Linking income support measures to active labour market policies

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International Labour Organization (ILO)
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Executive summary

Income support for groups affected by the current crisis needs to be combined with active labour market policies, so that individuals can adapt their skills and find secure and sustainable work, whilst their living standards are being maintained. Well-coordinated interventions are particularly useful to support key life-course transitions and enable a return to decent work, particularly for those in vulnerable situations. When well designed and carefully implemented, employment-friendly social protection systems play a key role in creating enabling conditions and overcoming barriers for individuals to be active in the labour market and reduce risks of labour market exclusion over the life-course.

The COVID-19 pandemic had a devastating impact on labour markets in G20 countries. Governments faced the challenge of delivering income and employment support to hard-hit groups such as women, youth, informal workers and the low skilled. Moreover, rapidly rising jobseeker registrations and increasing numbers of people on job retention schemes and unemployment benefits placed immense pressure on social protection institutions and public employment services, in a context where traditional models of in-person service delivery was disrupted by confinement and social distancing restrictions.

In response, G20 governments expanded income support measures and adapted their social protection and employment services extensively.
Digitalisation and remote access were introduced or expanded, accompanied by simplifications to benefit registration to extend support in the face of social distancing. Training programmes moved online and extra places were funded. Short-time work schemes and employment incentives have helped hold down the rise in unemployment. Eligibility to contributory schemes was relaxed in many countries and non-contributory interventions were expanded to reach all those in need.

Support measures, including emergency responses, should be part of a coherent set of employment and social protection policies that ensure that all those in need are covered and that the support provided by different schemes complements each other. This should be reflected by a modern and integrated service delivery infrastructure for both employment services and income support that provides single access points to beneficiaries to the range of support available to them. Effective services also require technical infrastructure that enables data collection, exchange and use among the stakeholders and institutions involved.

Going forward, countries will need to focus on:

- Designing a comprehensive package of active labour market policies in tandem with income-support to protect people against falls in living standards, connect them to jobs and equip them with the skills needed to thrive as economies recover.
- Ensuring that income support is employment friendly and well-integrated with ALMPs encourages and enables the unemployed and low-paid workers to engage in effective job search and training to obtain good quality jobs and aims to reintegrate the inactive in the labour market.
- Developing agile, resilient and coordinated employment and social protection service delivery and policy responses. This includes using shared integrated registries/databases, and paying particular attention to how digital technologies can facilitate coverage and cost effectiveness while promoting digital inclusion.
- Investing further in enhancing social protection and PES institutional capacities, coordinated income support measures and ALMPs to ensure a continuation of adequate support for larger numbers of persons and to facilitate the reallocation of workers from declining to growing sectors, given the likely persistence of depressed conditions in some sectors.
- Strengthening cooperation channels between stakeholders, and promoting responsive regulatory and organisational frameworks of
income support and ALMP provision, which enable effective and agile responses to changes in labour market needs.

1. Introduction

The COVID-19 pandemic has had a major impact on the labour markets of G20 economies, leading to a large reduction in hours worked, rising numbers of discouraged workers, (long-term) unemployed, persons at risk of unemployment and inactive persons. The labour market recovery from this massive shock will take time and risks being uneven, and affected by individuals’ detachment from the labour market as well as skill mismatches between the jobs lost during the crisis and those created as economic growth resumes. The crisis has also deepened existing labour market inequalities. Sectors hit hard by the pandemic disproportionately employ certain disadvantaged groups, such as women, youth and low-skilled workers. Moreover, even when they maintained their job, many informal workers have experienced sharp reductions in labour income and hours worked and faced increased exposure to the virus. The crisis exposed gaps in coverage of income support, especially for the self-employed, platform workers, and those in the informal economy or those with weaker contribution histories. Once the immediate public health threat recedes, addressing these issues will be at the heart of a sustainable and equitable recovery (ILO, ISSA and OECD, 2021).

While ensuring adequate income support for all groups affected by the crisis is essential, this is only one element of the package of support provided by governments. Equally, governments need to encourage and help people to find good quality jobs by providing effective active labour market policies (ALMPs), such as job search assistance, up-skilling and retraining programmes and employment incentives. Well-articulated income support and ALMPs reinforce each other in preventing poverty while contributing to building a quick and sustained return to employment. This is sometimes referred to as a system of mutual obligations. Governments have a duty to provide income and employment assistance for people out of work or in low-paid and precarious work. In return, these individuals are encouraged and supported to actively seek work or take up training opportunities to improve their job prospects. These mutual obligations are common features of most unemployment benefit schemes (whether contributory or tax-financed) as well as many social assistance schemes1. The pandemic has brought the need to adapt these mutual obligations into stark focus. As vacancies collapsed and industries shut down, governments searched for ways to support displaced workers whilst simultaneously easing job-search requirements but strengthening opportunities to re-skill individuals, as the structural nature of the pandemic has dislocated the demand and supply of skills. As the economy recovers, crisis-related emergency income support might not be needed to the same extent, but it should not be withdrawn until the labour market has fully recovered, while ramping up employment support to vulnerable groups that are likely to remain jobless. Additionally, considerable resources will still be required to deliver job-search assistance and training to prepare jobseekers for the new jobs being created and to prevent a persistent rise in long-term unemployment. Special emphasis should be placed on youth who have seen their job prospects deteriorate during the pandemic as well as on their successful school to work transition. Likewise, emphasis should be placed on removing the employment obstacles that women face, including managing work with family and care responsibilities.

This background paper discusses the importance of combining income support with active labour market policies, highlighting actions taken by G20 members in that regard. It argues that PES and ALMP provision and their coordination with income support will need to be adapted and strengthened in

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1 International labour standards provide guidance on rights and obligations, see for example articles 20 and 21 in the ILO Employment Promotion and Protection Against Unemployment Convention, 1988 (No. 168).
the recovery, not only in response to the challenges raised by the COVID pandemic, but also by the ongoing megatrends of digitalisation, globalisation, climate change and demographic change. The paper builds on previous conclusions of G20 meetings (G20, 2020), the earlier companion paper on social protection prepared by the ILO, OECD and ISSA (2021) and the countries’ responses to questionnaires and surveys developed by the OECD (jointly with the European Commission and the World Association of Public Employment Services, WAPES) and the ILO (jointly with WAPES, the Inter-American Development Bank and Socieu+x+). Section 2 of this note reviews how income-support policies can be designed in tandem with active labour market policies to ensure that those affected by the crisis are able to access the support needed for them to thrive in the post-pandemic world. Section 3 assesses the performance of G20 public employment services in the pandemic against the challenges they faced, and identifies good practices.

2. Designing social protection interventions in tandem with active labour market policies

Interventions that combine income support with active labour market policies can be particularly useful to support key life-course transitions, and enable a return to work, particularly for those in vulnerable situations. They aim to provide immediate assistance and to keep individuals attached to the labour market whilst at the same time raising their employment prospects and making them better able to adapt to future needs (OECD, (2019), OECD (2020), OECD (2020), ILO (2019)). In addition to combining income support with active labour market policies, employment-friendly social protection systems play a key role in creating enabling conditions and overcoming barriers for individuals to be active in the labour market and reduce risks of labour market exclusion over the life-course.

Rationale for the coordination of social protection measures with active labour market policies

Income support measures aim to maintain living standards and prevent households from falling into poverty. They are essential for creating a social protection floor and ensuring that no one is left behind (ILO, 2017). They also contribute to economic efficiency by providing insurance against idiosyncratic risks (e.g. loss of income after job loss, illness) and stabilizing economies during crises. During the COVID-19 pandemic, the number of income support measures introduced around the world surged (ILO, 2020), (ILO, 2021) (Gentilini, Almenfi, Orton, & Dale, 2020) (OECD, 2020); (ISSA, 2020); (ISSA, 2020)). Many new interventions have been of non-contributory nature, which has helped disadvantaged groups traditionally less likely to be covered by contributory schemes to access assistance (e.g. youth, informal workers). As a result of these policy efforts, both the coverage and adequacy of income support measures has temporarily expanded in 2020 (ILO, ISSA and OECD, 2021). However, this has only reduced, not eliminated, the impact of the crisis on poverty and inequality in G20 countries (Carta & De Philippis, 2021).

Active labour market policies (ALMPs) aim at increasing the quantity and quality of available jobs. They target either labour supply (e.g. training, career guidance), labour demand (e.g. public works, wage subsidies) or the match between supply and demand (e.g. job-search support) and support to employers. While the number and of active labour market programmes implemented by countries around the world has significantly increased during the pandemic (ILO, 2021; (ILO, 2020), (OECD, 2020), (ISSA, 2020)), at the same time, existing interventions and services had to drastically change their provision models (see section 3 for further details).

Integrating income support and ALMPs can create synergies, which improve medium to long-run employment effects. Indeed, income support alone does not necessarily guarantee individuals' labour market inclusion, improve recipients' skills, contribute to direct employment creation or raise the quality of job matches (ILO (2019), ILO (2020), OECD (2019), OECD (2020), OECD (2020)). Income support can
contribute to increasing access to quality employment, for example through a positive effect on job matching when individuals do not have to accept the first available job and can wait for a better match in terms of the job quality or the qualifications required. However, additional measures may be necessary to address other constraints to labour market participation, such as access to childcare, housing or transportation. The need for additional measures is particularly relevant for relatively low-skilled individuals and those with constrained labour market access or other conditions that restrict their capacity to engage.

Similarly, guaranteed income security can increase the take-up and effectiveness of ALMPs especially during crises. Indeed, job seekers might be unwilling or unable to join ALMPs if they need to bear the implicit cost of participation in terms of foregone labour income. This constraint might be binding particularly for certain types of ALMPs (e.g. training programmes) that generally require a more substantial investment by the participant. However, these are also the types of interventions with the largest gains in the long run (Card, Kluve, & Weber, 2010), (Card, Kluve, & Weber, 2018)). Income support is particularly important for workers in vulnerable situations who tend to benefit the most from participation in these active labour market programmes (Escudero, Kluve, Lopez-Mourelo, & Pignatti, 2019). In addition to income support, effective access to health, care and other social services are essential to facilitate participation in ALMPs and remove obstacles to taking up employment (see section 3).

For these reasons, the labour market effectiveness of income support and ALMPs is maximised when they are designed and implemented in an integrated and gender-responsive manner. This is particularly important if, as in the present context, there is a clear need of bridging the gap between short-term goals, such as sustaining incomes and keeping individuals attached to the labour market, and medium- to long-run needs, including the objective of retraining workers for new jobs that might emerge after the pandemic. For this to happen, however, it is important to carefully plan the combination and sequencing of interventions. In the present situation, this requires understanding which policy mix is compatible with the presence of social distancing requirements and how to adapt it to a situation in which these requirements will be gradually lifted.

In line with the discussion above, a large body of evidence both at the macro- and micro-economic level confirms the benefits of integrating income support with activation policies (Bassanini & Duval, 2006), (Bassanini & Duval, 2009), (Boone & Van Ours, 2004), (Pignatti & van Belle, 2018) (ILO, 2019). Interventions, including emergency responses, should therefore be part of a coherent set of employment and social protection policies that ensure that all those in need are covered and that the support provided by different schemes complements each other.

Coordinating social protection and active labour market policies in the current crisis and beyond

All this points towards the need to carefully design and implement policies that integrate income support with active labour market policies. This section first briefly presents examples of coordinated interventions taken during the COVID-19 crisis and then presents evidence on how to design and implement policies that combine income support and active labour market policies in the current context and beyond.

During the crisis, many countries extended job retention schemes and directed income support to groups not previously eligible for such benefits. Income support linked to measures for transitioning workers right at the beginning of the pandemic mainly involved linking training to short-time work schemes (e.g. Austria, Belgium, France, Germany, the Netherlands, Portugal and the United Kingdom). Other schemes combined income support with job search support through establishment of special online matching portals for sectors that were recruiting during the pandemic (e.g. United States, France, Luxembourg, Australia, etc.), or avoiding lay-offs through business support and upskilling of existing workers or transitioning workers to emerging sectors like green jobs (Sweden). Similarly, in the Netherlands, under the “NOW” programme, employers are encouraged to offer training to workers retained while the “Local Transitions Teams” programme aims at preventing unemployment by supporting workers
threatened by the crisis to transition to new jobs while accessing various services including income support (Harvard, 2020.) (van Nijnatten, 2020)). In the Republic of Korea, as in many other G20 and non-G20 OECD countries, the eligibility criteria for the unemployment benefit system was expanded and the job seeking mutual obligation was dropped among the three conditions (including the requirement to participate in training and job assistance programmes). Furthermore, the National Employment Support System that replaced the former Employment Success Programme from the beginning of 2021 combines income support in the form of job seeking and incentive allowances with a package of ALMPs (job search assistance, training, work experience and hiring subsidies). The programme targets the youth, low-income families and the long-term unemployed.

**Successful coordination of income support and active labour market policies hinges on good policy design and careful implementation.** For example, complex registration requirements can prevent vulnerable groups from participating (Liepmann & Pignatti, 2019). Income support policies are also of limited help if the support is withdrawn too early (Gaure, Reed, & Westlie, 2012) or not adequate to sustain adequate living standards and meet the minimum requirements set out in international social security standards (ILO, 2017; ILO, 2019). Training programmes of too short duration compared to the skills gaps of participants or programmes that are delivered as standalone may not be very effective (Escudero, Kluve, Lopez-Mourelle, & Pignatti, 2019; Kluve, et al., 2019).

**Ensuring that the needs of and barriers faced by income support recipients are taken into account in the application of mutual obligations to prevent perverse integration outcomes, especially for disadvantaged groups.** In the early phases of the COVID-19 pandemic, the provision of income support was essential to avoid a sharp fall in household income and an increase in poverty levels for individuals whose possibility to work was constrained by labour market slack. At the same time and while strict social distancing restrictions were still in place, some countries relaxed the conditionalities for receipt of unemployment benefits on active job search and participation in ALMPs (ILO, 2021c) with the aim to ensure that people had sufficient income to go through these challenging times. As the recovery progresses, it will be important to ensure that emergency income support is only gradually withdrawn to avoid hardship for those still out of work while increasing employment support available to them to find work. More generally, it is important that the needs and circumstances of income support recipients are duly considered while encouraging them to engage in job search and upskilling and reskilling to enable them to transition to growing sectors or emerging professions and access good quality jobs. An enabling approach is recommended by the ILO Employment Promotion and Protection Against Unemployment Convention (No. 168), which calls for member states to promote “full, productive and freely chosen employment by all appropriate means, including social security … [and] inter alia, employment services, vocational training and vocational guidance” (Articles 2, 7).

Regarding getting the right policy mix between income support and active labour market policies, the guiding principle should be for income support to sustain adequate living standards, ALMPs to be tailored to the individual’s needs and situation and for an integrated design and implementation of the two policy areas. More specifically, on the income support side, non-contributory interventions should complement contributory schemes with the aim of reaching all those in need. Accordingly, in many countries social security coverage has been extended to informal workers (ILO, 2021). On the ALMP side, it is important to implement the set of ALMPs that best fits the country’s structural needs as well as the current state of the business cycle. For instance, as at all times, training programs are relevant in the current crisis to help reallocate workers from declining to expanding sectors and occupations. The European Commission has recently issued a Recommendation for “Effective Active Support to Employment (EASE)”, which highlights the importance of investing in “i) hiring and transition incentives and entrepreneurship support, ii) upskilling and reskilling opportunities and support measures, and iii) enhanced support by employment services for job transitions”.

Evidence shows that **coverage of interventions that combine income support with ALMPs is often constrained by low take-up rates** (ILO, 2019). This might be because individuals, especially in vulnerable
groups, are not aware of the existence of the policy or because complex registration requirements discourage them from applying (ILO, 2021). For instance, evidence from Mauritius shows only one out of four eligible informal workers applies (Liepmann & Pignatti, 2019). Similar evidence exists for youth and women, whose participation in ALMPs is often held back by financial constraints or the presence of other household responsibilities (Kluve, et al., 2019; Escudero & López Mourelo, 2017). This points towards the need to design policies in a way that encourages participation. This is all the more important in the current situation, given that efforts to limit the spread of the virus are changing the system of provision for many public policies. In order to respond to these needs, administrative requirements have been simplified for many social protection schemes, including through the use of digital technologies and the provision of many ALMPs has shifted online (ILO, 2020; ILO, 2020; ILO, 2021) (OECD, 2020). Raising policy awareness has also been key to ensure policy take-up, especially among vulnerable and marginalized groups.

While design and implementation of interventions can play an important role, they need to be complemented by more comprehensive policies (e.g. to foster formalisation) that favour individuals’ full labour market participation as well as their coverage in social protection schemes. The ILO Recommendation on “Employment Promotion and Protection against Unemployment” (No. 176) provides member states with guidance on how to complement different sets of interventions to coordinate employment policies within social protection schemes.

**Strengthening and coordinating active measures across the social protection system**

Countries need to design social protection systems in a way that enables labour market inclusion and decent work. This objective can be achieved for example, by integrating ALMPs into unemployment benefit schemes or by promoting rehabilitation and return to work as part of disability benefit schemes (ISSA, 2019); (ISSA, 2017)). A preventative approach that prioritises early interventions can help to keep workers in employment, for example through employment retention schemes, occupational safety and health, health promotion and incentives to employers to provide training for workers. Ensuring coordination within different branches of the social protection system and with other policy areas, such as vocational training, health and childcare and long-term care policies is essential to remove barriers to activity and enable individuals (ISSA, 2016).

Designing active labour market policies and income support measures in an integrated way to enable people to better navigate life and work transitions throughout the life course is necessary. The planning and implementation framework of ALMPs needs to reflect the constant and fast changes in the labour market and to enable workers to enhance their skills over time through a life-long learning approach, supported by integrated career and vocational guidance. Appropriate profiling and segmentation tools are essential in order to personalise services to individual needs over the short-, medium- and long-term. As social protection supports people throughout the life course and helps them to navigate life and work transitions and rapidly changing labour markets, the coordination of income support and ALMPs is particularly important at key risk points for unemployment/inactivity in life and working careers, such as for younger workers, workers with young children or older workers. Such an approach supports a longer-term view that recognizes the increasingly dynamic skill needs and employment patterns arising from key drivers, such as technological and climate change. In addition, social protection policies are key for addressing barriers to economic activity and facilitate the combination of work and family life through appropriate family support, childcare and long-term care benefits, which are important complements to activation measures and a precondition for gender-responsive policies (ISSA, 2016); (ISSA, 2020); (ISSA, 2021)).

Interventions need to centre around the needs of individuals. Inactivity and long-term income support can be an expression of multi-dimensional barriers to taking up employment, including skills mismatch, health issues or childcare responsibilities. This requires multi-sectoral implementation approaches...
designed around the needs of people and administered in an effective and easily accessible manner, and focussed on early intervention and the promotion of take up (ISSA, 2016). Investment in the institutional capacity must therefore complement a coordinated and supporting policy environment to overcome employability barriers in a coherent way. This first includes appropriate communication with the public through different channels, demonstrating opportunities rather than conditions (ISSA, 2016; ISSA, 2016). Secondly, the simplification of administrative requirements to facilitate enrolment and benefit delivery, and the immediate connection to triggering a mechanism of early intervention for active support based on existing information in registers is instrumental. Given budgetary constraints, digital tools and emerging analytical technologies can support the necessary assessment as to the support individuals would effectively need given their situation (ISSA, 2016; ISSA, 2016). Finally, appropriate back-office and information systems’ connection and front-office structures that are easy to navigate for beneficiaries of measures must reflect the coordination among a variety of institutions, including in social protection, social services and municipalities (Ruggia-Frick, 2016).

Due attention must be paid to building institutional resilience and enable the rapid scaling up of preventative and early intervention measures in times of crisis to protect employment and ensure the delivery of appropriate activation measures.

3. Building more effective and inclusive active labour market policies

Scaling up resources for ALMPs to provide effective and rapid support to workers, jobseekers and employers

To minimise the impact of COVID-19 on employment, public employment services (PES) in all countries quickly switched to crisis management mode. They focused on delivering ALMPs; processing job retention schemes; minimising delays in benefit payments despite record applications; providing information to jobseekers, employees and employers; and encouraging jobseekers to stay active even when there were fewer vacancies (OECD, 2020). Countries have responded rapidly to the pandemic by increasing funding, learning the lessons of the GFC, where sluggish increases to spending and active labour market policies hindered a swift labour market recovery. Over half (60%) of G20 countries responding to a questionnaire issued by the OECD and the European Commission (EC) increased their budget for PES and administration over the course of 2020 (Figure 1) and 64% of countries plan to further increase the funding for PES and administration in 2021.\(^2\)

\(^2\) The OECD-EC questionnaire collected information about changes in PES operations and the ALMP basket during the pandemic. Eleven G20 members responded to this questionnaire: Argentina, Australia, Canada, France, Germany, Italy, Japan, Korea, Mexico, Turkey and the United Kingdom. Argentina was approached through the OECD’s cooperation with WAPES.

\(^3\) These are early responses of countries provided at the end of 2020 when budgets were still under discussion. They are likely to change during 2021.
Figure 1. More than half of G20 countries surveyed increased expenditure on active labour market policies in 2020 and further increases are planned in 2021

Public expenditure budget allocation for public (and private) employment services and administration and other ALMPs, percentage of countries by type of action

PES: Public Employment Service; ALMP: Active Labour Market Programme.
Note: “Other ALMPs” includes training, employment incentives, sheltered and supported employment and rehabilitation, direct job creation and start-up incentives. The G20 countries covered in the chart are Argentina, Australia, Canada, France, Germany, Italy, Japan, Korea, Mexico, Turkey and the United Kingdom.
Source: Responses to OECD/EC questionnaire “Active labour market policy measures to mitigate the rise in (long-term) unemployment”.

The budget increase in 2020 was often used to hire additional staff and support a higher caseload of jobseekers. Staff reallocations were often not sufficient to ensure service continuity and over half of countries reacted by hiring additional PES staff over the course of 2020. In many cases, this was significant – Japan added 44% additional staff, Korea 79% through fixed-term contracts (almost tripling the number of staff on fixed-term contracts in the Korean PES) and the United Kingdom doubled the number of staff dedicated to work counselling. Thirty-eight percent of PES also reported that they are likely to hire additional staff over the course of 2021 in order to provide services to additional clients. For example, the PES in France and the United Kingdom plan to hire additional front-line staff to support employment programmes for young people. The Turkish PES plans to hire additional software developers and IT experts to support the expansion of online services.

Budget increases in 2020 also provided scope for innovative responses to deal with demand pressures. In Australia, additional funding was used to enhance the digital service offer for jobseekers. In addition, seven in ten countries reported an increase in funding for ALMPs. For example, Canada more than doubled the funding for the Workforce Development Agreements with the provinces/territories by more than two times in comparison to the 2018/19 financial year. Seven in ten countries also planned further budget increases for other ALMPs in 2021.

While many countries moved quickly to increase ALMP spending, it is too early to judge whether this will be sufficient. Larger investments into PES and ALMPs may be needed going forward to support the reallocation of labour from declining to growing sectors. The crisis has highlighted that it is not always straightforward to translate increased funding for PES and ALMPs directly into higher capacity in the short run. To achieve this, PES need to hire new staff, existing programmes need to be expanded or new ones established, which in turn requires agile systems of ALMP provision.
Operating models and swift digitalisation have been at the core of short-term responses

Close to 90% of G20 countries highlight changes to PES operating models as the core parts of their short-term responses to the COVID-19 crisis. These involved: i) digitalising processes, boosting remote channels, automating processes for clients and the back-office; ii) adapting processes to meet health guidelines on the premises; and iii) reallocating staff, increasing staff numbers and training staff to increase PES capacity. Just one-third of G20 countries highlight significant changes to ALMP design beyond the job retention schemes (JRS) already in their short-term strategies in 2020.

Countries continue to fine-tune the ALMP delivery models in their longer-term strategies. Learning from the experience of 2020. Increasing efficiency via further digitalisation and automation of processes remains high on the PES agenda. Australia plans to expand the Digital Services Contact Centre to supplement human interaction in supporting jobseekers, develop new online tools to support job search, and develop skills matching tools including Job Switch which is powered by Jobs and Education Data Infrastructure data through the National Careers Institute. Italy plans to introduce a new digital tool for matching labour demand and supply. Korea plans to build large-scale ICT infrastructure including a Data Dam, which serves as the foundation for a digital economy throughout the country. Mexico will launch a new national Employment Portal to facilitate job mediation.

Technology-enabled services have been critical for PES to activate, augment and expand support to jobseekers, workers and employers during the coronavirus crisis. An ILO global survey on the technological transformation of 75 PES in 64 countries reveals that basic automation of services is now part of PES capacities. A multi-channel approach has been important to support delivery. All respondents have web-based applications for delivery and nine in ten of them use over-the-phone services through help-desk facilities and toll-free numbers. However, only one third of PES responding to the ILO global survey on the use of technology, currently offer this type of solutions, being in overwhelming majority high-income countries. Clients from those PES are more likely to access individualised support and have a more accurate offer of services based on AI-driven profiling systems (ILO, 2020). It is important that such systems are easily explicable to counsellors and jobseekers, to build trust.

There is still much development – to both scope and content – that can be achieved, building on recent successes. For example, digitalisation enables to advance holistic approaches across service providers and establish “virtual one-stop-shops”, such as better integrating ALMP provision with income support via better data exchange. However, some of the shortcuts to registration may have weakened checks and balances on fraud and error regarding benefit eligibility, a compromise to ensure that speed of support to individuals was maintained. An important challenge for PES will be to review their processes subsequent to the pandemic and to design remote and digital channels that offer streamlined and future proof delivery and maintain the integrity of benefit administration.

Digitalisation and accompanying technologies offer great potential for improved targeting, more evidence-based decision-making and faster response times. However, there are core capabilities PES need to secure. Availability, quality and management of data remain the biggest challenge for emerging economies and middle-income countries to overcome. Transparent data practices and adherence to privacy policies need prioritising when developing and implementing technology-based services (ILO, 2020). Limited infrastructure to support data transmission, insufficient digital-skilled staff and client’s accessibility to the Internet are holding back many PES in developing countries from going digital (Avila & Prouteau, Forthcoming). PES migrating to digital technology need to uphold to the principle of equal treatment, fairness and social inclusion values and should be done as part of a broader institutional strategy on digitisation. Access to and expertise in digital services for many vulnerable groups remains an issue and may exclude individuals from participation. Careful consideration of this is needed before digital services become the default delivery mechanism.
Identifying key features of ALMP provision systems for quick and agile responses to the crisis

Stakeholder engagement and cooperation along with a flexible organisational and regulatory set-up of the ALMP system have enabled countries to develop agile responses to the pandemic. Half of G20 countries responding to the OECD-EC questionnaire highlight co-operation and co-ordination between the stakeholders (ministries, PES, social partners, regional authorities, researchers, etc.) in ALMP systems as one of the main factors facilitating their COVID-19 responses (OECD, Forthcoming). This is particularly critical in decentralised systems, where a high share of responsibility for ALMPs lies in regional or local level authorities (such as Argentina, Canada, Italy). Establishment of designated steering groups for crisis management has been important in systems where responsibilities to design and implement ALMPs are shared among several national level organisations, such as in cases where the PES is set up as an autonomous public body (e.g. Germany).

Countries with more flexible ALMP regulations were able to redesign their policies faster (OECD, Forthcoming). Australia, France and Germany had sufficiently flexible framework laws for ALMP provision enabling adjusting ALMP designs without fully-fledged parliamentary processes, and hence introducing and redesigning ALMPs was possible swiftly even without particular emergency laws. In addition, strong political will often played a crucial role to quickly adapt ALMPs across countries.

Almost all G20 respondents stated that flexibility in ALMP implementation has been crucial to swift responses to the crisis. Autonomous national level PES set up with a supervisory body involving the social partners (France, Germany) are particularly good in this respect. Argentina, Canada and Italy have decentralised systems that could more easily consider local economic conditions. However, co-ordination, mature governance and strong accountability systems are critical in the decentralised systems determining whether responses to labour market needs are indeed effective and efficient. Mature and trusting relationships with providers of contracted-out services facilitated adaptation to circumstances in Australia and the United Kingdom.

Supporting matching between skills demand and supply through training

The COVID-19 pandemic has increased the need for more targeted upskilling and reskilling to support the recovery. The pandemic has led to persistent job losses in some sectors and job creation in others which may leave economies with a surfeit of some skills and a deficit of others, leading to a great impetus for reskilling (OECD, 2020), (ILO, 2020). Unemployment is likely to remain higher than prior to the crisis for some time, providing greater scope for investment in training, notwithstanding sectoral imbalances (OECD, Forthcoming)

Prior to COVID-19, many adult learning systems failed to match investments in training with labour market needs. Adults in jobs at high risk of being automated were 30 percentage points less likely to train than adults in safer occupations (OECD, 2019). Only 13% of firm-provided training was fully aligned with the strategic needs of the company. This highlights the need for more effective incentives for both individuals and enterprises to participate in training. However, countries also will need to improve the responsiveness of training systems to better meet changing demands through enhanced investment and more flexible programs and training institutions, to ensure they are in a good position to meet immediate and emerging needs. This enhanced flexibility in training systems can be better utilised if barriers to participation facing the unemployed are removed. In addition, income support programmes, like Bolsa Família in Brazil, can support enhanced participation and access to better jobs in the longer-term by facilitating access to health and education. Such schemes will rely on good co-operation between employers, providers, government agencies and policymakers to deliver for jobseekers, workers and firms.

In response to the pandemic, all of the G20 countries surveyed have moved classroom-based training programmes online and over 73% have developed additional courses (Figure.2), a trend also observed in
low and middle income countries (ILO, 2021; ILO, UNESCO and World Bank, 2021). This addresses physical distancing requirements and increases access to training. While the suspension or postponement of workplace training was widespread during periods of lockdown, about a quarter of countries moved to offset those falls by offering additional new places to on-the-job training.

Figure 2. Countries have made extensive adjustments to their active labour market policies to respond to the COVID-19 pandemic

Percentage share of countries having made adjustments

Note: Besides “Reductions in social security contributions”, policies presented here are targeted measures, i.e. targeted on the unemployed or some closely related groups (e.g. inactive who would like to work, employed at risk of involuntary job loss). The columns show all countries that responded adjustments to the different measures. “Reductions in social security contributions” shows stock subsidies that are either universal (all employers for all employees) or targeted (certain employers or employees only). The G20 countries covered in the chart are Argentina, Australia, Canada, France, Germany, Italy, Japan, Korea, Mexico, Turkey and the United Kingdom. Source: Responses to OECD/EC questionnaire “Active labour market policy measures to mitigate the rise in (long-term) unemployment”.

Both short and longer training programmes can be particularly effective during recessions (Card, Kluve, & Weber, 2018). Training programmes can reduce inequalities resulting from job losses, as they tend to produce larger positive impacts for low-skilled and vulnerable groups, especially over the medium to long term. Expanding longer-term training programmes during recessions is prudent because of diminished opportunity costs of lock-in effects (Barrera, Bloom, & Davis, 2020). Short-term training can facilitate workers’ mobility towards sectors that have expanded due to COVID-19 but this should be reviewed as part of the broader training strategy as there is some evidence that it can be less effective than longer-term training if not complemented by other active measures (Escudero, Kluve, Lopez-Mourelo, & Pignatti, 2019). It is important that the quality, content and formal standards of any training are rigorously and judiciously evaluated, so that it is effective at enhancing skills and employability. Improved links between TVET, labour market training and adult learning systems are required to ensure participants have access to the widest range of learning options and career development support. Formal qualifications should be the outcome of training interventions wherever possible. Reducing programme duration by introducing more flexible entry and exit points and utilising modular approaches are options for scaling up provision whilst encouraging greater flexibility in the formal education and training system.

Governments can act early and in a coordinated way to prevent the negative effects from potential displacement. During the pandemic, France has supplemented its existing job retention schemes with a training subsidy (FNE Formation) that was originally developed for firms undergoing structural changes.
Government compensates workers for 84% of the gross wage but this rises to 100% if they participate in training (OECD, 2020). It encourages productive use of time and may help to bring gains to productivity in the longer term. France also introduced Transco in January 2021 to provide funding for the re-training of workers at risk of redundancy; fully covering training costs for VSEs and SMEs (75%/45% of costs for firms with over 300/1 000 workers).

The pandemic has accelerated the process of digitalisation and increased the importance of investing in digital training and digital skills. Countries with existing online training solutions have been able to adjust rapidly to continue provision, particularly during the initial months of the pandemic (OECD, 2020). However, the extent to which systems were able to migrate programs and services online varied according to both financial and human resource constraints (ILO, UNESCO and World Bank, 2021). In France, over 150 new training courses have become available online on the “Emploi Store”. Several private online learning platforms have made their content freely available for jobseekers, including some major platforms offering massive open online courses (MOOCs) For example, the French national platform for MOOCs, France Université Numérique, worked in collaboration with partner institutions – including leading French universities – to freely offer its MOOCs to interested users (OECD, 2020). Whilst access to online and distance learning options have significantly expanded, there is evidence that the low level of digital skills amongst users and educators have had a negative impact on the quality of learning in some countries (ILO, UNESCO and World Bank, 2021) particularly in the onset of COVID-19 crisis which has exacerbated the digital divide in communities. Greater attention will be required to address digital skills deficits and many countries are taking active steps to address this growing issue. In Australia, the Digital Skills Organisation has been established by the Department of Education, Skills and Employment to coordinate and develop innovative training solutions for digital skills (DSO, 2020). Access to digital infrastructure and tools has also been recognised as a major constraint on the effectiveness and long-term sustainability of digital training and career services. Whilst the pendulum of provision has swung heavily in the direction of digitalisation, the return state is expected to involve a greater mix of blended solutions where face-to-face and online products and services become the norm.

It will be crucial to ensure equity in digital access, and the development of basic digital skills will be fundamental to ensure its rewards are shared among the population. Enabling jobseekers to conduct job search and training online has the potential to widen access and improve service provision but digital and non-digital options should be maintained to ensure digitalisation does not limit access to services and provides benefits for the future technological utilisation. Whilst online and distance learning can deliver more efficient provision of training, fit for purpose learning platforms and tools are required and teachers and trainers require support and access to resources to ensure that the migration of programs does not reduce the quality of provision.

Using employment incentives to support demand and strengthen employability

Time-limited, well-designed and targeted hiring subsidies are a cost-effective way to reduce unemployment, strengthen the employability of workers and support vulnerable population groups. (Kluve, The effectiveness of European active labor market programs, 2010; Brown, 2015). This is particular the case in which many employers are facing an uncertain short-term outlook and may be reluctant on hiring more staff. These hiring subsidies are relatively easy to deploy and have a greater positive impact on post participation labour market outcomes than many other ALMPs. The challenge is to target the support to ensure ordinary jobs are not displaced to encourage employer take-up. Restricting availability limits their use as a general tool to manage unemployment, but is needed to reduce deadweight losses and ensure cost-effectiveness (e.g. (Martin & Grubb, 2002); (Bernhard, Gartner, & Stephan, 2008) Well-targeted support can also be effective in promoting increased participation of vulnerable groups to achieve a more equal distribution of unemployment (OECD, 2010). In recessions, targeting helps to minimise labour market disconnection of disadvantaged groups. But tightly targeted programmes can lead to perceptions that workers have low productivity (Brown (2015), Burtless (1985)).
Over the course of 2020 and early 2021 more than half of G20 countries had (or were planning to) scale up their employment incentives to stimulate labour demand (Figure 2). Among the six G20 countries surveyed that had expanded or introduced hiring subsidies in response to the COVID-19 crisis, four used them especially to support the employment of young jobseekers (Australia, France, Korea, United Kingdom). This covered a mix of short and medium term policy responses. For example, France introduced new recruitment incentives for youth and people with disabilities on fixed-term or permanent contracts, open for application until early 2021. The United Kingdom introduced Kickstart - to create six-month work placements for benefit recipients aged 16-24, at risk of long-term unemployment - and will accept applications from employers until December 2021.

Under some circumstances, hiring subsidies - such as temporary social security contribution waivers - that do not target only unemployed or inactive persons can produce positive results (Cahuc, Carcillo, & Le Barbanchon, 2018; Neumark & Grijalva, 2017). In line with this evidence, in August 2020, Italy temporarily exempted newly recruited employees on open-ended contracts from employer social security contributions, conditional on net employment increases. The tourism sector received a blanket three-month exemption. Japan and Korea introduced temporary reductions in social security contributions to all existing and new staff. Without research and careful planning, such approaches can be expensive and lead to deadweight losses by subsidising jobs that would have existed without the subsidy and create challenges for the sustainability of social insurance schemes (OECD, 2010).

Partial unemployment benefits and wage subsidies have been widely used during the current crisis with the objective of retaining jobs (OECD, 2020; ILO, 2020; ILO, 2020). In the European Union, for example, 10 out of the 18 countries that benefited from the European instrument for Temporary Support to Mitigate Unemployment Risks in an Emergency (SURE) introduced new schemes while the rest modified existing ones (European Commission, 2021). This has reduced the number of layoffs and avoided an even larger increase in global unemployment. The merits of wage subsidies are particularly high in the current recession, given that its exogenous nature (i.e. resulting from a health crisis) reduces possible concerns on the inefficient financing of non-viable jobs (Giupponi & Landais, 2020).

Public works and public employment programmes as a means to support the most vulnerable groups

Public works may also be useful in times of crisis to provide complementary income to vulnerable households, build local public infrastructure, services and social capital (ILO, 2020). They should target disadvantaged groups, be of temporary nature and well integrated in broader strategies to promote employment. Careful consideration needs to be given to how these policies segue with others - such as training to enhance individuals’ skills - so that participants are able to pursue alternative employment when jobs end. They can provide a possible pathway to future employment through maintaining work readiness, offering work experience and enhancing soft skills, as well as through integration with skills interventions and other ALMPs. They can also offer skilling opportunities as the labour market recovers. In the G20 countries surveyed in the OECD-EC questionnaire, Japan and Korea had created jobs mainly by regional and local levels of government, suggesting a localised approach may be one way to determine appropriate need. Korea introduced 115 000 temporary non-contact digital jobs for young people and vulnerable groups to build digital infrastructures and strengthen contactless administrative services. Providing support and care to those vulnerable to COVID-19, such as older persons, persons with disabilities or chronic health problems, those sick at home or recovering or those in quarantine was one way in which public employment programmes were able to scale up some of their existing work, as was the case in South Africa.
Using holistic and step-by-step approaches to ensure no one is left behind

It is of primary importance to provide effective support to vulnerable groups who have been particularly badly hit by the COVID-19 pandemic. The needs of vulnerable groups are often numerous and complex, emphasising the need for effective strategies to identify the vulnerable groups and their needs, reach-out to them and provide appropriate and holistic support.

Successful strategies to support vulnerable groups require the cooperation of different stakeholders and close coordination with social protection. The first step of effective strategies is a better understanding of which groups are not contacting PES and why, the labour market obstacles they face and how well the ALMPs provided to these groups match their needs. Linked administrative data from different registers are best suited to generate the relevant knowledge. Quantitative profiling tools, used by some G20 countries, can be used to identify the clients needing additional support as well as target the ALMPs more effectively, particularly important in times of high client inflows and limited staff numbers (Desiere, Langenbucher, & Struyven, 2019). As vulnerable groups are often less likely to contact PES, it is important that PES make efforts to proactively reach out to these groups, in co-operation with other public service providers. The complex nature of the needs of these groups, mean that inclusive, collaborative and holistic approaches are needed. In light of higher rates of stress, anxiety and loneliness, as well as increased alcohol and drug use (WHO Europe, 2020), it is more crucial than ever to ensure people receive well-coordinated, holistic support across policy domains. This requires well-equipped PES staff that are able to detect the needs of the vulnerable groups, as well as well-established inter-institutional collaboration across the social protection sector, social services and local employment agencies. PES in France, Korea and the United Kingdom plan to hire additional staff in 2021 to implement programmes for specific vulnerable groups, as part of their response to COVID-19, to ensure sufficient support is provided.

4. Going forward

A coherent set of employment and social protection policies can ensure that all those in need are covered and that the support provided by different schemes complements each other.

Income support needs to be well articulated with employment support. During the Covid-19 crisis, the increased number of jobseekers and discouraged workers, particularly those with precarious circumstances, means that governments need to focus on ensuring their income support coverage is comprehensive and nobody is left behind. At the same time, income support should be accompanied by active job-search assistance and training to provide a springboard back into employment. An appropriate mix of income support and ALMPs should be ensured, depending on countries institutional capacities, structural needs and the current state of the business cycle. Policies should build on the consensus that has already emerged following successful adoption of job retention schemes and other measures to shore up demand for goods and services. In addition, the integration of ALMPs with income support measures should focus on providing opportunities for participants to effectively transition to growing sectors or emerging professions. This requires that programmes do not have a counterproductive effect on individual and household’s welfare, the labour market and the economy overall to ensure everyone benefits from the recovery.

Income support schemes should enable all individuals to benefit from social security when making personal decisions about investments in job search and training. It is important to design interventions in a way that encourages the participation of groups in vulnerable situations. This is all the more important in the current situation, given that efforts to limit the spread of the virus are changing the system of provision for many public policies. Raising policy awareness is also key to ensure policy take-up, especially among vulnerable and marginalised groups. In a number of countries, PES have made good attempts to reach out to disaffected workers, but there is generally more to do to ensure all workers in need of support interact with their services, so greater outreach is needed to maximise uptake and ensure all people can access
tools to enhance their skills. This has to be coupled with an effective review of the suite of available training programmes, in conjunction with private adult learning systems, so that training supply is properly matched to labour market needs and is accessible to all persons that need it. Some countries have already introduced policies that seek to minimise effects on vulnerable groups (such as subsidised job places for the young and long-term unemployed). Efforts should be made to continually review the performance of these groups of individuals in the labour market to ensure that the existing policy framework and network of support is sufficient for them to re-integrate where necessary and seize the opportunities available to them.

**Design social protection systems in a way that enables labour market inclusion and decent work.** This objective can be achieved by integrating ALMPs with unemployment benefit schemes or by promoting rehabilitation and return to work as part of disability benefit schemes, for example. Ensuring coordination within different branches of the social protection system and with other policy areas, such as vocational training, health and childcare and long-term care policies, is essential to remove barriers to economic activity.

**The rapid changes brought about by the pandemic offer space for governments to be innovative with their policy responses, so that that their economies build back better and will be more inclusive and resilient to future challenges.** The pandemic has catalysed trends towards digitalisation as an immediate response to physical constraints, demonstrating the speed of change that is possible. Special attention should be paid to ensuring adequate provision of digital training going forwards (UN, 2019). This can ameliorate inequities in digital capabilities and access and equip economies with the skilled workforces they need to embrace the modern digital age. Structural adjustments occurring because of the recalibration of demand and changes in taste, offer opportunities for economies to refresh their focus. Skills investments made during this period could support the transition to greener jobs and employment policies focussed on inclusivity and sharing the benefits of growth. For PES, this means building on the capability for digital service provision that has been rapidly deployed in the pandemic. PES need to take a step back to ensure digital services are delivered strategically for the long term, with the customer at their heart, properly utilising all the digital information and tools at their disposal. This has to be done in lock step with digital training provision, so that all individuals are included in the services offered. Digitalisation enables to advance holistic approaches across service providers and establish “virtual one-stop-shops”, such as better integrating ALMP provision and income support via better data exchange.

**Ensure a longer-term perspective to enable workers to better navigate life and work transitions.** Adult learning systems need to enable workers to enhance their skills over time through a life-long learning approach, supported by integrated career and vocational guidance. In addition, social protection policies are key for addressing barriers to economic activity and facilitate the combination of work and family life through appropriate family support, childcare and long-term care benefits, which are important complements to ALMPs and a precondition for gender-responsive policies.

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