Assessing the Impact of an Active Labor Market Policy Program during the COVID-19 Pandemic:
A Case Study in Lower Austria

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In a nutshell

- **Context:**
  - COVID-19 pandemic induced an unprecedented shock to the Austrian labor market.
  - Austria implemented active labor market policies (ALMP) to support individuals who lost their jobs due to COVID-19.

- **Research interest:** Are ALMPs reducing negative effects of unemployment during COVID-19?
- **Method:** Case study in Lower Austria. Using panel survey data, we perform random effects regression models to assess the program's effects on job seekers.
- **Results:** Targeted counseling and support programs for job seekers can positively impact the competencies, well-being, and health of participants.

- ➢ We offer valuable evidence for the effectiveness of policy measures in times of labor market shocks.

Agenda

1. **Background and Previous Research**

2. **Study Design**

3. **Results**

4. **Limitations and Discussion**

Background and Previous Research

The COVID-19 Pandemic as Labor Market Crisis in Austria

TABLE 1: GROUPED UNEMPLOYMENT RATE IN AUSTRIA 2019/2020

	2019	2020	Change 2019/2020
	in %		in percentage points
Total	8.7	11.2	+ 2.4
Gender			
Men	8.8	11.2	+ 2.4
Women	8.7	11.1	+ 2.5
Age groups			
Up to 19 years	12.2	12.7	+ 0.5
20 to 24 years	10.8	14.2	+ 3.4
25 to 54 years	8.0	10.5	+ 2.5
55 years and older	10.1	12.1	+ 1.9
Highest level of education completed			
Compulsory school	27.0	32.3	+ 5.3
Apprenticeship	6.8	9.1	+ 2.3
Secondary vocational school	4.0	5.2	+ 1.1
General or vocational high school	5.4	7.3	+ 1.9
Academic education	3.7	4.4	+ 0.7
Nationality			
Austria	7.5	9.3	+ 1.9
Foreign country	13.1	17.3	+ 4.2

Source: Bock-Schappelwein et al. (2021). WIFO calculations, Arbeitsmarktservice Österreich, Dachverband der Sozialversicherungsträger, Statistik Austria.

„Beratungs- und Betreuungseinrichtung Joboffensive" (BBEJ)
Active Labour Market Policy

- **Active Labor Market Policies (ALMP)** aim at facilitating the transition from unemployment to employment (Bonoli 2010; Crépon & Van den Berg 2016; Tsiboukli & Efstratoglou 2022)

- **Focus of the BBEJ:**
  - Preparing job seekers for the labor market by improving their skills
  - Offering advice on job search
  - Eventually placing them in a suitable job

- **Aims of the BBEJ:**
  - Create clarity about individual career perspective
  - Provide information and advice on training and further education programs
  - Support job seekers in their job search and application
  - Achieve reentry into the labor market

- **Manifest Outcomes of the BBEJ**
  - 1540 of 3899 participants started new job
  - 465 individuals obtained further educational qualifications

Effectiveness of Job Search Interventions
Previous Evidence

- Meta-Analysis of 47 evaluated job search programs (Liu et al. 2014):
  - Jobseekers who participated in a job search intervention were **2.67 times more** likely to be employed than those in a control group who did not participate in such an intervention program

Negative Effects of Unemployment: Jahoda's Latent Deprivation Model

- **Manifest** vs. **latent** functions of employment

- **Categories of latent functions** (Jahoda 1982, 1997)**:**
  - Time structure
  - Collective purpose
  - Social contact
  - Activity
  - Status

Study Design

Research question and Hypothesis

Research question:

Do ALMPs such as BBEJ mitigate the negative effects of unemployment and job search?

H1: The BBEJ improves participants' job search competencies and labor market skills.

H2: Participation in the BBEJ reduces the negative personal effects of unemployment, such as overstrain and psychological distress.

H3: Finding a job within the program increases participants' satisfaction with their overall living conditions.

Methods

- **Data**
  - Pre-post panel survey among participants, 3 waves
  - June 2021 until October 2022

- **Dependent Variables**
  - ***Labor market relevant skills:***
    - (1) Knowledge about one's own potentials and abilities
    - (2) Higher know-how regarding the application process
    - (3) Knowledge about legal rights
    - (4) Development of a career perspective
    - (5) Higher flexibility regarding the workplace
  - ***Personal relief:***
    - (1) Psychological relief
    - (2) Reduction of overstrain
  - ***Living conditions:***
    - (1) Material living conditions
    - (2) Social living conditions (with and without organization of family life)
    - (3) Subjective health status

- **Independent Variables**
  - Time of measurement [*wave 1/wave 2/wave 3*]
  - Employment status [*no work/work*]

Methods

- **Models:**

  - Random Effects (RE) Panel Regression

$$(1)\ Y_{it} = \beta_0 + \beta_T TIME_t + \beta_X X_{it} + u_i + \epsilon_{it}$$
$$(2)\ Y_{it} = \beta_0 + \beta_W WORK_{it} + \beta_X X_{it} + u_i + \epsilon_{it}$$

Y_{it}	as dependent variable for individual 'i' at time 't'.
$TIME_t$	as time of measurement (wave) at time 't'.
$WORK_{it}$	as employment status of individual 'i' at time 't'.
X_{it}	as control variables for individual 'i' at time 't'.
β	as coefficients estimated for constant (β_0), $TIME$ (β_T), $WORK$ (β_W) and control variables (β_X).
u_i	as unobserved individual-specific effect for individual 'i'.
ϵ_{it}	as idiosyncratic error term for individual 'i' at time 't'.

Results

Results
Descriptive Analysis

TABLE 2: SUMMARY STATISTICS

Dependent Variables	Obs	Mean	Std. dev.	Min	Max
Labor market relevant skills					
Knowledge about own potentials and abilities	236	7.618	2.145	1	10
Know-how regarding application processes	237	7.217	2.267	1	10
Knowledge about legal rights	233	6.806	2.479	1	10
Development of career perspective	177	7.657	2.203	1	10
Flexibility regarding workplace	255	4.768	1.823	1	10
Personal relief					
Psychological relief	232	6.465	2.284	1	10
Reduction of overstrain	256	7.201	2.930	1	10
Living conditions					
Material living conditions	228	6.024	2.246	1	10
Social living conditions	111	7.403	2.192	1	10
Social living conditions (without family life)	248	7.386	2.308	1	10
Subjective health status	251	6.576	2.426	1	10

Results
Labor Market Relevant Skills

TABLE 3: LABOR MARKET-RELEVANT SKILLS – RANDOM-EFFECTS REGRESSION

VARIABLES	M1 Knowledge about own potentials and abilities	M2 Know-how regarding application processes	M3 Knowledge about legal rights	M4 Development of career perspective	M5 Flexibility regarding workplace
Time of survey (ref. Wave 1)					
Wave 2	0.610***	1.211***	1.035***	1.118***	-0.411**
	(0.192)	(0.198)	(0.231)	(0.255)	(0.205)
Wave 3					0.163
					(0.420)
Female (ref. Male)	0.190	0.291	0.377	0.421	-0.336
	(0.335)	(0.348)	(0.386)	(0.368)	(0.262)
Age group (ref. <=30 years)					
31-50 years	0.888*	0.237	0.573	0.479	0.813**
	(0.501)	(0.521)	(0.577)	(0.537)	(0.392)
>50 years	1.174**	0.435	0.809	1.361**	0.285
	(0.514)	(0.534)	(0.593)	(0.560)	(0.404)
Education level (ref. Primary)					
Secondary	0.243	-0.0599	0.0800	-0.476	-0.376
	(0.514)	(0.530)	(0.591)	(0.550)	(0.395)
Tertiary	0.258	0.353	-0.639	-0.475	0.159
	(0.642)	(0.665)	(0.737)	(0.703)	(0.493)
Constant	6.096***	6.148***	5.480***	6.704***	4.949***
	(0.702)	(0.728)	(0.807)	(0.748)	(0.544)
Observations	236	237	233	177	255
Number of Individuals	130	130	130	121	131
R^2	0.059	0.102	0.070	0.125	0.051

Notes: Standard errors in parentheses; *** $p<0.01$, ** $p<0.05$, * $p<0.1$

TABLE 4: PERSONAL RELIEF – RANDOM-EFFECTS REGRESSION

VARIABLES	M6 Psychological relief	M7 Reduction of overstrain
Time of survey (ref. Wave 1)		
Wave 2	1.687***	1.253***
	(0.229)	(0.325)
Wave 3		0.432
		(0.692)
Female (ref. Male)	0.544*	-0.651
	(0.328)	(0.419)
Age group (ref. <=30)		
31-50	0.895*	0.380
	(0.483)	(0.626)
>50	0.841*	1.009
	(0.496)	(0.644)
Education level (ref. Primary)		
Secondary	0.0657	-0.131
	(0.498)	(0.619)
Tertiary	0.109	0.442
	(0.620)	(0.780)
Constant	4.474***	6.398***
	(0.679)	(0.864)
Observations	232	256
Number of Individuals	130	131
R^2	0.166	0.077

Notes: Standard errors in parentheses; *** $p<0.01$, ** $p<0.05$, * $p<0.1$

TABLE 5: LIVING CONDITIONS - RANDOM-EFFECTS REGRESSION

VARIABLES	M8 Material living conditions	M9a Social living conditions (with family life)	M9b Social living conditions (without family life)	M10 Subjective health status
Work (ref. no work)	1.797***	-0.597	0.499	0.899***
	(0.269)	(0.571)	(0.320)	(0.329)
Female (ref. Male)	0.705**	0.373	0.376	0.0593
	(0.313)	(0.475)	(0.320)	(0.373)
Age group (ref. <=30)				
31-50	-0.253	-0.214	-0.745	-0.515
	(0.484)	(0.777)	(0.518)	(0.595)
>50	-0.0549	0.819	0.582	-0.0306
	(0.474)	(0.805)	(0.533)	(0.611)
Education level (ref. Primary)				
Secondary	-0.147	-0.471	-0.836	-1.041*
	(0.458)	(0.662)	(0.526)	(0.588)
Tertiary	0.165	-0.373	-0.672	-0.197
	(0.574)	(0.823)	(0.627)	(0.717)
Family situation (ref. single parent)				
Single without children	1.481**		1.397**	-0.376
	(0.591)		(0.622)	(0.719)
Partnership/marriage with children	2.081***	2.121***	1.717***	0.518
	(0.550)	(0.660)	(0.580)	(0.675)
Partnership/marriage without children	1.785***	2.574***	1.950***	-0.0586
	(0.605)	(0.713)	(0.643)	(0.737)
Other	-0.190		-0.0152	-0.280
	(1.048)		(1.031)	(1.116)
Time Trend Dummy	No	Yes	Yes	Yes
Constant	3.713***	4.865**	5.458***	7.529***
	(0.769)	(1.909)	(1.681)	(1.752)
Observations	228	111	248	251
Number of Individuals	121	77	125	126
R^2	0.3532	0.357	0.248	0.178

Notes: Standard errors in parentheses; *** $p<0.01$, ** $p<0.05$, * $p<0.1$

Results

- BBEJ improved participants' **labor market relevant competencies.**

- BBEJ reduced participants' **personal overstrain** and **psychological distress.**

- Finding a job during the program improved participants' satisfaction with their **material living condition and perceived health**. However, **social life statisfaction** was not improved after finding a job.

Limitations and Discussion

Limitations

- **Low response rate** of the panel survey might lead to overestimation of the program's effect

- **COVID-19** context limits findings' applicability to other situations or labor market crises
- Study might not capture other relevant outcomes

- **Study design** to isolate effects

Discussion

- Job search interventions can help **mitigating negative latent effects of unemployment**.

- They can **improve the competencies** and **well-being of individuals** who lost their job due to sudden labor market shocks.

- Policy makers should consider job search assistence and training interventions when developing strategies to adress **growing risks of labor market shocks** associated with e.g. technological unemployment and the flexibilization of labor.

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