



Scaling up policies that connect people with jobs in the recovery from COVID-19

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Active labour market policies (ALMPs) that connect people to jobs will help to ensure an equitable and sustained recovery from the COVID-19 crisis. Already in 2020, many governments reacted swiftly to the crisis by increasing funding for their public employment services (PES), training programmes and measures to increase labour demand. This has allowed the PES to hire additional staff and expand remote and digital accessibility to ensure service continuity. However, additional resources are needed in 2021 and the years to come to ensure that high-quality employment services and programmes can be effective in fostering a quick reintegration of the many jobseekers into the labour market. This policy brief highlights how OECD and a number of other countries have responded to the crisis in adapting and expanding the provision of employment services.



Key messages and policy options

- Active labour market policies (ALMPs) play a key role in supporting a rapid return to work of displaced workers as the health situation improves and economic conditions normalise, so as to ensure that the pandemic does not leave persistent scars on vulnerable groups.
- Countries responded swiftly to the COVID-19 crisis by making adjustments to their ALMPs and increasing spending for Public Employment Services (PES), private employment services and other active measures over the course of 2020 and in early 2021.
- Those PES that already offered comprehensive e-services for clients prior to the pandemic, were well placed to serve their clients without the need for personal interaction and preserve their capacity for ALMP delivery.
- Additional investments into PES and active labour market programmes are needed going forward to ensure a continuation of adequate support for larger numbers of job losers and to facilitate the reallocation of labour from declining to growing sectors. This will also address deepening labour market inequalities, as sectors hit hard by the pandemic disproportionately employ certain disadvantaged groups, such as women, youth and low-skilled workers.
- Few countries have automatic financial adjustment mechanisms for ALMPs. Introducing such mechanisms going forward would make their systems more responsive to changes in labour market needs.
- Translating increased funding into effective ALMP implementation requires addressing structural capacity constraints, including adjustments to ALMP regulation, adapting the organisational set-up of employment services, and fostering better co-operation and co-ordination between all relevant stakeholders.
- Countries are currently moving from short-term responses to the crisis, involving mainly changes in the operating models of their public and private employment services, to medium- and longer-term strategies that focus on ALMP design and targeting alongside new ALMP delivery models.
- Although processes in PES have been significantly revised in 2020, further efforts to make them leaner and more efficient, including through increased digitalisation and automation, will be still important in the near future. Countries should build on the significant investments made in these areas during the pandemic.
- Contracting out employment services to external providers may be an option to increase capacity and complement the existing PES provision. A number of countries are considering to further expand the use of such services.
- Good co-operation channels between stakeholders, and flexible organisational and regulatory frameworks of ALMP provision enabled effective and agile responses to the crisis.

Introduction

As part of the recovery process from the COVID-19 pandemic, governments will need to shift their focus away from emergency income and employment support to facilitating the return to work of a large number of jobless people in the context of underlying structural changes that have changed the demand for goods and labour. Achieving this objective will require well-designed active labour market policies (ALMPs) to: anticipate changing labour market needs; promote re-allocation of displaced workers; foster the development of suitable skills; and support the most vulnerable groups through targeted support.

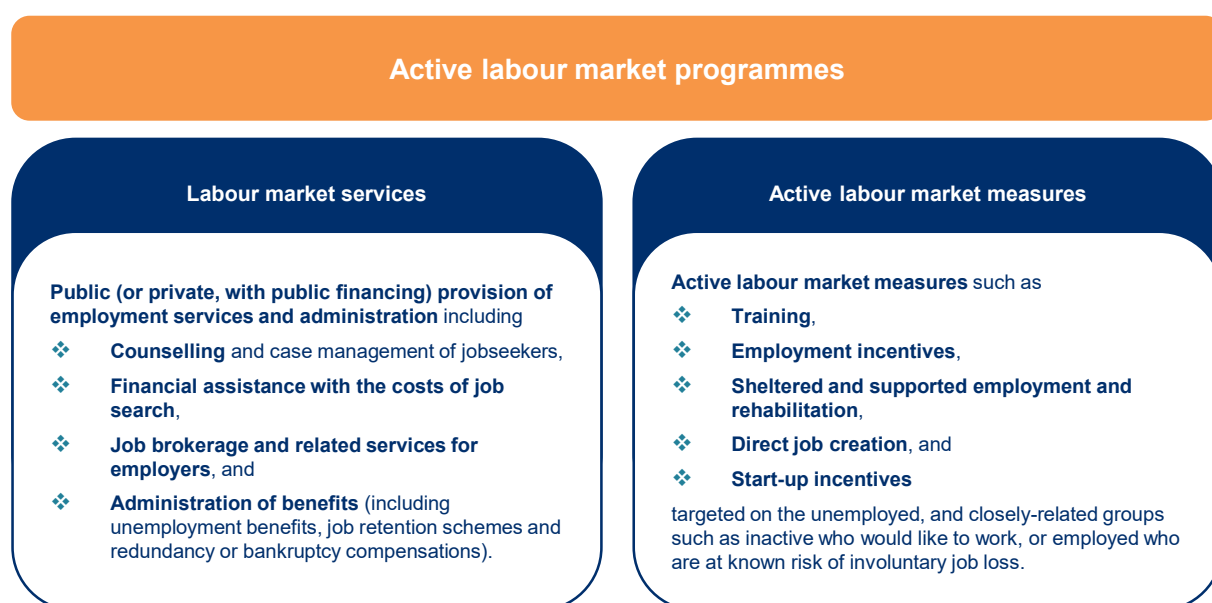


This policy brief reviews how countries adjusted their Public (or publicly funded private) Employment Services (PES) and ALMPs to cope with the pandemic and to prepare for recovery. It draws on the responses of 46 countries and regions¹ provided to an OECD/European Commission (EC) questionnaire entitled “Active labour market policy measures to mitigate the rise in (long-term) unemployment”, conducted at the end of 2020. It highlights areas of good practice and considers how policy can best be formulated to ensure displaced workers are quickly reintegrated in the labour market with the skills needed to thrive in an inclusive and dynamic post-pandemic society.

Increasing ALMP capacity to support a rapid return to work of all jobseekers

Boosting effective spending on ALMPs can help reduce unemployment and prevent a permanent rise in long-term unemployment (for an overview of the literature see Martin (2015_[1])). Many countries responded swiftly to the current downturn, making adjustments to their ALMPs. While some of these adjustments did not require additional funding (e.g. reallocation of staff), most countries increased their funding of ALMPs over the course of 2020 and are planning further changes in 2021 both in the area of labour market services and active labour market measures (see Figure 1 for further details on the these services and measures).

Figure 1. Active labour market programmes categorised into two broad areas



Many countries reacted swiftly in increasing funding for their PES and active labour market measures

¹ Including the three regions and the German speaking community in Belgium. The World Association of Public Employment Services (WAPES) supported the distribution of the questionnaire to Argentina.



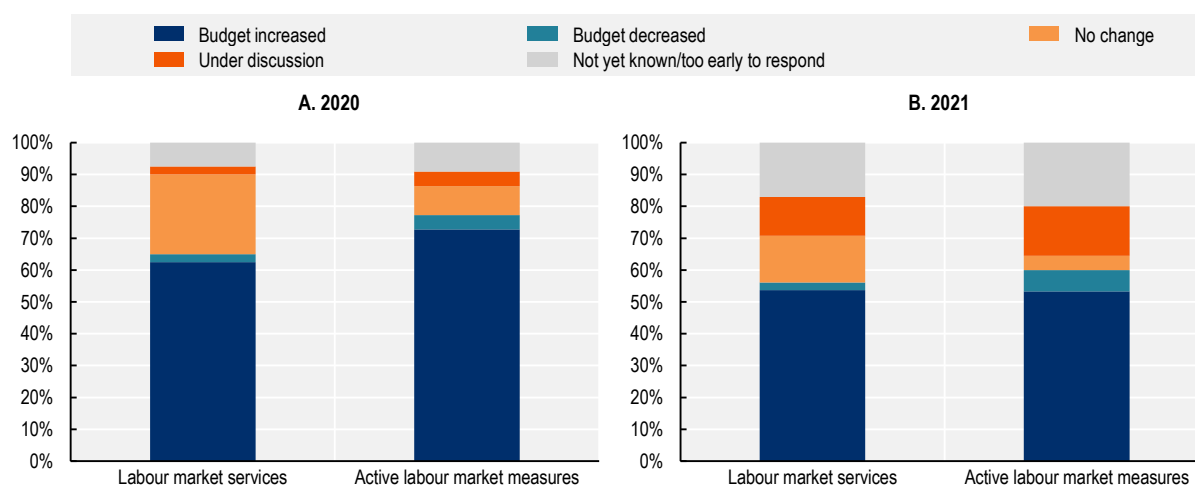
Just under two-thirds (63%) of all responding countries and regions increased their budget for labour market services over the course of 2020 and seven-in-ten (73%) did so for active labour market measures (Figure 2). In many countries additional resources for labour market services were used to hire additional PES staff to support a higher caseload of jobseekers. In Australia, additional funding was used to enhance the digital service offer for jobseekers. In terms of active labour market measures, Canada more than doubled funding for the Workforce Development Agreements² with the provinces/territories in comparison to the 2018/19 financial year. Hungary increased its expenditure on active labour market measures by 21% in comparison to 2018, Portugal by 30% in comparison to 2018 and Switzerland estimated the increase at around 20%. In 2021, half of all responding countries plan to further increase the funding levels both for labour market services and active labour market measures in comparison to 2020. Three countries (Hungary, Poland and the Slovak Republic) expect spending in 2021 to return to pre-crisis levels.

A number of countries, however, had to make difficult choices. For 2020, Mexico reported a budget decrease both for active labour market services and measures in order to redirect spending to address priorities and deal with the health crisis caused by COVID-19. Similarly in Spain, spending on other measures decreased in 2020 to fund increased expenditure on unemployment benefits.

In few countries, spending on employment support varies in line with changes in unemployment, making the system more responsive to changes in labour market needs. For example, in Denmark, the Netherlands and Switzerland the budget for labour market services and active labour market measures automatically increases in line with rising unemployment.

Figure 2. Countries in the OECD, EU and beyond increased expenditure on active labour market policies in 2020 and further increases are planned in 2021

Public expenditure budget allocation for active labour market services and measures, percentage of countries by type of action



Note: *Labour market services* includes public (or private, with public financing) provision of employment services and administration of benefits. *Active labour market measures* includes training, employment incentives, sheltered and supported employment and rehabilitation, direct job creation and start-up incentives.

Source: Responses to OECD/EC questionnaire "Active labour market policy measures to mitigate the rise in (long-term) unemployment".

² The Workforce Development Agreements bilateral transfer agreements between the Government of Canada and individual provinces and territories and provide funding and for the development and delivery of programmes and services that help Canadians get training, develop their skills and gain work experience.



It is too early to make a quantitative assessment of countries adjustments to ALMP spending. More time will be needed to assess whether the additional resources made available in 2020 and planned for 2021 were, or will be, sufficient to keep up employment support to the levels needed to ensure a rapid return to work of those who lost their job or will do so going forward.³ Following the 2007-08 global financial crisis (GFC), OECD governments scaled up ALMP spending more strongly than in earlier recessions, probably due to their greater appreciation of the need to retain an activation stance during a deep recession. Nevertheless, spending per unemployed person declined by 21% on average (in real terms) across the OECD between 2007 and 2010 (OECD, 2012^[2]). Larger additional investments into PES and ALMPs may be needed in the current and coming year to support the reallocation of labour from declining to growing sectors, given the persistence of depressed conditions in some sectors. The crisis has also deepened existing labour market inequalities, as sectors hit hard by the pandemic disproportionately employ certain disadvantaged groups, such as women, youth and low-skilled workers. This requires advanced planning, as in contrast to income support policies, it is less straightforward to translate increased funding into higher capacity in the short run. To achieve this, PES need to hire new staff, existing programmes need to be expanded or new ones established (OECD, forthcoming^[3]), which in turn requires agile systems of ALMP provision, as argued in the next section.

Staff reallocations alleviated initial pressures, but additional PES staff is needed in many countries

Public employment services reallocated existing staff to ensure service continuity throughout 2020. The immediate effect of the COVID-19 crisis hit PES when governments introduced lockdowns and social distancing measures in March/April 2020, with the number of jobseekers and applications for job retention schemes skyrocketing (OECD, 2020^[4]). Two-thirds (67%) of countries responding to the OECD/EC questionnaire reported staff reallocations in their PES as an immediate reaction to deal with the most pressing tasks. Often staff reallocations were made to support the handling of the massive expansion of existing and newly created short-time work and other job retention schemes (OECD, 2020^[5]). Staff were also reallocated to support the processing of unemployment benefit claims and registration of new jobseekers, and to expanded remote service support (e.g. through contact/call centres).

Over half of all PES hired additional staff in 2020. Staff reallocations have often not been sufficient to ensure service continuity and 54% of countries therefore reacted with hiring additional PES staff over the course of 2020 to process the high number of unemployment benefit claims, job retention schemes, provide counselling services to jobseekers and employers, and support the further development of online solutions. In many hiring PES, the new positions created are on fixed-term basis and some hiring involved shifting staff from other public institutions into the PES.

Public employment services are likely to require additional staff in 2021 to deliver high-quality services and have a comprehensive offer of ALMPs for a persistently higher number of jobseekers. Among countries responding to the questionnaire around half (49%) reported plans to further increase PES staff levels in 2021. For example, the PES in France and the United Kingdom plan to hire additional staff to increase front-line staff in local offices and service the new employment programmes for young people, *1 jeune 1 solution* (“1 youth 1 solution”) in France and *Kickstart* in the United Kingdom. The PES in Luxembourg plans to hire new staff in 2021 to guarantee high level of service quality to both jobseekers and employers, as well as to develop new services. The Turkish PES plans to hire additional software

³ Data on labour market programme expenditure is available with a two-year time lag only.



developers and IT experts to support the expansion of online services. In many countries PES plans were still under discussion at the time the OECD received questionnaire responses and a number of countries highlighted that hiring decisions depend on the further development of unemployment.

Contracting out employment services to external providers may also be an option to increase capacity and augment existing PES provision. Two-in-five countries already contract out employment services to external providers and a number of countries with experience in this area consider further expanding the use of such services in the near future. Introducing contracted-out employment services for the first time, however, may entail regulatory changes and requires institutional capacity in tendering off such services and managing contracted providers to minimise any risks (Langenbucher and Vodopivec, forthcoming^[6]).

Responsiveness of active labour market policies during times of crisis

The short-term responses of ALMP systems to the COVID-19 crisis involved above all changes in the operating models of public and private employment services, while the scope for redesigning active support to jobseekers was limited. First, the suddenness of the COVID-19 outbreak and the subsequent restrictions on social interactions imposed a rapid change in working environments and service delivery models. Second, many PES experienced exceptionally high inflows of applications for benefits and registrations as well as increased needs for information by the clients (OECD, 2020^[5]). Moreover, the approaches taken needed tight monitoring and frequent re-assessments. This required establishment of crisis management systems in many PES, supported by new monitoring tools and dashboards and the use of data for management decisions more than ever before. Close to 90% of countries responding to the OECD-EC questionnaire highlight the changes in PES operating models as the most important element of their short-term responses to the COVID-19 crisis. More specifically, the key changes involved: i) digitalising processes, boosting remote channels, automating processes for clients and the back-office (see Box 1); ii) simplifying processes for clients and staff; iii) adapting processes to meet health guidelines on the premises; iv) adopting new tools to increase the quality and timeliness of statistics and management information; v) adapting communication to staff and clients; and vi) reallocating staff, increasing staff numbers and training staff to increase PES capacity. Around one-third of countries made more significant changes to ALMP design already in their short-term strategies in 2020.

Box 1. Remote channels have been crucial to maintain services

The speed at which the pandemic unfolded and the impact of social distancing restrictions, brought an abrupt halt to face-to-face employment service delivery. Increased digitalisation of services helped PES mitigate the impact in several ways:

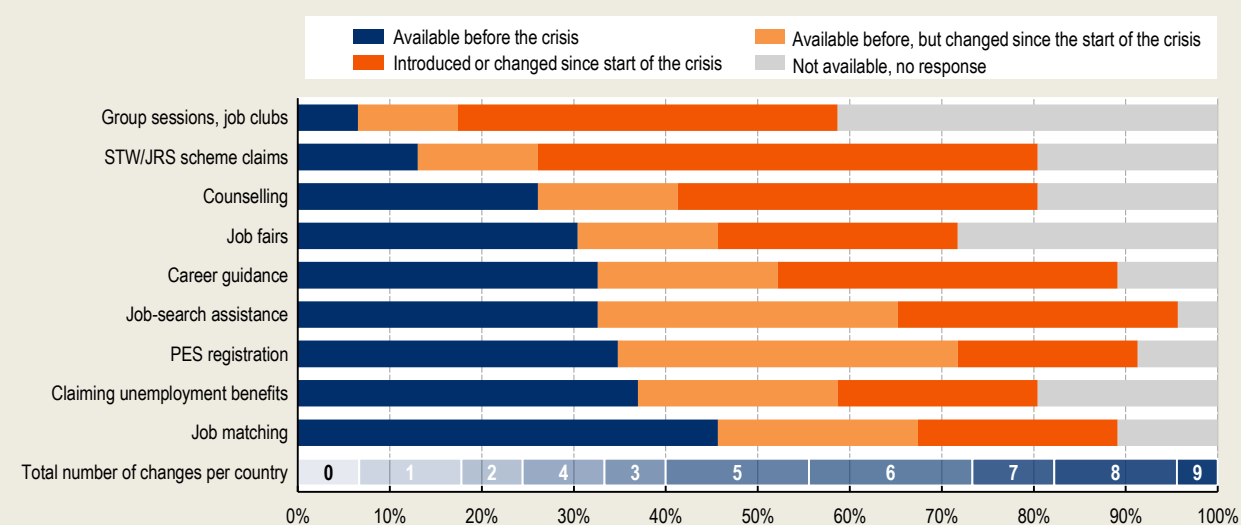
- *Teleworking arrangements for PES staff* allowed service continuity, protected workers and maintained capacity (EC, 2020^[7]; ILO, 2020^[8]).
- *Remote channels for ALMP provision* allowed continuation of counselling, career guidance, job matching and training via online channels.
- *Remote benefit applications and jobseeker registrations* (remote channels and user-interfaces enabling jobseekers to send or upload their data to PES IT systems) protected customers by limiting social exposure risk and facilitated processing speed despite high volumes.

Figure 3 shows how PES have embraced remote and digital services to provide services to clients. The strides made in extending remote and digital access by PES in less than one year, almost surpasses the totality of digital access that was built up prior to the pandemic. Across the nine activities surveyed,



over 50% of countries had made changes to facilitate remote access across five or more activities. PES that offered comprehensive e-services for clients had to make relatively few changes to their service delivery, compared to those with relatively little previous remote access. The recent introduction of remote access by some PES and the expansion of it by others suggests there is still much scope for further developments, building on recent successes. An important element of digital strategies will be to embed the use of e-services as the default mode for transactions such as registration and administration of benefits. Moreover, it is important to ensure that clients without digital skills or with complex needs continue to receive appropriate support, including basic IT training to navigate PES e-services.

Figure 3. PES increased remote access to services during the pandemic



Source: Responses to OECD/EC questionnaire "Active labour market policy measures to mitigate the rise in (long-term) unemployment".

Medium- and longer-term strategies focus on ALMP design and targeting, as well as the ALMP delivery model

Governments in most countries are developing medium- and longer-term strategies of labour market policy responses to the COVID-19 crisis, but only about half had already adopted a new strategy by October/November 2020. Discussions on the longer-term responses were hindered as day-to-day crisis management absorbed policy makers throughout 2020 and early 2021 as the health situation, social distancing requirements and the forecasts of the labour market situation kept changing significantly over the year.

Compared to the short-term policy responses, longer-term strategies focus much more on the content of the support to jobseekers, employees and employers, rather than its operating and delivery models. All countries responding to the OECD-EC questionnaire that had already adopted their longer-term strategy by October 2020 (or were to adopt the strategy soon) identified ALMP design and targeting as key components of their plans for 2021 and beyond. For example, Brussels (Belgium) aims to give higher priority to the most vulnerable groups, who have suffered more in the COVID-19 crisis and to apply a sectoral approach to employers to meet better the sectoral needs. Wallonia (Belgium) intends to further prioritise individualised approaches to jobseekers, particularly to those who have been recently dismissed, in its new model of "instant support" focusing more on coaching and finding solutions swiftly.



Greece is giving particular attention to supporting jobseekers from the sectors that have suffered the most in the current crisis such as tourism and culture. Slovenia is increasing co-operation with the providers of social services to better support groups that have multiple labour market barriers, and promoting employment of disadvantaged jobseekers (including support with job interviews and post placement support). Colombia is planning to address the labour market integration challenges of several vulnerable groups, such as women, youths, older workers, jobseekers from the sectors that suffered exceptionally more due to COVID-19, as well as people working informally.

Most ALMP systems were not ready for the COVID-19 crisis

ALMP systems were not prepared for the COVID-19 crisis. Of all OECD and EU countries, only Israel and Switzerland had pre-existing crisis management plans in place before the COVID-19 outbreak to tackle a potential crisis on the labour market that proved to be useful in early 2020. Nevertheless, as the COVID-19 crisis posed many challenges that were not foreseen, even those crisis management plans had to be adjusted extensively. In New Zealand, responding to the COVID-19 challenges was facilitated through a specific measure to tackle an economic crisis situation developed before COVID-19 crisis. The *Employment and Work Readiness Assistance Programme*, established in 2018, enables to grant assistance under the Multi-Category Appropriation, aiming to cover a wide range of employment and work-related assistance.

Some features of the institutional setup of ALMP provision have enabled agile and effective responses to the COVID-19 outbreak (Figure 4). As part of their recovery plans, countries should therefore also address any structural capacity constraints through adjusting ALMP regulation, adapting the organisational set-up of employment services, increasing the flexibility of ALMP funding and responsiveness and enabling tight co-operation and co-ordination between all relevant stakeholders (OECD, forthcoming^[9]). More than half of the countries replying to the OECD-EC questionnaire highlight co-operation and co-ordination as one of the main factors facilitating their COVID-19 responses. Co-ordination and established governance models have become particularly critical in the decentralised systems, where a high share of responsibilities for ALMPs lies in the regional or local level authorities. Close to half of the countries that consider the co-operation of stakeholders as a particularly beneficial practice, highlight that engaging the social partners in the development of their short- and long-term responses has been key.

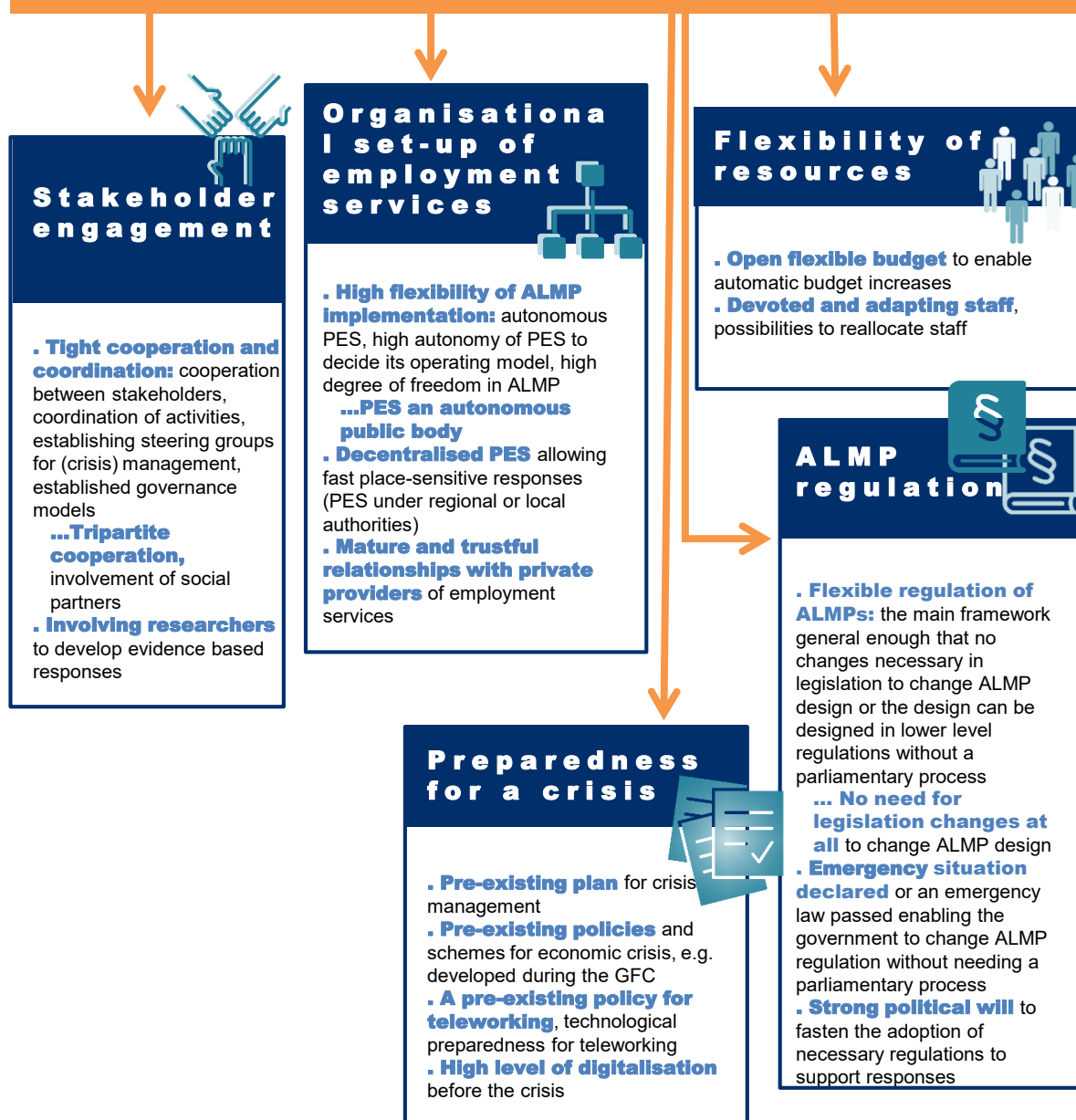
Moreover, countries with more flexible ALMP regulations were able to redesign their policies quicker. About one-third of the countries had very general framework laws for ALMP provision before the crisis, so that introducing and redesigning ALMPs was possible without particular emergency laws. In these countries, adaptations of regulations by their government or ministries was sufficient, or no changes in regulations were necessary at all in the Czech Republic, Malta and New Zealand. In countries with less flexible regulations, a strong political will and the declaration of an emergency situation enabled policy makers to adapt the necessary regulations for redesigning ALMPs without the normal parliamentary process.

Higher autonomy in PES to decide their operating model and ALMP implementation details has supported responsiveness to local labour market needs and the continuity of ALMP provision despite sudden changes in the working environment. Having an autonomous national level PES set up with a supervisory body involving the social partners, is often highlighted by countries as a means to deliver swift policy responses. Two-thirds of countries with this setting refer to flexibility in ALMP implementation as key enabler of their responses to COVID-19 – they include Austria, Croatia, Estonia, France, Germany and Iceland. About half of the countries with a decentralised ALMP system note that some aspects in their set-up enabled fast changes in operating models that took into account local labour market conditions (e.g. Argentina, Belgium, Canada, Italy, Switzerland). In countries where a large share of employment services are outsourced, mature and trustful relationships between the ministry and the providers have been key to adapt to the new situation (Australia and the United Kingdom).



Figure 4. Key enablers of ALMP responses to COVID-19

KEY FEATURES OF ALMP SYSTEMS FOR AGILE AND EFFECTIVE RESPONSES TO COVID-19



Source: OECD-EC questionnaire. For more information and a dashboard of the institutional framework of ALMP provision, see (OECD, forthcoming^[9]).

Only a minority of countries exercise a high flexibility of resources to respond to changes in the labour market. Sweden has been successful in amending its ALMP budget in response to COVID-19 faster than other countries as its regulations mean that an increase in long-term unemployment automatically raises funds available both for benefits and ALMPs. Others, like Denmark and the



Netherlands, also have automatic PES funding mechanisms, allowing rapid shifts to demand changes. In Switzerland, where cantons are responsible for ALMP provision, ALMP budgets are directly linked to the number of registered jobseekers in cantons and can be adjusted during the year. In Flanders (Belgium), most ALMPs use open budget, which means that additional funds are automatically made available when the needs exceed expectations. Regarding the flexibility of human resources in PES, close to half of the countries were able to increase their staff numbers in 2020 in response to the crisis and two-thirds made staff re-allocations (see previous section). Brussels (Belgium), Croatia, Finland and Slovenia consider the adaptability and devotion of staff, as well as possibilities to reallocate tasks, to have been key in their success in coping with the challenges of COVID-19 in 2020.

Conclusions

ALMPs have been an important element of the emergency measures put in place by countries to support jobseekers during the pandemic, and will also play a key role in supporting the recovery from it. ALMPs help jobseekers find jobs via counselling, training and tailored, comprehensive support to those who struggle most. They can also help speed up the reallocation of labour from declining sectors and firms to expanding ones. Governments across the OECD, EU and beyond will be gradually moving from a crisis management mode to medium- to longer-term strategies to recover from the jobs crisis through redesigning and scaling up ALMPs and funding for their PES. In the aftermath of the COVID-19 crisis, substantial additional investments into ALMPs will be needed and many, but not all, countries have already increased their expenditure in this area. Strengthening the responsiveness of ALMPs' funding can be achieved by introducing rules for automatic adjustment to the number of jobseekers as in a few OECD countries.

For additional ALMP funding to be used effectively, it will be key for countries to address any structural capacity constraints and push ahead with longer term strategies including adjustments to ALMP regulation, adapting the organisational set-up of employment services, and fostering better co-operation and co-ordination between all relevant stakeholders. Hence, governments will need to take stock of how to scale up ALMPs in a timely but also effective manner. A key element will be investment into the digital infrastructures of employment services. Those PES that had fully-fledged digital tools in place prior to the COVID-19 outbreak were able to better service their clients through paying income support (unemployment and related benefits as well as job retention benefits) seamlessly and providing support to jobseekers via remote communication. Many countries have accelerated digitalisation of employment services over the course of 2020 and 2021 improving existing and introducing new services. Nevertheless, there are still large differences across countries calling for additional investments into digital capacity in many countries, which cannot be built up in the short term. Furthermore, countries may also need to adjust their ALMP basket, including investments into measures such as training, employment or start-up incentives for the recovery, as argued in an OECD study (forthcoming^[3]). Going forward, countries will have to continue monitoring and evaluating the impact of their ALMPs, including those introduced or scaled up to address the COVID-19 pandemic, to ensure that resources for ALMPs are spent effectively.



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