Labour Market Policies in Austria: The fiscal impact of support programmes

Report commissioned by the Austrian Federal Ministry of Labour, Social Affairs and Consumer Protection
Drafted and discussed within the FISCACTIVE framework

Note on the FISCACTIVE Group

Commission

The report on the »Fiscal Impact of Active Labour Market Policies« was commissioned by the Austrian Federal Ministry of Labour, Social Affairs and Consumer Protection.

Draft

The draft of the report was prepared by Synthesis Forschung for a small group of international experts, a panel by the name of »FISCACTIVE«. The panel has discussed the draft. This process opened up novel perspectives and sharpened the arguments put forward in the report.

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Bilateral meetings

The discussion took place partly in bilateral meetings

- in August 2016 at the Institute for Employment Studies in Brighton
- in August 2016 at IAB in Nuremberg
- in September 2016 at the OECD in Paris.

Final meeting

The final meeting of all members was held at the Austrian Federal Ministry of Labour, Social Affairs and Consumer Protection on November 10, 2016.

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Disclaimer

The position taken by the FISCACTIVE group reflects the expertise of its members and not necessarily the view of the organisations they are affiliated with.

Responsibility

As leader of the Synthesis Forschung team, Michael Wagner-Pinter takes full responsibility for any errors, omissions or misstatements.

Synthesis Forschung
Prof. Michael Wagner-Pinter

Vienna, November 2016

Summary

Impact on the fiscal balance

Austria has been facing rising unemployment for some time. This has led to suggestions that it may be helpful to step up active labour market support programmes. From the point of view of fiscal prudence, one would like to enquire on the impact of such programmes on the balance of expenditures and receipts of the public sector.

FISCACTIVE framework

This is the purpose of the report commissioned by the Federal Ministry of Labour, Social Affairs and Consumer Protection. It was drafted and discussed within the FISCACTIVE framework which has availed itself of the knowledge and experience of a panel of international experts.

Interrelations between active labour market policies and other policy areas

The report starts with the observation that active labour market policies interact with other public policy areas, notably social welfare, education and health. Labour market programmes at a sufficient scale can have strong positive »spillover« into such adjacent policy areas. At the same time, decision making in these other areas set a context on which the effectiveness of active labour market policies depend.

AMS, Austrian Public Employment Service

Among the public agencies established to carry out labour market policies, it is the AMS, the Austrian Public Employment Service, which takes front stage. Its core processes are defined as »supporting workers«, »supporting enterprises« and the »provision of information«. AMS activities are designed to improve the matching of knowledge and skill profiles among job openings and job seekers. Labour market support programmes are an integral constituent of such activities.

Portfolio of programmes and measures

About € 1.2bn are spent on a portfolio of support programmes. These programmes are of a highly divers nature in terms of the number of participants, duration and costs. Training measures are the most important parts of the programme portfolio. In recent years, between 330,000 and 380,000 people started to participate in one of the programmes annually; this is about one third of all people affected by unemployment in Austria.

Reintegrating in employment

The primary goal of the AMS is to reintegrate people in employment. One is aware that this may take time and repeated efforts to achieve, in particular for those who are hard-to-place.

Outsourcing of services

The AMS relies to a considerable extent on outsourcing the services to be provided to the participants of active labour market support programmes. Contracts are awarded to non-profit organisations and for-profit companies. AMS customers are referred to them and outcomes are closely monitored on the basis of AMS and social security data.

What to expect from an additional € 100m?

What could policy decision makers expect from stepping up the spending on support programmes without changing the relative composition of the portfolio?

Additional participants

An additional € 100m would open up the opportunity to offer support programmes to about 29,500 customers. The cost per person would be € 3,390 of which about € 150 would be needed to cover extra AMS staff time to administer and monitor the programme.

»Doing better«

A control-group-based analysis suggests that about 13 per cent of the participants (of all the 2011 programmes) would »do better« (than they would have done without participation) in the first post-participation year. »Doing better« could mean one or more of the following: more days of employment, less days of unemployment, higher annual earnings.

An increasing share of participants over time

The share of those »doing better« would increase to 21 per cent in the second year, to 32 per cent in the third year and 34 per cent in the fourth year of the post-participation period.

Additional annual earnings

Within these groups, the earnings of participants would be higher than those of their control group, i.e. by € 1,500 in the first year, € 1,700 in the second, € 1,800 in the third, € 1,900 in the fourth year. Nevertheless, many of the participants would still have annual earnings below the social assistance benefit threshold.

An indicator of the »distance gone«

The amount of additional earnings is in some sense an indicator of how much of the distance towards sufficient employment integration a participant has gone. This distance is worth covering even if this does not serve to achieve the full integration goal.

Looking into the fiscal demand side effects

Before looking into the implication of this evidence for the fiscal impact of the »distance covered« by the participants, it is worthwhile to enquire about the fiscal demand side effect of the € 100m package.

Public expenditures, value added, receipts of the public sector

It is quite obvious that public spending on support programmes initiates activities that contribute to GDP. In fact, it is the most immediate effect generated by the contracts awarded to companies to provide the services of the measures. In terms of national accounts, these services produce value added. This is accompanied by additional receipts of the public sector: taxes, social insurance contributions and other dues. The elasticity of public sector receipts with respect to value added is slightly higher but close to one. The Austrian fiscal system works such that the share of taxes and social security contribution in GDP is about 43 per cent.

A € 100m support programme: A quantitative view on the demand side effects

Spending € 100m on items that mirror those of active labour market support programmes raises value added by about € 140m already in the »same« year; after four years this will have risen to about € 170m. Given the elasticity of public sector receipts, those will rise by € 60.2m in the first year and to a total of € 73.1m within four years.
Thus, 73.1 per cent of the initial expenditures on the support programmes will be covered by the increase in receipts by the public sector.

Employment integration and savings in social assistance benefits

A corresponding analysis can be carried out with respect to public sector savings made possible by the increase in annual earnings of those who »do better« in the post participation period.

Time profile of additional earnings

Compared to their control group, those who »do better« receive »additional« annual earnings: € 5.8m in the first year, € 10.5m (second), € 17.0m (third) and € 19.1m (fourth year). This gives a total of € 52.4m.

Public sector savings Given the elasticity of social assistance benefits with respect to annual earnings for this group of minus 0.6, the public sector will save about € 31.5m. This is 31.5 per cent of the initial spending.

Present value approach The report takes the time profile differences between expenditures and receipts into account, by applying a discount factor of 2 per cent per annum. This reduces the »flow« surplus of € 4.6m to € 1.9m.

Robust results It seems to be a fairly robust result that active labour market support programmes »pay for themselves« over a period of about five years, even under the recent changes in unemployment and growth prospects.

Conclusion Active labour market support programmes are a good investment of public resources during hard times.

Zusammenfassung

Auswirkungen auf den Ausgaben/Einnahmen-Saldo der öffentlichen Hand

Österreich sieht sich mit den Herausforderungen steigender Arbeitslosigkeit konfrontiert. In diesem Zusammenhang sind Überlegungen eingebracht worden, die eine Aufstockung der Mittel für Programme der aktiven Arbeitsmarktpolitik nahelegen.
Unter den Gesichtspunkten einer sorgsamen öffentlichen Gebarung liegt es nahe, sich zunächst auch zu vergewissern, welche Auswirkungen solche Programme auf den Saldo zwischen Ausgaben und Einnahmen der öffentlichen Hand haben.

FISCACTIVE

Dies ist der Zweck des Berichtes, der vom Bundesministerium für Arbeit, Soziales und Konsumentenschutz beauftragt worden ist. Der Bericht ist im Rahmen des FISCACTIVE Panels erstellt und erörtert worden. Das hat die Möglichkeit geboten, das Wissen und die Erfahrungen eines durch einschlägige Expertise ausgewiesenen internationalen Personenkreises zu nutzen.

Wechselwirkungen zwischen der aktiven Arbeitsmarktpolitik und »benachbarten« Politikbereichen

Der Bericht verweist vorweg auf die vielfachen Wechselwirkungen, die zwischen der aktiven Arbeitsmarktpolitik und anderen Politikbereichen der öffentlichen Hand bestehen; insbesondere in Hinblick auf soziale Wohlfahrt, Unterricht und Bildung und Gesundheit.
Programme der Arbeitsmarktpolitik lassen (ab einer gewissen Größenordnung) sichtbare »externe Effekte« in diesen benachbarten Politikbereichen erkennen.
Umgekehrt nehmen politische Entscheidungen in den »benachbarten« Bereichen einen Einfluss auf die Wirksamkeit der aktiven Arbeitsmarktpolitik.

AMS, Arbeitsmarktservice Österreich

Bei der Umsetzung aktiver Arbeitsmarktpolitik spielt das AMS Österreich unter den beteiligten Einrichtungen eine besondere Rolle. Die Kernprozesse des AMS sind »Arbeitskräfte unterstützen«, »Unternehmen unterstützen«, »Personen und Institutionen informieren«. Die Aktivitäten des AMS sind darauf ausgerichtet, die wechselseitige Abstimmung zwischen den Kenntnissen der Beschäftigungssuchenden und den sich wandelnden betrieblichen Anforderungsprofilen offener Stellen zu verbessern. Dies erfolgt insbesondere auch im Rahmen von Förderprogrammen.

Portfolio an Programmen und Maßnahmen

Rund 1,2 Mrd. EUR werden für das Portfolio der angebotenen Förderungen aufgewendet. Diese weisen eine hohe Variabilität in Hinblick auf die Zahl der Teilnehmenden, die Dauer der Förderung und den mit ihnen verbundenen Kosten auf. Maßnahmen im Bereich »Training« bilden den umfassendsten Teil des Förderportfolios. Zwischen 330.000 und 380.000 Personen starten jährlich in einem der Programme des Förderportfolios; das ist rund ein Drittel aller von Arbeitslosigkeit betroffenen Personen.

Beschäftigungsintegration ist das Ziel

Das zentrale Ziel des AMS ist auf eine erstmalige oder erneute Beschäftigungsaufnahme von erwerbsinteressierten Personen ausgerichtet. Dies mag wiederholte Anstrengungen über einen längeren Zeitraum erfordern; insbesondere für AMS-Kundinnen und –Kunden, die gegenüber dem Arbeitsmarktgeschehen unvorteilhaft positioniert sind.

Vergabe von Leistungen im Umsetzungsgeschehen

Das AMS vergibt die Umsetzung der Fördermaßnahmen in hohem Ausmaß nach »außen«. Sowohl gemeinnützige als auch kommerzielle Unternehmen schließen in diesem Zusammenhang teils Fördervereinbarungen als auch Leistungsverträge ab. AMS- Kundinnen und –Kunden werden auf diese Partnereinrichtungen verwiesen; die sich daraus ergebenden Integrationsfortschritte werden mit Hilfe eines AMS-Monitorinsystems beobachtet und bewertet.

Was lässt eine Aufstockung der Fördermittel um 100 Mio. EUR erwarten?

Was könnten die politischen Entscheidungsträgerinnen und –träger von einer gegebenenfalls in Betracht gezogenen finanziellen Aufstockung der Förderprogramme (ohne weitergehende Änderung ihrer Zusammensetzung) erwarten?

Erweiterung des Kreises geförderter Personen

Bei einer Aufstockung um 100 Mio. EUR könnten zusätzlich 29.500 AMS-Kundinnen/-Kunden in den Genuss einer Förderung gelangen. Die Durchschnittsausgaben betragen rund 3.390,- EUR pro Person, wovon rund 150,- EUR für den zusätzlichen Zeitaufwand der AMS-Mitarbeiterinnen/-Mitarbeiter zu veranschlagen sind.

Verbesserte Positionierung am Arbeitsmarkt …

Eine kontrollgruppenbasierte Analyse (sämtlicher im Jahr 2011 geförderten Personen) lässt Folgendes erwarten: Bereits im ersten Jahr (nach der Maßnahmenteilnahme) haben rund 13 Prozent der Teilnehmenden ihre

Positionierung (relativ zu ihrer Kontrollgruppe) im Arbeitsmarktgeschehen verbessert; sei es, dass sie mehr Tage im Jahr vollversicherungspflichtig beschäftigt sind, weniger Tage arbeitslos sind oder ein höheres Jahresbeschäftigungseinkommen erzielen.

... für einen im Zeitverlauf wachsenden Anteil unter den Teilnehmenden

Der Anteil der sich »besser positionierenden« Maßnahmenteilnehmenden steigt im zweiten Jahr nach Beendigung der Förderung bereits auf 21 Prozent, im dritten Jahr sind es 32 Prozent und im vierten Jahr sind es rund 34 Prozent.

Höhere Jahres-beschäftigungs-einkommen (relativ zur Kontrollgruppe)

Der Kreis der Teilnehmenden, denen eine Verbesserung ihrer Arbeitsmarktpositionierung gelingt, erzielt ein höheres Jahresbeschäftigungseinkommen als die Personen der Kontrollgruppe; dieser auf die Fördermaßnahme zurückzuführende »Einkommensbonus« beträgt im ersten Jahr rund 1.500,- EUR, im zweiten Jahr rund 1.700,- EUR, im dritten Jahr rund 1.800,- EUR und im vierten Jahr rund 1.900,- EUR. Trotz dieser relativen Einkommenssteigerung mag in vielen Fällen die absolute Höhe des Jahresbeschäftigungseinkommens unter den Grenzwerten der Bedarfsorientierten Mindestsicherung liegen.

Die »zurückgelegte Strecke« in Richtung Beschäftigungs-integration

Das zusätzliche Jahresbeschäftigungseinkommen ist in gewisser Weise ein guter Indikator für die mit Hilfe der Maßnahmenteilnahme »zurückgelegten Strecke« in Richtung umfassender Beschäftigungsintegration. Die dazu notwendigen Anstrengungen lohnen auch dann, wenn nur ein Teil der Stecke bis zur umfassenden Beschäftigungs-integration zurückgelegt werden konnte.

Fiskaleffekte des Nachfrageimpulses

Ehe auf die weiterführenden Implikationen dieser Überlegungen für die Fiskalwirkung der Programme eingegangen wird, lohnt es, sich die fiskalischen Effekte der Nachfrageimpulse vor Augen zu halten, die mit einer Aufstockung der Förderprogramme um 100 Mio. EUR verbunden wären.

Öffentliche Ausgaben, Wertschöpfungs-impulse, »induzierte« öffentliche Einnahmen

Es ist offensichtlich, dass durch Ausgaben der öffentlichen Hand für Förderprogramme auch wirtschaftliche Aktivitäten angeregt werden, die zum BIP beitragen. Im Grunde genommen, ist dies der unmittelbarste Effekt, der von den mit Projektträgern abgeschlossenen Leistungs-verträgen ausgeht. Deren Leistungen im Umsetzungs-geschehen sind aus Sicht der volkswirtschaftlichen Gesamtrechnung einer Bruttowertschöpfung gleich zu setzen. Eine solche Bruttowertschöpfung bringt Einnahmen für die öffentliche Hand mit sich: Steuern, Sozialabgaben und andere Abgaben. Die Elastizität solcher Einnahmen der öffentlichen Hand in Hinblick auf die Bruttowertschöpfung ist etwas höher, aber nahe bei Eins. Insgesamt ist das österreichische Fiskalsystem so beschaffen, dass Steuern und Sozialabgaben rund 43 Prozent des BIP ausmachen.

Quantitative Zusammenhänge aus einer Nachfrage-perspektive

Werden 100 Mio. EUR von der öffentlichen Hand für Förderprogramme ausgegeben (und zwar in der Zusammensetzung des bestehenden Portfolios), dann steigt noch im gleichen Jahr die Bruttowertschöpfung um 140 Mio. EUR; nach vier Jahren erreicht dieser dynamische Multiplikatoreffekt bereits 170 Mio. EUR.
Unter Berücksichtigung der Elastizität der öffentlichen Einnahmen in Bezug zur Bruttowertschöpfung steigen Steuereinnahmen und Sozialabgaben um 60,2 Mio. EUR im Maßnahmenjahr und auf einen Gesamtbetrag von 73,1 Mio. EUR innerhalb von vier Jahren. Daraus ergibt sich: 73,1 Prozent der Ausgaben für die Förderprogramme werden durch zusätzliche (»induzierte«) Steuereinnahmen und Sozialabgaben gedeckt.

Beschäftigungs-integration und die Einsparungen an Sozialtransfers

Eine analoge Berechnung lässt sich in Hinblick auf jene Einsparungen durchführen, die sich daraus ergeben, dass jene Maßnahmenteilnehmenden höhere Jahresbeschäf-tigungseinkommen erzielen, denen es gelingt, sich (gegenüber ihrer Kontrollgruppe) besser im Arbeitsmarkt-geschehen zu positionieren.

Einkommenssteigerungen im Zeitverlauf

Die Einkommenssteigerungen (relativ zur Kontrollgruppe) betragen im ersten Jahr (nach der Maßnahmenteilnahme) rund 5,8 Mio. EUR, im zweiten Jahr rund 10,5 Mio. EUR, im dritten Jahr rund 17,0 Mio. EUR und im vierten Jahr rund 19,1 Mio. EUR. Das ergibt eine Gesamtsumme von 52,4 Mio. EUR.

Einsparungen der öffentlichen Hand

Bei einer Elastizität der Sozialtransfers (Sozialhilfe und Bedarfsorientierte Mindestsicherung) in Bezug auf die Jahresbeschäftigungseinkommen in der Höhe von minus 0,6 kommt es bei der öffentlichen Hand zu Einsparungen von rund 31,5 Mio. EUR; also zu einer Abdeckung von rund 31,5 Prozent der ursprünglichen Ausgaben.

Barwertbetrachtung

Da die Ausgaben und Einnahmen bzw. Einsparungen der öffentlichen Hand zu unterschiedlichen Jahren (im zeitlichen Gesamthorizont) anfallen, wird im Rahmen einer Barwertmethode (zu konstanten Preisen) ein Diskontfaktor von 2 Prozent angewendet. Dadurch reduziert sich der Überschuss der Einnahmen/Einsparungen gegenüber den Ausgaben von 4,6 Mio. EUR auf 1,9 Mio. EUR.

Robuste Ergebnisse

Förderprogramme der aktiven Arbeitsmarktpolitik »finanzieren« sich aus Sicht der öffentlichen Hand über eine Periode von fünf Jahren selbst. Das dürfte ein ziemlich robustes Resultat sein; auch in Hinblick veränderter Perspektiven, was Arbeitslosigkeit und Wirtschafts-wachstum betrifft.

Schlussfolgerung

In schwierigen Zeiten sind Förderprogramme aktiver Arbeitsmarktpolitik eine gute Investition öffentlicher Ressourcen.

1
Labour markets and public policies

Results of labour market interactions of public concern

Labour markets are places of interaction, be they real or virtual. Their participants are people looking for paid jobs and entrepreneurs looking for employees. The result of labour market interactions are of great and immediate interest to public policies. This has various reasons.

Shortages of supply: less growth

When labour markets fail to provide employers with the labour services corresponding to their demand, economic growth will fall short of its potential.

Shortage of demand: less income

When people of working age do not find employment corresponding to the labour services they intend to supply, a loss of earnings potential will be incurred.

Too low wages: working poor

Moreover, even when demand matches supply on a labour market, the resulting wages might be below the level deemed sufficient to keep employees above the poverty threshold.

Public policies: not only labour market policies matter

To cope with the risks of such failures of labour market interaction, public policies engage themselves in broad and diverse areas. Only some of them are considered to be fields of labour market policies proper, even if they have a strong impact on labour market outcomes.[1)]

Education: supply of knowledge and skills

Education policies are an obvious case. The supply of well qualified labour services requires that young people acquire knowledge and skills in an organised way, provided by specialised institutions.

Growth policies: keeping up demand

Growth policies are another case. The demand for labour services depends on the pace of economic growth. Low growth rates or stagnation will most likely let demand fall short of supply, thus causing underemployment.

Social welfare: benefits interact with work incentives

Social welfare policies are of particular interest with regard to labour market policies. They aim at securing certain levels of wellbeing to all members of society, either by access to a broad range of social services provided publicly or by transfer payments. These, in particular, risk to create a context in which people may be worse off when taking on a poorly paid job rather than staying on welfare benefits.[2)]

Taxes and social security contributions

Tax and social insurance contribution policies, another public policy domain, may increase or lower the burden of the transition from welfare to work, thus weakening or strengthening the financial incentives of such a transition from an individual point of view.

Externalities created by labour market policies in other fields of public concern

The influence of public policies is mutual. Thus labour market policies impact on the performance of other policies: when it improves the match between demand and supply on the labour market, it will accelerate growth, and at the same time raise the income flow to the public purse. It will lower unemployment, in particular long-term unemployment, which will reduce the prevalence of certain health conditions strongly associated with being out of work.[3)]

2
Labour market policies and support programmes

Different levels of policy interventions

Labour market policies operate on different levels. They set rules, create institutions with designated agendas and invest in specific support programmes.

Setting rules

The set of rules directly relevant to labour markets is rather divers. They are partly of a fundamental nature: collective bargaining, unemployment insurance, social contributions made by employers and employees, to name a few.[4)]

Creating institutions with a specific agenda

Some of the institutions created are designed to administer the rules established. Others mainly provide services to improve the efficiency of labour market interaction.

AMS, Austrian Public Employment Service: its core processes

The AMS, the Austrian Public Employment Service is the most important of the agencies established by Austrian labour market policies. Its core processes are defined as »supporting workers«, »supporting enterprises« and the »provision of information«.[5)]

Zones of contact with employment seeking customers

It organises its services for job seeking workers along three channels: »information«, »service« and »counselling«. »Service« includes the processing of benefit claims and individualised access to job openings. "Counselling« relates to help for clients who are in need of a more detailed exchange with a counsellor. This includes referrals to specific job openings or to one of the various support programmes.

Supporting employers

»Supporting employers« involves posting of job openings, referrals of suitable candidates to posted openings, offering financial support for employee training programmes and administration of short time work arrangements in case of severe commercial setbacks.

Improving the matching of job openings and job seekers

AMS activities are designed to improve the matching of knowledge and skill profiles of job openings and of job seekers. This is done by running an IT-based platform for employers and job seekers and by referrals (partly based on preselection activities).

Support programmes

Parallel to raising the transparency of supply and demand on the labour market to ease effective matching, the AMS offers support programmes. These are to help job seekers and employees to enhance and adjust their knowledge / skill profile to the demands of present and future job requirements.

Broad scope of responsibilities

The AMS takes administrative responsibility for each of those programmes. This is done by translating the »mission« statements of political decision makers into budgets, goals and operational procedures. Moreover the AMS has established an integrated monitoring system for controlling purposes. This system generates detailed data that are easily accessible in a data warehouse. In addition to providing controlling information, the data warehouse is used for evaluation studies which are regularly commissioned to independent teams, mostly research units with an academic background.

Outsourcing of services

The services offered in the support programmes, however, are usually outsourced, as the AMS lacks both the manpower to provide intensive counselling over an extended period for hard-to-place customers and the staff and facilities to offer training courses over a broad field of subjects.

3 Types of support programmes[6)]

Categories

The AMS allocates its support programmes into one of three categories:

- Qualification
- Employment
- Support

»Qualification«

The category »qualification« is applied to programmes

- in which training opportunities are offered to people deemed to be at particular risk because of major job losses; target groups can be defined by specific enterprises, or more generally by industry, region or personal characteristics
- in which training is provided in occupational fields in which there is labour shortage
- in which apprenticeship opportunities for young people are organised by specialised training entities
- in which consulting services are offered to firms which signal an interest in upgrading their employees' qualifications
- in which people, whether out of work or employed, receive financial and organisational support of various kinds in order to enhance their occupational skills.

»Employment«

The category »employment« comprises programmes

- in which employers recover part of the wage costs incurred when recruiting persons belonging to a more or less narrowly defined target group
- in which employers are partly compensated for the costs incurred when they, during sharp economic down-turns, put their employees on »short-time work« rather than considering layoffs
- in which mainly not-for-profit entities (»social firms«) are partly compensated for their costs when concluding an employment relationship with people (belonging to a specified target group) in order to enhance the employability of those persons.

»Support«

The heading »support« covers programmes[7)]

- in which entities offering support to hard-to-place people (by counselling and training) are paid for their services
- in which people making a transition from unemployment to self-employment are given support partly by training and counselling, partly of a financial nature.

Specific conditionalities

Most of these programmes are implemented in variants, for each of which specific conditionalities are set in terms of who is eligible, whether a service is paid for fully or part of proven costs can be recovered and which public entity has to be involved and has to share in costs.

4
Participation and costs

The AMS cooperates with partners

The AMS takes on responsibility for most programmes in which it cooperates with other public agencies in financing and overseeing the implementation of these programmes. The partners involved include social security agencies, funds of the Austrian Bundesländer and, of course, the European Social Fund. Some of these institutions run separate support programmes which, in a functional sense, are equivalent to those of the AMS but do not enter the AMS budget, nor are their participants included in AMS figures.[8)]

Different figures for support programmes

These monitoring reports of different institutions arrive (for good reasons) at different figures for similar categories of programmes, depending on who is included or excluded.

Focus on AMS activities

For reasons of consistence, this report will focus on numbers as presented by the AMS, which often quotes figures with respect to »new« entrants to such support programmes during a calendar year.[9)]

Participation

About 240,000 customers enter a »qualification« programme per year. Close to 60,000 customers start an »employment« programme. About 130,000 customers enter a »support« programme. Taking into account that customers are potentially covered by more than one programme, one arrives at 330,000 customers entering one of these programmes per year.
The shares of these programmes in terms of participants and budgets change over time.

Budgets

Regarding budgets, slightly more than € 700m are spent on »qualification«, € 300m on »employment« and € 100m on »support«.

Variation in participation and cost figures

The specific measures (»instruments«) taken vary considerably in terms of length and cost of participation. There are measures in which participants receive financial support for just one day (in the »support« category). There are other measures (in the »employment« category) in which roughly 35,000 participants stay in the programme for 62 days on average. The costs for some measures are less than € 100 per case, in other measures they are € 18,000 on average.[10)]

5
Spending as an investment: different perspectives and a specific case

€ 1.2 billion

The AMS spends close to € 1.2bn on such support programmes. This amount € 1.2bn can be considered as an investment into improving the match between demand and supply on the Austrian labour market.

Participants, the AMS, public sector fiscal balance

Such an investment can be judged from the participants´ point of view (has it raised their integration in the employment system and made their incomes less dependent on means-tested benefits?), from the AMS perspective (have the support programmes been effective in the sense that participants subsequently fare better than the control group?) or from a fiscal point of view (do future returns to the budgets of the public sector balance today`s expenditures?).

Cost benefit analysis: the broader view

From an even broader view, one could evaluate the »spillovers« (»externalities«) of the active labour market support programmes onto other fields of public policies. This would amount to an overall cost benefit analysis of such programmes which, however, is beyond the mandate of this report.[11)]

Case study 1

In order to make the results of an investment in measures of labour market support programmes more visible in detail, it may prove useful to start with the slightly stylised facts of a specific case.[12)]

Outsourcing services to 9,000 customers to a non-profit company in the context of support programmes

It starts with the AMS making an outsourcing decision, accepting an offer by a non-profit company (»social firm«) which will take on 9,000 customers of the AMS. These customers are unemployed women and men who are hard-to-place. All will receive intensive counselling and placement support for at least a month. For those who receive social benefits, the support period may be extended by up to 12 months (»support« category).

Some of the participants enter a (subsidised) employment relationship with the social firm which may lead to leasing arrangements with »mainstream« employers

Some participants will enter an employment relationship with the non-profit company in order to readjust to the rules of working life. The social firm may look for employers in the mainstream labour market and suggest leasing their employees to those employers. The asking rate for such leasing arrangements will depend on the opportunities the jobs offer for enhancing the skills of those who are leased to mainstream employers. The social firm may put those who do not take part in »outside« leasing arrangements to work in »inside« subsidiaries of the company (category »employment«).

Transparent cost structure and specific service requirements

The non-profit company makes its cost structures transparent to the AMS which decides upon the costs it will recognise as »necessary«. The contract between the AMS and the company stipulates specific conditions with respect to the quality of the services provided by the company and makes assessments with respect to employment integration benchmarks for a 12-month period.

Costs to the AMS

The AMS »invests« approximately € 18.2m in the service of the non-profit company. To what extent can it expect that these investments will yield tangible results?

Hard-to-place customers

The AMS refers to the non-profit company about 9,000 customers over a 12-month period. These customers have on average only half as good a prospect of re-employment as average regional AMS customers drawing the contract.

Post-participation period: integration into employment

About 50 per cent of those serviced by the social firm manage to take up at least one employment within the 12-month period after participation has ended (»post-participation integration rate«), about 25 per cent manage to stay in employment for up to three months and about 20 per cent are employed for more than six months in the 12-month post-participation period.

Increasing share of wage earners

Of those who take part, about 40 per cent have earned wage incomes in the calendar year prior to registering with the AMS. Over the post-participation period, this share rises to about 60 per cent.

Annual wage total rising by 160 per cent

The total of annual wages received by participants rises by 160 per cent when the pre-participation period is compared with the post-participation period.

Substantial effect heterogeneity

These averages are achieved by aggregation over substantial variations in individual results. 60 per cent of those who are serviced for one month enter an employment relation at least once in the post-participation period. By comparison, the figure is 70 per cent of those who enter an employment relationship with the social firm. Over the post-participation period, those who accept »outside« leasing arrangements for more than 6 months are more likely (66 per cent) manage to stay in employment for more than six months than those who have had only a few days of outside leasing (20 per cent).

Some general patterns of integration results

The monitoring system of the non-profit company suggests that post-participation integration is higher for

- women than for men,
- those who become involved for a longer period (employment relationship) than a shorter period (counselling only) and
- those who are in a lower age group.

Customer satisfaction

About two thirds of AMS customers taking up the services offered by the social firm signal to be »satisfied« with the services.

Participant perspective

This case of specific investment in the services of a social firm illustrates the perspective of participants.

The AMS: does the outsourced service make a tangible difference?

It does not address, though, the issue of whether this investment makes a difference from the AMS point of view: Would the participants do similarly without taking part in the programme?

Control groups

To answer this question, it is necessary to introduce control groups into evaluating the impact of support programmes.

6 Introducing control groups

The whole portfolio of support programmes

When introducing control groups into the impact perspective, it seems appropriate to move from a single case to the AMS portfolio of support programmes as a whole. This will be done in the following way.

Number of participants

The overall population of 739,000 AMS customers who became new »cases« in 2011 are the starting point. Of these, about 29 per cent took part in an AMS support programme. Among the cases overall, approximately 541,000 have completed social security and AMS records for the preceding years of 2008 through 2010. Of those, about 27 per cent participated in supporting programmes within 12 months after their »case« started.

Case profiles

For each »case« (whether participating or not), the following information is used to build a »case« profile:

- personal data: gender, age, nationality, level of education, responsibility for a child, health condition
- data on previous employment: industry of the employers, days of employment, annual earnings
- data on previous AMS »cases« of the person involved: number of cases, duration of cases, participation in support programmes (by categories)
- data on the »case« beginning in 2011: duration of the case until entering a measure of a support programme, type of programme

Control group

For each participant, the control group consists of those cases which have an identical profile for the preceding years and were still a case when the given participant entered the measure.

Scoring on re-employment probabilities

It may be worthwhile to note that these »case« profiles can be used to estimate the probability that the person involved will manage to integrate into employment within a given time horizon. (»Integration« meaning three months of unsubsidised employment for a nine-month period). In this sense, the »scoring« of participants and their control groups is related to their chances of re-employment.

7
Evaluating the participation effect

Non-random assignment to measures

For any given group of AMS customers with identical case profiles, some individuals are referred to one of the measures available at the time of the referral. This does obviously not take place in a random fashion. Whether such a referral takes place depends on various factors.

Factors influencing who is referred to a measure

Some customers make suggestions which measures they like to enter, some discuss the option available and come to a conclusion jointly with their AMS counsellor and some would rather avoid becoming referred to a measure but see no alternative to agree to the choice the AMS counsellor has made.

Counsellors´ considerations

Counsellors have to make decisions under severe time constraints. The outcomes of these decisions depend on such considerations as whether a measure is at all available for the region in which the customer lives, whether the customer is judged to be compliant to the goal of re-entering employment rather soon and whether the general impression of the personality fits one of the categories of the mental map the counsellors have developed over years of practical experience.

Match between case profile and measure

Against this background, it is hardly surprising that different counsellors come to different decisions for cases with seemingly identical profiles. Thus, one would not assume that the match between the profile of a case and the services and training offered by a specific measure of the portfolio of support programmes is necessarily perfect. The imperfection of the match is a matter of degree. Indeed, it could be called the »referral« effect.

Distorted view on the potential of a measure

A poor match between a person and a measure distorts ex post the potential that a measure may have if a better match had taken place.

Ex post view on the quality of the match

One way to look into the potential »treatment effect« of a measure is to differentiate between three groups of participants: those who do ex post »better« than their control group, those who do more or less the »same« and those who do »worse«.

Quality of the match

If the share of those who do worse is rather large (and may be growing during the post-participation period), one may presume that the referral match was poor. If the share of those who do better is larger and growing during the post-participation period, it is likely that there had been a good match.

Variables to judge the success /failing of a measure

The meaning of »doing better / worse / the same« is not obvious. It is standard practice to use one or more of five variables against which the post-participation performance of participants and their control groups is measured: days of employment, days of unemployment, days out of labour force, volume of earnings and volume of social benefit payments.

Aggregation over time and the lock-in effect

Usually those variables are aggregated over a time period starting at the date when the participants entered the programme (to take account of the »lock-in« period of the measure itself).

Meta-studies on results

Meta-studies are regularly performed to compare the results of different studies on different programmes, often across different countries. One such recent meta-study goes beyond »support« programmes. It includes »instruments« like »sanctions« or »public sector employment« and it differentiates the »treatment effects« of various measures by target groups and by length of duration of the post-participation / treatment period (short, medium, long-term).[13)]

The decision function and the choice of variables

The choice of the variable to be used as an indicator for »doing better / worse / the same« depends on the implicit or explicit decision function: A counsellor may take interest in using »days of unemployment« (i.e. minimising them), the AMS may consider additionally »days of employment« (i.e. maximising them), the Department of Social Affairs may add days »out of labour force« (i.e. minimising them, to keep up social integration), the Finance Ministry may focus on the »volume of unemployment and social benefits« (i.e. minimising them) and, last but not least, a participant may take a keen interest in how the sum of earnings and social benefits has evolved (i.e. maximising it, as financial source for the standard of living).

Non-linear relationship between the variables

These different variables are interrelated, but quite often not in a linear way. This is in particular true when the fiscal impact of such support programmes is at stake. Before turning to the fiscal impact, however, one would like to look at the empirical evidence for the Austrian portfolio of support measures.

8
Empirical evidence for the Austrian portfolio of support programmes

Number of observations

The following empirical evidence is based on the observation of close to 145,000 persons. A new AMS case was started for them in 2011 and they entered a measure belonging to one of the three categories of support programmes.

Control groups

For each of these cases, there are control group cases with identical case profiles. The only difference is that the control cases did not participate in any measure for a 12-month period starting with the date at which the participants entered their measure.

Heterogeneity of the portfolio of measures

It should be made clear from the outset that the portfolio of AMS support programmes comprises a great variety of measures with substantial variation in duration and intensity.

Who has done »better«

One purpose of the comparison with the control group is to identify the cases that did better in the post-participation period than their control cases. This is done under the assumption that the pre-participation referral process has avoided in such cases a severe mismatch between the case profile and measure selected. Without severe mismatch (but perhaps self-selection), measures may demonstrate their potential.

Three variables

The variables chosen for the comparison are: days of non-subsidised employment, days of unemployment and annual earnings.

Time horizon

The comparison is carried out over a four-year time horizon on a year-to-year basis. The first year is 2012 and the last one is 2015.

Growing share

The share of participants doing better in at least one of the three variables than the control cases is just 13 per cent in the first post-participation year. It rises to about 21 per cent in the second year, 32 per cent in the third year, it will be about 34 per cent in the fourth year.

Beyond the observation horizon

One would wonder whether the share will rise much further (which is not likely) or will it again decline in the following years? At this stage, this question cannot be resolved on the basis of observations. (There is, however, some evidence for the conjecture that it will not decline; the evidence was collected in an analysis comparing different groups of participants over a ten-year period, 1999 to 2008).[14)]

How much »better«

With respect to employment, the successful participants did better by 21 days (third post-participation year). With respect to unemployment, they had 17 days less. With respect to wages, they earned on average € 1,700 more annually.

Effect heterogeneity

There is substantial effect heterogeneity. The share of women »doing better« than their control group is 46 per cent, that of men is 16 per cent (third post-participation year).[15)]

Annual earnings

The rising share of those who do better in at least one of the three variables than their control group (in any given post-participation year) has primarily to do with the participants´ yearly individual improvement. This is particularly striking with respect to annual earnings. The number of those who had wage income at all is rising, and so is the level of annual wage incomes; it reaches on average about € 13,000 per year.

Catching up individually

The »successful« participants did better than their control cases and they had a »recovery« in the post-participation years. This does not mean, however, that they were always able to fully catch up with their incomes in the years before being confronted with unemployment under unfavourable circumstances.

9
A fiscal view on labour market support programmes: some case studies

Expanding labour market support programmes?

Austria is confronted with a substantial increase in unemployment. This has led to suggestions that it may be worthwhile to expand active labour market support programmes (along with AMS staff). From a fiscal point of view, however, one would like to find out about the fiscal impact of spending on such support programmes.

Fiscal impact on the public sector

It seems reasonable to define the »fiscal impact« for the public sector as a whole. This would leave out the various intra-governmental transfers caused directly or indirectly between public budgets by such programmes.

Basic accounting rules

Within an accounting framework, the »fiscal impact« is measured by comparing the expenditure side with the receipts side, i.e. additional expenditures versus additional taxes and social security contributions. Moreover one would add savings on social assistance benefits to the receipts side.

The »social firm« (Case study 1)

To illustrate the basic logic of such an exercise, it may be useful to get back to the case of the social firm on whose services the AMS and partners (belonging to the public sector) spends money in the context of active labour market support programmes.

Budget and cost structure

The public sector spending on this firm for the service for a calendar year is € 18.2m. This covers about 76 per cent of the total cost (€ 24.0m); about 24 per cent are covered by earnings generated by »outside« leasing contracts. The social firm spends 89 per cent of its annual budget on wages (69 per cent are spent on wages for participants and 31 per cent on employees involved in counselling, training and administration).

Taxes, social security contributions and other dues

The social firm pays € 4.8m in taxes and social security contributions and other dues; it withholds (and transfers to the public sector) income taxes and social security contributions of employees of € 3.9m.

Value added taxes on consumption

The employees receive € 12.6m as net earnings. Spending these net earnings will generate € 2.3m in value added taxes (sales taxes).

Spending and income

Thus, the public spends € 18.2m on support programme services and receives € 11.0m in taxes and social security contributions within the same period.

The cost of AMS management

On the »spending side«, one would add the costs the AMS incurs in managing support programmes and the contract with the social firm; this may add € 990,000 to the expense side. (Of which income taxes, social security contributions and value added tax will add to the receipts side of the public sector).

Imbalance

At this stage, there will be an imbalance of € 8.2m, expenditures being greater than receipts for the public sector (for the period of the same year).

Reduction in social assistance benefits

Another item on the income side is to be taken into account: the reduction in social assistance benefits.

Annual wage earnings of participants

The 9,000 participants were mainly hard-to-place customers of the AMS. About two thirds of these persons only lived on social transfer payments during the year preceding participation. One third earned an annual income of about € 4,500 on average. During the post-participation period of 12 months, about half of the participants earned a wage income of € 8,500.

Elasticity of social assistance benefits with respect to wage incomes

The volume of wage income increased by about € 26m. At an elasticity of about minus 0.6 of social assistance payments with respect to wage income, there are savings in social benefits of about € 15.6m for the public sector.

The income side of the public sector ...

The public sector has spent € 19.2m by awarding the contract to the social firm and administrating the support programme. During about the same period of 12 months (one could allow for a »lag« of up to 6 months), the public sector received € 11.0m in taxes and social security contributions and it saved on social assistance payments of by about € 15.6m.

… compared to the spending side

The public sector had a surplus of 38.5 per cent of spending already in the first year. A substantial part of this recovery is due to the fact that the participants in the measure run by the social firm had so long a »distance to go« cover before achieving full employment integration. Since so many of them solely depended on benefits, every part of the covered distance reduced the payment of social assistance benefits.

Counselling and training of customers with a drug abuse condition (Case study 2)

The circumstance that support given to the very hard-to-place does pay from a fiscal point of view is illustrated by the next measure serving as a case study. It starts with a contract of public sector agencies awarded to a non-profit unit of counsellors and trainers. The public sector spends € 1.1m for the services of the unit to 1,100 out-of-work people with drug abuse issues. The contract stipulates that services provided should enable the participants to adjust to the rules of regular working life, even if it is only based on a 15 hours working week in the context of a subsidised job in a social firm.

Results

The following results were achieved for a 12-month period: Just about 700 days of additional employment (for all 11,000 participants) and about 200 days of additional unemployment. Thus, there were hardly any public sector income flows with respect to improved labour market participation. It was rather the »spillovers« to other areas of public concern that mattered. About one third of the participants managed to reduce their stays at hospitals (often in psychiatric wards); the reduction was 16 days on average annually. This reduced health costs by about € 2.1m. About 30 per cent of the participants had exhibited aggressive behaviour that led to police intervention and judicial proceedings. Within this group, the number of such transgressions was reduced by 1.8 cases per person. This reduced the involved costs by close to € 1.1m.

Three times as much savings than expenditures within a 12-month period

Thus the public sector had savings of about € 3.2m by spending € 1.1m on this programme, nearly all of it due to the external effects of the support programme and its positive impact on social integration.[16)]

»Occupational rehabilitation« (case study 3)

The two case studies discussed so far dealt with »first year« effects only. These were presented with no explicit reference to control groups. The next case study reports on the fiscal impact of a measure taking control groups and a longer time horizon into account.[17)]

Compared to a control group

The support programme is designed to encourage people on disability benefits to acquire certified occupational skills. It involves only people who had already acquired such certified skills (mainly but not only within an apprenticeship context) in an occupation they no longer can pursue because of specific disabilities.

Results

Excluding dropouts, the programme yields the following results for participants relative to their control group over a post-participation period of 48 months:

- plus 99 days of employment
- minus 30 days of employment
- plus € 7,400 in annual earnings.

Fiscal accounting

The public sector pays € 19m for a contract with a large non-profit company specialised in »occupational rehabilitation« per 1,000 persons managing to stay through the whole programme. Compared to the control group, the participants contributed more to public sector income and it made savings on benefits feasible. This amounts to € 22m over a four-year period. The costs of managing the support programme (at a rate of € 110 per participant) would be € 110,000.

Over a period of four years, there is a positive fiscal net effect for the public sector of about € 3m.

Limitation of case studies

Unfortunately, case studies cannot be generalised in a straightforward manner to the whole portfolio of support programmes. Thus, it is indispensable to arrive directly at a result for the heterogeneous portfolio for which the AMS is responsible.

10
The fiscal impact of the AMS portfolio of support measures: the demand side

The demand for services generates value added

It is quite obvious that public spending on support programmes initiates activities that contribute to GDP. In fact, it is the most immediate effect generated by the contracts awarded to companies, non-profit as much as for-profit, to provide services. In terms of national accounts, these services produce value added. As the case studies illustrate, the production of value added generates taxes and social service contributions. Additional units of value added are accompanied by additional taxes, social security contributions and other dues. They figure as receipt on the part of the public sector.

Share of taxes and social contributions in GDP

The Austrian fiscal system works such that the elasticity of taxes and social security contributions with respect to gross value added is larger but close to one. The share of taxes and contributions in GDP is more or less stable overtime. It is about 43 per cent of GDP.

Comparison with case studies

It is interesting to recall the share of taxes and contributions in the labour-related value added of the social firm in the first case study: Of the € 21m spent on support programme services, about 57 per cent result in receipts for the public sector. For the large non-profit company in the third case study, the wage costs of € 46m include € 11m in employer-related taxes and social security contributions, € 6m in employee-related taxes and contributions and about € 5m in value added (sales) taxes. This share of € 22m in € 46m amounts to close to 48 per cent. Though labour is the most important input factor in the production function of those entities which provide the services for support programmes, it is by no means the only one. The non-profit company (in the third case study) values the labour input of its production function in monetary terms with about 66 per cent of the total of input factors.

Static demand / input / output relationships

From an input/output point of view of the economy, public sector spending on support programmes can be interpreted as one form of »final demand«. The regularly updated input/output tables indicate how much »production« is necessary to meet this demand: If »public consumption« (that includes such programmes) is raised by € 100m, then goods and services of € 132m have to be supplied in order to meet this demand, € 11m will be imported and domestic value added will rise by € 89m.[18)]

Second-round effects to be considered

Such input/output tables show only the static relationship between the demand-related spending of the public sector and domestic value added. They only capture, so to speak, the »first-round effect« (of the interrelated production process of the economy). There are second, third, fourth (and so on) effects, as well. This has already been indicated in the case studies: The employees »producing« the services demand are members of households. These households use the money earned to back up their demand of private household consumption. Thus a € 100m extra demand by the public sector leads to € 60m in extra wage income, which in turn will raise private household demand.

Beyond input/output tables

These »further rounds« exhibit dynamic patterns which are not exclusively captured by input/output tables. Further modelling of functional relationships is needed. The case of additional wage income makes this obvious: Consumption functions are to determine which part of the additional earnings will be used for private household demand. The same holds for the investment behaviour of firms producing the output necessary to meet demand.

Behavioural patterns matter

Thus evaluating the dynamic effects of the public sector requires a full-fledged multi-sectoral model of the economy. In addition to input/output relations, such a model comprises several equations reflecting »behavioural« patterns of the decision making process in the various sectors of the economy.

Simulations with a multi-sectoral model

To arrive at numerical values of the dynamic effects of government spending, two »solutions« of the dynamic interrelations are compared. One is the »baseline« solution of the model. The other one is the path of the economy when public spending is changed arbitrarily, in our case by € 100m. Over time, this »stimulus« on the demand side will have worked such that the economy approximates (or is in) an equilibrium. This will take several years.

90 per cent of the »dynamic« impact within 4 to 6 years

Such a multi-sectoral model of the economy suggests that about 90 per cent of the impact of the demand stimulus will become visible within 4 to 6 years, depending on the products and services the extra demand is related to.

Starting a simulation with expenditure stimuli reflecting the outlays of support programmes

A consortium of economic research institutes regularly presents the results of such analyses of »extra« stimuli. They start out from a detailed description of the composition of the demand to be analysed and then proceed to report the results as the difference to the baseline solution of their dynamic model. One of those simulations (commissioned by the Department of Social Affairs) is specially designed to mirror the composition of public expenditures on active labour market support programmes.[19)]

Additional gross value added

The dynamic model arrives at an increase in gross value added of about € 140m for an extra € 100m spent on active labour market support programmes. This is within the year of extra spending. After four years the gross value added will have risen to about € 170m.

Additional taxes and social security contributions

At an elasticity of taxes and social security contributions with respect to value added of one, the public sector is expected to see an inflow of extra receipts of about € 60m within the »first« year. For a period of four years, the demand stimulus of the € 100m spending on support programmes should increase taxes and social security contributions by about € 73.1m.

Supply side effects: the next step

If the analysis would stop at this point, the fiscal impact of spending an extra € 100m would be a deficit of about € 39.7m in the short term and € 26.9m over a five-year period. The analysis does, however, not stop with the demand side effects of public expenditures on support programmes. It proceeds to those supply side effects which are related to savings in social welfare benefits.

11
The supply side effects of labour market support programmes and social benefits

Improving labour market interaction

Active labour market programmes aim at enabling people and firms alike to participate more efficiently in labour market interaction. This is likely to raise the value added generated in the economy on condition that private activity is not crowded out and participants do better than their control group.

Doing better than the control group ...

The empirical evidence for the Austrian portfolio of support programmes suggests that there are indeed groups among the participants who do better than their control group. The share of these groups can be taken as an indicator of how good a match has been achieved between the »profile of a case« and the »profile of the measure« to which a person is referred to.

... may take some time.

The quality of the match can not be judged immediately after the person has left the measure. The effect of participating in one of the support measures will take some time to show up in improved labour market results for the person involved. The figures already quoted suggest that a time horizon of about 4 years is needed to see the full returns to participating in one of the measures.

Distance gone towards full employment integration

Within such a time horizon, about 34 per cent of the participants end up doing better than their control group. This does not mean that they are doing well in absolute terms. Their annual earnings will be in many cases still below the threshold of social assistance. But they will have gone some distance towards the goal of being able to cover their household expenditures mainly with their wage incomes.

Hard-to-place

The »distance covered« of those who are particularly hard-to-place is valuable, with respect to social integration as well as the fiscal impact. Those who have started in a very unfavourable position will have drawn the full amount of social assistance. Whenever they cover some of the »distance« towards employment, they will draw less social assistance benefits.[20)]

The dynamics among the social assistance benefit cases

An analysis of the inflows, spell duration and outflows of the social assistance benefit system (»Bedarfsorientierte Mindestsicherung«) for Vienna highlights the interrelation between benefits and employment: 58 per cent of benefit-drawing cases cover people older than 18 years and younger than 60 years. The spell duration of this group is about nine months within a 12-month period. The benefits drawn per month (2013) are about € 419 for those who had other means as well to support them, and € 825 for those who had to rely on social assistance only. About 19 per cent of those who draw benefits in one year do not do so in the following year. Of those who stop drawing benefits, about 68 per cent are older than 18 years and younger than 60 years.[21)]

In contact with the AMS

In order to keep social assistance benefits, a person of working age has to contact the AMS. A flow analysis of the 2011 – 2012 period shows that close to half of the benefit cases registering with the AMS in a given year manage to take up employment at least to some extent in the following year. Those who participate in a support programme do better than those who do not.[22)]

Spending extra € 100m: participants

From a fiscal point of view, spending an extra € 100m would have the following effect: about 29,500 people could take part in a measure of the support programme being representative of the whole portfolio, about € 3,390 would be spent per participant and € 150 on AMS staff costs for running the programme (per participant).

Compared to the control group

Of those 29,500 participants, about 3,835 would do better in the first year of the post-participation period, about 6,195 in the second year, about 9,440 in the third year and 10,030 in the fourth year. Compared to the control group, the participants´ annual earnings would be higher by about € 1,500 in the first year, € 1,700 in the second, € 1,800 in the third and € 1,900 in the fourth year.

Additional wage income and public sector savings in benefits

This amounts to extra annual earnings of about € 5.8m (first year), € 10.5m (second), € 17.0m (third), € 19.1m (fourth). This gives a total of € 52.4m for a four year post-participation period. At an elasticity of minus 0.6 of social assistance benefits with respect to earnings for participants, the public sector will save about € 31.5m in benefits over a five-year period. These savings cover 31.5 per cent of the extra spending of € 100m on support programmes.

12
Present value accounting

Spending on a public sector investment

In order to integrate the fiscal demand and supply side effects of support programmes, it seems appropriate to use present value accounting. The underlying idea is that the public sector considers additional spending on active labour market support programmes as an »investment«.

Time profile of spending and receipts

The spending takes place in year 1, in which all costs involved occur. To allow for lags in the dynamic impact of the spending in the first year, two thirds of additional value added and accompanying tax / contribution receipts are assigned for accounting purposes to year 1, the other third is assigned to year 2. This flow becomes smaller with every year and nearly peters out in year 4. (The following years are not taken into account). The savings in benefits increase from year 2 on.

At constant prices

Inflation does not matter in this accounting, since all variables move in nominal terms along a similar »price« index.

Discounting factor

One would, however, adjust future receipts by a discount factor to arrive at their present value. The discount factor chosen in Table 1 is 2 per cent (which seems to be an upper limit for real growth of GDP in Austria for some time to come).

Close to »break even«

Without discounting, there is a slight surplus of € 4.6m; with discounting, this is reduced to € 1.9m.

Table 1
Present values of taxes and social security contributions

	Flow figures in million €					
	Year					
At constant prices	**1**	**2**	**3**	**4**	**5**	**Sum**
- Expenditures	-100.0	0.0	0.0	0.0	0.0	-100.0
- Taxes and social security contributions	39.7	23.4	8.0	2.0		73.1
- Savings in social benefits		3.5	6.3	10.2	11.5	31.5
Balance	-60.3	+26.9	+14.3	+12.2	+11.5	+4.6
Present value / Year 1 perspective (Discount factor = 2 per cent p.a.)						
- Expenditures	-100.0	0.0	0.0	0.0	0.0	-100.0
- Taxes and social security contributions	39.7	22.9	7.7	1.9	0.0	72.2
- Savings in social benefits	0.0	3.4	6.1	9.6	10.6	29.7
Balance	-60.3	+26.4	+13.7	+11.5	+10.6	+1.9

13 Conclusions

Expenditures are recovered, surplus is possible

The public sector recovers the expenditures on active labour market support programmes within six years. About 70 per cent of the net effect on the expenditures/receipts balance of the public sector is due to an increase in tax receipts and social insurance contributions and about 30 per cent is due to savings in social benefits.

Empirical evidence and recent changes

This result is based on the portfolio of all AMS-administered labour market support programmes of 2011. Their effectiveness for participants has been evaluated against a carefully selected control group. The portfolio has changed to some extent since 2011, not least for the reason that unemployment has increased and that the focus on certain target groups has shifted.

Robust results

This does not invalidate the basic result of the impact analyses. It is possible that the fiscal impact may even will improve.

Support programmes: a good investment in hard times

This may happen on the »demand side« as much as on the »supply side«: If slow growth persists then the dynamic value added effects, as calculated for the period of 2011 onwards are unlikely to be damped. On the contrary, the risk of »crowding out« private investment by public spending is decreasing. With respect to an increasing share of hard-to-place people, even small gains in annual earnings will lead to substantial public sector savings on social benefits to participants. Active labour market support programmes are a good investment of public resources in hard times.

Limitations and space for improvement

This does not imply that they can be stepped up at a fast pace without a loss in effectiveness, nor that there is any space for improvement in existing programmes.

Notes

1) The broad range of labour market policies is reflected in the annual OECD Employment Outlook (latest edition: OECD Employment Outlook 2016. OECD, Paris 2016) and the annual EC Employment and social developments in Europe (latest edition: European Commission: Employment and social developments in Europe 2015, EC, Brussels 2016).

2) For the interaction of welfare and labour market policies in Germany: M. Dietz / P. Kupka / P. R. Lobato. Acht Jahre Grundsicherung für Arbeitssuchende: Strukturen, Prozesse, Wirkungen. IAB, Nürnberg 2013.

3) On health issues related to unemployment see the OECD »Mental Health and Work« country studies; e.g. Netherlands. OECD, Paris 2014.

4) The relevance of such rules and their impact on labour market outcomes is discussed with respect to reform initiatives in B. Egert / P. Gal. The quantification of structural reforms in OECD countries: a new framework. OECD, Paris 2016 (forthcoming).
For a broader view with references to national cases see: J. P. Martin. Activation and Active Labour Market Policies in OECD Countries: Stylized Facts and Evidence on their Effectiveness. IZA Policy Paper No. 84, Bonn 2014.

5) On the mission, organisational structure and core processes of AMS see its annual business report (latest edition: Arbeitsmarktservice Österreich: Geschäftsbericht 2015. Wien 2016).
Further insight is provided by: 22 Jahre Arbeitsmarktservice Österreich: Vom Arbeitsamt zum modernen Dienstleistungsunternehmen. Das Jahr 2015. AMS, Wien 2016.

6) The term »support programmes« translates »Förder-programme«.

7) »Support« translates in this context »Unterstützung«.

8) For a comprehensive overview on active labour market policies in Austria see the documentation by the Ministry of Social Affairs (latest edition: Bundesministerium für Arbeit, Soziales und Konsumentenschutz. Aktive Arbeitsmarktpolitik in Österreich 2015. Wien 2016)
For a survey with a critical perspective: J. Schweighofer. Erzielen die Programme der aktiven Arbeitsmarktpolitik in Österreich ihre beabsichtigte Wirkung? Lehren aus zehn State-of-the-Art Evaluierungen. Materialien zu Wirtschaft und Gesellschaft Nr. 120. Wien 2013.

9) AMS Österreich Geschäftsbericht 2015 (see footnote 5)

10) On participants and costs see BMASK 2016 (see footnote 8)

11) A broader cost benefit approach is taken by the Department for Work and Pensions Social Cost-Benefit Analysis framework: D. Fujiwara. Methodologies for estimating and incorporating the wider social and economic impacts of work in Cost-Benefit Analysis of employment programmes. DWP Working Paper No. 86. London 2010.

12) The stylized facts are based on data drawn from the business reports and the monitoring system of JobTransFair, Vienna, a non-profit social firm.

13) See: D. Card / J. Kluve / A. Weber. What Works? A Meta Analysis of Recent Active Labor Market Programme Evaluations. IZA Discussion Paper No. 9236. Bonn 2015.
For the methodological issues in evaluating programmes see: J. J. Heckman / R. J. LaLonde / J. A. Smith. The Economics and Econometrics of Active Labor Market Programs. O. Ashenfelter / D. Carol (eds). Handbook of Labor Economics Vol. 3A. New York 1999.

14) See J. Holl / G. Kernbeiß / K. Städtner / M. Wagner-Pinter. Die Langzeitwirkungen von Qualifikationsmaßnahmen des Arbeitsmarktservice. Sozialpolitische Studienreihe Bd. 14. BMASK, Wien 2013.

15)

Though effect heterogeneity is not relevant for measuring the fiscal impact of the whole AMS portfolio of support measures, it is very important for monitoring and evaluation purposes. Effect heterogeneity goes far beyond gender differences. The effect of occupational training might depend on the occupations chosen by participants: Th. Kruppe / J. Lang. Labour market effects of retraining for the unemployed: The role of occupations. IAB-Discussion Paper 20/2014. IAB. Nürnberg 2014.
Huge variations in outcomes of the UK Work Programme dependend on type of participant, region, and the provider are reported in P. Bivand / D. Melville. Work Programme Statistics March 2016. Learning and Work Institute. London 2016.
For more information on the work programme see: Findings from the first phase of qualitative research on programme delivery. Department for Work and Pensions. Research Report No 821. London 2012 and: Work programme evaluation: Operation of the commissioning model, finance and programme delivery. Department for Work and Pensions. Research Report No 893. London 2014.

16) For a more detailed account see: W. Alteneder / U. Lehner / M. Prammer-Waldhör / P. Timar / M. Wagner-Pinter. Soziale Integration durch Arbeitsmarktintegration. Teil 2: Kosten-Nutzen-Analyse. Synthesis Forschung. Wien 2009.

17) For a more detailed account see: A. Dremsek / J. Holl / G. Kernbeiß. Berufliche Rehabilitation im BBRZ. Eine Kosten-Nutzen-Perspektive. Synthesis Forschung. Wien 2014.
K. Niederberger / M. Hiesmair / Th. Schmalz. Individueller Nutzen beruflicher Reha-Ausbildungen. IBE. Linz 2014.

18) E. Kolleritsch. Input-Output-Multiplikatoren 2012. Statistische Nachrichten 8/2016. 633-640.

19) Th. Horvath. / U. Huemer / K. Kratena / H. Mahringer / M. Sommer / K. Gstinig / D. Janisch / R. Kurzmann / V. Kulmer. Beschäfitungsmultiplikatoren und die Besetzung von Arbeitsplätzen in Österreich. WIFO / Joanneum Research. Wien 2016.

20) For a detailed account of the social integration effects see: T. Hausegger / Ch. Reidl / A. Reiter / I. Hager. Begleitende Evaluationsstudie des Wiener Pilotprojektes Step2Job. Prospect. Wien 2012.

21) For a detailed analysis see: Stadt Wien (MA 24 – Gesundheits- und Sozialplanung). Wiener Sozialbericht 2015 (Wiener sozialpolitische Schriften Bd. 8). 91-137. Wien 2015.
In addition to »Bedarfsorientierte Mindestsicherung« one has to take into account »Notstandshilfe« as a major source of means tested social assistance benefits: AMS. Notstandshilfebezug Spezialthema zum Arbeitsmarkt. AMS. Wien 2016.
For the share of this social benefit in income: J. Milz. Integrierte Lohn- und Einkommenssteuerstatistik für das Jahr 2012. Statistische Nachrichten 7/2015.

22) P. Gregoritsch / J. Holl / G. Kernbeiß / M. Wagner-Pinter. Erneute Beschäftigungsintegration? Erwerbsverläufe von Personen, die im Jahr 2011 eine Mindestsicherung bezogen haben. Synthesis Forschung. Wien 2013.