

The Impact of Training Programme Type and Duration on the Employment Chances of the Unemployed in Ireland

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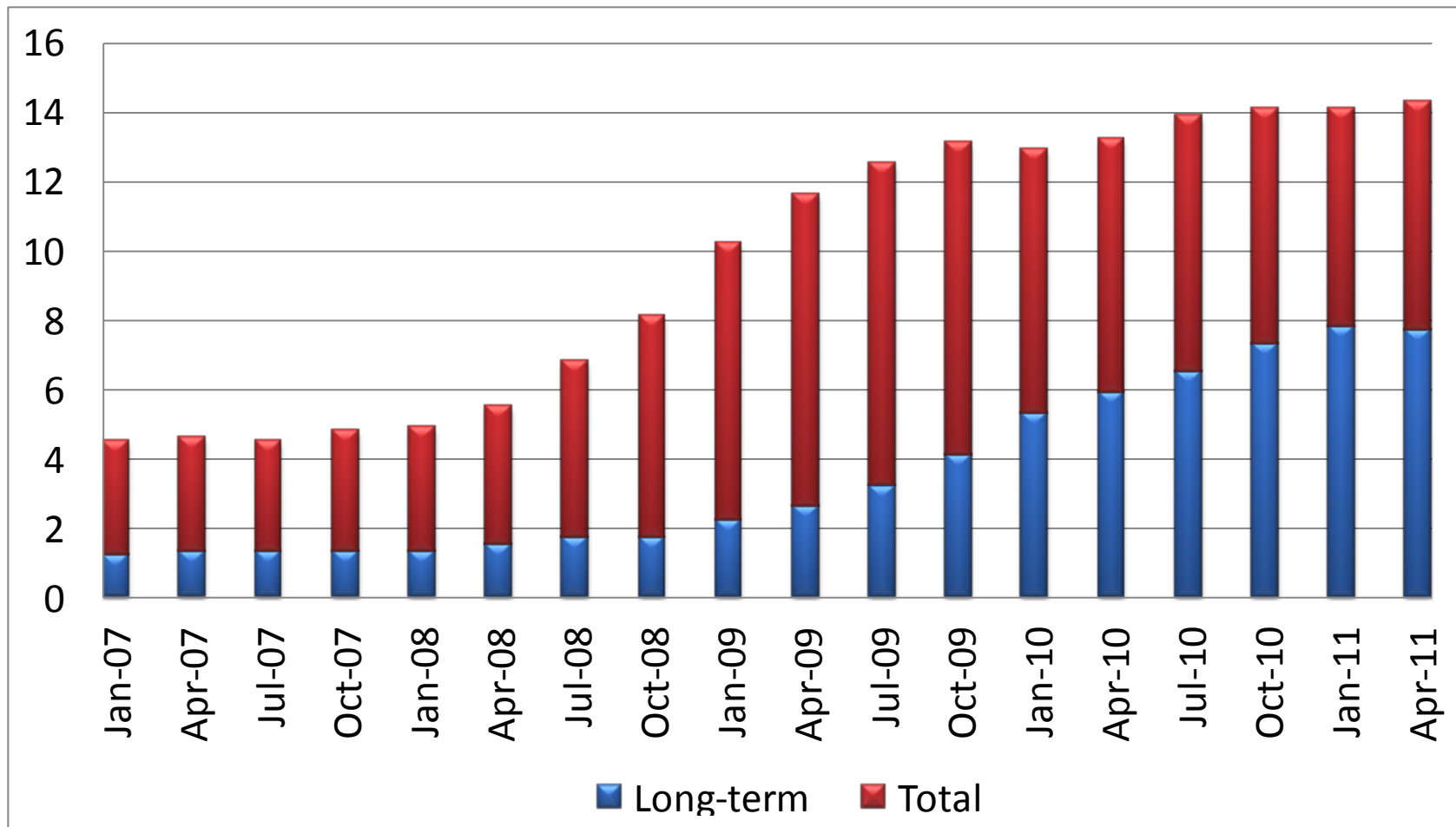
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Outline

- What Works?
 - Evidence from a recent ESRI study on the effectiveness of different types and durations of training programme on exits from unemployment.
- Are We Doing the Right Thing?
 - The extent to which current training provision for the unemployed is appropriate and adequate in terms of both composition and content

Long-term Unemployment has risen steadily during crisis: reducing LTU should be a key objective of labour market policy



Source: Constructed from the *Quarterly National Household Survey*, Central Statistics Office

Study on the Impact of Training on Exits from Unemployment

- McGuinness, O' Connell and Kelly, ESRI Working Paper 410, 2011
- Data resulted from merging of:
 - Live Register data,
 - Detailed Profiling questionnaire
 - FAS customer events files
- Employment outcomes in June 2008 of a treatment group of 620 Jobseekers Benefit/Allowance claimants signed off to training at or before May 2007
- Compared with like control group,
 - Unemployed in May 2007
 - Did not receive training (FAS interview only).

Methodology: Study accounts for many potential sources of Bias



- Selection Bias: We test for observable differences between the treatment and control groups (PSM).
- Lock in effects: We allow a sufficient time period between the completion of training and our key observation point.
- Unobserved effects: We account for potential self-selection among the treatment group (remove FAS walk-ins).
- Control group bias: We remove from the control group any individuals who may be waiting for a training slot to arise.

The Data: Categorisation on Training

| | Type of training | Description | Example |
|---|--------------------------|---|---|
| 1 | Job Search Training | Training in job search techniques | <i>Preparing for Work</i> |
| 2 | General Training | General purpose training without specific link to labour market | <i>European Computer Driving Licence</i> |
| | Specific Skills Training | Training for specific occupational position | |
| 4 | – Low-Level | | <i>Introduction to Warehousing and Distribution</i> |
| 5 | – Medium-Level | | <i>Computerized Accounts and Payroll</i> |
| 6 | – High-Level | | <i>Computer Aided Draughting and Design</i> |

Distribution of Training among the Treatment Group by Duration (Weeks) and Level

| | Average Duration | Number | Percent |
|--------------------------|------------------|--------|---------|
| <i>Programme Type:</i> | | | |
| Job Search Training | 8 | 63 | 8 |
| General Training | 17 | 256 | 41 |
| Specific Skills - Low | 18 | 179 | 29 |
| Specific Skills - Medium | 19 | 98 | 16 |
| Specific Skills - High | 40 | 25 | 4 |
| Total: | | 621 | 100 |

Distribution of Government Sponsored Training by Training Weeks

| | Training Weeks Numbers | Percent |
|--------------------------|------------------------|---------|
| <i>Programme Type:</i> | | |
| Job Search Training | 522 | 5 |
| General Training | 4,342 | 38 |
| Specific Skills - Low | 3,426 | 31 |
| Specific Skills - Medium | 1,893 | 17 |
| Specific Skills - High | 1,018 | 9 |
| Total: | 11,201 | 100 |

Overall Impact of Training

- Individuals in receipt of FAS training were 9% less likely to be unemployed in June 2008 than the control group.
- Holds when controlling for a wide range of factors:
 - age, education, labour market experience, marital status, location, access to transport, previous exposure to unemployment etc.
- How does the impact of training vary by programme type and duration?

Impact of Different Types of Training

Marginal Effects

Training Type:

| | |
|--------------------------------------|----------|
| Job Search Training – short duration | 0.280*** |
| Job Search Training – long duration | -0.003 |
| General Training – short duration | 0.107** |
| General Training – long duration | 0.070 |
| Low-level Skills– short duration | 0.064 |
| Low-level Skills– long duration | -0.049 |
| Medium-level Skills– short duration | 0.217*** |
| Medium-level Skills– long duration | -0.011 |
| High-level Skills– short duration | 0.221 |
| High-level Skills– long duration | 0.223** |
| | (0.095) |

Summary of Key Findings

- Training generally enhances employment probabilities of participants
 - however, not all interventions are effective.
- Highest returns:
 - Short duration training in Job search techniques
 - High end Specific Skills training
- Returns to General training are much lower
- Zero for low Skilled training.
- Problem: Nearly 70% of training government training effort is General and low Specific Skill training.

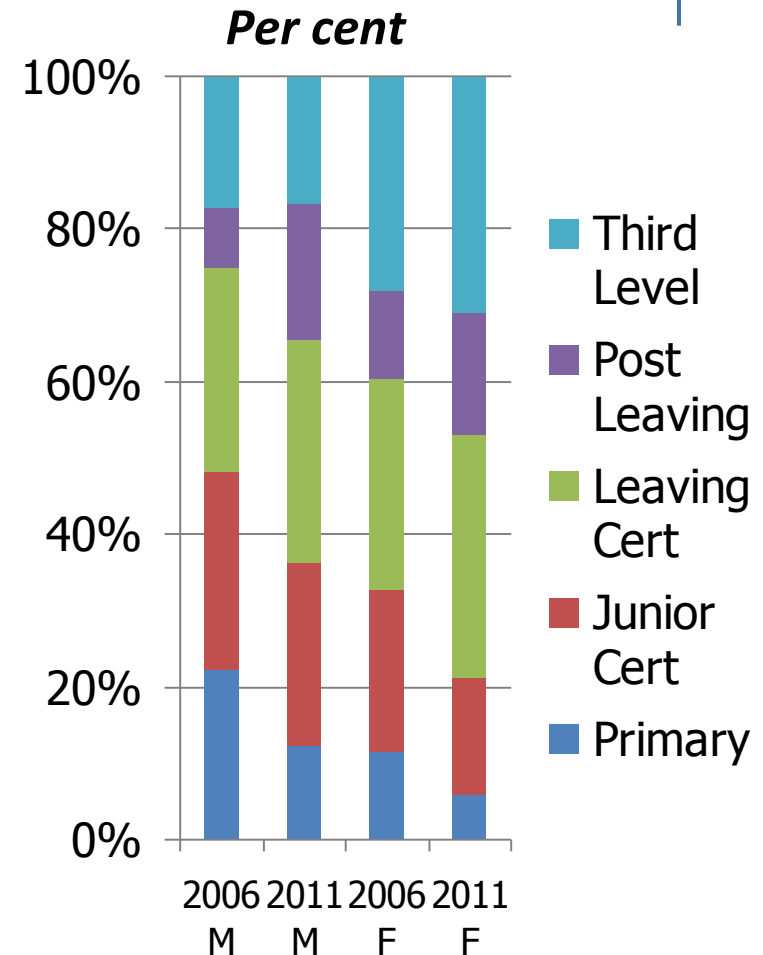
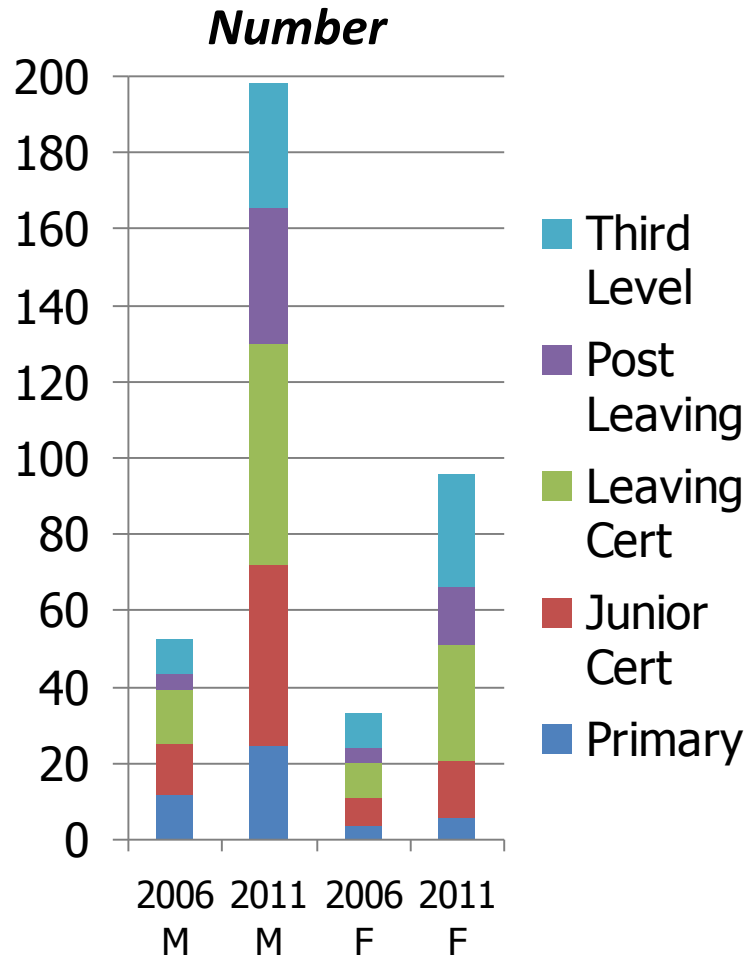
Where are we now ?

- Is the predominance of General and Low Skill training also apparent in current provision?
- Is the general structure of training consistent with the composition of the stock of unemployed workers?
- What are the most appropriate mechanisms to determine the optimum mix of training provision in Ireland?

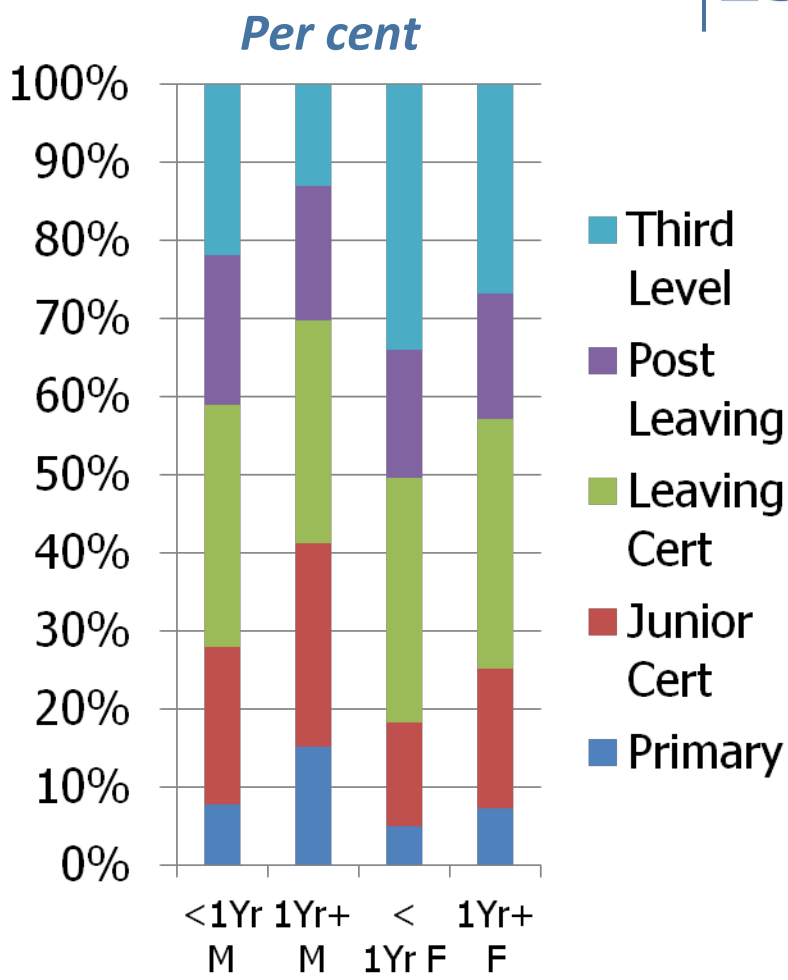
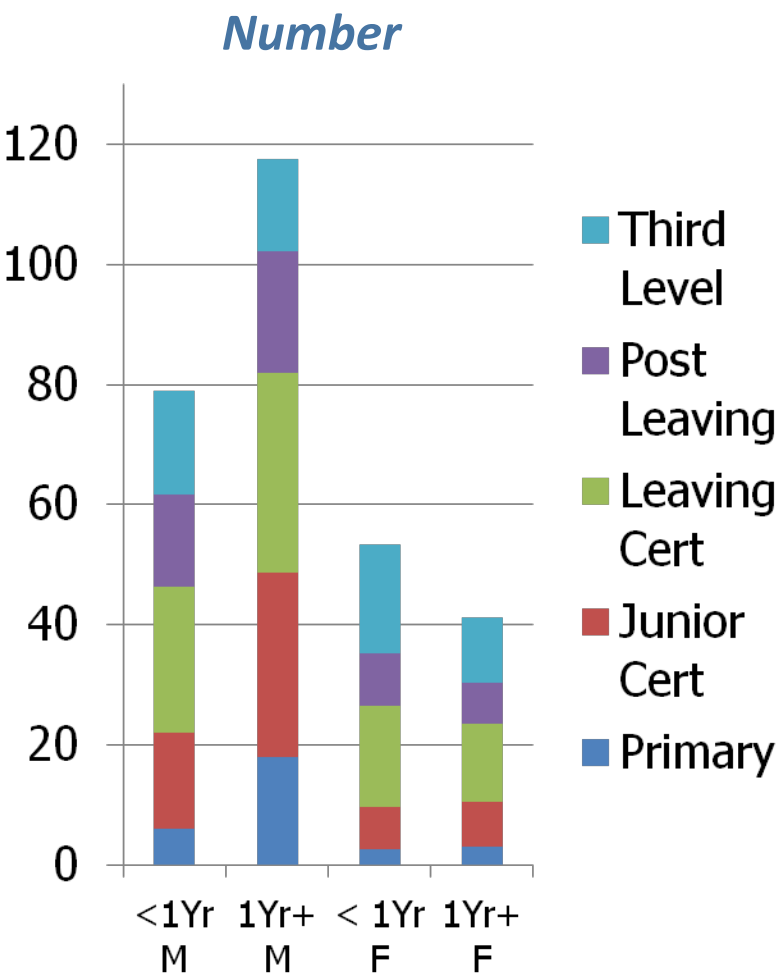
| | Market Orientation | | | | |
|---------------------------------------|---------------------------|--------------|-----------------------------------|--------------|--------------|
| Labour Market Leverage | <i>Weak</i> | <i>€ mil</i> | <i>Strong</i> | <i>€ mil</i> | Total |
| <i>Supply – Training</i> | Youthreach | 67 | PLC | 186 | |
| | VTOS | 80 | FÁS specific skills | 106 | |
| | Literacy / numeracy etc | 35 | FÁS apprenticeships | 68 | |
| | FÁS community training | 44 | FÁS traineeships | 33 | |
| | Back to Education | 17 | LM Activation Fund | 15 | |
| | FÁS Bridging | 14 | Skillnets | 1 | |
| | Community Education | 10 | | | |
| | Guidance | 6 | | | |
| | Jobs clubs | 6 | | | |
| | <i>Sub total</i> | <i>249</i> | | <i>409</i> | 658 |
| <i>Demand – Employment</i> | Community Employment | 362 | JobBridge | 13 | |
| | Rural Social Scheme | 46 | Back to Work Enterprise Allowance | 91 | |
| | TÚS | 30 | | | |
| | D/SP JI programme | 29 | | | |
| | | | | | |
| | | | <i>Subtotal</i> | <i>104</i> | |
| | <i>Subtotal</i> | <i>467</i> | | | 542 |
| | Total | 716 | | 513 | 1,229 |

Source: Central Expenditure and Evaluation Unit (2012)

Educational Composition of Unemployment, 2006 and 2011 (QNHS) – in 2011 35% of men and 45% of women have Post Leaving Cert qualification



Educational Composition of Short-Term and Long-Term Unemployed (Q2 2011)



Unemployed by Previous Sector

QNHS q2, 2011

| Economic Sector | Number | Percent |
|---|---------|---------|
| Construction | 78,616 | 25.8 |
| No NACE Coding Available | 58,344 | 19.2 |
| Wholesale & Retail | 37,186 | 12.2 |
| Industry | 36,062 | 11.8 |
| Accommodation & Food Service | 17,805 | 5.9 |
| Administrative and Support Services | 11,958 | 3.9 |
| Other Activities | 11,715 | 3.9 |
| Transport & Storage | 10,535 | 3.5 |
| Human Health and Social Work | 9,797 | 3.2 |
| Professional, Scientific & Technical Activities | 9,764 | 3.2 |
| Education | 5,916 | 1.9 |
| Financial, Insurance and Real Estate | 5,070 | 1.7 |
| Information & Communication | 4,941 | 1.6 |
| Agriculture, Forestry & Fishing | 3,619 | 1.2 |
| Public Administration and Defence | 3,192 | 1.1 |
| Total | 304,521 | 100 |

Changes in Employment by Sector (QNHS)

| | q2,2010 | q2, 2011 | Change |
|-----------------------------------|-----------|----------|----------------|
| 10 Manufacture, food | 37,213 | 43,506 | 6,293 |
| 81 Building & landscape service | 21,829 | 25,997 | 4,167 |
| 86 Human health activities | 153,200 | 156,358 | 3,158 |
| 78 Employment activities | 5,443 | 8,487 | 3,045 |
| 53 Postal and courier activities | 15,409 | 18,401 | 2,992 |
| 93 Sports, amusement & recreation | 19,568 | 22,338 | 2,771 |
| 72 Scientific resrch & develop | 3,655 | 6,018 | 2,364 |
| 42 Civil engineering | 5,335 | 7,380 | 2,045 |
| 01 Crop & animal production etc | 78,605 | 80,632 | 2,026 |
| 87 Residential care activities | 22,143 | 24,108 | 1,965 |
| 49 Transport via land & pipelines | 49,543 | 51,455 | 1,913 |
| 52 Warehousing & transportation | 13,300 | 15,056 | 1,756 |
| 27 Manuf, electrical equipment | 1,359 | 2,903 | 1,544 |
| 61 Telecommunications | 19,648 | 20,959 | 1,311 |
| 74 Other prof, scientific & tech | 28,196 | 29,372 | 1,175 |
| 94 Membership organisations | 13,480 | 14,649 | 1,169 |
| 21 Manufacture, pharmaceutical | 31,248 | 32,391 | 1,143 |
| All 'Growth Sectors' | 742673 | 791067.9 | 48,395 |
| Total Economy | 1,859,084 | 1821345 | -37,739 |

Current Position

Evidence still points to a pre-dominance of general and low skill training activity.

- Unlikely to have strong positive impacts on the employment probabilities of claimants
- Somewhat out of sync with the educational composition of the unemployed population.
- Does not address structural unemployment among former construction workers
- Need for a radical restructuring of training provision

The Way Forward:

Basic Principals: Demand and Supply



- Training provision must be demand led with strong linkages to the skills required in potential growth areas in the labour market.
- This requires ongoing labour market intelligence gathering to identify key sectors.
- Training content could be guided by specifically designated sector skills councils and programmes should ideally include job placement component
- Provide intensive retraining to tackle structural unemployment among former construction workers

The Way Forward:

Basic Principals: Providers



- Providers should be chosen on the basis of their ability to deliver quality training irrespective of sector
- There should be no attempt to “shoehorn” provision into legacy structures or to design provision around such structures
- NEES as broker/coordinator of training?
- Provision could be incentivised according to results (job placements) to help ensure ongoing effectiveness
- All training programmes should be subject to rigorous evaluation to enable timely closure / restructuring of ineffective interventions