

Counterfactual evaluation of youth employment policies

Four years since the introduction of the EYG, comprehensive evaluations of policies aimed at combating youth unemployment and inactivity are still lacking. In particular, there is a lack of research on specific initiatives stemming from the EYG in a cross-country framework that enables us to identify the patterns of successes, failures, and ongoing challenges of these programmes. We propose to establish a transnational research network for four countries where youth unemployment is severe: Italy, Spain, Hungary, and Poland. For each of them, we aim to evaluate the job trials/subsidies for different job contracts offered to youth (as there are concerns about the quality of these jobs), while paying particular attention to the gender dimension of policy targeting and outcomes. We will also propose new, harmonised methods of evaluation based on similar administrative data, which have not been fully explored in CEE and SE Europe. The project will help to create and share knowledge about how impact studies of youth policies can be performed.

The Italian study uses a counterfactual approach on administrative registry data to evaluate the impact on youth employment of two selected demand-side public policies implemented in Italy in 2015: the social security costs rebates (Law 190/2014, art. 1, c. 118) and the employers' expectation of reduced firing costs of employees (D. lgs n. 23/2015 under Law 183/2014). The findings confirm previous evaluation studies available in literature, and show that the presence of the two policies has a positive impact on the share of new hires with an open-ended contract over the total employment contracts registered in 2015. The estimates also reveal that the impact of the regulatory changes on the share of workforce hired with open-ended contracts is stronger for young individuals aged 15-34 (an increase of +12%) than for the entire population (+9.9%). Finally, the positive impact is found to be lower for the young female (+7.6%) than for the young male (+ 14.5%) eligible individuals.

The Spanish evaluation analyses the impact of the internship contract (IC) through the use of administrative data (social security records). The IC was originally designed to promote job stability for young people by incentivising firms to invest in training. The study examines whether this objective has been met, and reaches very negative conclusions. The first result shows that those young workers who sign an IC have a reduced probability of remaining at the firm, compared to young workers with similar characteristics and a temporary contract of more than three months. Furthermore, for those who stay at the firm, their probability of signing an indefinite contract is notably lower. On the other hand, for those who move to another firm, the probability of obtaining an indefinite contract is higher if they come from the IC than from temporary employment. The authors conclude that the current configuration of the IC is leading to outcomes contrary to its initial spirit.

The Polish paper compares the relative effectiveness of selected Active Labour Market Policies available for young unemployed people in Poland in the years 2015-2016. The authors use rich administrative data and propensity score matching techniques to control for the non-random selection of unemployed individuals into various interventions. They find large negative employment effects of participating in public works programmes, in particular among disadvantaged individuals. The differences in effectiveness among other interventions are found to be rather small, with most disappearing over time. They also find that vouchers that allow unemployed individuals find on-the-job training providers themselves are more effective than on-the-job training in which unemployed individuals are directed to the training providers by the PES.

The Hungarian partner provides a counterfactual evaluation of a publicly funded, short-term hiring subsidy designed for young jobseekers: the 90-day job trial programme, which was introduced in Hungary in 2015 a part of the Youth Guarantee scheme. The analysis is based on a linked administrative dataset of PES registers and social security records. The authors rely on propensity score matching for causal inference: they compare job trial participants with participants in public works and training programmes. The social security database allowed them to construct labour market history variables that help mitigate selection bias. Their estimates indicate that compared to participation in the public work programme, participation in the 90-day job trial significantly improve employment probability six months after the programme ended, by 5.7- 7.3% on the whole sample, but that it is not more effective than participation in training programmes. However, they do not find any positive effect on total accumulated wages when public works wages are included. The individuals participating in the job trials are probably the most employable young jobseekers: they have a higher level of education, are living in more developed regions, spent less time in NEET (not in employment, education, or training) status, and have more work experience than members of the control groups. This suggests that the programme has not been reaching those who need help the most. The authors complement this analysis with a preliminary evaluation of the whole Youth Guarantee. They use an alternative identification strategy in which they exploit the fact that in the Central Hungarian region, the programme started nine months later than in other parts of the country for administrative reasons. They apply a difference-in-differences framework to estimate the effect of the Youth Guarantee on eligible jobseekers' outcomes, and find modest positive effects on employment in the 7-12 months after entering the register.

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