

# More Effective and Cheaper?

Impact Evaluation of a New Counselling and Support  
Strategy for Unemployed with Multiple Placement  
Obstacles

René Böheim, Rainer Eppel, Helmut Mahringer

**CEU – IHS – WIFO Conference: EVIDENCE-BASED POLICY MAKING**

Vienna, May 27 2021

# Background

---

## ■ **Increasing (long-term) unemployment in Austria**

- Structural factors (ageing labour supply, shrinking demand for low-skilled workers, immigration) lead to a higher share of unemployed with poor employment prospects
- No full recovery of labour markets from the recession following the 2008 financial crisis
- COVID-19 crisis leads to further increase of unemployment and particularly of long-term unemployment

## ■ **Austrian Public Employment Service (PES) implemented a new strategy for counselling and support for unemployed with "multiple placement obstacles / poor employment prospects"**

- Objective: achieve similar or better labour market results at lower costs
- Stepwise pilot-implementation starting in Autumn 2017 in selected regional PES offices (REOs)
- Evaluation commissioned by Austrian PES

# Central elements of the new counselling and support strategy

---

- **Target group "multiple placement obstacles / poor employment prospects"**
  - Duration of unemployment of 2 years or more
  - Two out of three characteristics:
    - Level of education: compulsory school or lower
    - Age 45+
    - Health impairment (legal disability status or proven health restriction)
  - No unemployed under 25 years, no unemployed with asylum status, no labour market re-entrants after family break
  
- **Voluntary participation in a new type of counselling and support service**
  - otherwise standard support provided by PES
  - Service provision by PES contracted out to external providers
  - Low-threshold access to services ("open room", on-site open counselling, and activating workshops)
  - Placement not immediate goal: no obligation to look for work, apply for jobs
  - Aim to preserve the chances for labour market integration by means of personal stabilisation
  - No regular counselling by PES or participation in more intensive training or employment measures
    - Save costs and internal resources of the PES

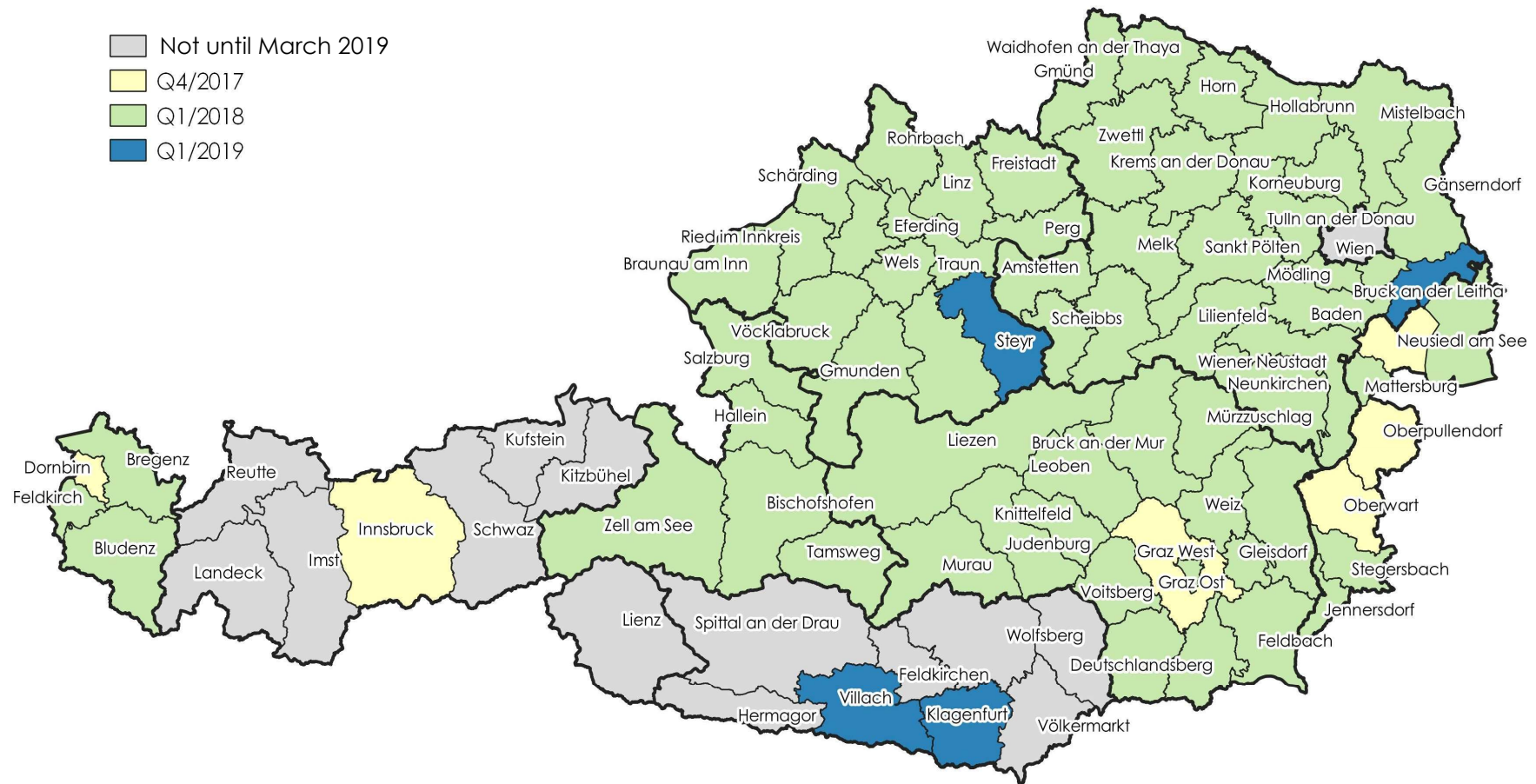
# Central question – experimental setting

---

- **Does the new support and counselling strategy result in:**
  - Similar or better labour market integration of the target group...
  - ...at lower costs (or higher returns) for the PES?
- **Counterfactual impact analysis**
  - Based on pilot implementation
  - Exploit regional and temporal variation between
    - Pilot regions and
    - Control regions that did not (yet) offer the new type of counselling
- **Comparison between regions**
  - Starting periods of implementation: Q4/2017, Q1/2018, (Q1/2019)
  - Pilot REOs vs. control REOs
- **Two comparative situations at different times**
  - Entry regions Q4/2017, with control regions not entering before Q4/2018
    - All target group persons registered with regional PES in October 2017
  - Entry regions Q1/2018, with control regions not entering before Q1/2019
    - All target group persons registered with regional PES in January 2018
  - Observation period for outcomes: 12 months after start of implementation
    - Sum of days spent in specific labour market status
    - Sum of costs for unempl. benefit, counselling, active labour market programs

# Regional Employment Offices by implementation start of the new counselling and support strategy

Regional Employment Offices (REOs) (12 located in Vienna/Wien)



# Empirical strategy: Regional difference-in-differences approach

---

- **Participation of regions is not random** => No direct comparison between outcomes of target group between treatment and control regions
  - REOs differ in client composition and in regional conditions (labour market situation)
  - Simple cross-section comparison would lead to a biased estimations of the effect of the strategy change
  
- **Controlling for initial differences between the REOs with a difference-in-difference approach**
  - **Observation of pilot REOs and control REOs at two points in time:**

In the first period, no REO had introduced the new support scheme:

    - Comparison 1: target group population October 2013, 2014, 2015 and 2016
    - Comparison 2: target group population January 2013, 2014, 2015, 2016, 2017

In the second period, only the pilot-REOs had introduced the new support scheme:

    - Comparison 1: target group population October 2017
    - Comparison 2: target group population January 2018

Observation of average outcomes for the target group population over 1 year period
  
- **Effects of the new counselling and support strategy by comparing the average change in outcomes between pilot REOs and control REOs**
  - Controlling for obs. differences in regional development between REOs over time:
    - Client structure: age, education, health impairments, employment histories, unemployment benefit receipt, previous program participations, contacts with the PES, ...
    - Regional characteristics: unemployment rate, share of long-term employment, number of jobs, average levels of unempl. benefit/assistance, ...

# Empirical strategy: Regional difference-in-differences approach

---

## ■ Important for interpretation:

- We do not measure the effect of actual participation in the new counselling and support scheme!
- We measure the **effect of introducing the new strategy in a pilot REO on the outcomes of all target group persons in the REO**, independent of whether they actually participated or not
- This corresponds to an "intention-to-treat" effect (ITT), based on a comparison between target group persons potentially entering the new support scheme and (comparable) persons with no possibility to enter it (yet)
- We consider all target group persons because the new strategy potentially also affects the outcomes of the non-participating individuals and because "self-selection" into the support scheme cannot be sufficiently controlled for

- **Impact analysis based on combination of anonymised administrative individual data:**
  - PES data (Austrian unemployment register, AUR)
    - Individual characteristics of the unemployed, their unemployment history, unemployment benefit receipt, counselling and placement process, participation in active measures such as training or various types of subsidised employment, including their costs
  - Austrian social security records (ASSD)
    - Detailed information on employment histories, including information on wages



# Results – Overview

---

- **Target group persons in treatment regions spend on average...**
  - ...less time in employment (-5.8 days)
    - Less time in unsubsidised employment
    - More time in subsidised private jobs and less time in job creation programs
  - ...more time in unemployment (+8.2 days)
    - More receipt of unemployment assistance
- **Change in support strategy**
  - Less frequent meetings with PES case-workers
  - Less frequent job proposals
- **Expenditures for target-group not (yet) reduced**
  - Higher expenditure for unemployment benefit/assistance
  - Reduced expenditures for direct job creation (over)compensated by costs for external counselling and support

# Results – Effects on labour market outcomes

	ITT (SE)
<b>Labour market integration</b>	
Days of active employment	-5.8 (4.3)*
Unsubsidised	-3.0 (2.9)*
Subsidised 1 <sup>st</sup> labour market	3.9 (2.8)*
Subsidised 2 <sup>nd</sup> labour market	-7.8 (2.9)**
Days of unemployment	8.2 (4.9)*
<b>Unemployment support</b>	
Days of unemployment benefit	1.4 (1.5)
Days of unemployment assistance	6.1 (4.6)*
Total unemployment support (in €)	176 (131)*

S: Calculations based on AUR and ASSD. – ITT: Intention-to-treat effect. SE: Robust standard errors clustered at REO level in parentheses. – \*\*\* p<0.01, \*\* p<0.05, \* p<0.1.

# Results: Effects on PES-internal counselling, job placement and ALMP participation

	ITT (SE)
<b>Counselling and job placement</b>	
No. of personal meetings	-0.3 (0.3)*
No. of job proposals	-0.4 (0.4)*
<b>Days in ALMP measure</b>	
Private-sector wage subsidies	3.2 (3.1)*
Direct job creation	-8.3 (2.8)***
Training measures	0.9 (1.8)
Course cost subsidies	0.0 (0.6)
External counselling and support (new support scheme)	52.4 (8.7)***
Without new support scheme	-17.8 (4.4)***
<b>Costs for ALMP measure (in €)</b>	
Private-sector wage subsidies	72 (52)*
Direct job creation	-240 (100)**
Training measures	64 (38)*
Course cost subsidies	3 (3)*
External advice and support	258 (45)***

S: Calculations based on AUR and ASSD. – ITT: Intention-to-treat effect. SE: Robust standard errors clustered at REO level in parentheses. – \*\*\* p<0.01, \*\* p<0.05, \* p<0.1.

# Conclusion

---

- **New counselling and support strategy for long-term unemployed with multiple placement obstacles / poor employment prospects**
  - Final assessment not yet possible: only short-term effects evaluated, strategy not fully implemented
- So far, the **change in the support strategy...**
  - **...did not lead to overall cost savings**
  - **...results in slightly lower labour market success**
- Why might longer-term effects differ from short-term effects?
  - Long-term cost savings might be higher if saving potential is fully realised...
  - ...but negative employment effects (resulting in costs for unempl. benefit/assistance) might become even more apparent
- No separate assessment of specific elements of the new strategy
  - Voluntariness of participation in new counselling and support service
  - Focus on stabilisation, not on immediate job placement
  - Low entry requirement for counselling and support services
  - Reduction of more intensive training and employment measures

**WIFO**

 ÖSTERREICHISCHES INSTITUT FÜR  
WIRTSCHAFTSFORSCHUNG

## **Helmut Mahringer**

helmut.mahringer@wifo.ac.at

+43 1 7982601 - 405

[www.wifo.ac.at](http://www.wifo.ac.at)