Moving forward with ALMPs: Active labor policy and the changing nature of labor markets

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Abstract. Disruptive factors related to technology, market integration, and social and demographic change imply upcoming changes in the needs of the labor force. This study reviews the current approach to active labor market policies (ALMPs) globally and, based on the evidence and accounting for these factors, discusses desirable attributes for a resilient national active labor policy system, which covers universal access, tailored beneficiary service bundles, private sector linkages, using available technology, demand-driven skills training, measuring performance, social enterprises, and labor market demand side policy. Considering these attributes, we propose a public sector approach focused on supporting service providers rather than direct service provision. The approach revolves around: (i) Active Labor Policies (ALPs), referring to public expenditures on services aimed at improving the labor force’s engagement in productive economic activity; (ii) Active Labor Policy Providers (ALPPs), referring to the entities that implement activities associated with ALPs; and (iii) the ALPP sector, referring to the set of existing ALPPs in a country. We also highlight potential actions by governments to transition into this model, such as contracting services out; service brokerage; service provider registries, accreditation, and incentives; integrated monitoring and evaluation systems; and aligning supply and demand side policy.

Keywords: Active Labor Market Policies, Youth Employment, Public Employment Services, Labor Policy, Future of Work

JEL codes: J48, O01, O380

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1 Introduction

There are disruptive factors emerging globally changing the way people work. Advances in technology, automation, artificial intelligence and, in developing countries, increasing internet connectivity have expanded access to the global labor force by firms, changed the tasks and skills needed for career success, and created a divergence from standard contractual arrangements. Increased mobile phone penetration is also affecting social norms and changing the composition of labor markets in many economies. Demographic pressures such as youth bulges in many countries, that can yield demographic dividends, present new opportunities. These factors make it imperative to reassess whether public policy addressing labor markets, and especially ones correcting labor market failures, are adequate for the forthcoming changes in the nature of work.

Policies to actively support unemployed workers in finding and keeping a job or improve access to better opportunities for underemployed workers, known as active labor market programs (ALMPs), will play a critical role in preventing such disruptive factors from having negative welfare effects. If approached the right way, policy will allow taking full advantage of opportunities these factors bring forth.

Motivated by the importance of ALMPs in these changing circumstances, the objective of this paper is to analyze the strengths and weaknesses of the current prevailing approaches to ALMPs and identify necessary adjustments. We begin by taking stock of the current approach to active labor policies and review the body of evidence regarding their performance. Next, we discuss the implications of disruptive factors changing the functioning of labor markets globally. Taking these into account, we propose a renewed, less rigid, approach to address these challenges; moving away from the emphasis on top-down programs to a broader more dynamic approach toward active labor policies that emphasize an enabling environment for service providers in the face of disruptive factors. We outline possible paths for transitioning to the broader approach. Throughout the analysis we differentiate between high and low and middle-income contexts.
2 Principal current ALMP conceptual frameworks

2.1 Economic rationale behind labor activation measures

The concept of ALMPs originated in high income countries from the effort to distinguish public resources from being allocated into ‘passive policies’ such as unemployment insurance and welfare income support towards policies aimed at decreasing duration of unemployment. Passive policy largely plays a consumption smoothing role for wage workers who, due to idiosyncratic or aggregate shocks, become unemployed and experience an interruption in income. Although the length of unemployment was the emphasis earlier, today ALMPs have two related and overarching objectives. One is the economic objective of increasing the probability of the unemployed finding jobs, productivity, and earnings. The other is the social objective of improving inclusion and participation associated with productive employment. The shift towards emphasis on increasing productivity and the earnings of underemployed workers plays a more significant role in developing countries. Achieving these objectives requires integrating or re-integrating workers into the labor force that face constraints associated with various labor and other market failures that prevent access to ‘quality’ jobs. Much of the time ALMPs work with disadvantaged populations that are more adversely affected by these market failures. Clearly, active labor policies have a place in public policy since, in principle, they are providing services and support to workers that the market on its own does not provide. Consequently, ALMPs have the potential to significantly improve labor market performance if well designed, targeted, and implemented. And while there are a multitude of potential market failures and corresponding constraints to workers entering gainful employment, many of which are prominent in specific contexts and target populations, there are some broad categories of constraints that the policies often address.

The most prevalent constraints workers face that ALMPs address are related to human capital acquisition. Market failures that prevent optimal levels of investment in human capital formation can stem from government budget constraints, lack of individual resources to self-
finance education or skills development, and other sources. Skills training interventions are put in place in response to these challenges, and aim to improve employability by improving abilities, productivity, knowledge, and similar aptitudes. As further discussed below, skills training interventions are the most common type of ALMP.

Labor market intermediation, often termed employment services, is another common service included in ALMPs, in response to obstacles created by high transaction and job search costs and poor labor market signaling. Skills training and labor market intermediation services (e.g., job search training and support, job placement, job counseling) go hand in hand; programs that focus on labor intermediation often support beneficiaries in accessing skills training, often in the form of a referral, while projects focusing on skill training often follow it with job search support and similar intermediation services.

The entrepreneurship and enterprise promotion interventions address constraints faced by aspiring entrepreneurs and firms. These can relate to low management ability, limited business development skills, or lack of access to finance. The majority of ALMPs related to entrepreneurship focus on the livelihoods and associated outcomes of their beneficiaries, individual entrepreneurs. Moreover, entrepreneurship and firm support programs conventionally considered ALMPs usually have job creation as secondary. Cho and Honorati (2013) undertook a meta-analysis of impact evaluations of entrepreneurship programs in developing countries. They found that targeted outcomes typically focused on entrepreneur’s income and/or improvements in business management practices. Outcome indicators such as number of jobs created and workers’ earnings were less common. Similarly, Grimm and Pauffhausen (2014) reviewed evaluations of programs supporting micro-entrepreneurs and SMEs and found that the focus on job creation was limited.

Aside from these types of interventions, there are others addressing various impediments to getting a job and keeping it. Such programs include the provision of wage subsidies, which provide youth work experience, and temporary job creation schemes, such as public works.
There are also many services that are not usually ‘counted’ as ALMPs, such as transportation subsidies or child care services, but are often included as components of ALMPs.

Globally, a significant portion of ALMPs take the form of youth employment programs. Youth often face several of the constraints described above, simultaneously. They have limited labor market experience, do not have networks to access information in underdeveloped labor markets, might not have the technical and ‘soft-skills’ learned through work experience, and are more likely to present a risk to employers (as in the case of areas affected by gang violence). This is reflected in labor market data which shows that youth unemployment is almost always higher than that of their older cohorts. In most countries, the rate is several times greater than that for the rest of the population (Figure 1). Figure 1 suggests unemployment might play a larger role for more highly educated youth in developing countries than disadvantaged populations with basic education attainment.

**Figure 1. Unemployment rate by segment, select low and lower middle-income countries**

![Unemployment rate by segment](source: World Development Indicators 2019.)

To date, the rationale and approach to ALMPs have almost solely revolved around factors that inhibit successful job outcomes associated with the employability of under and unemployed individuals, rather than the number of available job openings. This approach has favored endeavors aiming to improve the *employment outcomes* of specific labor force segments or target populations to take the form of supply side programs rather than demand side programs that support firms to expand and increase labor demand.
2.2 ALMP classification schemes

While the concept is clear, understanding what policies and programs constitute ALMPs is not. The OECD\textsuperscript{3} defines ALMPs as: \textit{“all social expenditure (other than education) which is aimed at the improvement of the beneficiaries’ prospect of finding gainful employment or to otherwise increase their earnings capacity. This category includes spending on public employment services and administration, labor market training, special programs for youth when in transition from school to work, labor market programs to provide or promote employment for unemployed and other persons (excluding young and disabled persons) and special programs for the disabled.”}

The various classifications used to take stock and study ALMPs sheds light on the menu of policies and programs considered to play the role of actively supporting un- and underemployed segments of the labor force. The OECD has developed a classification scheme for labor market policies broadly, among the most commonly used schemes, which illustrates the distinction between active and passive labor policies. Under the scheme, labor market policies fall into three categories: services, measures, and supports. Policies that fall under support constitute many ‘passive’ labor policies and include out-of-work income support (e.g. unemployment insurance) and early retirement programs. Policies classified as measures include most of the activities associated with ALMPs: training programs, employment incentives (mostly in the form of wage subsidies or equivalent), direct job creation (fully or largely subsidized and often public sector jobs; public works), and start-up incentives that promote entrepreneurship. Policies classified as services include general employment services for jobseekers such as information services, (including labor market intermediation), guidance and counseling, as well as the administration of measures and supports. The literature contains a diversity of classification schemes that capture different scopes of services and differ in specificity (Table 1). While major categories, such as skills training, appear across most, the scope of policies included as AMLPs varies across classifications.

\textsuperscript{3} https://stats.oecd.org/glossary/detail.asp?ID=28
Table 1. ALMP classifications in the literature

<table>
<thead>
<tr>
<th>Betcherman et al (2004)</th>
<th>Labor market training</th>
<th>Employment services</th>
<th>Microenterprise development and self-employment assistance</th>
<th>Job creation with wage subsides</th>
<th>Job creation through public works</th>
</tr>
</thead>
<tbody>
<tr>
<td>Brown and Koettl (2012)</td>
<td>Incentives for human capital enhancement</td>
<td>Improved labor market matching</td>
<td>Incentives for creating employment</td>
<td>Incentives for retaining employment</td>
<td>Incentives for seeking and keeping a job</td>
</tr>
<tr>
<td>Eichhorst and Rinne (2015)</td>
<td>Skills training</td>
<td>Employment services</td>
<td>Entrepreneurship support</td>
<td>Subsidize employment</td>
<td>Labor market reform</td>
</tr>
<tr>
<td>Kluve (2010)</td>
<td>Training</td>
<td>Private sector incentive schemes</td>
<td>Direct employment programs</td>
<td>Services and sanctions</td>
<td>Programs for young workers</td>
</tr>
<tr>
<td>Kluve et. al. (2016)</td>
<td>Skills training</td>
<td>Employment services</td>
<td>Entrepreneurship support</td>
<td>Subsidized employment</td>
<td></td>
</tr>
<tr>
<td>McKenzie(2017)</td>
<td>Labor supply</td>
<td>Labor matching</td>
<td>Labor demand</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Atlas of Social Protection Indicators of Resilience and Equity (ASPIRE)</td>
<td>Training</td>
<td>Labor market services and intermediation through PES</td>
<td>Entrepreneurship support and startup incentives</td>
<td>Employment incentives/wage subsidies</td>
<td>Other</td>
</tr>
<tr>
<td>Crepon and Van Den Berg (2016):</td>
<td>Individual productivity support</td>
<td>Individual matching process support</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>OECD classification</td>
<td>Tranning</td>
<td>Start-up incentives</td>
<td>Supported employment and rehabilitation</td>
<td>Employment incentives</td>
<td>Direct job creation</td>
</tr>
</tbody>
</table>

The classifications above show recurring gaps in the types of policies available to improve labor market outcomes. Noticeably absent are, as discussed above, demand side interventions that focus on creating jobs, either by enabling firms to create more jobs or supporting the creation of new firms. It is also important to recognize that many activities/programs in the ALMP space are endeavors taking place at the system level that do
not match most existing classifications, many carrying out institutional capacity building and/or policy advice.

3 Current approach to active labor policies

3.1 Contrasts between high and middle and low-income countries

There are stark differences between developed and developing country labor force and market characteristics, shocks and vulnerabilities their workers face, and, consequently, the role of ALMPs in their economies. Human capital and the prominence of self-employment are some of the starkest differences (Figure 2). Even if the public sector had the financial capacity to offer unemployment insurance covering inactivity from wage employment (but not self-employed) for the full workforce, it would leave out more than a third of workers (42.5%) in middle income countries and over three quarters (76.4%) in low income countries.
This difference in the types of employment workers engage in is reflected in the types of ALMPs being implemented. ALMP systems in developing countries are made up of various often disconnected programs, implemented and funded by a diverse set of organizations. As a result, reliable representative data on the distribution of programs across categories is not available. As a proxy measure, we use the distribution of youth employment programs analyzed in Kluve et al (2016), a systematic review, which conducted an exhaustive search of impact evaluations of youth employment programs between 1990 and 2014. Since many interventions offered multiple services, Figure 3 shows the percent of interventions according to their main focus and whether they offered services in the given category. In developing countries, the greatest proportion of programs are focused on skills training and entrepreneurship promotion, accounting for over 80% of all programs. The largest difference is in the prevalence of entrepreneurship promotion programs, which is negligible in high income countries and entail about one third of interventions in low and middle-income countries. High income countries have a substantially higher proportion of subsidized employment interventions (by a factor of 3) as well as a greater proportion of employment services (i.e., labor intermediation) interventions. Higher self-employment in developing countries partly explains the reliance on entrepreneur promotion. Greater prevalence of wage subsidies in high income countries may reflect a greater level of fiscal resources and the fact that wage employment is a more common career pathway. It is also important to consider that in high income countries there is greater availability of jobs, and labor market search costs play a larger role. Both minimum wages and unemployment benefits are relatively higher, and beneficiaries relatively more skilled, which drives up reservation wages. In response, high

![Figure 3: Distribution of youth employment programs by type and country income level](source)

*Source: Author calculations using data from Kluve et al (2016). Based on 63 interventions in high income countries and 47 in middle and lower income.*
income country policies tend to focus on matching between skilled beneficiaries with well suited jobs. In developing countries, ALMPs often target groups with low educational achievement and come from low income households (as a direct selection criteria in many cases); this creates the necessity for skill training.

An important factor in the discussion of ALMPs is the varying level of social protection and safety net coverage between high and low and middle-income countries. Using data on country passive labor policy coverage from the World Bank’s ASPIRE database with GDP per capita data from the World Development Indicators, we observe, as one would expect, a pattern of dramatically greater coverage in higher income countries (Figure 4).

**Figure 4. Passive labor policy coverage and country income level**

![Graph showing passive labor policy coverage and GDP per capita](image)

*Notes: Values in comparison to Poland. Source is the ASPIRE database and OECD.*

ALMPs in high income countries are common, in part, because of high social security contribution rates, broad passive labor policy coverage, and the high levels of wage
The essence of ALMPs for many countries at this income level is increasingly based on the principle of “mutual obligations.” In return for receiving income support (e.g., unemployment benefits, entitlements, or social safety nets) and being offered a range of employment services, individuals must commit and comply with a set of eligibility requirements, such as actively searching for jobs. This makes incentives and sanctions a fundamental characteristic of many ALMP systems. Beneficiary engagement begins through early interventions by the public employment service (PES) agents during unemployment spells with a high contact density between jobseekers and employment counselors. The interventions encompass regular reporting and monitoring of work availability and job-search actions, direct referrals of unemployed clients to vacant jobs, setting-up of back-to-work agreements or individual action plans, and referrals to ALMPs to prevent loss of motivation, skills, and employability as a result of longer-term joblessness.

While skills and employment incentives are the most common type of ALMP, there is significant heterogeneity in the mix of policies applied across European countries (Figure 5). According to the number of beneficiaries of ALMPs, out of selected countries in Europe, in Belgium, Germany, Ireland, Austria, and Portugal, the most popular program is training; employment incentives dominate in Spain, France, and Sweden; supported employment is the most popular program in the Netherlands, and direct job creation in Hungary.

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4 In OECD countries 5.6% of the labor force participated in passive labor programs while 4% in ALMPs in 2011 (Martin, 2014).
In low and middle-income countries, the main challenges in the labor market are related to underemployment rather than unemployment. Working age adults in the poorest countries are not able to afford foregoing some economic activity, even if marginally productive. Many countries at the bottom of the income distribution have 1 or 2 percent unemployment rates (see Figure 6). Large segments of the workforce in these countries are survival entrepreneurs engaged in activities with low value added, such as retail in the informal sector.

**Figure 6. Relationship between unemployment and country income level**

Source: WDI, 2009 values.

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Note: “*” indicates data for 2016.
Source: Eurostat online; [http://ec.europa.eu/eurostat/data/database](http://ec.europa.eu/eurostat/data/database)
Accordingly, the limited available data are consistent with low and middle-income countries having greater focus on active labor market policies than passive ones (Figure 7). This could stem from the greater need to address underemployment, rather than unemployment, with much of the workforce unable to enter the formal sector labor market. For several of the countries, mitigating income shocks caused by transitory unemployment spells from formal sector wage employment (the role of passive labor policies) is negligible in comparison.

Figure 7. Percent of population in passive and active labor policies: middle and low-income countries

![Figure 7: Percent of population in passive and active labor policies: middle and low-income countries](source: ASPIRE database.)

3.2 The role of public employment services

Public employment services (PES) serve the dual role of administering payments related to unemployment insurance and acting as gatekeepers to many active policies. In high income countries, PES are almost synonymous with ALMPs. Typically, PES operate quite autonomously within the established legal framework and operating budgets. The head office of the PES is responsible for the development of service standards and guidelines for employment programs, information systems (including collection of labor statistics), labor market analysis and research, financing of particular programs including unemployment insurance, contracting out to NGOs and private sector some of the services, quality control and internal auditing, international cooperation and public relations, and human resources (staffing of PES), among other functions. Local PES offices, under the general supervision of
the head office and in close collaboration with local administration, are directly involved in interacting with unemployed and job seekers. The types of activities executed by PES offices, based on a survey done by World Association of Public Employment Services (WAPES) and the Interamerican Development Bank (IDB) show that PES services, globally, have focused on the systemic and long-term challenges of disadvantaged groups (youth, disabled, women, migrants) rather than those with idiosyncratic shocks and transitory shocks causing unemployment (Figure 8). It is worth noting that about half implement their own vocational rehabilitation rather than outsourcing the services.

**Figure 8: Provision of ALMPs by PES around the world; percent (in total, out of 73 countries)**

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While many low and middle-income countries have PES, their coverage is small. Over 110 countries globally have PES in some form but in most developing countries and emerging market economies expenditures on PES activities do not exceed 0.1 percent of GDP; in Mexico, for example, it is only 0.01 percent.\(^6\) In contrast, EU28 countries direct significant public expenditure on labor market policy interventions; the highest being Denmark (3.2 percent of GDP), France (3.0 percent of GDP), and the Netherlands (2.6 percent of GDP) in 2016. The lowest expenditures in EU were reported in Romania (0.2 percent of GDP) and

Slovakia (0.5 percent of GDP). When PES are present in low and middle income countries, often available funds are distributed first to cover staff expenditure and other expenses for running the Employment Services, and second, to cover law-bound benefits and costs related to people who are insured and entitled to benefits. All other activities, including ALMPs, are funded out of what is left.

Even though PES in developing countries have not played as significant of a role as in high income countries, they have made some advances institutionally and programmatically. In Gabon there has been an extension and (technical) improvement of media presentation and internet resources. Improvement of training for staff is emphasized by various African PES (Cameroon, the Central African Republic, and Kenya). In many countries, PES are developing agreements based on individual action plans and revising jobseekers’ intake interviews. In South America, the PES in Uruguay introduced an incentive program for the hiring of workers in 2008, including guidance and pre-selection of workers by specialized staff. In Asia, Vietnam’s provincial/local PES were busy in setting up “transactional floors” to offer chances for direct meetings between employers and laborers.

4 Evidence on ALMPs

Overall, most studies that synthesize the empirical evidence of ALMPs have not found their effects on labor market-related outcomes to be statistically different from zero or, when positive, moderate. For example, Kluve et al (2016) found that globally only one third of youth employment programs had statistically significant effects. Nonetheless, there have been successful cases and the research agrees that there is great potential for ALMPs to lead to substantial welfare gains. Some recent studies have pointed out that, because the economic significance of the impacts are likely small, larger than traditionally used samples are needed for accurate measures of their likely positive effects. It has also been noted that the effects of ALMPs will often be revealed in the long term, after the follow-up periods of most impact.

evaluations (Card et al 2015, Kluve et al, 2016). Nevertheless, the need for rigorous impact evaluations of ALMPS has led to an acceleration in the growth of available evidence; the Kluve et al (2016) systematic review found that over half of youth employment intervention evaluations between 1990 and 2014 took place after 2010 (Figure 9).

**Figure 9: Rise in number of impact evaluations of youth employment programs**

![Graph showing rise in number of impact evaluations of youth employment programs](image)

*Source: Kluve et al 2016.*

Much of the quantitative analysis that synthesizes the existing empirical evidence on ALMPs has concerned itself with broad factors, such as which types of program worked best and for which populations. Betcherman et al (2004) analyzed ALMPS at the global level, updating their 1999 study, and found that labor intermediation has positive effects and training for employed has some, but retraining for workers in mass layoffs, training for youth, and wage and employment subsidies have little effect. Kluve (2010) studied European ALMPS, finding that neither the regulatory environment or business cycles play a strong role in the efficacy of ALMPS and that it was the program’s type/category that determined performance; direct employment programs in the public sector did not have strong results, while ‘services and
sanctions’ were found effective at increasing participant’s employment probability with training programs having modestly positive effects. Card et al (2015) studied the global impact evaluation evidence and their main findings included that unless outcomes are measured over the longer run (2 to 3 years after program completion) the effects measured will likely be zero (in particular for skills training), that there is systematic heterogeneity between groups with greater impact for females and those entering from long-term unemployment, and that they have stronger impact during recessions (in contrast to the earlier study). Kluve et al (2016) analyzes a large sample of youth employment programs covering both high, middle, and low-income countries and found that program features rather than the type of program were driving strong impact evaluation results, specifically the tailoring services to individuals and being able to connect or provide a comprehensive menu of services that allow for creating individualized service bundles. Moreover, the paper found convincing evidence that programs in low and middle-income countries generally outperformed those in advanced economies. This summary makes it clear that, as the evidence base has grown, the findings and interpretations have been refined.

There have also been insightful qualitative reviews of the evidence. Martin (2014) analyzes results from OECD countries and suggests that the mix of policies that determines whether the activation strategy is effective varies across countries. However, results have been mixed and some labor market segments were more successful than others. Specifically, unemployment insurance benefit recipients and sole-parent beneficiaries saw better outcomes than persons with disabilities. An important finding from McKenzie (2017) is that wage subsidies are unlikely effective to generate additional employment or even play a distributional role in terms of who has access to jobs but may play a social protection role in idiosyncratic shocks (e.g., household smoothing temporary shocks).

Overall, the empirical evidence draws attention to the question of whether the binding constraints towards improving the employment outcomes of ALMP beneficiaries are related to the demand side of the labor market - to job creation. More specifically, whether the
number and types of jobs available to specific target populations is underemphasized in contrast to the target population’s employability. The underwhelming evidence prompts policy makers to have a better understanding of the ability of job creation policies to target specific segments of the labor force. While it is straightforward to serve a given target population using supply side interventions by outreach and directly delivering services to them, designing policy that enables the private sector to raise investment and/or resources towards creating a permanent job suitable and accessible for that given population poses a more complex challenge. Especially because, from the policy maker perspective, there is appeal to the greater visibility of supply side policies; given a fixed budget, the number of beneficiaries that can be trained will tend to be far greater than number of jobs that can be created.

5 Factors changing the nature of work and the new role of labor policy

The new challenges brought forth by disruptive factors that affect the way people work call for a new approach on how the public sector addresses policies. The main factors driving the changes are related to changing technology, economic integration, and social and demographic change. Illustrative examples of changes associated with these factors are shown in Table 2.
The types of contractual arrangements found in the labor force have already begun changing in response to the disruptive factors. Although full-time employment contracts of indefinite duration are still the most common form of employment relationship in high income countries, atypical and temporary employment contracts that include fixed-term contracts, project- or task-based contracts, seasonal work, casual work, daily work, part-time contracts, on-call contracts (including zero-hours contracts), subcontracted labor, civil law contracts, and freelance contracts, have become established features of modern labor markets. Other non-traditional types of work that break from the norm, such as employee sharing, interim management, ICT-based mobile work, voucher-based work, portfolio work, crowd employment, hailing services, and collaborative employment are also common today. Many of these contractual arrangements fall into the ‘gig economy’, broadly defined as the portion of the economy accounted for by jobs with no long-term connection to a business by workers employed for a particular task or defined time.

On the other hand, contractual arrangements play a prominent role in defining a worker’s employment status and in many cases their ALMP eligibility. As contracts become more
diverse and difficult to define, the definition of employment and unemployment becomes blurred. This makes it a challenge to target and determine the level of support under and unemployed workers require. Movement across employers, contractual arrangements, and sectors will occur more often. As more workers move outside of the ‘standard’ wage employment contract in high income countries, a greater proportion of the workforce will experience income fluctuations. As employment will not be as much of a dichotomous process (most workers are either employed or unemployed under standard full-time employment contracts), individual needs for partaking in ALMPs will be more nuanced. Accordingly, there will be growing demand for broad-based accessible programs and support rather than, for example, earmarking funding to labor activation policies with a rigid definition of employment.

The technical skills needed for career success will change. Some ‘codifiable’ occupations will be adversely affected or the aspect where value added is created will shift. For example, work related to information exchange or of a transactional nature such as that done a travel and real estate agent will require different sets of skills. As people have broader and better access to information on housing options and prices, the benefit of working with real estate agents will come from aspects such as negotiation ability rather than having ‘privileged’ access to information. With the change of technology and other innovations, new jobs will be created that are not in existence today. Retail is now done online in high income countries and a new class of retailers operating in value chains, without need for inventory or storage, and expertise with web technology is emerging. Growing economic integration enables large employers to quickly establish themselves in new labor markets and, as a result, quickly change the set of skills demanded.

These disruptive factors can have a polarizing effect, which means labor policy will have a greater role in equity. First, efforts aimed at economic inclusion will need to be reinforced since technological advances and market integration favor the educated and better-off segments of the labor market; high-skill work modern sectors will grow faster than work
requiring less advanced skills. Even as ‘quality’ formal sector jobs are created, the better off will be better placed to take advantage of these opportunities. In contrast, the work in low productivity tasks, the sort that vulnerable populations often rely on, are among the ones most vulnerable to automation. Social and demographic changes will also change the composition of the labor force and its needs, such as having an older or younger workforce and female workers being a larger portion of the workforce.

Aside from changing the work relationships and new challenges brought forth by these factors, technology and innovation in labor market program design, combined with a quickly increasing evidence base, will enable active labor policy to work more efficiently. For example, online platforms can organize labor markets in new ways the way the LYNK online platform has done in Kenya by focusing on the productivity of the informal sector. Data is lower cost to store and collect, and faster to integrate through monitoring and evaluation (M&E) portals. Even household surveys collected can now be consolidated daily and integrated into larger M&E systems, making it possible to use beneficiary data to improve outcomes over cycles and test models live during implementation (Pritchett, Samji, and Hammer 2013).

6 Active labor policy providers (ALPPs): Key abilities needed of a new system
The changes occurring in countries at all income levels call for a more dynamic and versatile system to design and implement labor policy. The shifting factors driving how people conduct work require a move away from the top-down policy approach that emphasizes programs and interventions to one where resources are targeted more broadly and emphasizes supporting a space of service providers able to adjust based on beneficiary needs. Rapid changes will require that services available to beneficiaries be able to adapt on short notice with as little inertia as possible to be successful. It is difficult to predict which services will be needed under changing circumstances. As an example, the availability and affordability of reliable transport has been shown to be a major constraint to young women finding and keeping a job (Romero and Urquart 2018). Having a highly targeted transport support service
may quickly become a key factor to policy success with growing female presence in the labor force and the ability of large employers to quickly enter labor markets. The rise of service providers to serve this need *effectively and efficiently* is more likely in a coordinated network of independent service providers than large top-down programs where resource reallocation and revising service provision is a slow-moving process.

Our proposed approach for the public sector support of under and unemployed workers starts with some definitions of the complementary pieces of a national system. *Active Labor Policies (ALPs)* are expenditures on services aimed at improving the labor force’s prospect of engaging in productive economic activity. Defined in this way, implicitly, this approach acknowledges that the activation of labor will encompass becoming economically active but not necessarily through labor market insertion\(^8\). *Active labor policy providers (ALPPs)* are the organizations in the system that partake in activities that help address employment challenges. These can come from the private or public sector and entail training institutions, job placement service centers, counseling centers, and organizations that focus on institutional capacity building, among others. Collectively, the group of ALPPs make up a country’s *ALPP sector*. Characterizing the ALPP sector as such emphasizes coordination and the broad sector of actors involved, which will likely grow over time. Considering the changing needs of the labor force and current evidence base on what works in ALMPs, we list some key attributes that the ALPP sector may need to be successful, below. However, ultimately, contextual factors will determine the best suited attributes.

### 6.1 Accessibility and moving towards universal access to services

As discussed above, marginalized and disadvantage groups are especially vulnerable to negative shocks introduced by disruptive factors. That’s why reaching the most disadvantaged populations will grow in importance. This implies optimizing outreach and targeting approaches and design to serve populations in need. For women this can be

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\(^8\) In some cases, self-employment will be based on engagement in tradeable and non-tradeable (e.g. service) sectors.
addressing social norms that keep female participation away from certain sectors or types of work. This can take on several forms, from gender mainstreaming to media campaigns. Other such adjustments include changing employer perceptions when beneficiaries come from violence and crime afflicted populations or emphasizing the right psycho-emotional support when refugees are a target population. At times this will require ALPP coordination, especially with broader livelihood and economic inclusion programs. For example, through integration with cash transfer schemes or using the graduation program approach (Banerjee et al 2015). Finally, the system needs to permit greater resource allocation to marginalized populations and account for the fact that those most marginalized will require the most support.

6.2 Capacity to provide tailored service bundle

Related to accessibility is the ability to provide the right intensity and types of services for each beneficiary. A comprehensive approach is needed since, often for activation, people can face multiple constraints. Support services, in particular, are important for accessibility and to enable matching services to the needs of different labor market segments. Accessibility is not the only reason the ability to tailor services is important. Different types of underemployment can be expected in the future and a wider variety of services would be needed to match them. The labor force will face a variety of scenarios as sector compositions change in the economy and new occupations arise. The evidence agrees with this. Freelancers might require coding ability which they could attain by connecting with a program in the ALPP system. This is in line with the evidence, which has suggested that the integration of services into a combined, comprehensive package is correlated with improved labor market outcomes (Lehmann, 2011, Kluve et al 2016).

There are two aspects related to having the capacity to bundle services: having a coordinated ALPP sector and having the necessary menu of services within the sector. This implies giving beneficiaries (or their counselors) the ability to navigate the system and heightens the importance of system coordination. Without an effective referral system there is risk of
replication between publicly funded programs. Coordination requires an information system able to track beneficiaries across institutions and organization that in many countries, especially LMICs, current have limited ability.

Upon having a broad set of services available, the quality of profiling, screening, and targeting of available services becomes the system’s backbone. Profiling and screening enable individuals’ access to the right service packages. Profiling jobseekers can also provide a systematic basis for allocating scarce resources, and improve targeting of ALPPs, on the condition that the caseload of employment counselors be adequate. Specifically, profiling enables segmenting jobseekers into groups with similar risk of work-resumption, and in turn determine their level of access to different levels of treatment (i.e. engagement) (Loxha and Morgandi, 2014). Even in current activation schemes there is evidence that profiling drives impact evaluation results (Kluve 2016) and that the case workers themselves are an important factor in the success of an individual’s activation (Martin 2014). Screening refers to assessing whether the participant is right for a given ALPP’s services. Targeting by ALPPs is also crucial, for example, in distinguishing between teenagers (who may need support to remain in school and/or acquire qualifications) and young adults (who need help in acquiring work experience), and school drop-outs. Careful program targeting can also help eliminate “creaming” whereby program operators select the best participants, as opposed to those who may benefit the most from the program (Lehmann, 2011).9

6.3 Effective private sector linkages under changing circumstances

Engaging with the private sector can serve many functions, including information on the skills demand of the labor market, enabling skills acquisition by taking on interns or participating in apprenticeship schemes, or forming job placement pipelines in partnership with training programs, among others. By identifying job-related skills, knowledge, and the abilities needed by individual employers, the service providers can match applicants’ skills and refer

9 For macro-econometric evidence of the impact of ALMPs on unemployment and employment see, Martin 2014.
the best qualified applicants to employers. As a result, employers’ workforce needs will be met, the image of employment services in employers’ eyes may be changed, and trust enhanced. Typically, employer contacts are established through workplace visits, telephone contact, direct mail, or local employer group meetings. Other marketing activities to establish partnership with employers are: employers’ weeks, job fairs, speed meets, networking with the help of mass-media, goal-oriented visits, and the development of consultancy services.

The private sector will change and the ALPP sector will have to change its approach to engaging it. Employers may be headquartered abroad and more of them will be part of global value chains. Large employers will more quickly enter labor markets, and likely change the demand for skills in the labor market. Other actors in the private sector will be integrated, such as SMEs. Aside from demand driven skills training programs, there should be institutional coordination with the private sector through forming round tables or providing other spaces for exchange of information and influence. Programs can learn such information as private sector-created industry accreditation and skill training standards.

Because skills, and adjusting them as necessary, is so important in preparing people for changing factors, it must be done right. A successful model has been the demand-driven training model. This applies to programs that combine job placement and training in an integrated manner. A Making Cents International report (2017) provides a thorough discussion on this topic and specifies three types of training programs. Demand-Aware programs train youth for jobs in high-growth sectors by focusing on general employability skills; Demand-Aligned programs prepare youth for jobs in a specific sector; and Demand-Driven programs develop and ready youth for specific job roles. Demand-driven programs require close partnerships with employers and use novel methods in identifying the skills needed for specific roles of available openings. Harambee in South Africa and Generation in India are two examples. Their methods include shadowing successful employees of partner employers who work in the positions there are openings for. One of the greatest appeals to demand-driven programs is that, if done right, an argument can be made for the value added from hiring beneficiaries of the programs – allowing for recruitment fees to be collected. The
Making Cents International report (2017) discusses the experience with the demand-driven training approach from 11 programs with operations in over 30 countries.

6.4 Make the most of available technologies and innovations
Many innovations in ALPs use technology as an enabling factor. Use of technology to scale up and reduce costs is an opportunity that should be taken advantage of. This can include moving away from costly face-to-face interactions and towards the extension of self-service facilities for jobseekers and employers. A new array of labor market intermediaries can enter the space, including call centers, online job boards, social media sites, and e-recruiting firms. Technology can also facilitate mutual sharing of CVs and job vacancy notifications between PES and private employment services, especially with the rise of digital platforms for labor intermediation with the ability to match workers and employers based on applicant skills and those needed for the job. Examples include the Danish Internet-based service Jobnet, an Internet-based job database providing information for Danish employers, Danish job seekers, as well as foreign job seekers in Denmark. The service facilitates a self-help strategy for those with the resources to do so while more disadvantaged unemployed people are guided in using the system and making CVs which increase their chances of gaining employment. The unemployed are obliged to use Jobnet actively, which is ensured by checking that they upload their CVs to the database. Uploading of CVs to Jobnet is one of several conditions to receive unemployment benefit (insured and un-insured) in Denmark. In Austria, there is a range of services available on the Arbeitsmarktservice (AMS) website for jobseekers: searching for job vacancies (ejob room), deregistering from benefits and job seeking, early registration of unemployment, calculating unemployment benefit entitlement, training, and career information on a general basis. For young people, AMS has further services, such as support with job applications as well as a wide range of information (also for downloading) on many aspects of the working world and unemployment. Those without private access to the internet may use parts of these services via the SAMSOMATEN or internet PC’s in the regional offices. Among developing countries, the modernization of the Public Employment System’s registration and placement systems is being reported by Zimbabwe, Togo, Senegal, Mali, the
Central African Republic, Cameroon, and Benin. Cameroon has been busy with merging and
interconnecting local databases. Gabon has implemented a “multimedia center” and Kenya
reports the “provision and acquisition of a server by the International Organization for
Migration (IOM)”. Morocco is pointing out that there are more than 200 PCs at jobseekers’
disposal at the local employment offices. In addition, progress has been made with the
implementation of ICT-based program management, for instance the Informatic System for
the Management of Jobs and Skills (SIGEC).

6.5 Ability to leverage beneficiary data to measure program performance

Data has become more widely available, easier to collect, and has the potential to make
programs achieve improved outcomes and cost effectiveness. It is also easier to consolidate
decentralized data generated by multiple locations into a single database than ever before.
Through tracking performance information from different implementing sites, large
databases allow program managers to make real time course-corrections and explore
program design options through short-duration iterations of program pilot components.
Another one of the main potential benefits of using data is improving the match between
beneficiaries and available job opportunities. One example is the Harambee program in South
Africa, which uses beneficiary GPS data to analyze the implied transport costs of getting from
their homes to the various employers in Harambee’s network with job openings. Tounes
Ta3mal in Tunisia, an online job search platform, uses digitized CV data to connect employers
with the likely best candidates for their openings using data-driven predictions. When large
databases are available that capture a program’s past beneficiaries’ characteristics and labor
market outcomes, they can be used to help counselors and caseworkers identify the best
paths to gainful employment and optimal bundle of services to provide individual
beneficiaries.

6.6 Supporting social enterprises as service providers

Social enterprise models can yield training and entrepreneurship programs with substantially
reduced reliance on public sector and donor funding. The impact of public sector-led
employment policy is to a large extent related to the resources available for financing labor
market programs. While the funding, especially for ALMPs, is often limited, emphasis can be placed on improving their design and effectiveness to make a larger impact from a fixed budget. One option is to encourage a shift to financing approaches where programs, after an initial public sector investment, become partially or fully self-financed; through adopting social enterprise models. Here we refer to private enterprises that provide a social service by financing themselves through the supply of services or trade, and reinvesting returns into expanding their social services. For example, Digital Data Divide (DDD) in Cambodia is using the social enterprise model to support the training of disadvantaged populations. They recruit clients globally, such as Amazon.com, offering technology-related services like image digitalization. They apply the ‘impact sourcing’ model whereby orders are fulfilled by trainees in the final phase of the program. DDD recruits youth within its target population and only selects the best performing beneficiaries to enter this last phase. These models are becoming popular in various sectors, such as agriculture, and in economies at different levels of development.

6.7 Ability to effectively use demand side policy for labor activation

The success of ALPs can rest on the availability of jobs and, based on the evidence, this may indeed be a binding constraint. In addition, if training program beneficiaries that successfully get placed in jobs take away opportunities from other jobseekers, programs will have limited aggregate impacts. McKenzie (2017) finds some evidence that there is a need to account for these potential general equilibrium (displacement) effects. Especially for subsidized employment and vocational training programs, where suggestive evidence indicates that the gains made by beneficiaries comes at the expense of others in the economy not partaking in the programs.

It is also important to have coordination between supply and demand side policy and understand the balance needed between the two. Often different ministries oversee policies related to economic growth and broad job creation, such as sector promotion strategies,

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10 See Romero and Barbarasa (2017) for more details on DDD.
from the ministries that cover labor and social security issues which tend to oversee ALPs. In recognition of this, there is a current movement towards pairing supply and demand side interventions in large scale programs. Some examples are projects being implemented by the World Bank in Kenya and Tunisia\(^1\). However, at present there is no prevailing or proven approach on how to do this effectively.

### 7 Creating an enabling environment for the ALPP sector

To suit the changing needs of the labor force, the public sector’s role may need to shift from one with an emphasis on designing and implementing programs to one centered around ensuring an effective ALPP sector that abides to quality standards, is well coordinated, and contains the right service provider incentives. This would place the public sector in a role similar to the one it often plays in healthcare. There it oversees health service provision where, often, a general practitioner (medical doctor) anchors the system as a gatekeeper, prescribing individuals treatment using rigorous screening and diagnostic methods (see Box 1). The discussion below lists a set of attributes governments can consider to enable an effective ALPP sector. These are meant to serve as steps in a transition from a centralized top-down national ALPP sector to one that is flexible, dynamic, and demand-driven. Several attributes are complementary and reinforce each other.

Making it possible to contract services out, including to the private sector

One of the fundamental steps in accomplishing the desirable qualities for system resiliency is having a more decentralized network of providers. The main vehicle for this is to contract out to the private sector and/or civil society. In high income countries contracting out is the most frequently used method for making PES activities contestable, at least to some degree. It allows for lower pressure on public budgets and provides a wider array of options for a diverse range of clients. Some of the pioneers of this model have been New Zealand and Australia (see Box 2). Currently, many EU countries are following suit and developing ‘quasi-market’ placement regimes, wherein different actors compete with each other for public resources within limits set by the public sector. In some countries (for instance, Germany, Spain, and Italy), PES continue to act as the main service provider, but outsource specific services and activities, such as training, orientation, vocational rehabilitation and placement.

Box 1. New General Practitioner-Style Organization and Financing for the ALPP sector

For many decades, healthcare systems have evolved to respond to a wide range of constantly changing health risks. There are important aspects where ALPP sectors would benefit in drawing on the healthcare’s experience.

The public sector as a purchaser rather than provider: In healthcare most practitioners and specialists are private sector actors who render services paid for (purchased) by the public sector. For the majority of the 18 countries analyzed in Massialos et al (2016), a comprehensive review of health care systems, primary care providers were from the private sector.

A strong role for service “Gatekeepers”: In many health systems general practitioners’ services are covered under social insurance and specialist fees are covered contingent on GP referral.

Balancing incentives of service providers through payment methods: The efficiency of the system relies on balancing service quality (and depth) with the number of people served. Capitation (fee per beneficiary) and fee-for-service are the two most common methods in healthcare in the EU (WHO 2009); Capitation provides incentives to keep costs low and not over ‘prescribe’ while fee-for-service discourages skimming of low-risk/low-cost individuals.

System-level quality and performance monitoring: the public sector’s role is to manage the healthcare system and ensure there are quality standards, like medical practice licenses, and to track resource flows and corresponding outputs.

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into community work, often subject to strict licensing mechanisms. Core job matching and career counseling activities are increasingly outsourced and subcontracted with private providers. They can secure services within smaller and targeted segments of labor market (comparing the costs) and are oriented towards the employers’ requirements. Private agencies will likely address only a few labor market niches but will offer more proactive employment policy by tailoring policy towards labor demand.

Increasing the reliance on contracting out services should be done diligently with a rigorous assessment of the best path from the current ALMP system. One potential pitfall to be avoided in such arrangements is ‘skimming’. Generally private employment agencies serve the better skilled and better educated. But private agencies choose large metropolitan areas and tend to ignore or underserve other parts of the country. In the absence of public

**Box 2. Contracting out in Australia and Netherlands**

Australia and the Netherlands were the first two countries to introduce market competition for employment services, but they were soon followed by others that sought to improve the performance of public job-brokerage organizations or wanted to overcome the limited capacity of public providers and extend the supply of employment services. As an example, the Netherlands has implemented a full-scale tendering model, meaning that all target groups of jobseekers are referred to external service providers and that the PES has stopped providing traditional employment services to the unemployed. Public authorities are instead used as gatekeepers in the quasi-market and to pay out social security benefits (Bredgaard and Larsen, 2008).

Australia has been outsourcing services to private and NGO-type agencies since the 1990s. Under its Job Network, hundreds of licensed job placement organizations in more than 2,700 locations across Australia offer placement services to the unemployed. (Tergeist and Grubb, 2006; OECD, 2012). In Switzerland, private placement agencies play a key role in placement. In 2008, there were about 4,000 private placement agencies and temporary-work agencies. Their share in total annual placements is between 70 and 80 percent. (Duell et al, 2010). In the UK, private providers selected through tendering procedures are only bound to deliver specific outcomes (job placements) and are left free to offer whatever services they believe to be most effective to individuals without government prescription (so called ‘black box’ approach). In some countries (for instance, Germany, Spain, and Italy), PES continue to act as the main service provider, but outsource specific services and activities, such as training, orientation, vocational rehabilitation and placement into community work, often subject to strict licensing mechanisms.
regulation, private placement agencies will tend to concentrate on the most easily placed unemployed persons (i.e. “creaming off”). Thus, specific objectives and performance indicators need to be built in to avoid such ‘skimming’. Another important consideration is that contracting out needs to be phased in gradually according to the development of a well-formed network of ALPPs.

7.2 Enable service brokering
A service broker acts as a prescribing doctor in health care. Service brokering involves activities such as screening, profiling, case management, and counseling. Having stand-alone service brokers enables specialization in these activities, improving the accessibility of available services within an ALPP sector and the efficiency of service bundles that combine those services. Like in health and life insurance, this would encourage adopting improved risk assessment tools, such as statistical profiling, and increase financial planning ability.

PES in many countries are implementing the one-stop shop service brokering model. This concept is inspired by labor office service models in European countries, where examples range from merging labor market advisory with social services and integrating benefits and job search to various forms of modernized service layout systems. In the one-stop shop model, front offices handle routine initial queries (and requests to certify unemployment), and back offices handle higher end services for jobseekers and employers. This reduces the beneficiaries’ transaction cost and may also reduce the administrative costs of the programs. One-stop shops offer the possibility of triaging beneficiaries and have the capability of increasing program outreach and take-up rates for other services. Norway, for example, has the new National Employment and Welfare Service (NAV) structure which brought municipal social services and the PES under one roof, making it the central public body (with close to 18,000 staff) responsible for labor market policies and employment services. In this one-stop shop, all claimants for unemployment, social assistance and sickness, rehabilitation and disability benefits, as well as those wishing to participate in active labor market measures, will be offered the same services, located in the same building (Duell et al, 2009). After the
full integration of NAV offices at the end of 2009, it can be assumed that over half of municipal social workers will work with “employable” social assistance clients and half of government staff in local offices will work on guidance, counseling, and placement in direct contact with jobseekers. While one-stop shops are predominantly implemented by PES, it would be possible to contract these services themselves out.

7.3 Accreditation of service providers
Part of overseeing an ALPP sector is upholding quality standards to set the proper conditions for extending the service provider network and out-contracting. In principle, accreditation can be given at the provider level, for example, if a provider on the whole met a set of standards. However, this can also be based on certifications that correspond to specific industries or occupations. For example, up-skilling someone in the informal sector such as a plumber to meet service delivery standards and adopt good practices might help increase the number of clients and/or translate into higher fees. In fact, industry often develop their own certifications out of necessity. Connections with these sorts of private sector led certifications by ALPPs would provide a strong signal they are developing the skills necessary to be successful in the given occupation or industry. Recently, France has started taking a more healthcare-like approach (due to poor skill matching by current ALMPs) by allowing users (i.e. beneficiaries) to choose a provider and meet a set established common standards (Economist 2018).

7.4 Having an adequate service provider registry
The public sector can help spark the creation of a coordinated decentralized network and establishing an ALPP sector by developing a service provider registry. This would complement tasks related to quality standards since such tasks would automatically entail collecting information and taking stock of all eligible ALPPs. A service provider registry, even in economies where many options and implementers are in the public sector, would find it valuable to identify and improve on redundancies and overlaps in service provision. Such a database would entail an exhaustive list of service providers, provider attributes, and list the services provided.
7.5 Establishing integrated beneficiary data systems

To move into an effective provider-based model, governments need to be able to track beneficiaries through a growing network of ALPPs. This would facilitate payments and other transactions within the system and enable different institutions to view a beneficiary’s employment and history through the ALPP sector. Such a system would be a public good if the data could be leveraged to learn and help prescribe services. For example, using big data analytics to provide guidance of service bundles have worked out best for beneficiaries of specific profiles. Some low and middle-income countries have made steps towards establishing such systems. Djibouti reports recent progress for almost any services, but in particular the development of their website and IT-supported placement services. Morocco has enlarged and modernized the local offices’ network and tried to improve the quality of the services by different means (quality survey, charter etc.). Currently there are pre-packaged M&E systems that use cloud-computing designed to standardize M&E data across a network of implementing partners (Romero, Richardson, and Anf 2018).

7.6 Designing incentives for service providers

Efficiency can be improved by setting up monitorable performance targets using the administrative data generated by ALPP activities (e.g., number of individuals served, types of interventions, follow-up, etc.) at various levels. The government’s role would be to establish overall priorities, ensure quality, and provide financing, especially to address equity concerns. If appropriate and possible, it would use performance-based contracting (i.e. negotiate job placement or business start-up rates) with service providers to maximize impact and quality. Key performance indicators may also include quantitative indicators like the number of visitors to the local employment offices, registered jobseekers, participants in ALPs, placements, and job vacancies filled within a certain time; and reducing the incidence of long-term (over one year) and very long-term (two years and more) unemployment. While providing incentives to service providers would clearly be instrumental to the effectiveness of a quasi-market system, there are some risks to be avoided. An issue for implementer incentives, as with other aspects above, is the need for assurances that hard-to place or serve
individuals are not being left out. On the other hand, incentives can be used to encourage improved outcomes for the hard to serve by providing bonuses based on beneficiaries that fit this group. The Employment Fund in Nepal instituted this type of incentive successfully, as shown by the program’s impact evaluation (Chakravarty 2016). Selecting the right performance metrics presents another risk. For example, poorly establish performance metrics can lead to scenarios where jobs placement into temporary employment is inadvertently encouraged.

### 7.7 Allocating flows from the bottom up through beneficiaries

In countries that have begun to adopt the provider-based ALP approach, allowing labor force participants to decide who provides them services from the ALPP sector would facilitate navigating the range of services and selecting well-performing schemes. Having a registry of service providers and brokers (which could be made the official entry point) for beneficiaries to choose from instead of having them pre-assigned would also give ALPPs incentive to perform well to attract clients. In a recent reform, the French government, after observing poor performance from the national skills training system, implemented a reform whereby workers were given ‘personal training accounts’ with a budget of 500 to 800 euro, replenished annually (The Economist 2018).

### 7.8 A forum or mechanism to align supply and demand side policy

As an enabler, the public sector should support communication between the ALPP sector and policy makers involved in work with clear job creation dimensions. This is especially pertinent in low income countries where public policy can significantly alter national and local labor markets. For example, working with rural infrastructure policy makers to improve an infrastructure project’s economic impact by ensuring the labor force is able to take advantage of the new opportunities.

### 8 Conclusion

In this paper we have assessed how current approaches to ALMPs fare in the face of important disruptive factors that are changing the nature of work. Based on this, we propose
a more bottom-up model that is centered around decentralizing the service provision often taken up by large top-down programs and creating an enabling environment towards coordination, flexibility, and effectiveness of a national network of ALPP, which we term the ALPP sector. While, as outlined above, there are several caveats and the suitability for this model will vary depending on context, this paper also highlights some steps along a path from conventional existing approaches the public sector often takes to manage a country’s ALP system to this provider-centered model. As countries see structural changes in their labor force and labor markets as results of the disruptive factors discussed above, the proposed approaches will become increasingly pertinent.
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ABSTRACT

Disruptive factors of technology, market integration, social and demographic change imply there will be upcoming needs of the labor force. We review the current approach on ALMPs. The paper then, based on evidence and the changes expected from these disruptive factors provides a set of desirable attributes for a resilient system which include accessibility and moving towards universal access to services, having the capacity to provide tailored service bundle, effective private sector linkages under changing circumstances, making the most of available technologies and innovation, having Skills training: transferable and demand driven skills training, ability to leverage beneficiary data to measure program performance, supporting social enterprises as service provider, and the ability to effectively use demand side policy for labor activation. Given these it proposes a public sector approach that is more focused on supporting a service provider system than on providing services. Frames policy moving forward into Active Labor Policies (ALPs) expenditures on services aimed at the improvement labor force’s prospect of engaging in productive economic activity and focuses on a active labor policy providers (ALPPs), the actors in the system that implement in activities that help address employment challenges and collectively, and the group of ALPPs that make up a country’s system as the ALPP sector. In the last section prior to the conclusion the paper highlights actions by the public sector to transition to a more resilient system that enables a successful ALPP sector, which are: making it possible to contract services out, including to the private sector, enable service brokering, accreditation of service providers, having an adequate service provider registry, establishing integrated beneficiary data system, establishing incentives to service providers, allocating funding flows from the bottom up through beneficiaries, and providing a forum or mechanism to align supply and demand side policy.

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