Counterfactual Impact Evaluation of ESF-funded Active Labour Market Measures in Lithuania

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in cooperation with the Ministry of Social Security and Labour of the Republic of Lithuania

The evaluation aimed to
- Provide robust evidence on the net effects of the major active labour market policies (ALMPs), i.e. wage subsidies and vocational training, implemented by the Lithuanian Public Employment Service (PES) between 2008 and 2012;
- Raise awareness of counterfactual impact evaluations among policymakers and improve the processes for their implementation in the future.

The evaluation dataset
- Included over 900,000 unemployed persons, who were registered with the PES in 2008-2013: ~74,000 of them participated in the ALMPs under evaluation;
- Contained data on almost 30 characteristics of the unemployed: individuals’ participation in relevant intervention(s), their socio-demographics and labour market outcomes, e.g. employment status, duration, earnings;
- Covered 10 years: from 2004 to 2013.

Data sources
The evaluation was based on administrative data from two national registers of the Lithuanian PES and the State Social Insurance Fund Board (Sodra).

Methods
- Systematic literature review of relevant CIEs on ALMPs and in-depth interviews with PES employees;
- Propensity score matching to construct control groups (nearest neighbour matching using logit distance, without replacement);
- Simple Diff-in-Diff using t-test and regression Diff-in-Diff to estimate the impact of completing interventions on labour market outcomes for the participants.

Results: Wage subsidies had a substantial positive impact on employment
The subsidised people worked, on average, for two months longer during the 1st year after the intervention and for one month longer during the 2nd year. The subsidised individuals earned, on average, around EUR 500 more during the 1st year after the intervention and around EUR 350 more during the 2nd year. Daily income also increased.

Results: Vocational training shows no positive impact on employment
The participants of vocational training worked, on average, by almost one month less during the 1st year after the intervention and by around 20 days less during the 2nd year. The participants earned, on average, nearly EUR 400 less during the 1st year after the intervention and around EUR 250 less during the 2nd year. Daily income was also lower for both years.

Treatment and control groups

<table>
<thead>
<tr>
<th></th>
<th>Treatment groups</th>
<th>Control groups</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Subsidised employment</td>
<td>21658</td>
<td>21658</td>
<td>43316</td>
</tr>
<tr>
<td>Vocational training</td>
<td>10914</td>
<td>10914</td>
<td>21828</td>
</tr>
<tr>
<td>Total</td>
<td>32572</td>
<td>32572</td>
<td>65144</td>
</tr>
</tbody>
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Lessons learned
- Each new CIE contributes to creating a framework of cooperation between stakeholders. Active cooperation between researchers and relevant institutions is key for:
  - Asking the right questions;
  - Evaluating the most relevant interventions;
  - Understanding how interventions are implemented in practice;
  - Accessing necessary data;
  - Interpreting the results;
  - Feeding them into the policy process.

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