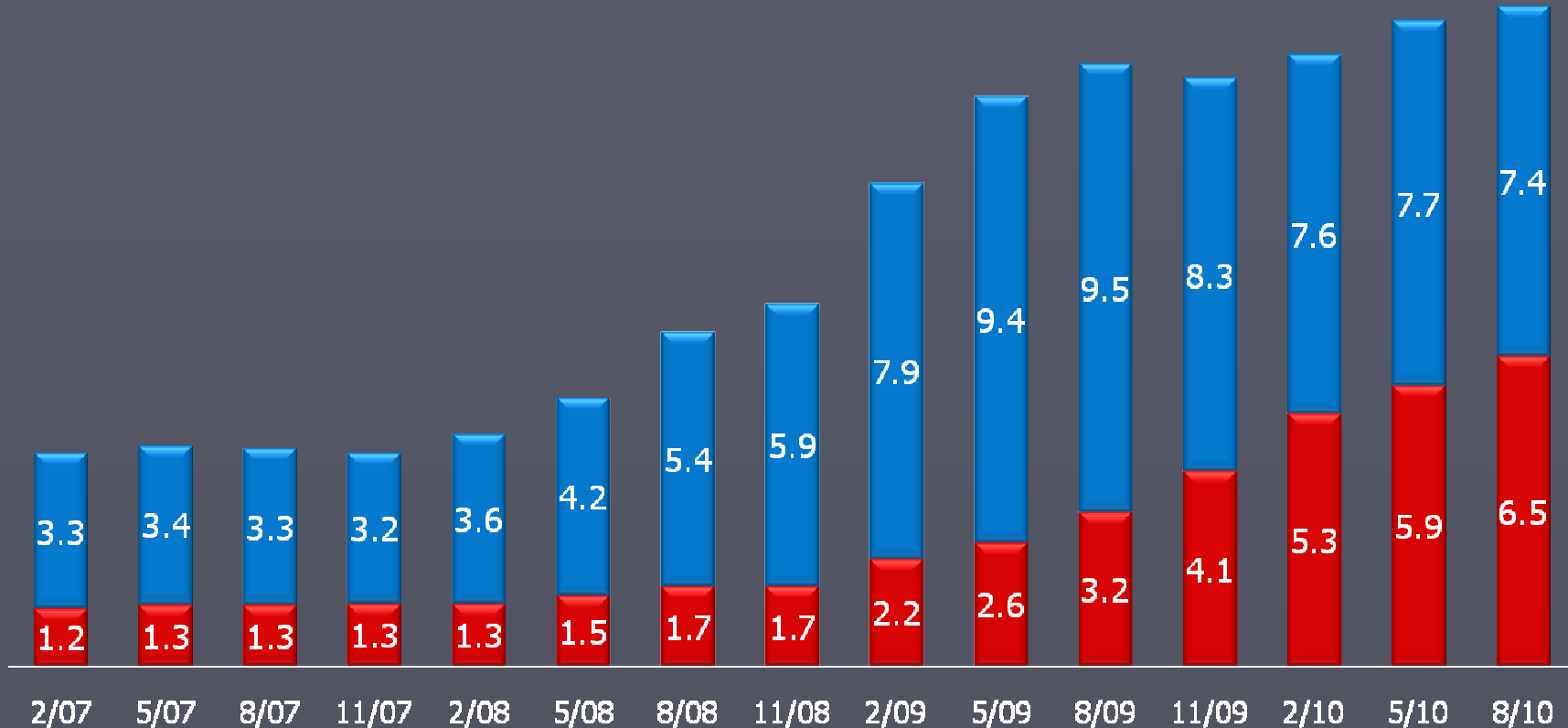
Presentation to "*Employment and the Crisis: Work, Migration, Unemployment*", March 11, 2011

# Outline

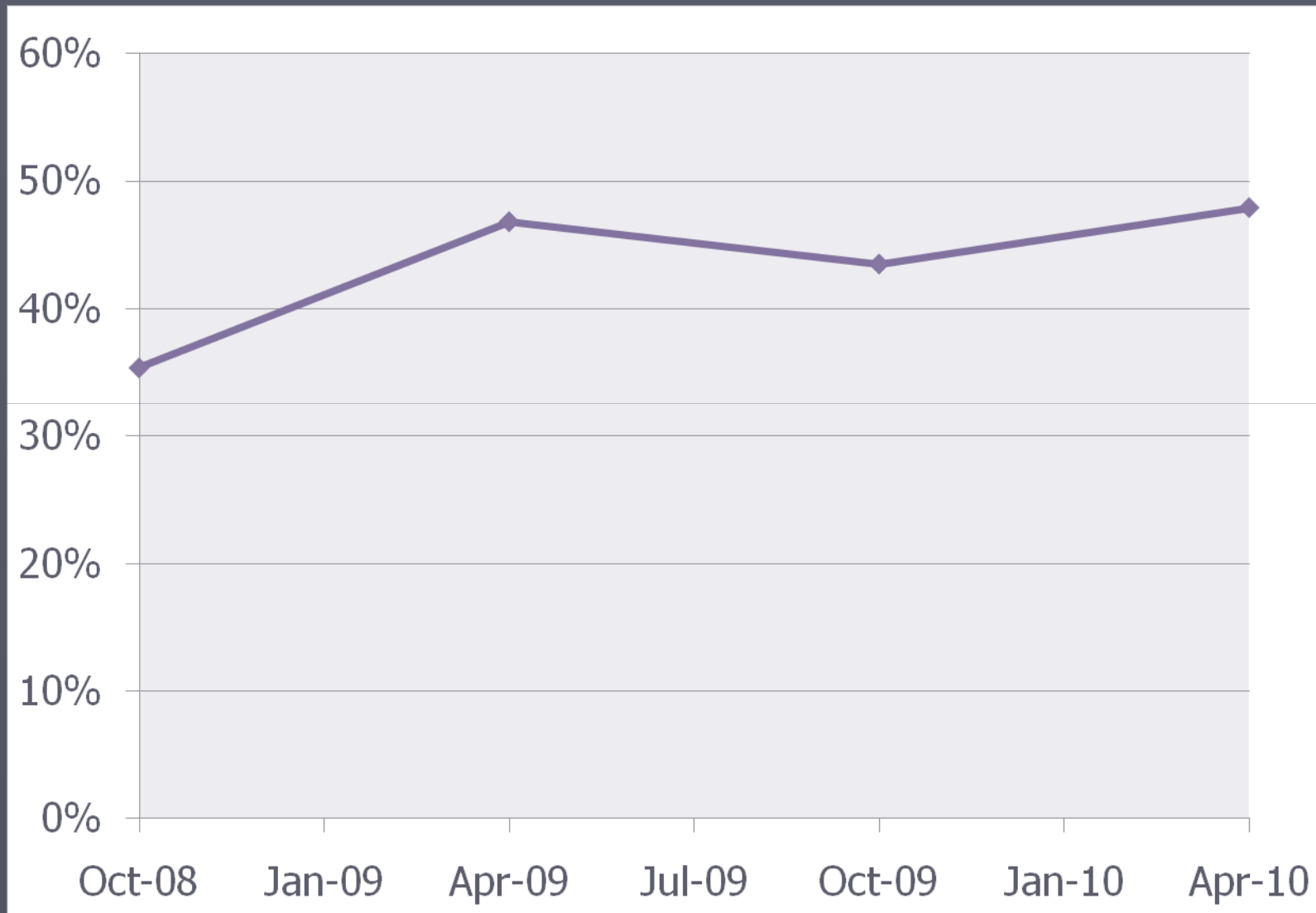
- ▶ The scale and nature of unemployment
- ▶ Movement off the Live Register
- ▶ Active Labour Market Programmes:
  - What Works?
- ▶ Data
- ▶ Results
- ▶ Conclusions

## Total and Long-term Unemployment, 2007-2010

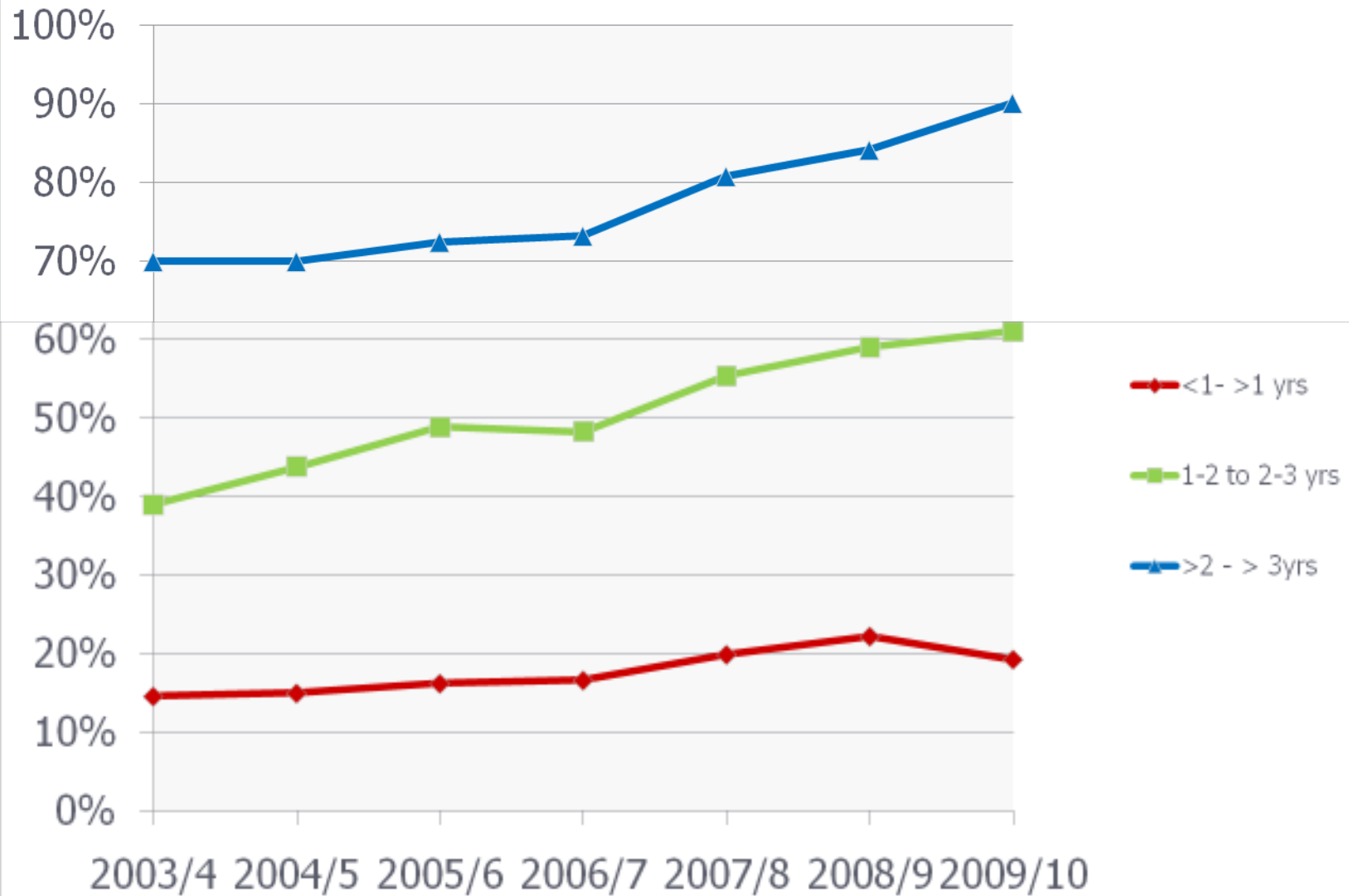
■ Long-term ■ Total



# Proportion of "New Entrants" (less than 6 months) to Live Register still unemployed 6 months later



## Survival Rates in Unemployment on Live Register are Increasing Particularly among those unemployed 1 year or more



# Unemployment Dynamics

- ▶ There is substantial movement off the Live Register/out of unemployment
- ▶ Those with short unemployment spells escape quickly
  - They have higher levels of educational and better labour market experience
- ▶ Retention of long- and very-long term unemployed has increased in recent years
- ▶ Policy can influence exit rates of different groups & the rate of LTU

# Active Labour Market Programmes

- ▶ From passive income support to active assistance with labour market integration
- ▶ Supply side
  - Job Search Assistance
  - Training
- ▶ Demand Side
  - Employment schemes and incentives to employers

# Impact of Programmes for Unemployed

International Research on impact of Active Labour Market Programmes on participants' job prospects is mixed

- ▶ Job Search Assistance
  - Effective for many groups, low cost
  - More effective with monitoring and sanctions
  - New ESRI research shows that job-search assistance NEAP has not led to increased transitions to employment (2006-2008)
- ▶ Formal Training
  - Inconclusive evidence, targeting is important
- ▶ Subsidies
  - Employment: some help Long-term Unemployed
  - Self-employment: high deadweight and displacement
- ▶ Public Sector Job Creation
  - Little evidence of any positive effect



# Econometric Evaluations of Impact of Training

Findings on the effectiveness of training programmes are mixed:

- ▶ Positive 'average' treatment effects for training identified in Belgium (Cockx, 2003) and Poland (Kluve et al., 1999)
- ▶ But negative or insignificant training effects found in Switzerland by Lalive et al. (2008) and Gerfin and Lechner (2002)
- ▶ Negative short-run (lock-in) effects identified for Denmark by Rosholm and Skipper (2009).
- ▶ Jespersen et al. (2008) also find negative results when assessing the long-run employment effect of classroom training in Denmark
- ▶ Sianesi (2008) also found negative short and long-run effects for Sweden
- ▶ On the other hand, Lechner et al. (2007) found initial lock-in effects for a variety of programmes in East Germany but positive long-run effects (1-3 years after programme completion)

# Looking at Differences between training programmes

- ▶ When programme **types** are analysed, those that involve on-the-job training perform better than vocational training programmes (Sweden: Carling and Richardson, 2004)
- ▶ More medium to high-skilled **level** training courses perform better (Spain: Arellano, 2010)

# Typology of ALMPs

<i>Labour Market Leverage</i>	<i>Market Orientation</i>	
	<b>Weak</b>	<b>Strong</b>
<b>Supply – Training</b>	<b>General Training</b>	<b>Specific Skills Training</b>
<b>Demand – Employment</b>	<b>Direct Employment Schemes</b> (e.g. Community Employment)	<b>Employment Subsidies</b>

**In Ireland, programmes with weak linkages to the market have weak effects on employment – *based on evidence from 2-year post-programme surveys of participants + control group of non-participants – 1990s***

<b><i>Labour Market Leverage</i></b>	<b><i>Market Orientation</i></b>	
	<b>Weak</b>	<b>Strong</b>
<b>Supply – Training</b>	<b>Weak Positive for LTU?</b>	
<b>Demand – Employment</b>	<b>No Impact on Employment</b>	

## Programmes with strong market linkages show strong positive effects on employment

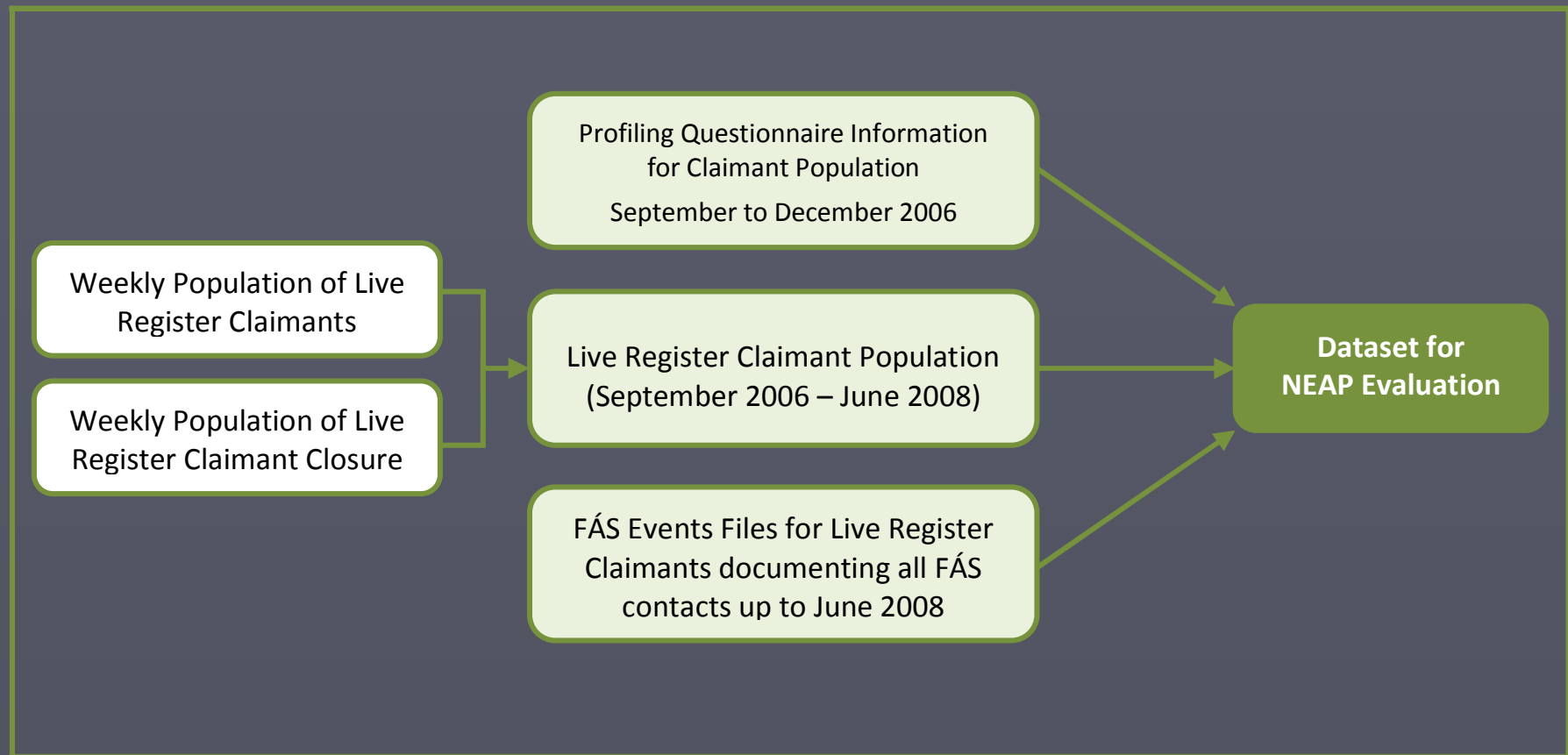
- *based on evidence from 2-year post-programme surveys of participants + control group of non-participants*

<i>Labour Market Leverage</i>	<i>Market Orientation</i>	
	<i>Weak</i>	<i>Strong</i>
<b>Supply – Training</b>	Weak Positive for LTU?	<b>Strong Positive</b> - Employment and wages
<b>Demand – Employment</b>	No Impact on Employment	<b>Strong Positive</b> - Men & over 25s

# What worked in Ireland (1990s)

- ▶ The most effective education, training and employment programmes are those linked closely to labour market demand (O'Connell & McGinnity (1997); O'Connell (2002))
- ▶ These findings take account of different composition of programmes
  - Control for individual age, sex, education, prior employment and unemployment
- ▶ Replicated across time in different labour market conditions
  - Mass unemployment (1993-95 and 1994-96)
  - Recovery (1997-1999)

# Construction of NEAP Evaluation Dataset

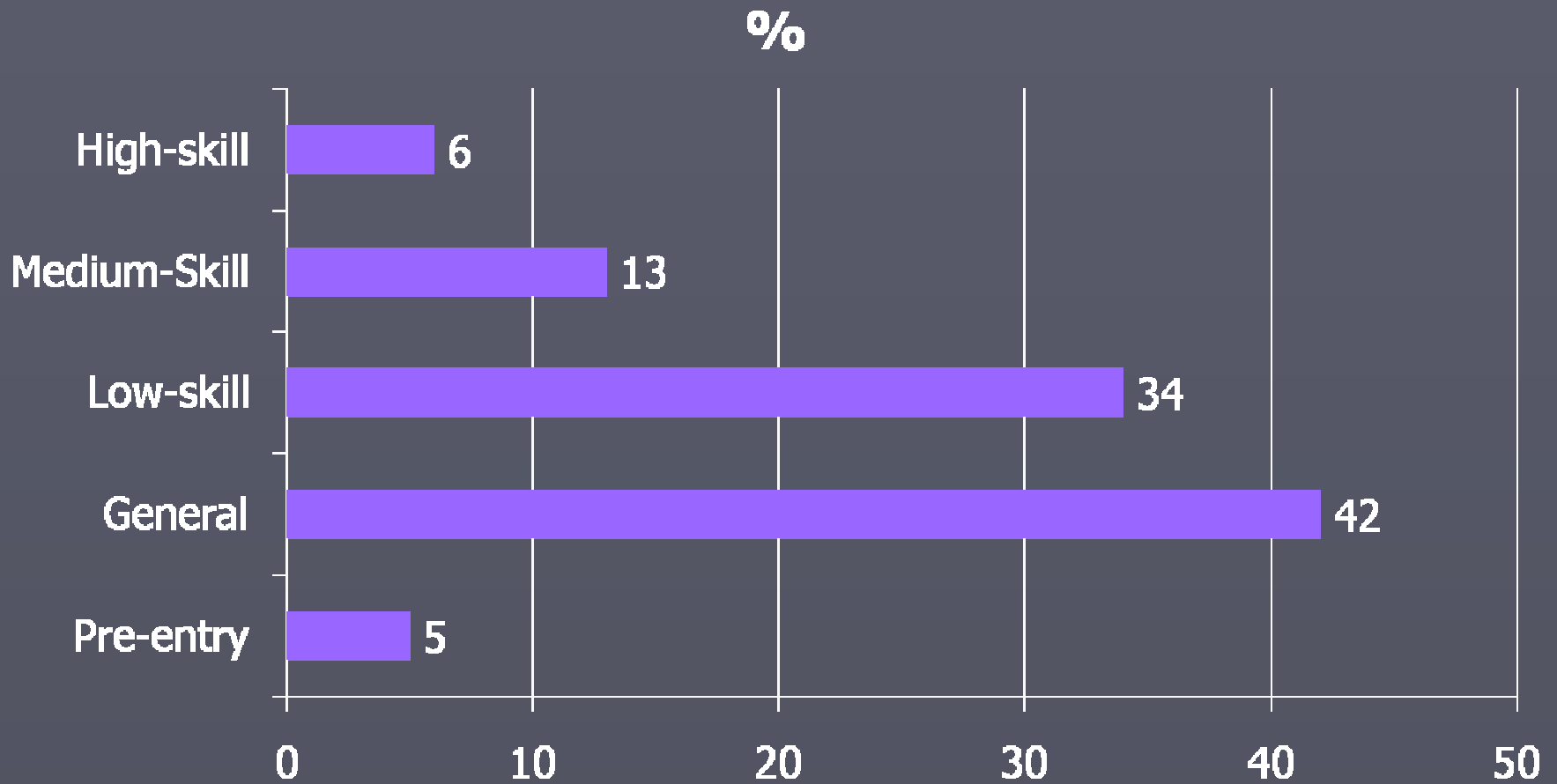


## Training under the National Employment Action Plan

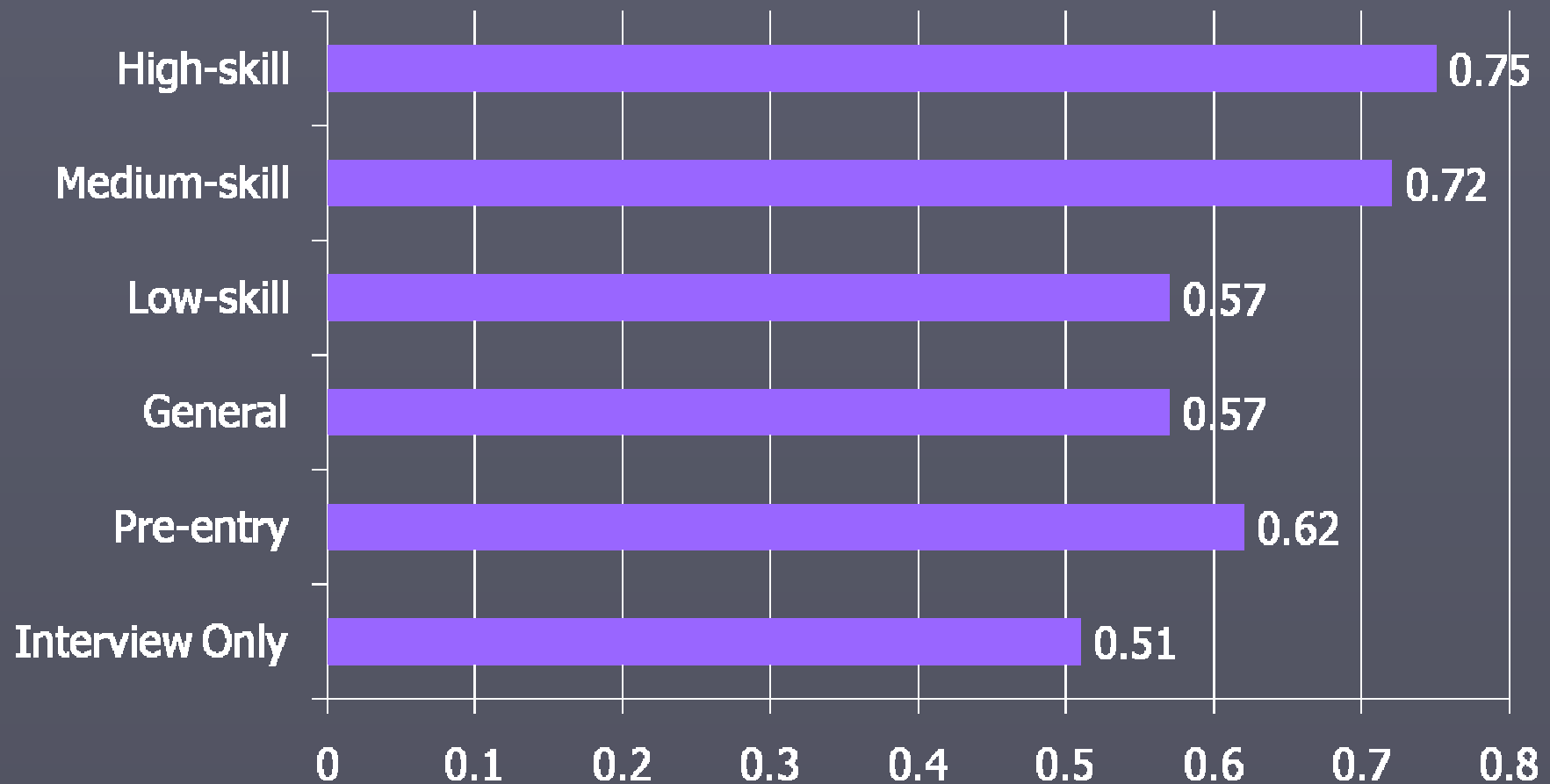
- ▶ Job seekers referred FAS for activation interview
- ▶ Possible outcomes include 'not job ready', referral to job club, training or vacant job
- ▶ This evaluation: 9,000 individuals
  - 640 received interview + training
  - 8,390 received interview only
- ▶ Training starts prior to week 35 of unemployment
- ▶ Outcome: Live Register status at week 91



# Training Types



# Exit rate from Live Register at 91 weeks



# Probit Model of Exit from Live Register at 91 Weeks

Pre-entry	0.12	Junior Cert	
General	0.08**	Leaving Cert	0.04*
Low skills	0.07*	Third Level	0.11***
Medium skills	0.20***	Apprenticeship	
High skill	0.22***	Literacy/numeracy	-0.04*
		English proficiency	
Male			
Age 25-34		Own transport	0.03**
Age 35-44			
Age 45-54	-0.05**	Employed, last year	0.07**
Age 55+	-0.08***	Employed last 5 years	0.07**
Married			
Cohabiting		Would move for job	0.03***
Separated		Jobseekers Assistance	-0.17***
Widowed	0.17**	Spouse earns < €250	0.14***
Children	-0.04***	Spouse earns €251-350	
		Spouse earns €350+	0.09***
		Signifn on 12+ months	-0.07***
		Prior NEAP	-0.06***

## Probit Model of Exit from Live Register at 91 Weeks - full sample and excluding 'walk-in clients'

	All	Walk-ins excluded
Pre-entry	0.12	0.09
General	0.08**	0.09**
Low skills	0.07*	0.01
Medium skills	0.20***	.15**
High skill	0.22***	.26***

## Comparing Probit and Propensity Score Matched Estimates of Training Effects on 91 week Exit

Probit - General training	0.09***
PSM - General training	0.07
Probit - Low skill training	0.07*
PSM - Low skill training	0.06
Probit - Med \ high skill training	0.21***
PSM - Med \ high skill training	0.17***



## Conclusions

- ▶ Analysis of combined administrative and research data
  - Adjusting for:
    - ▶ non-random assignment to training
    - ▶ unobserved heterogeneity
- ▶ Training can enhance employment prospects
- ▶ Type of training matters:
  - Greatest impact from medium-to-high level training with market linkages
  - General training effects are modest, at best
  - Little evidence to suggest that low-skill training can achieve substantial reduction in unemployment rate