



GOVERNMENT
OF MALTA



FINAL REPORT

SPD7/2021/076 (LOT 1)

2024

Evaluation on ESF support
for Employment
(2014-2020)



EUROPEAN UNION
European Social Fund

EMCS
ADVISORY

Csil

Executive Summary

Objective and approach

This study assesses the ESF support for employment (Lot1) channelled through two schemes: (i) the Training for Employment (T4E) and (ii) Access to Employment (A2E) funded under Malta's 2014-2020 ESF OPII and implemented under the Investment Priority (IP) 8i. The objective is to (i) ensure accountability for the funds spent, (ii) gain knowledge of the effects on the ground of the schemes, and (iii) learn how to improve the policy design and delivery mechanisms of similar measures in the future by the provision of recommendations.

A theory-based evaluation approach guides the assessment of the two schemes. It postulates that a policy intervention works as part of a broader "causal package" comprising the schemes' outputs, a set of incentive mechanisms, and external factors (e.g., the Maltese socioeconomic context, the Covid-19 pandemic, the interaction with other existing employment support measures). Different qualitative and quantitative techniques were employed to reconstruct and test the theory of change of the schemes. They include desk research, in-depth interviews, focus groups with different people involved in the management and implementation of the schemes, including participants, and counterfactual impact analysis. In line with the Better Regulations Guidelines and the requirements of the Tender Specifications, the research was guided by three evaluation criteria to assess the support's effectiveness, impact, and efficiency.

Background of the study and brief description of the two schemes

At the start of the 2014-2020 PP, Malta faced challenges relating to low labour market participation, especially for disadvantaged people (old, unemployed, and vulnerable persons) and rising youth unemployment rates. In parallel, human capital utilisation in terms of tertiary education, or equivalent, attainment levels lagged compared to the EU average. A skills mismatch between the supply and demand of labour compounded this.

The schemes T4E and A2E allocated €11.5 million and €17 million of ESF resources to help disadvantaged people enter the labour market and reduce the skills mismatch. T4E provided funding to support training activities on-the-job at the employer's premises, off-the-job (formal) training while backing the attendance of accredited, including tertiary, training courses authorised by Malta Further and Higher Education Authority (MFHEA) in areas considered strategic for the country. The goal was to improve the skills and competencies of participants and prepare them to access employment.

With A2E, the Maltese policymaker assisted disadvantaged, disabled job seekers and inactive persons by offering them a period on the job within employer settings. The aim of A2E stemmed from the policy direction to enhance employment opportunities for the most disadvantaged layers of the working age population and respond to the most critical barriers preventing these people from taking up a job.

In total, in the 2014-2020 period, € 28.5 million have been allocated to the two schemes to support the employability of job seekers and inactive people, including the long-term unemployed and vulnerable people (Investment Priority 8i) corresponding to 22% of the total ESF expenditure in Malta (€ 129.8 million, excluding Covid-19 related measures), of which 20% was covered by national funds.

EU support was tailored to the needs of different participants with customised types of support, including unemployed, inactive, and disabled, as well as employed persons who wished to upgrade their skills and acquire new ones. T4E consisted of four sub-schemes differentiated according to the specific needs of participants by distinguishing: (i) inactive and unemployed persons who were almost ready to enter employment (e.g., had qualifications) but required some work experience (*Work Exposure* sub-scheme); (ii) unemployed persons who lacked both the work experience and qualifications (*Traineeship* sub-scheme); (iii) unemployed and inactive persons enrolled in training courses in care services (*Work Placement*); (iv) employed and unemployed persons, including students who completed compulsory education and wanted to gain the necessary skills via formal education to enhance their employment prospects (*Developing Skill*). Instead, A2E supported recruiting the most vulnerable persons by distinguishing between disadvantaged, severely disadvantaged, and disabled participants.

The schemes T4E and A2E shared the same goal of enhancing the employment prospects of marginalised individuals, but **the mechanism and support were different under the two interventions**. T4E followed the logic of supporting participation in training activities and, therefore, designed as a "pre-employment" intervention; instead, A2E supported direct access to employment, allowing participants to spend a probationary period at the employer's premises. Moreover, T4E supported participants through non-repayable grants (and allowances); in contrast, A2E was delivered through a wage subsidy for employers (non-repayable grant) to cover part of the participant's salary and fell under the State Aid regulation.

Main findings

EFFECTIVENESS

Initial targets set on the number of participants to be supported were generally achieved by both the T4E and A2E despite the unexpected effects caused by the COVID-19 pandemic. The T4E supported nearly 5,500 participants, 26% more than the initial target of 4,303. Roughly 1,000 of them were Gozitans, exceeding the respective target of 430. On top of that, T4E also attracted participants with difficulties accessing the labour market, including females, migrants, and older people often suffering from low education levels. Participants ranged from 3,000 in the Work Exposure scheme, approximately 1,700 in the Developing Skill scheme, 500 involved in the Traineeship scheme, and less than 150 in the Work Placement scheme. The opportunity to undergo on-the-job training at the employer's premises, as provided by Work Exposure, was very attractive for inactive and unemployed persons, whose recruitment was facilitated by Jobsplus services to match participants' skills with the employers' needs.

In contrast, the limited pool of prospective participants in the care services for children, the disabled, and the elderly explains the lower uptake of the Work Placement scheme. Moreover, the scheme also limited the access to individuals enrolled in the courses offered by Jobsplus, further narrowing down the number of potential candidates. Regarding the Traineeship scheme, participants favoured the on-the-job training offered by the Work Exposure scheme over off-the-job alternatives.

The effectiveness of each sub-scheme under T4E could not be assessed vis-à-vis a target because the target indicators in terms of number of participants were not explicitly defined at the sub-scheme level. The decision was deliberately taken to have the flexibility to amend the budget according to the evolving number of applications and activities of participants under each sub-scheme.

The T4E was less popular for vulnerable participants and specifically for people with disabilities or other disadvantages (long-term unemployed, people suffering other health issues, single adults with children, unemployed above 54 years of age, etc). The dedicated scheme A2E was more relevant and effective for this group of persons, with more than 2,600 disadvantaged and severely disadvantaged supported participants, 150 disabled and almost 400 aged more than 54 years.

Jobsplus' promotion of the schemes through an outreach approach exploiting different communication channels contributed to achieving the targets, even if, in the case of A2E, the advertisement campaign mainly involved the employers instead of the participants.

The Covid-19 pandemic has affected the output indicators of the two schemes, causing training suspensions and withdrawals. Still, the overall impact has been marginal, thanks to some flexibility measures introduced by Jobsplus to ensure the completion of the schemes' activities.

IMPACT

There is consistent evidence that the schemes triggered a behavioural change in the participants, helping them to access the labour market and favouring social inclusion, especially for the most vulnerable persons. T4E yielded intangible benefits such as the acquisition of valuable skills, enhanced self-confidence, and increased motivation that can significantly enhance individuals' prospects of entering employment in the medium-long term. Women, Gozitans, and older people with low education levels highly benefited from them (e.g., in the Work Exposure scheme). Similarly, the evaluation acknowledged the A2E's contribution to social inclusion by engaging marginalized groups in the labour market. From the employers' perspective, the schemes permitted them to expand the pool of potential employees (i.e., disadvantaged and disabled) at a lower cost (A2E) and improved skills (T4E) while increasing the corporate social responsibility activities of micro and small enterprises, whose engagement in such behaviour is often minimal compared to medium and large enterprises.

The good participation and the materialisation of behavioural changes translated into employment opportunities for participants, but it took time. Altogether, interventions under T4E supported more than 5,400 participants, and 67% of them have remained in the labour market on average, in line with the target value foreseen in the GA for 2023 of 75%. The share of participants in employment increased over time, with 48% after four weeks from the training completion, while it took two years to absorb 85% of participants in the labour market. The lack of or limited impact of training courses on employment in the very short term (i.e., after four weeks or six months) can be explained by several factors related to the way the labour market operates, such as transaction costs¹ and lock-in effects² or it could be the distorted result stemming from delays in the delivery of participants' engagement documents by employers to Jobsplus. Indeed, the delayed trend observed in the number of persons employed shown by monitoring data, with an increase 18 or 24 months after the completion of the training, could be caused by the fact that employers did not submit the engagement forms timely, hence resulting in discrepancies between the actual moment in which the participants became employed and the moment in which it is registered in the data. This time lag creates problems for Jobsplus with the reimbursement associated with the employment milestone foreseen by the T4E.

¹ Transaction costs include the effort/cost of searching for the right job, the time for screening available opportunities, the salary bargaining process with the employer, and all the other effort/ costs preventing a smooth and immediate matching between demand and supply of labour.

² Lock-in effects reflect the tendency of participants to look less actively for work when engaged in vocational training courses. See for instance, van Ours, J. C. (2004). The locking-in of subsidized jobs. *Journal of Comparative Economics*, 32 (1), 37-48

When comparing the situation with non-participants (i.e., eligible peers who eventually did not join the scheme), the counterfactual analysis showed that T4E increased the participants' chance of getting employment by 9 percentage points compared to those not participating. In other words, out of 100 participants supported, 67 were still in employment after 24 months, while they would have been 58 participants without the support, on average.

Considering A2E, this study reveals a positive contribution to the employment of the target group, even if it was somewhat diluted by the relatively high share of dropouts and exits from employment starting one year after the completion of the retention period because of personal and health-related motives, and a weak incentive mechanism offered by the wage subsidy based on the minimum national wage that favoured the labour mobility of A2E participants with a different employer with respect to the one joined with the scheme.

Overall, the T4E and A2E support was perceived as having a **high added value** as compared to national funds because of the long-term strategic perspective, guaranteeing sustained assistance for disadvantaged and vulnerable people in their endeavours to enter the workforce, pointing to a positive scale effect of the EU support. On top of that, the delivery mechanisms also avoided potential overlaps and double funding with other existing schemes targeted to disadvantaged persons while favouring exploitable synergies.

EFFICIENCY

The introduction of SCOs enhanced the efficiency of utilisation of T4E and A2E funds. SCOs were easily implemented by the MA and ensured smooth implementation of the schemes by reducing the share of allocated budget left unspent due to administrative and reporting irregularities and leading to a reduction of the error rate as compared to similar schemes in the previous 2007- 2013 PP when SCOs were not in force. The analysis revealed a reduction in the error rate of 4 percentage points (from 4.4% to 0.3%) attributable to the introduction of SCOs in the case of T4E and of 0.7 percentage points (from 1.7% to 1.0%) in the case of A2E.

However, **the SCOs also generated unexpected side effects.** In the case of T4E, the introduction of performance-based reimbursement based on milestones increased complexity without ensuring the desired results. Delays in the data recording, and the fact that entering employment took more time than expected resulted in missing the (employment) milestone by participants, which in turn generated payment delays to be supported by Jobsplus. Furthermore, anchoring the allowances on the national minimum wage provided weak motivation for participants to fulfil their duties, leading to dropouts. Similarly, SCOs seemed to have disincentivised the completion of the A2E activities because of the low wage subsidy compared to the actual wage in Malta.

Recommendations

The analysis of each scheme concludes with recommendations on how to improve similar measures in the future, for instance, for the 2021-2027 PP. Recommendations are categorised into two groups:

- Recommendations **directly linked to T4E and A2E schemes, respectively**, aim to highlight corrective actions in the design and implementation phase to increase cost-efficiency and impact on the ground.
- Recommendations to **facilitate the ESF's funds accountability and future evaluations** to ensure a better measurement of the scheme's generated impacts, including the accountability of the funds spent vis-à-vis impacts.