

PRESS RELEASE  
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## **AIReF IDENTIFIES WAYS TO IMPROVE THE EFFECTIVENESS OF LABOUR FORCE POLICIES IN EXTREMADURA**

- The Independent Authority for Fiscal Responsibility (AIReF) evaluates the effectiveness of job incentives in the private sector, direct job creation in the public sector and training, through the analysis of eight programmes from the Extremadura Employment Strategy 2016-2019
- Spending on these programmes amounted to €457 million, an average of €114 million each year, with an annual average of 16,684 beneficiaries
- AIReF notes that job incentive programmes in the private sector increase the likelihood of beneficiaries working, with a greater impact on individuals with low employability, although they show little targeting
- It points out that the job creation programme in the public sector through direct hiring has negative effects on the employability of beneficiaries and the quality of their jobs, also showing a lack of targeting
- As regards training programmes, AIReF argues that the evidence shows mixed signals, with some programmes having a positive impact on employment while others, although seemingly more targeted, fail to improve the labour market insertion of beneficiaries
- AIReF proposes a complete overhaul of ineffective direct hiring programmes and believes that Extremadura should undertake a thorough review of the degree of targeting of all its programmes
- To strengthen this targeting, AIReF proposes that the autonomous region develop an indicator system to assess the employability of each job-seeker and adjust incentive amounts based on the degree of employability of beneficiaries

The Independent Authority for Fiscal Responsibility (AIReF) published the study on Labour Force Policies in Extremadura on its website today, which evaluates the effectiveness of job incentives in the private sector, direct job creation in the public sector and training, through the analysis of eight programmes from the Extremadura Employment Strategy 2016-2019. In its evaluation, AIReF identifies ways to improve the effectiveness of labour force policies in this autonomous region.

Total spending on these eight programmes during the period 2016-2019 amounted to €457 million, averaging €114 million per annum. This amount accounts for approximately



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33% of the budget of the Extremadura Public Employment Service (SEXPE) in the various years of the period analysed. On average, the number of beneficiaries of the programmes evaluated amounts to 16,684 per annum, nearly 14% of those people unemployed in Extremadura, according to the Labour Force Survey (LFS).

The evaluation observes that job incentive programmes in the private sector (Support for Permanent Employment and Self-Employment), which indirectly reduce labour costs, have a positive effect that increases the chance of employment for beneficiaries by 17 to 30 percentage points. This positive effect diminishes over time, however, remains significant three years after the end of the programme. These programmes also have a greater impact on individuals with low levels of employability. However, they show little effective targeting as they allow access to anyone unemployed and do not primarily reach those individuals with a low level of employability. According to AIReF, this reduced their real effectiveness, limiting the efficient use of the nearly €170 million in public resources allocated to these programmes during the period 2016-2019.

AIReF also notes that the job creation programme in the public sector through direct hiring, entitled Employment Experience, has negative effects on the employability of beneficiaries and on the quality of their jobs when compared with non-beneficiaries with similar characteristics. The negative effects do not disappear until almost 24 months later, at which time the same beneficiary can be taken on again under the programme. The programme also lacks targeting as it does not reach first time job-seekers and the long-term unemployed, who are its priority targets.

Lastly, the evidence obtained by AIReF on the effectiveness of training programmes is mixed, showing that some have a positive impact on employment, such as the Innovation and Talent programme and the Preferred Training Offer, although the latter has a very limited impact. In contrast, the Professional Schools programme, despite showing relatively greater targeting, fails to improve the job market insertion of its beneficiaries. For its part, the Crisol Training programme seems to improve the labour and social integration of some of its beneficiaries, who are generally vulnerable individuals. This programme shows greater targeting and some of its beneficiaries also seem to achieve the aim of social integration, an aspect equally or more relevant than labour integration when defining its objectives.

### **Proposals**

Following its analysis, AIReF concludes that there are two programmes (Employment Experience and Professional Schools) that have not contributed to improving the employability of many participants and may have even prejudiced them by creating rotating public employment pools (almost 28% of Employment Experience programme beneficiaries repeated the programme between 2016 and 2019). These two programmes accounted for €246 million in public spending during the period analysed, or 54% of the total, and hence AIReF proposes a complete overhaul. According to AIReF, the new design could include strengthening personalised advice and accompaniment measures, prioritising training actions related to the employment needs of the region and cross-cutting skills, a revision of the access criteria and eliminating the possibility of repeating the programme.

AIReF also proposes that Extremadura should address a thorough review of the degree of targeting of all the programmes since, with the exception of Crisol Training and, to a lesser extent, Professional Schools, the beneficiaries do not fall within the majority profile of job-seekers and, on many occasions, of the priority groups, which ultimately limits the

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real effectiveness of the programmes. To achieve this, AIReF proposes adjusting amounts based on the level of employability of the beneficiaries and that programmes do not allow access to highly employable individuals who could find work without the help of public intervention. It also proposes a definition of employability at an individual level, not a group level, through the development of an indicator system that determines the degree of employability of each applicant.

Furthermore, given the improved results observed in programmes that indirectly reduce the labour costs of workers (Support for Permanent Employment and Self-Employment), AIReF considers that greater use could be made of these programmes by better targeting. This would direct them to offset the initial low productivity of individuals with very low levels of employability and link the support to in-company training programmes that improve workers qualifications in relation to the specific needs of each business and increase the medium-to-long-term effects of the programme. Finally, the effectiveness and impact evaluation of programmes and the analytical capabilities of SEXPE services should be enhanced in line with the actions entrusted to the Employment Monitor.