



Learning exchange programme: Social cost-benefit analysis of the Youth Guarantee

Turin, 12-13 July 2017

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Social cost-benefit analysis of the Youth Guarantee

Final report

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1 INTRODUCTION

The global economic and financial crisis has hit young people in Europe hard. It has resulted in: (i) the deterioration of youth employment quality (ii) the highest youth unemployment since data have been collected and compared at international level; (iii) a longer time that is required to get a job (school-to-work transition); (iv), an increased discouragement and labour market detachment among youth; and (v) and greater labour market vulnerability of certain categories of disadvantaged youth.

High youth unemployment and inactivity have a number of adverse consequences for individuals, the economy and society. The costs of youth unemployment and inactivity include higher benefit payments, foregone earnings and taxes, but also the costs associated with the long-lasting scarring effect of unemployment and inactivity on future income, unemployment risk, health status and social inclusion.

It is in this context that in April 2013, The Council of the European Union adopted the Recommendation on "Establishing a Youth Guarantee". This Recommendation calls for EU member States to ensure that young people receive a quality offer of employment, continued education, apprenticeship or traineeship within a period of four months of becoming unemployed or leaving formal education.

In the framework of the collaboration between the European Commission (EC) and the International Labour Office (ILO), a joint Action has been developed to support member States in enhancing national capabilities to assess and improve Youth Guarantee schemes. Co-funded by the EC and the ILO, the Action aims to strengthen national capacity for the implementation, performance monitoring and assessment of youth employment policies and programmes that are part of the Youth Guarantee. This includes the development of a practical approach to estimate the social costs and benefits of Youth Guarantees.

Against this backdrop, the ILO organized a learning exchange with the managers of the Youth Guarantee teams of Latvia, Portugal and Spain to discuss the main elements to be taken into account while conducting a social cost-benefit analysis (SCBA). This exchange took place at the International Training Centre of the ILO (Turin, Italy) from 12 to 13 July 2017.

2 OBJECTIVES

The objectives of the learning exchange programme were to:

- i) Discuss methodological approaches to estimate the socio-economic costs of Youth Guarantees;
- ii) Exchange learning and experience in respect of the main costs and benefits that take into account country-specific situations;
- iii) Define the steps required to estimate the social cost-benefits arising from the implementation of Youth Guarantees.

The learning exchange was structured around three broad topics (see Annex 1 for the timetable):

- ***Introduction to social costs and benefits:*** These sessions discussed: (i) the main social costs and benefits relating to the implementation of the Youth Guarantee; and (ii) the different actors that benefit from and/or bear the costs of non-action in the short and long run.
- ***Measurement of costs and benefits:*** These sessions reviewed measurement approaches (e.g. micro-simulation, macro-modelling) and sources of data (e.g. LFS, SILC, administrative data) that could be used for conducting SCBAs.
- ***How to conduct SCBAs:*** The last sessions discussed the modalities to implement a SCBA of the Youth Guarantee at national level. It also provided insights on how to communicate on and raise awareness of the importance of investing in young people through the Youth Guarantees.

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PARTICIPANTS' PROFILE

The learning exchange programme was designed for senior Government officials responsible for the implementation of the Youth Guarantee in Latvia, Spain and Portugal. A total of nine participants attended the workshop (see Annex 3 for the list of participants).

The expectations of participants about the learning exchange revolved around:

- i) Sharing knowledge and experience on social costs and benefits of the Youth Guarantee (YG);
- ii) Measuring social costs and benefits with a view to improve YG efficiency and maximize resources;
- iii) Exchanging experience on how to estimate the “real” impact of the YG and improve the design of interventions;
- iv) Discussing YG implementation challenges and solutions;
- v) Learning about a social cost-benefit analysis model that is easy to explain and apply.

4

METHODOLOGY

The learning exchange programme used a participatory approach that allowed for the exchange of information, knowledge and experience among participants and between participants and facilitators. It was delivered through a combination of presentations, discussions and group activities with a view to creating a conducive learning environment.

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STRUCTURE AND CONTENT

The learning exchange programme focused on three main areas:

- (i) Social costs and benefits of Youth Guarantee interventions;
- (ii) Measurement approaches and data sources; and
- (iii) Modalities to implement a social cost-benefit analysis (SCBA) at national level.

5.1. Social costs and benefits of Youth Guarantee interventions

The introductory part of the learning exchange focused on the rationale for conducting a SCBA and the steps involved.

The social cost-benefit analysis is a systematic comparison of the costs and benefits of an investment. More specifically, it is an appraisal/evaluation technique for public policy that enables to compare social costs and related social benefits and to determine the net value of an investment (policy) decision. SCBA estimates of Youth Guarantee schemes would allow national authorities to:

- identify (*ex-ante*) the interventions likely to yield the highest cost-benefit ratio and develop evidence-based national Youth Guarantee Plans;
- determine the level of resources that is appropriate to plan interventions and achieve national youth employment policy targets;
- introduce changes/adjustments to existing National Plans and monitor achievements;
- evaluate (*ex-post*) the cost and benefits relating to the outcomes included in the national YG Plans;
- communicate the social costs and benefits relating to the implementation of the YG to other parts of the government and related institutions, the media and the public at large.

The main steps of the SCBA application to the YG would include the:

1. classification of social costs and benefits of YG interventions (employment, continued education and training, apprenticeship and traineeship offers);
2. costs and benefits that accrue to the individual and to society;

3. expected effect of the YG interventions over time (in-programme, post-programme, long-run);
4. measurement methods (data sources and limitation; estimation models, sensitivity analysis);
5. estimation of net value of the YG; and
6. synthesis of the results for policy-making and other purposes, including monitoring, awareness raising and communication.

The main actors involved in or affected by the implementation of the YG include young beneficiaries (direct economic benefit in terms of job-related earnings and additional qualifications) and the government (increases in economic output and the tax-base, as well as reduction of social expenditure).

The starting point in planning a SCBA is the availability of impact evaluation estimates (employment and earnings) of the YG interventions. If these estimates are not available, reference could be made to evaluation results of interventions that are similar to those implemented under the YG. If no such results are available, it would be necessary to carry out an impact evaluation to determine the number of young beneficiaries that are employed compared to a control group. Alternatively, reference could be made to the mean effect of evaluations that are available from impact evaluation literature.

5.1.1. Social benefits

The core part of the learning exchange focused on the identification of the main social costs and benefits, their expected size in terms of impact and related monetary value.

Since the purpose of a SCBA is to value the impact of a policy intervention in terms of observable consequences, the discussion held during this part of the learning exchange programme focused on the benefits of the Youth Guarantee offers that accrue to young participants and society.

Participants were reminded that YG offers are expected to increase employment, earnings and the level of skills of young people. The findings of research on the impact of similar youth employment interventions show that:

1. Traditional training programmes have little impact on employment probabilities, especially for young people. Impact improves in the medium to long term and by combining in-classroom and workplace training;
2. Apprenticeship programmes have large earnings effects (especially in the short to medium-term). In the long-run, however, earnings gains disappear;
3. Private sector incentives work better than traditional training programmes, especially in the medium to long term and for long-term unemployed individuals.

4. The evidence available on the impact of traineeship (Ireland's JobBridge) shows that these are effective in raising employment probability among participants in the short to medium term.

The main benefit accruing to young YG beneficiaries is job-related earnings. In the long term, this applies to all YG offers (as their objective is to increase employment opportunities). For society, the main YG benefits relate to lower spending in welfare benefits, higher tax and social contribution revenues, the multiplier effect of public investment on output growth, improved health, reduced anti-social behaviour and social exclusion.

- **Earnings:** The key benefit of the YG for individuals is job-related earnings. In the short-term, benefits are calculated as average (gross) earnings of those who gained employment thanks to the YG. As unemployment and inactivity have long-lasting effects on future earnings (around 10 per cent lower wages for up to 15 years), in the long-run YG benefits translate in the avoidance of "scarring" effects. Continued education and training accrue earning benefits in the medium to long term, which can be computed through the Mincer equation (earnings returns of an additional qualification). Apprenticeship has direct earnings effects in the short term through the apprenticeship wage. In the medium to long-term, earnings benefits can also be accounted in terms of the returns to work experience and to additional qualifications gained. The earnings effect of (paid) traineeship is measured in terms of average gross earnings in the short and long-run.
- **Output:** Employment-related earnings give young participants higher disposable incomes. As youth people have a high marginal propensity to consume, their spending will further increase demand, resulting in a 'multiplier' effect. Recent estimates on the size of the Keynesian multiplier indicate an effect of public investment ranging from 1.5 to 1.9. As the effects of individual earnings are captured by the output multiplier, they are excluded from the SCBA to avoid double counting.
- **Health:** Getting a job or a training place is expected to improve individuals' well-being and health (captured through increased earnings), but also to reduce the likelihood of developing limiting health problems. These benefits can be computed using the Quality-Adjusted Life Years (QALY) index scale (derived from the EU-SILC). The difference in QALY weights of being employed or in education compared to being unemployed or inactive is multiplied by the value of QALY weights (as determined at national level).
- **Lower benefit spending:** The size of benefit-saving effects of the YG increases in the medium to long term, as more young people move into work or acquire additional qualifications. This effect could be calculated by multiplying the YG impact by the differential of benefits received by those in work and those out-of work, in the short to long-term.

- **Higher tax and social security revenues:** An increase of the number of young people employed implies higher revenues to governments from income tax and social security contribution payments. This represents an increase of real resources to the government, which could be measured as the average annual amount of taxes and social security contributions paid by beneficiaries who are employed as a result of the YG.
- **Anti-social behaviour:** There is an association (but no causality) between high youth unemployment and inactivity and anti-social behaviour (crime, substance abuse, disorderly conduct). Anti-social behaviour lowers capital accumulation and this reduces future earnings (this scarring effect is around 9 per cent for about 10 years). The evidence available mostly relate to the costs to society of various types of crime (justice system, detention, victim costs) and substance abuse, rather than more broadly to anti-social behaviour.
- **Social inclusion:** In the EU, the at-risk of poverty or social exclusion is measured by the share of the population that lives: (i) below the poverty line (income poverty); (ii) in households facing severe material deprivation; or (iii) in households with low work intensity. The individual benefits arising from the YG offers in terms of social inclusion are mostly captured through the earnings effect. Other effects could include increased social connection and subjective well-being, to which is almost impossible to assign a monetary value.

At the end of the discussion on social benefits of the YG, participants were engaged in a brainstorming exercise to identify additional benefits that they considered important for the evaluation of the YG interventions. The inclusion of benefits such as employment security, different types of anti-social behaviour (graffiti, damage to public transport, drunken behaviour) and social inclusion indicators (civic engagement, political participation) was discussed in some detail.

Job security is a key element to measure the “quality” of youth employment offers. Measures of job security could include the job loss rate and the cost of job losses (decreases in earnings). The YG benefits in terms of job security could be thought as a reduction of the cost of job losses, which is already captured by individual earnings. The difficulty related to the inclusion of various types of anti-social behaviour is due to: (i) the establishment of a casual link between youth unemployment and inactivity and anti-social behaviour; and (ii) the availability of national data (number of anti-social episodes committed by young unemployed/inactive and estimates of social costs). Even in United Kingdom – where there is a long-standing practice to collect data on anti-social behaviour and its costs – it is difficult to establish attribution and disaggregate information by age group and labour market status. Furthermore, placing too much emphasis on this social benefit may send a misleading message about unemployed or inactive young people.

5.1.2. Social costs

The Youth Guarantee entails a number of costs for individual participants and society. Some costs are associated with the delivery of YG interventions (direct and indirect programme costs) that are shouldered by the public budget, while others are incurred by young participants when they move into employment or continued education and training. Figure 1 below summarizes the costs of the YG intervention shouldered by individuals and society.

Figure 1: Individual and social costs of the YG



- **Travel and care costs:** Young people provided with a job or training opportunity as a result of the YG will incur travel costs as a direct result of this change in circumstances. Once they start work or enrol in education/training course, they will have to cover the financial costs of travelling (public transport fares or fuel costs). These costs can be calculated using the methodology developed by the UK Department for Work and Pensions.¹ Young people who have children or care for elderly parents or relatives and have no access to free care services may have to sustain additional costs once they take up a YG offer. The estimates of care costs require to account for the proportion of young beneficiaries who have care responsibilities; the median hours of care per week needed; and average costs of care services.
- **Opportunity costs (education and employment):** The opportunity cost of education refers to the fact that those young people who received an offer of continued education and training could have found a job in the absence of the intervention. These costs are likely to vary depending on the initial status of the young person (unemployed or inactive). The measurement of these costs requires to estimate the share of young people who would have found a job in the absence of the intervention (impact estimates) multiplied by the average earnings of young

¹ Fujiwara D., *The Department for Work and Pensions Social Cost-Benefit Analysis Framework*, Department for Work and Pensions Working Paper No 86/2010 (https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/214384/WP86.pdf)

people who are employed (by ISCED level). When previously unemployed and inactive youth move to employment they also face opportunity costs consisting of foregone public benefits and foregone value of non-working time. Since these costs are in reality benefits to society, they are excluded from the SCBA to avoid double counting.

- **Programme costs:** The methodologies for estimating the costs of youth employment interventions are usually based on costs of similar programmes that were implemented in the past in the same context. This section of the learning exchange programme discussed how to estimate the costs of youth employment interventions on the basis of available data. The main steps to be followed to estimate the direct programme costs consisted of the: (i) determination of the number of participants/beneficiaries; (ii) average costs of the measures; (iii) average duration of the programme; and (iv) identification of the costs for the administration of the measures and services (usually defined in the range of 10 to 20 per cent of programme costs).

This methodology could be applied any time, also to update the estimates as new data become available. After three years of implementation of the YG, EU countries had collected enough information to determine with some degree of certainty the costs of each YG measure. These figures could be used as a proxy to calculate the average costs that are required for replicating/expanding (or adjusting) existing measures and estimate the costs of introducing new measures. One important point to bear in mind was that the costs (and benefits) of interventions targeting unemployed young people may differ from those for discouraged and inactive youth.

- **Substitution costs:** Like other youth employment interventions, YG offers could entail a number of general equilibrium (negative) effects. The increased engagement of young people in paid employment and education and training could partly come at the expense of older workers, as well as unemployed and inactive individuals (substitution). Another indirect effect is deadweight (participants would have found a job also without the YG intervention). These effects, however, should already be accounted for in impact evaluation estimates.

At the end of the session, participants discussed the additional costs and benefits deriving from YG interventions targeting inactive young people, as available SCBA research applied to interventions targeting unemployed youth, while little was known on the returns of moving young people from inactivity into employment, education or training.

5.2. Measurement approaches

The training sessions of this part of the learning exchange centred on the approaches that could be used to measure the macroeconomic and indirect effects that arise from the implementation of the YG; the data required to implement a SCBA; as well as the adjustments to costs and benefits that account for the effects of time and inaccuracy of assumptions related to the implementation of the YG.

5.2.1. Macro-econometric, CGE, micro-simulation and macro-accounting models

Any changes in the labour market status and income of YG participants as well as the increased incomes received and costs borne by organisations and institutions involved, had secondary effects that should also be taken into account for a more comprehensive understanding of the impact of the YG on the wider society.

The models that measure these indirect effects range from the simplest Keynesian multiplier based on the aggregate consumption function, to the more complex interactions captured by multi-equation macro-econometric models, to approaches based on Social Accounting Matrices (SAMs) and micro-simulation models that account for the interactions arising from the behavioural effects of the YG. These models are usually employed for *ex-ante* evaluation of policy options, but they can also be used to complement *ex-post* estimates.

- **Keynesian multiplier:** The simplest form to account for indirect effects of the YG is a simple Keynesian multiplier model. The central element is the consumption function that specifies that aggregate consumption depends primarily on income (this applies at individual level and for the economy as a whole). As already mentioned, the most recent estimates indicate a fiscal multiplier of around 1.92.
- **Macro-econometric models:** These models apply the multiplier approach in a more articulated way and are particularly suitable for evaluating the short to medium-term impacts of budgetary policies (investments, taxation, subsidies). A system of equations is estimated to take into account interactions across goods, labour and financial markets. Macro-econometric models exist for Ireland (HERMES, and EU HERMIN models) and the Netherlands (REMI-NEI), while the QUEST macro-econometric model is used by DG ECFIN.
- **Computable General Equilibrium (CGE) models:** These models have a stronger micro-economic foundation, including supply side and price adjustments. These models are especially useful for the estimation of economic impacts (on production, employment and income) at national and or regional level. They are less suitable for estimation of redistributive effects, because they generally incorporate only one type of representative households. Several promising CGE models were used in Poland (MAMor2), Finland (VERM and REGFIN) and the Netherlands (RAEM).

- **Micro-simulation models:** Micro-simulation is a method used to determine the impact of policy changes by separately evaluating the effect of these changes at the level of individuals, households or individual firms. These models contain a high level of detail for the tax and benefit system, but they are accounting mechanisms that do not consider behaviour over time. Micro-simulation models tend to be based on representative samples of a population and are primarily used to investigate the first round impact of government policy reform. The EUROMOD, developed at EU level, calculates the effects of changes in tax and benefit policies on household disposable incomes and hence poverty, income inequality, work incentives and the public budget. The strengths of EUROMOD are the possibility to analyse the effects of policy changes on income distribution and the public budget, taking into account interactions between policy instruments. The main limitation is the labour-intensive maintenance required to keep it up to date.
- **Macro-accounting models:** Social Accounting Matrices (SAM) – developed on Leontief input-output model – have been used extensively by the ILO to measure, among other things, the direct and indirect employment effects of public investment through a multiplier analysis. The major deficit is that these model do not include detailed data about the distributional side of economic processes (i.e. they do not contain data on the expenditure pattern of government, enterprises, and households). A SAM brings together, in a coherent way, data on income creation and production, as well as information on incomes received by different institutions and related spending. Social Accounting Matrices are static models with fixed prices. Dynamic SAMs (DySAMs) are essentially a repeated cross-section version of SAMs, which allow for the introduction of some behavioural changes.

5.2.2. Data sources, discount rates, distributional weights and sensitivity analysis

The assessment of the social costs and benefits of the YG requires data of different types and from different sources. In this training session participants discussed the range of administrative data that could be used to measure earnings, welfare spending and tax revenues, as well as the relevance of large household-based surveys (EU Labour Force Survey, Survey on Income and Living Conditions) for collecting information on social costs and benefits. Ideally, some estimation of longer-term effects can be informed by longitudinal datasets or through the longitudinal elements embedded in the EU LFS and EU-SILC data.

Estimating costs and benefits also requires adjustments to the specific values derived in order to take into account the fact that benefits and costs do not all arise simultaneously (discount rate), but may occur over time and/or with differing degrees of certainty (sensitivity analysis). While most of the costs of the YG were incurred at the present time, some of the benefits would only accrue in the long-term. A social discount rate served to convert benefits that occur in the future in present values, so that they can be compared to costs. EU guidance suggests the use of a social discount rate of 4

per cent.² This rate would be applied to costs and benefits expressed in constant prices.

An analogous adjustment would be needed to account for the fact that the impact of the YG will be experienced differently by young YG beneficiaries and taxpayers who bear the costs). These two groups have different levels of income. Due to diminishing marginal returns, the increase in utility caused by an additional Euro for young NEET would be expected to be greater than the loss in utility for taxpayers caused by YG costs. A measure of overall welfare impact of the Yg, therefore, could be derived by using distributional weights. Recent estimates found the elasticity of the marginal utility of income to be 1.26. This was suggested for deriving the welfare weights to be applied to the SCBA.

Estimating the costs and benefits of the YG necessarily requires a series of assumptions and approximations. Sensitivity analysis referred to a set of techniques aimed at testing the robustness of the results of a model in the presence of uncertainty about the specific values under consideration (e.g. due to the fact that benefits accrue in the future). It appraises the change in the output of a mathematical model or system (numerical or otherwise) in response to a change in its more uncertain inputs. Sensitivity analysis is thus relevant when benefits or costs can be calculated only with a margin of uncertainty. In such cases, it would make sense to check what SCBA outcomes would be like under different assumptions (e.g. higher/lower discount rate).

The implementation of the YG, for example, inevitably involves some degree of substitution between eligible participants and others who would have been employed instead in the absence of the programme. One could estimate this substitution effects directly, but there always would be some degree of uncertainty regarding the accuracy of such estimates. The literature provided insights as to the magnitude of substitution effects by type of offer (20 per cent for training and education interventions and 45 per cent for employment subsidies) and their persistence over time. The figures used in sensitivity analysis should be intended as an upper limit (i.e. a pessimistic scenario).

²European Commission, *Better regulation guidelines*, 2015 (http://ec.europa.eu/smart-regulation/guidelines/tool_54_en.htm)

5.3. Modalities to implement a SCBA of the Youth Guarantee

The final part of the programme revolved around: (i) a practical method to measure social costs and benefits of national Youth Guarantee schemes; and (ii) the development of strategy to communicate SCBA findings.

All the social costs and benefits discussed throughout the learning exchange were placed into a matrix (Table 1 below) that summarized the measurement required for a SCBA of national Youth Guarantee schemes. The explanation of each element was enriched with examples of how to apply social discount rates, distributional weights, labour market distortion effects and output multiplier.

This was followed by a group activity that required participants – divided into national teams – to estimate the social cost-benefit ratio of their Youth Guarantee on the basis of the information available to them. In order to prepare for the estimation exercise, participants were reminded of the following:

- **Net impact of the YG:** This required the availability of estimates on the employment and earnings impact of YG measures (counterfactual evaluations). In the absence of such estimates, participants were suggested to use the findings of impact evaluations of similar youth employment interventions implemented in the past, or to refer to the findings of research/literature on the effect of Active Labour Market Policies (ALMPs).³ Typically these estimates already include substitution effects.
- **Welfare spending:** Figures on benefit expenditures by labour market status of recipients were typically collected by national Social Security Institutes. They could also be derived by the EU SILC.
- **Tax and Social Security revenues:** These figures were collected by the national tax revenue office and social security institutes.
- **Output:** the size of the multiplier and the effect that government investment in the YG had on society as a whole could be derived by the application of macro-models, micro-simulations or social account matrixes. A simple Keynesian multiplier had a value ranging from 1.5 to 1.9.

³ For the purpose of the group activity participants were referred to the mean effects estimated in the meta-analysis of Card D., Kluge J., Weber A., *What Works? A Meta Analysis of Recent Active Labor Market Program Evaluations* IZA Discussion Paper No. 9236/2015.

Table 1: Social cost-benefit matrix

SOCIAL BENEFITS

Element	Computation	Discount rate (4%)	Distributional weights (1.26)	Data sources
Lower welfare spending	(Number of young beneficiaries employed [net impact of the YG]) * (Δ annual value of benefits received by those in-work and those out of work) * (employment spell, lifetime years)	YES	NO	YG impact estimates EU SILC
Increased tax and social security revenues	(Number of young beneficiaries employed [net impact of the YG]) * (average annual amount of tax and SSC paid) * (employment spell, lifetime years)	YES	NO	YG impact estimates EU SILC
Output	(Total cost of YG interventions) * (Keynesian multiplier) N.B. Apply micro-simulation, macro-models, SAM or DySAM to refine the estimates of the multiplier effect	YES	YES	Administrative data YG
Health	(Δ QALY weights of being employed or in education vs. being unemployed or inactive) * (value QALY)	NO (included in QALY)	NO (included in QALY)	EU SILC
Anti-social behaviour	(Change in NEET rates) * (anti-social behaviour elasticity) * (number of annual anti-social episodes) * (cost of anti-social behaviour)	YES	NO	Administrative data (Police, Min Justice) EU LFS
Social inclusion	(Total monetary transfer of Government to young participants employed [net impact of YG]) * (redistributive effect estimates)	YES	YES	EU SILC

SOCIAL COSTS

Element	Computation	Discount rate (4%)	Distributional weights (1.26)	Data sources
Programme costs	(Direct + indirect costs of all YG measures)	NO	NO	Administrative data of the YG

- **Quality-adjusted Life Years (QALY)** weights could be derived from national data sources or EU-SILC. For the purpose of estimating the social Benefit/Cost Ratios (CBR) of national YG schemes, participants were suggested to use a QALY weight of 0.74 for individuals in employment and 0.66 for unemployed and inactive individuals, as well as a QALY value of €20,000.
- **Anti-social behaviour:** What constituted anti-social behaviour and, most importantly, the range of data available to measure this element varied across EU countries. The most readily available data (published on EUROSTAT) refers to crime (robbery, assault, intentional homicide) and its costs. For the purpose of practicing the application of SCBA to national YG, participants were suggested to use an elasticity of crime ranging from 0.2 to 0.4 (UK estimates on property crime) and a cost of € 2,300 (UK cost estimates for acts of vandalism) to the national figures for burglaries derived from EUROSTAT data.
- **Social inclusion:** the most direct way to estimate the benefits of social inclusion is to account for the decreases in the at-risk of poverty and social exclusion brought about by the YG. This, however, is already calculated by the multiplier effect on society of shifting young people from unemployment and inactivity to employment. Participants were suggested to disregard this element or to refer to the redistributive cost-benefit value provided by the UK *Green Book on the appraisal and evaluation in central government* (2.5).⁴

The results derived by applying the parameters highlighted above provided a benefit/cost ratio of 1.6 for Latvia, 1.5 for Spain and 1.9 for Portugal.

The last session of the learning exchange revolved around the follow-up of SCBA and specifically on the development of a communication strategy to disseminate findings and the key messages that could be developed (e.g. “A conservative estimate of productivity loss to the economy would be €133 million a week”; “The cost of youth unemployment is 22 million per week in unemployment benefit”).

Participants were also asked – divided into three groups– to prepare a number of deliverable based on the findings of the SCBA they carried out in the previous group activity. One group had to draft a press release of key messages they would have like to disseminate through the media; another group had the tasks to develop of challenging questions about the YG implementation; and the third group was tasked to prepare a set of key answers that provided convincing arguments on the effectiveness of the YG. These deliverables were used during a role play that envisaged an interview of a journalist to a public official on the SCBA results. On the basis of results of this exercise, the press release was finalized to include items such as quality of offers provided and reduced crime costs to society.

⁴ HM Treasury, *Green Book on the appraisal and evaluation in central government*, London 2011

6

VALIDATION OF THE PROGRAMME

At the end of the workshop, the participants were asked to provide a detailed assessment of the training and organizational aspects of the learning exchange. This was done through a validation questionnaire that was distributed to all participants.

All participants (100 per cent) appreciated the structure of the programme, its content, the learning methods applied and the taking on board by facilitators of participants' feedback. The quality of facilitation was valued by 100 per cent of participants. All participants considered the explanation of social costs and benefits and the group work (calculation of the SCBA and communication strategy) as the most useful parts of the learning exchange. Three quarters of participants found the part on measurement approaches (macro-modeling and micro-simulations) as challenging, due to their lack of knowledge of economics. Annex 2 provides a detail of the results of the final validation questionnaire.

7

CONCLUSIONS AND FOLLOW UP

The participants commented favourably on the workshop and particularly appreciated the opportunity to practice estimating social cost-benefits of the YG implementation at national level and communicating the results to different types of audience. They also appreciated the rationale for expanding the assessment of youth employment policies beyond the traditional “economic” parameters used for impact assessment and concurred with the importance of assessing the social costs and benefits that result from action and inaction.

Estimating the social costs and benefits of the Youth Guarantee is a complex and data-intensive exercise. It requires the involvement of a number of government institutions (Ministry of Finance, Ministry of Labour, Ministry of Education, Social Security Institute, Public Employment Service, Statistical Office) as well as specific expertise in the application of macro-econometric and micro-simulations models. The role of labour market policy practitioners is to guide the process – especially as regards the identification of social benefits – and communicate the findings to government, the media and the public at large.

Despite the complexities involved in planning and implementing a SCBA on YG interventions, there are a number of considerations that make it worthwhile. First, it allows determining the net value of a policy decision over time as well as the present and future costs of inaction. Second, it allows a more rational allocation of resources. The findings of impact evaluation research – especially for youth employment interventions implemented in the EU – are often discouraging. Policy interventions discontinued simply on the basis of employment and earnings returns may overlook the net benefits that these interventions accrue to society as a whole. Finally, it would help in making the case for investing in youth employment with the business community (benefits accruing to enterprises due to raising consumption of young workers vs. lower consumption patterns due to high youth unemployment and inactivity).

In terms of follow-up to the SCBA work initiated under the EC-ILO Action, the ILO will finalize: (i) the background material already made available to participants (literature review and methodological paper); (ii) the SCBA training package for national practitioners. This latter will be made available to national YG teams through a web-based application.

Finally, the ILO will support the YG Team of Latvia in the piloting of the SCBA methodology with data collection and costs and benefits estimates. This will be instrumental to refine the methodology to appraise the cost and benefits of planned interventions targeting inactive youth.

ANNEXES

Annex 1 - Programme of the learning exchange

Annex 3 – Result of the validation of the workshop

Annex 4 - List of participants and resource person



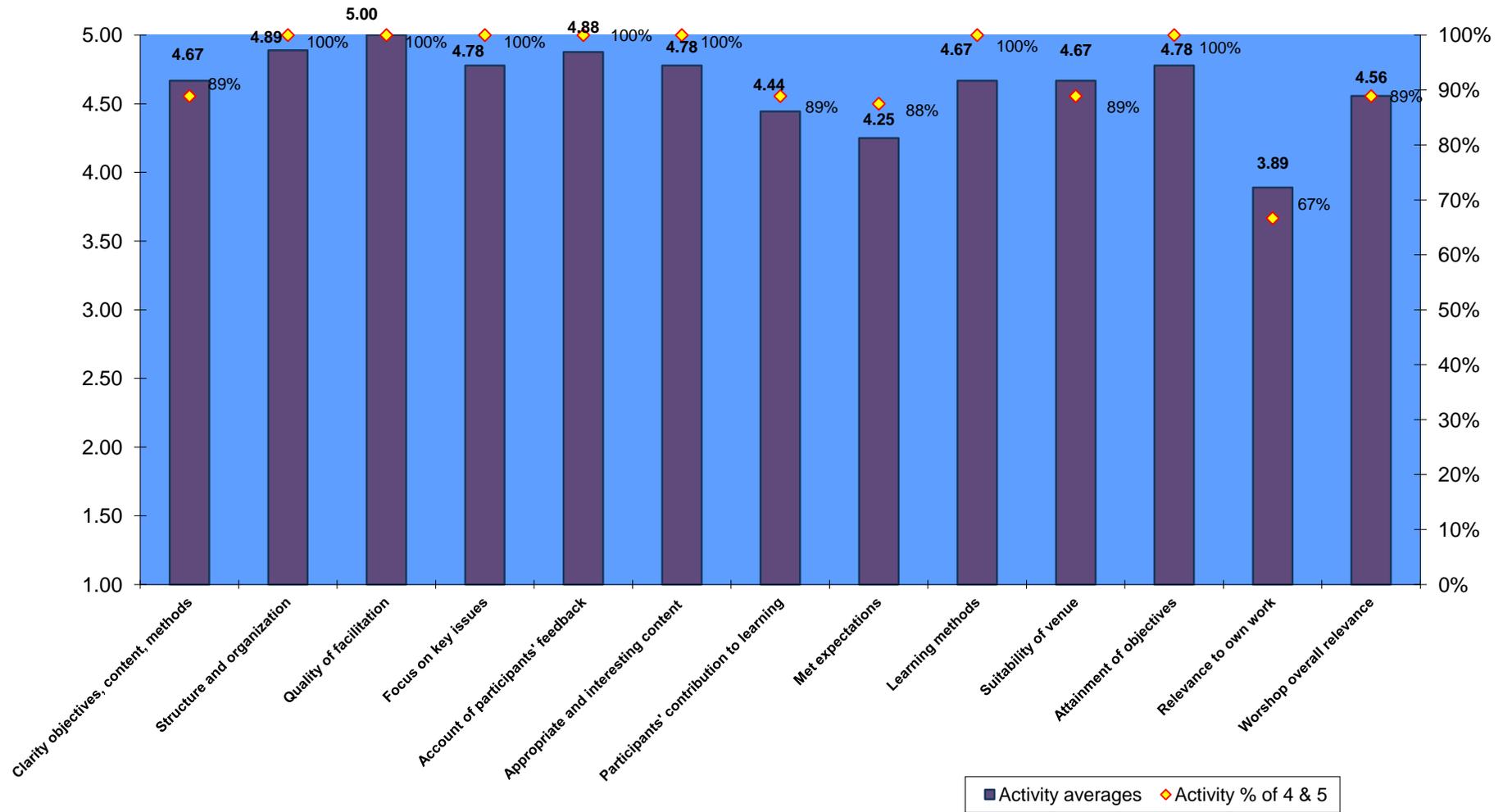
Learning exchange programme:
SOCIAL COST-BENEFIT ANALYSIS OF THE YOUTH GUARANTEE
Turin, 12-14 July 2017



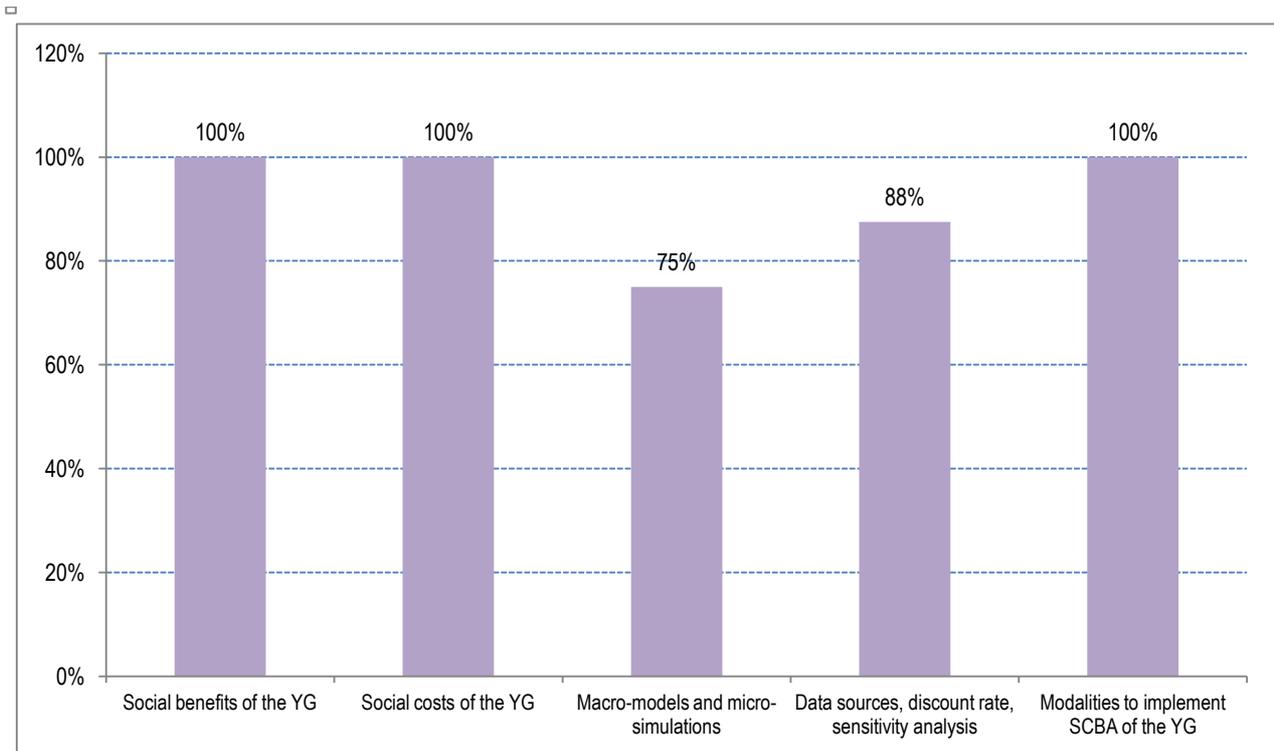
TIME	Wednesday 12 July	Thursday 13 July	Friday 14 July
09.00-10.30	<p>Opening remarks Objectives, participants' expectations</p> <hr/> <p>Introduction to SCBA Rationale and main requirements for conducting social cost-benefit analysis G. Rosas</p>	<p>Measurement of costs and benefits Micro-simulation and macro-modelling N. O'Higgins</p>	<p>Assessment of technical support on the Youth Guarantee G. Rosas, V. Corbanese</p>
11.00-12.30	<p>Socio-economic benefits of the YG Type of social benefits; actors concerned V. Corbanese</p>	<p>Measurement of costs and benefits Data sources, discount rate, distributional weights, sensitivity analysis N. O'Higgins</p>	<p>Assessment of technical support on the Youth Guarantee G. Rosas, V. Corbanese</p>
Lunch break			
13.30-15h00	<p>Socio-economic benefits of the YG <i>Group activity: Brainstorming</i></p> <hr/> <p>Socio-economic costs of the YG Type social costs; actors concerned G. Rosas</p>	<p>Practical modalities to implement a SCBA <i>Group activity: Computing social costs and benefits of national YGs</i> V. Corbanese</p>	
15h15-17h00	<p>Socio-economic costs of the YG, cont. <i>Group activity: Additional cost and benefits for inactive young people</i></p>	<p>How to implement a SCBA (cont.) Communication and awareness raising: investing in young people through the YG <i>Group activity: Role play on communication strategies</i> G. Rosas</p>	

Annex 2: Results of the validation of workshop

Learning exchange programme of social cost-benefit analysis learning exchange of the Youth Guarantee



Relevance of training content (Percentage of score 4 and 5)



What sections of the training were most useful and why?

- ✓ Group activities and simulations
- ✓ Cost and benefits, as a means to defend the investment made;
- ✓ Computing SCBA;
- ✓ Introduction to cost-benefit analysis applied to YG
- ✓ Practice on how to calculate costs and benefits
- ✓ SCBA model and practical examples

What sections of the training were less useful and why?

- ✓ Measurement approaches (due to lack of knowledge in economics)

Additional comments

- ✓ Very useful for those who work with unemployed individuals, as it helps in understanding policy;
- ✓ Good facilitation of exchange among participants

Annex 4: List of participants and resource persons

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