

Evaluation of effectiveness and impact of mobility support

Summary

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The evaluation focuses on the mobility support measure – a labour market measure provided by Estonian Unemployment Insurance Fund to unemployed taking up a job far away from home to cover their expenses on transportation to work. The support is available to people, who have been registered as unemployed with the Unemployment Insurance Fund for at least six months and whose new job is located at least 30 kilometers from home. The amount of the mobility support depends on the distance between home and work and is 0.10 euros per kilometer, with a maximum amount of 200 euros per month. The support is paid for a maximum duration of four months.

Applications for mobility support were accepted between 1 January 2016 and 31 December 2018, whereas payments were made up to 31 May 2019. **The evaluation aims to analyse the use of mobility support, evaluate its impact on labour market outcomes and make recommendations based on that for further development or reorganisation of the measure to support entry to employment and participation in the labour market among the target group.** The following five points briefly summarise the use of mobility support:

- An average of 142 people per month are using mobility support. Mobility support has been used only by about a tenth of the potential target group.
- The support enhances mobility from rural areas to centres, but also between rural areas (meaning that the place of living and work are both located outside of the centres). Mobility support users mostly live in Ida-Virumaa—in cities like Narva or Kohtla-Järve. Places of work are predominantly located in the capital Tallinn (31% of all support users), followed by the cities Tartu (9%) and Pärnu (6%).
- Mobility support users are primarily people with professional qualifications – in 2018 66% of support users had vocational or higher education.
- On average, mobility support users work within 84 kilometers from home. About a quarter (23%) work at the minimum allowed distance of 30-40 kilometers and another quarter (26%) work at very long distances of more than 100 kilometers.
- The experience of working far from home can enhance future motivation to take up work at least 30 kilometers from home.

Mobility support provides an important extra motivation to take up work far away from home, but it is not a necessary precondition for doing that (based on interviews, many people would have taken the job even without the support). This means that mobility support provides extra motivation to take up work far away from home in situations where there are no suitable job offers closer to home. Analysis of registry data shows that people who receive mobility support, work outside their home municipality more often compared to all the people who have taken up work after six months of unemployment. It is difficult to assess whether this results from the support measure or the people taking up mobility support are more prone and motivated to work far away from home (which from the point of view of the measure would indicate deadweight loss, i.e. the support is used by people who would work far away from home anyway).

Analysis indicates that in its current form, mobility support does not enhance employment stability among its users—the length of employment among users of the support does not differ from all other unemployed who entered employment. However, it is important to keep in mind that **taking up employment is a precondition for receiving mobility support, which is important in preventing long-term**

unemployment and maintaining labour market activeness and a work habit in the context of unemployment of at least six months.

For about a fifth of mobility support users, employment ends with the support after four months, which refers to a hypothesis that this is the amount of people who are motivated to work because of the support and could not continue work after the financial support. **Based on this assumption, the costs of the support and benefits received from paid taxes would be approximately equal (both about 800 000 euros per three years).** Employment after four months of unemployment is similar among all people who entered employment after six months of unemployment. This shows that the end of employment can be more related to the end of the maximum trial period and the unsuitability of the job rather than financial factors. Interviews with the users of mobility support also indicated that mobility support is an enhancing rather than a necessary factor in taking up employment. If we would assume that none of the users of mobility support actually needed the support to take up employment, the costs for the measure would exceed the benefits by almost threefold.

In weighing the pros and cons of mobility support, it needs to be considered that mobility support currently has no real alternative—no other employment or other measure supports mobility for work for the same target group (people with reduced work ability have access to a similar measure—commuting benefits). Even the public local transport that is now free in many counties, does not provide a real alternative as the schedules, routes or time that it takes to get to work does not meet the needs of the unemployed.

The results of the analysis indicate that the measure needs to be reorganised so it would better meet the needs of the target group and would enhance the take-up of the measure among the target group who really need support for mobility. At the same time, it needs to be noticed that the changes would not considerably increase expenses on the administration of the measure and would not increase the associated deadweight loss.

The proposals made based on the analysis are divided into three main categories:

1. **To enhance knowledge about mobility support among its target groups, the proposal is to create an automated information system to increase the visibility of the measure.** Poor knowledge of the measure can cause the low take-up of the measure but also motivational factors (e.g. people who qualify for the measure but do not apply, do not consider it necessary for themselves). Interviews show that knowledge of the measure among its users is rather low and directly depends on the information received from consultants of the Unemployment Insurance Fund. Interviews also indicate that consultants might have a differing approach towards informing target groups and evaluating the necessity of the measure.

The aim of the information system would be to support the consultant by providing input for the consultation process (information on when to inform the client about the measure for the first time, when to remind them etc). The information system would also make the measure more visible for the client through e-mails or information leaflets so they would have the knowledge and information to ask for the mobility support when necessary. To avoid posting information by large masses, the information campaign could be targeted primarily for those people, who are most likely in need of the support, considering their place of residence (people living in rural areas) or previous employment (e.g. people working on low occupational positions or low salaries). The information system could provide an addition to the current system of the Unemployment Insurance Fund, which is already used as a working tool by consultants and includes information on various labour market measures, benefits and support mechanisms.

2. **To enhance taking up employment and prevent long-term unemployment and the loss of work habits, the proposal is to shorten the length of unemployment required to be qualified for the measure.** Both the experts and people who have received mobility support indicated in the interviews that mobility support should support entering employment at an earlier stage of unemployment where people are still actively seeking for work and are more motivated to take up employment. This change should support taking up employment earlier than is the case with the current users of the support,

whose average duration of unemployment is 387 days. Hence, the recommendation is to reduce the required length of unemployment to 2-4 months since registration as unemployed (the exact length of unemployment can be agreed in cooperation with the consultants while taking into account the experience of other countries).

The consultants of Unemployment Insurance Fund also raise another problem related to short-term work. Namely, people who take up short-term employment do not qualify for mobility support anymore, as their length of unemployment is again counted from zero. Hence, people who work only for a short period should still be qualified for mobility support. One option is to provide mobility support similarly to other measures (e.g. wage subsidy)–the right to receive mobility support would be for all people, who have been unemployed for at least four months during the previous six-month period. This motivates taking up employment and does not penalise for short-term work episodes. This change also harmonises the qualification principles of different measures and prevents long-term unemployment. To prevent deadweight loss, an upper limit on income could be considered for people qualified for the measure.

3. **To adjust the service to the needs of the target group and Estonian conditions, the proposal is to shorten the distance required between the place of residence and work and to specify the potential uses of the support.** Both the experts and people who received mobility support indicated in the interviews that the current distance to be qualified for the measure (to take up work at least 30 kilometers from home) could be shortened to 20-25 kilometers. Also, in the borderline cases in terms of distance, additional explanations of applicants should be considered identifying cases where travel to work is not possible based on the shortest route (e.g. public transportation uses longer routes making the distance to work longer than measured by shortest distance on map). The current analysis can not provide a good argument to decide on the exact length of the optimal distance. To achieve this, randomised trials would be necessary using different distances, measuring their results. Also, there is not enough detailed information to easily measure distances between home and work to evaluate to potential change in the size of the target group after this change. Hence, the optimal distance should be agreed in cooperation with the consultants, considering the trajectories travelled for work in rural areas and the experiences collected with other measures. For instance, the experiences received with the European Globalisation Fund in Ida-Virumaa could be taken into account from 1 August 2008 to 31 May 2016, where Unemployment Insurance Fund paid mobility support on more favourable conditions shortening the distance required for travelling to work to at least 20 kilometers.

The analysis showed that about a quarter of people receiving support work at a distance of more than 100 kilometers. Interviews indicated that people working this far from home do not commute between home and work daily but rather use the mobility support to cover temporary living expenses close to the place of work. Even though this is not prohibited use of mobility support, expert interviews indicated that the support measure is primarily considered as a coverage for transportation expenses and hence some people may not apply for the support because they do not commute daily. As a result, the proposal is not to change conditions of mobility support, but rather to clarify in the materials for counsellors and those provided for registered unemployed that the support can also be used to cover temporary living expenses. This improves the clarity of conditions for both counsellors and users of the support, it supports equal treatment of all applicants and is in accordance to the needs of users of the support measure identified in the research.