Response to “The 2013 Follow-Up Survey of Former FÁS Trainees”: An Assessment’
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SOLAS is delighted to have the opportunity to respond to the criticism by the UCD Geary Institute for Public Policy of the 2013 SOLAS Survey of Former FÁS Trainees.

One of the functions which SOLAS has been assigned under the ‘Further Training and Employment Act’ is to evaluate the impact of further education and training programmes, and this debate provides us with the opportunity to discuss the issues which we are confronted with in carrying out this function.

The core argument in the critique is that because SOLAS did not measure the extent to which the former FÁS trainees would have obtained employment in the absence of the training programme, the evaluation results are not valid. To quote from the article “the key issue is whether someone with matched characteristics would have been more likely to achieve employment if they had participated in a programme than if they did not” and again “there is unanimity throughout the literature that in order to assess the impact of a programme it is necessary to consider the counterfactual: the outcome that programme participants would have if they had not participated in a programme.”

Let me state from the outset that SOLAS is strongly of the view that every evaluation of a labour market intervention must attempt to measure the ‘counterfactual’ (i.e. comparing the outcome of the treated and untreated group).

However, we believe that a proper counterfactual impact evaluation (CIE) of FÁS training cannot be based on the administrative data currently available, and therefore on the approach implied in the critique. In particular, while the variable on the job title prior to becoming unemployed can be used as a control variable in defining baseline characteristics of the treated and non-treated group, the variable on job title is not observable (from the existing administrative data) as an outcome variable. Instead, the outcome variable is typically confined to binary values e.g. indicating if person is in employment or not.

In our view, defining CIE problem in such a way fails to identify any value-added generated from the investment by the tax-payer in the intervention. The concern of SOLAS revolves solely around what the counterfactual is measuring and how it is measured.

The implication implicit in this critique is that the appropriate measure of the counterfactual is the extent to which participants would have found employment in the absence of the training programme.

Let us consider for a moment how FÁS should have designed its programmes if it wished to have the effectiveness of its programmes measured against this ‘counterfactual’.

Obviously, it would have targeted all of the programmes at the most disadvantaged persons among the unemployed because the more disadvantaged the individual is, the less likely he/she is to find employment without any training intervention.
In addition, it would have trained these disadvantaged persons in the skills and competences which are required in the type of jobs these disadvantaged persons are generally employed in (e.g. elementary occupations, retail sales assistants and so forth).

Had the programme design been based on this rationale, the results from CIE would probably have been very positive because not only would some of the participants – hopefully quite a significant number – gain employment, but the counterfactual would show that these same participants would probably not have become employed in the absence of the training programme, and, consequently the level of value-added for the tax-payer, using this measure of the counterfactual, would have been considerable.

So why did the former FÁS organisation not design all the training programmes in this manner? The reason is that one of the core functions of FÁS was to train unemployed persons in the intermediate-level skills required by the Irish economy and in a considerable number of cases very disadvantaged unemployed persons would not have possessed the ability to acquire the intermediate level skills.

The type of skills which we are referring to include a range of software programmes (e.g. Java, C++, Web design etc.), a range of engineering skills (e.g. instrumentation; CNC machining, maintenance and quality assurance, energy rating etc.); CAD and CAM programming; and technician level courses in medical devices, pharmaceuticals, logistics and aerospace.

Some of these skills – especially regarding software and engineering - are also taught on the ‘Springboard’ programme and it is surely significant that over half of the participants on that programme have a level 6 qualification or indeed higher.

As such most, if not all, of the participants on the Springboard programme would have found employment – albeit some of the jobs may have been quite elementary – in the absence of the programme.

But no-one would suggest that the Springboard programme is therefore useless.

Rather I expect that the response to any such evaluation of the programme would be that a ‘counterfactual’ which simply measures the extent to which the participants would have found employment in the absence of the programme is not the appropriate ‘counterfactual’ in this case. **Rather, the appropriate counterfactual is the extent to which they would have found employment using the skills they were taught on the programme.**

The authors’ state in the evaluation that a considerable number of the FÁS courses fall into this category and that is why they attempt to evaluate them using questions on the extent to which participants use the skills they learnt on the training course in their current job.

The Geary Institute dismiss this argument as weak, but the only justification which is offered for the use of the term ‘weak’ is a reference to unanimity in the literature that the appropriate counterfactual is the probability of the participants achieving employment in the absence of the programme.

I think that there may be an issue here which has been overlooked and which may explain the apparent contradiction between, **on the one hand** the widespread view that the appropriate
‘counterfactual’ is the extent to which participants would have found employment in the absence of the programme and **on the other hand** the obvious inappropriateness of this counterfactual for evaluating certain types of training programmes.

The evaluations referred to are of the unemployed – not the employed. But the vast bulk of intermediate skills training throughout northern Europe is delivered through an apprenticeship system and these participants are employed.

In contrast, in Ireland, apprenticeships cover only 25 occupations (compared to well over 300 occupations in Germany for example) and the skills which typically would be delivered through an apprenticeship programme in Northern Europe are delivered in Ireland through programmes targeted at the unemployed such as Specific Skills Training and Traineeships.

This situation is due to change over the next few years as many more occupations are included in the Irish apprenticeship system. When this process is complete, the Irish vocational training structure may more closely resemble the structure in Northern Europe and the application of counterfactuals based on the probability of finding employment to all training programmes (other than apprenticeship) may be more appropriate.

However, we would still caution against using a counterfactual which provides a positive rating solely on the basis that the participants - who would have remained unemployed in the absence of the programme - found a job.

Our argument is that the quality of the job which the participant was employed in after completing the training programme should also be a very important consideration in the evaluation process. Our thinking on this issue is influenced by the results of analyses such as the following.

The diagram below shows the share of the employed with tertiary qualifications in roughly 100 occupations (represented by the dots) between the period 2007 and 2013. It shows that during the crisis, this share increased significantly and often in occupations where employment in 2007 consisted largely of those with below tertiary qualifications.
This is just one of a number of different analyses which suggest that persons with low qualifications may find it difficult to find sustainable employment – that they may get ‘crowded out’ by persons with higher qualifications during periods when the labour market is relatively ‘tight’.

If this is the case, then there is certainly an argument for at least exploring whether or not it would be more cost-effective to the tax payer to deliver training programmes for the disadvantaged which result in sustainable employment – even if such programmes are initially more expensive.

It follows that the appropriate counterfactual in such cases would not be a simple ‘did the training enhance the probability of the participant finding any job’; it would also focus on the quality of the job using proxies such as job title, wages, tenure etc.

Finally, there are also significant challenges in attempting to measure a counterfactual which seeks to quantify the extent to which participants would have found employment in the absence of a training programme. These difficulties relate to two issues:

- identifying and measuring the observable characteristics which impact on the probability of an unemployed person finding employment in the absence of the relevant intervention and
- Identifying and measuring the non-observable characteristics which impact on the probability of an unemployed person finding employment in the absence of the relevant intervention.
The Geary Institute do excellent work in regard to the first issue – identifying and measuring the observable characteristics. Their analyses are sophisticated and very thorough and they have made and continue to make a major contribution to our capacity to manage the labour market more effectively.

The difficulty, however, is that in the labour market where the application of this counterfactual is most appropriate (the jobs which unemployed disadvantaged individuals are typically employed in), if employers are to be believed, it is the non-observable characteristics, such as attitude and motivation, which are by far the most important factors in the employers’ decision to offer the former training participant a job.

Of course, while there is a challenge in measuring these non-observable characteristics in terms of econometric techniques, there is a greater ethical challenge because the only way that we can be certain that the treatment and the control group are equally composed of persons with similar levels of motivation is to randomly select among those who intend to participate on the programme which is to be evaluated. In other words, some individuals who wish to attend the programme must be denied that opportunity.

I have heard some economist’s state that if the programme is over-subscribed, the ethical issue becomes less important because not everyone can attend the programme.

In practice, however, randomly assigning individuals to the control group could still be discriminatory even when, as in the case of many FÁS SST courses, the particular training is over-subscribed.

In the case of the training programmes which were the subject of the evaluation, FÁS choose to create ‘waiting lists’ on the basis of a first come, first served selection procedure (provided of course the individuals were eligible). FÁS believed that this approach was the most fair that could be adopted and it meant that the length of time a person had to wait for a place was not inordinately long.

In terms of SOLAS subsequently evaluating the programmes, however, this meant that there was a distinct possibility that the level of motivation between those that attended the training course and those that did not were significantly different – thus making the application of the counterfactual meaningless since the most important job-gaining attribute would not be distributed evenly among the control and treatment groups.

These observations reflect the issues which had to be taken into consideration in how the former FÁS courses were evaluated. Attempts were made to find proxy appropriate counterfactuals but as the critique points out, these attempts were not totally free from bias.

But the issue of what counterfactual should be measured and how it should be measured and what time horizon it should cover are complex, and the work of the Geary Institute in this context is most welcome and I have no doubt that it will make a tremendous contribution to enhancing the quality of evaluations of labour market interventions in future years.