



Report

Voucher System: International Experience and Recommendations for Reform Measures in Ukraine

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The views contained herein are the statements of the author and do not necessarily reflect the views or policies of the UNDP in Ukraine and other organizations.

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List of Abbreviations

| | |
|-------------------|---|
| ALMP | Active Labour Market Policy |
| AVGS | German Activation and placement voucher (Aktivierungs- und Vermittlungsgutschein – AVGS) |
| BGN | Bulgarian Currency |
| DAC | Development Assistance Committee |
| EFSI | European Federation for Services to Individuals |
| EEO | European Employment Observatory |
| ES | Employment Services |
| ESF | European Social Fund |
| EU | European Union |
| FES | Federal Employment Service |
| FSU | Former Soviet Union |
| M+E-System | Monitoring and Evaluation System |
| MWRL | Ministry of Welfare of the Republic of Latvia |
| NGO | Non-Governmental Organisation |
| NRW | North-Rhine-Westphalia (Federal State of Germany) |
| NY | No Year (for the publishing of the cited document) |
| OP | EU Operational Program |
| PES | Public Employment Service |
| PR | Public Relation |
| SEA | Latvian State Employment Agency |
| SME | Small and Medium Sized Enterprises |
| SLFS | Swiss Labour Force Survey |
| SWOT | Analysis system to assess a social system on Strengths, Weaknesses, Opportunities and Threats |
| ToR | Terms of References |
| VS | Voucher System |
| UNDP | United Nations Development Program(me) |
| USA | United States of America |
| VAT | Value Added Tax |
| WB | World Bank |
| WIA | Work Investment Act |

Part I. Overview of International Experience

Introduction

The United Nations Development Programme in Ukraine (UNDP Ukraine) is supporting the Employment Services in Ukraine in improving a recently established system of training vouchers. In this context the author of this report was asked to research and systematize successful experiences and best practices of voucher systems in Europe and prepare recommendations for improving the VS in Ukraine (details see contract for the services No IC/2014/099).

This report is the first part of the whole assignment. It will describe vouchers as an instrument of Active Labour Market Policy (see part 1, below) and discusses historical experiences with voucher systems in the field of general education and makes a brief excursus on the experience with VS in USA and selected developing countries (see part 2, below). Before going in the details of selected European countries (see part 4, below) the criteria for the choice of the analysed countries (see part 3) will be introduced. Finally assessments, conclusions and lessons learned (see part 5) will be presented to have a basis for the then following discussion on recommendations and relevant actions to improve the Ukraine voucher system¹.

¹ This part will be developed within the second phase of this assignment and after discussing this report with the Ukrainian counterparts.

1. Vouchers as an instrument of Active Labour Market Policy

At least since the 80s of the last century there is a practice and a theoretical discussion on the role and the effectiveness of vouchers in Active Labour Market Policy (ALMP) Programs, especially in the field of vocational or further training. In the framework of rising costs and doubts on the impact of governmental dominated implementation of educational and labour market policies the idea came up using vouchers as it was common already in the field of general education. The policy of New Public Management started contracting out services implementation from governmental or public administration to private sector or activating the beneficiaries more by handing over vouchers to the clients searching for jobs or improving their skills to increase their employability. The most relevant difference between contracting-out and working with vouchers is that, within contracting out the public administration still selects the training providers, while with a voucher people can select the providers on the market.

1.1 What is a Voucher (System)?

It seems to be easy to define or describe a voucher, respectively a voucher system (VS): Steuerle et al used the following definition: “In general, vouchers provide access to pre-defined goods or services. They can be exchanged in designated training provider centres and markets. Vouchers may be supplied either in cash, commodity or service value. These are described respectively as value-based, commodity based or service-based vouchers (CE, Dec. 2009). Vouchers can also be defined as “a subsidy that grant limited purchasing power to an individual to choose among a restricted set of goods and services”. (see Álvarez/López/Vilar (N.Y), p. 9). And in fact there are numerous definitions on vouchers but all include at least two principles (see Álvarez/López/Vilar (N.Y), Dohmen (2005); de Gier; (2008), and West/Sparks (2000): Firstly, the principle of choice on the demand side and secondly, the principle of competition on the supply side (Quality competition). Some add the aspects of social policy (social justice and social cohesion, f. i. disadvantage compensation for specific target groups).

“A useful straightforward definition of a voucher is given by Daniels and Trebilcock. They define a voucher as a tied demand-side subsidy, where public dollars or euros follow consumers rather than suppliers, with the objective of fostering competition on the supply side and choice on the demand side in order to improve efficiency in the delivery of classes of social goods and services, and enhance autonomy on the part of consumers of those goods and services. By ‘tied’ it is meant that the voucher can only be used to purchase a particular class of goods or services. ‘Demand side’ points to the intention to improve consumer choice by providing them with purchasing power and the ability to influence the supply side of the market. It is also important that a voucher works as an incentive for both the demand side and the supply side. In theory suppliers have to compete for demanders of services in a responsive way by offering high quality and cost-effective services.”

Source: de Gier, 2008, p. 380).

There are different fields in which vouchers are practically used to support policy interventions like education, health, innovation (SMEs), etc. This report focusses on vouchers in the field of (active) labour market policy (ALMP) and even inside this policy field there are several different areas of vouchers:

1. **Job subsidy vouchers** (see the Belgian example in part 4.1, below): Employers may get a subsidy (in form of a voucher) in case of the recruitment of a voucher eligible, often disadvantaged person.
2. **Placement voucher** (see the German example in part 4.2, below): A voucher eligible jobseeker may use a private service firm finding a job for him/her and in case of success the voucher is used for the payment of the service of the company.
3. Most relevant in the field of labour market policy: the **Training voucher**. In this case eligible individuals can select among a defined sample of training providers to improve their employability. Usually the providers have to fulfil specific quality standards. (see the Latvian and Italian example in part 4.3/4.4, below)

In case of training vouchers there are different aspects of to be reflected:

- The duration of the support may differ from short term training to long term vocational education.
- Level of education to be supported may be defined as special criteria (on the voucher).
- Training method (on the job, in the classroom, e-learning, etc.)
- Nominal value of the subsidy from the government: This could be a uniform value (= same amount for all users whether the total recovery of the costs or a fixed partial amount thereof) or a differentiated nominal value (f. i. differentiation by income or by specific criteria of participants).
- Finally specific criteria could be established. F. i. a well-known one is the placement rate after finishing training. But it may be also something like

subsidizing of supplementary services like transport cost, equipment, tools, etc.

- Different types of training providers (public schools, private training agencies, etc.)

If we look at practical problems which arise in training contexts, Auer et al. sum up many examples, such as unclear knowledge of training needs, outdated curricula, unsuitable training sites and material, bad training of trainers, low level of private sector involvement, over-educated and qualified unemployed, financial bottlenecks, gender biases, insufficient levels, mismatch between market demand and training, complex and overlapping structure of delivery, insufficient planning and last but not least, the use of lifelong learning as a mere slogan.

(Source: de Gier, 2008, p. 382)

Before the experiences with VS will be discussed in details the theoretical relevance, the pros and cons of such systems shall be shortly introduced.

1.2 The Relevance of Voucher Systems

Establishing vouchers as a systematic instrument of ALMP was a step further of contracting out services of the public service as such. "The main difference between contracting-out and vouchers is the fact that, in the first case, the public purchasers select the training providers, while in the second case, people can select their providers in the market. Furthermore, providers can access the market more easily than in a contracting-out system, where the range of providers is limited by the public purchaser." (Álvarez/López/Vilar (N.Y), p. 9) For some scientists a training voucher system can be used as *the* tool for the privatization of the delivery of employment services. The main arguments used in favour of vouchers are the following²:

- Vouchers are supporting the so-called **activating participation**. Wolter/Messer defined this as "*Greater incentive effect*": "The fact that people can not only claim state-financed continuing education, but are aware that they would actually be forfeiting money due to them by not participating in continuing education, should have the greatest incentive effect for continuing education." (Wolter/Messer (2009), p. 5)

Maximize the consumer choice (selecting a service provider) and therefor utility
Choice: *The voucher system aims to increase personal decision-making in two ways: (a) by subsidising vocational training costs so that more individuals can afford their qualification process, and (b) by giving individuals direct purchasing power to choose providers which best meet their needs. - Source: Álvarez/López/Vilar (N.Y), p. 11*

² See Barnow, (2008), p. 6; Heinrich (2008),p. 2-3; Kruppe (2008); Álvarez/López/MartaVilar (N.Y), p. 9-11; Wolter/Messer (2009), p. 5.

- In the context of **transitional labour markets** voucher systems will enable workers to manage their own transitions adequately (de Gier, 2008, p. 381)
- Vouchers create **competition** among (private) providers of services and may increase performance, respectively efficiency (a so called ‘contestable market’³). Two advantages may be expected: Participants hold the financial means in their own hands and motivate the providers to improve their offers to the needs of their clients. Secondly, this should also encourage providers to organize their offerings as cost-effectively as possible as those looking for courses would to take as much high quality continuing education as possible.
- Vouchers are targeted at specific groups: With vouchers, the **target audience** meriting support can be addressed directly and with minimal administrative effort. This should ensure that the unwanted ‘**deadweight loss effect**’ **could be kept to a minimum** and the efficient use of resources maximised (Wolter/Messer (2009), p. 5)
- Vouchers simplify the **role of the government**: Shift away from government as a kind of monopolistic provider to direct, non-competitive public provision. In that sense vouchers are consistent with the **Principle of Subsidiarity**.

What vouchers are for

“Targeted wage subsidies are tailored to particular groups of unemployed persons and typically granted for a limited period of time. They temporarily reduce a firm’s labour costs for hiring and employing previously unemployed persons and can thus trigger the placement of such persons into jobs. To motivate a firm to hire a particular unemployed person for a particular job, a period of subsidization might prove helpful for several reasons: First, a worker’s skills might not match the requirements of a job, but the mismatch is expected to diminish with training on the job. Second, a period of subsidization reduces an employer’s uncertainty about a job applicant’s productivity and thus serves as a screening instrument. Third, institutional factors such as minimum wages or collectively negotiated wages might drive a wedge between individual productivity and wages. Of course, the longer term effects of the subsidy depend on the issue whether the gap between the expected returns and costs of employment to the firm can be closed during the subsidization period.”

Source: Stephan (2010), p. 53

Of course also contra arguments on the usage of vouchers accompany the development path of the vouchers from its early days:

- Participants may **lack of adequate information** about programs and the labour market. This leads to sub-optimal program choice and may diminish effectiveness and impact of ALMP measures.

³ Markets served by a small number of firms, which are nevertheless characterized by competitive equilibria (and therefore desirable welfare outcomes) because of the existence of potential short-term entrants.

- The **success** of vouchers is deeply depending on the particular and special **environment/circumstances of each program** and the ‘individual information capacity’ (esp. in the field of ALMP; see de Gier, 2008, p. 382 and Álvarez/López/Vilar (N.Y), p. 10)
- Of course as policy induced all interventions (training) vouchers are also on the risk of **producing (negative) indirect** and sometimes unintended **effects** (see Stephan, 2010, p. 55):
 - Reducing relative cost for certain workers and may therefore incur a substitution of more expensive factors of production (such as other workers and capital).
 - Create dead-weight losses (f. i. subsidized persons might have been recruited nonetheless or trainings would have been organized)
 - Some experts expect the use of such subsidies might decrease the incentive to accept an offer for a lower paid unsubsidized job.
- If choice of consumers is good, give people cash instead of coupons

We will come back to these arguments while assessing the in the framework of the overall assessment of the European experiences with voucher systems (see point 5 of this report below – Assessment, Conclusions and Lessons Learned).

2. Historical background of vouchers as an instrument to improve effectiveness of ALMP interventions

There are different ways of subsidizing firms to increase productivity or individuals (increasing employability and productivity of employees) implemented in many countries. This paper focusses on subsidies in form of vouchers within selected European countries. Studying and using relevant lessons learned in these countries shall give the opportunity of improving the recently established voucher-system (VS) in Ukraine. “Because of different designs of wage subsidy schemes and different labor market institutions across countries, however, there is no a priori reason to presume that estimated effects should be similar across countries.” (Stephan, 2010, p. 55) But anyway learning from good practice is a recognized way of improving instruments of (labour market) policy.

Before going in the details of European experiences of (training) voucher systems as instruments of labour market policy we will briefly introduce experiences with VS in developing countries. But we will start with the USA, the home of (educational) vouchers.

2.1 Practices in USA

The policy of New Public Management started its first intervention in the educational sector with the delivery of vouchers for low-income students (see de Gier, 2008, p. 380, and Heinrich, 2008). There had been actions like the SIME-DIME Welfare Experiment of the 1970s (See Barnow 2008 p. 9-16) or the Job Training Partnership Act (FTPA), etc. But may be the first federal labour market training voucher system was introduced in the US in 1998, with the introduction of the Work Investment Act (WIA). “WIA made many significant changes to the way publicly-financed job training services are funded targeted and accessed. It prioritized job placement over training and shifted from targeted low-income populations to universal access to services. Most significantly, WIA replaced contracts to training vendors with a customer held voucher system administered through ‘One-Stop-Career-Centers’ which act as the center of all local employment activity.” (Persson Reilly, 2001) and provided ices like assessment or counselling (see Heinrich, 2008, p.9).

The new approach was based on an evaluation report in 1995 on the economic impacts of employment and training programs which analysed the supply side oriented job training program system. The main finding was that “a ‘one-size-fit all’ approach seemed not to be available” (de Gier, 2008, p. 386). Consequently the Work Investment Act introduced fundamental changes to the structure of the US job training system:

- (1) Reducing the number job training programs
- (2) Improving the coordination of the employment services delivery system,
- (3) Increasing the flexibility for the participants over the type of training and training provider.
- (4) Requiring more accountability of training providers.

As a consequence individual training accounts or training vouchers were introduced and specific performance measures (see Annex 1) had been introduced.

Results, Effectiveness and Impact of the Work Investment Act

Evaluation research on the on the effectiveness and impact of the voucher system within the WIA shows difficulties for long term unemployed using such an individual training accounts-system (which created a reduction of the demand for vouchers).

The empirical evidence on the effectiveness of vouchers in the USA is mixed: ‘Evidence suggests that having the government retain some control improves outcomes.’ (see Barnow, 2008, p. 17, see also Stephan, 2010, p. 53/54). “There are difficulties in accurately measuring provider performance (value-added) pervasive, even where measures are (arguably) clear-cut and widely accepted.” (Heinrich, 2008, p. 24).

Assessment (of the quality of training providers) and counselling on content of training to make a more adequate choice shall be part of the voucher implementation system. But it seems clear “that accountability efforts cannot be left to market choice” (Heinrich, 2008, p. 24). The public administration needs the complex management for results and has to involve learning over time.

2.2 Recent Findings in Developing Countries

The idea of handing over cash-grants or (training-) vouchers is not only a labour market policy tool in developed and transitional countries, it also relevant in developing countries. We will shortly introduce the cases of Kenya and Uganda⁴ because these cases are evidence based and at least partly evaluated. Further using Voucher Systems (VS) in developing countries shows the relevance of the transformation aspect, using experiences in certain countries for developing VS in other countries.

Two impact evaluations recently provide good examples of the new evidence on effective programs to promote skills development. In **Kenya**, the World Bank supported a special voucher program for young adults started in 2008. Among those who received a voucher (worth about \$460), half were given a voucher that could be used only in a public institution, and half could be used in either a public or private vocational training

⁴ The following information is – if not explicitly mentioned - based on WB (2012), WB (2011a) and WB (2011)

institution. In both cases, the voucher (nearly) covered the cost of a public or private vocational program. Among program participants, the average years of schooling was 8.8 years, and only about 24 percent having completed secondary school. 63% of participants were female.

An initial evaluation of the program in Kenya (see Hicks et al, 2011) indicated that offering training vouchers to young adults result in an increase in application for vocational training programs and can be an effective way to give job seekers employable skills. The most relevant results:

- 74% of voucher receivers for vocational training only enrolled in a training, compared with less than four percent of those in the control group.
- Seventy-nine percent of people who received the unrestricted voucher attended a vocational training program, compared with 69 percent of those who received a voucher good only for government-run institutions.
- Cutting the distance to the training facilities can boost enrolment.
- Participants who had not completed secondary school were less likely to drop out than those who had.
- Participants were overly optimistic: They believed that average returns (in the form of earnings) from training were 61 %; in reality, the return would be around 37 %.

The Kenyan voucher program shows that youth will join job training when the costs are covered through vouchers. Hence, voucher programs can boost demand for vocational training and integrating childcare could support program acceptance.

In the case of **Uganda** we talk about a program in which (young) people got cash grants to start a new business or getting trained.

“To qualify, young adults had to organize in groups of 10 to 30 people and submit a proposal for a grant to cover training programs and what tools and materials they needed to run a business. ... plan a business together or each on their own ... While they did have access to a facilitator to help organize, build budgets and apply, ... and there was no formal mechanism of follow-up... Groups were responsible for creating a five-person management committee and doing their own budgeting and ...disbursing the funds and was accountable only to other members of the group... The average grant received was \$7,108 per group, or about \$374 for each group member, ... Nearly 80 percent of those who received the cash transfer enrolled in vocational training, with levels similar for men and women, compared with 17 percent of the control group. The most popular training program was tailoring, followed by carpentry, metalworking and hairdressing. About 13 percent of those who got grants re-enrolled in secondary school, compared with 10 percent of those in the control group.” ... On a per person basis, the grant was 20 times more than young adults were earning in a month. Overall, grants generally ranged from about \$200 to \$450. (WB 2011a)

Within a mid-term evaluation (two years after the start of the program, see Blattman/Fiala/Martinez, 2011) relevant results and significant impacts are stated:

- Applicants were drawn from Uganda's very poor and undereducated: More 25% had not finished primary school and more than 40% had very low income (weekly revenues of about \$4) or job before starting with the program.
- Almost 80 percent of those who received the cash transfer enrolled in vocational training, with levels similar for men and women, compared with 17 percent of the control group. The most popular training program was tailoring, followed by carpentry, metalworking and hairdressing. About 13 percent of those who got grants re-enrolled in secondary school, compared with 10 percent of those in the control group.
- Beneficiaries reported large increases in skilled employment and their incomes. In the constrained credit markets of many developing countries, this impact evaluation shows that in certain circumstances, unsupervised cash grants may be used successfully with poor entrepreneurs.
- Incomes were higher: on average, grant recipients had 50 percent higher net incomes than the members of a control group, and male and female incomes both increased similarly.

2.3 Experiences from the (General) Education Sector

In general the idea of using vouchers (for education processes) goes back to the economist Milton Friedman. He designed a voucher system for education already in 1962 (see de Gier, 2008, p.380). There are many (meta-) analyses on the use of vouchers in the general education systems in Europe and USA (see Dohmen, 2005; Rinne/Uhlendorff/Zhao, 2008a, p.1-3;). The summarized output of these experiences relevant for our discussion on voucher-systems in the field of labour market policy are the following:

- Voucher systems may reduce the dependence of quality-oriented buyers of public education sites
- But an increase in the quality of education and student performance does not necessarily follow
- The selection behaviour of the users of vouchers is less rational than might be suggested by economic theory

Vouchers are very common in the education sector. But vouchers are thus neither clearly better nor worse than other financing instruments. The impact of VS depends on the (structural and financial) framework conditions and the combination with other elements of (education) policy. Within a general evaluation on adult education vouchers in Switzerland Schwerdt et al (2011) suggest "a pessimistic view on the effectiveness of adult education vouchers" (p.17). The estimate shows that receiving a voucher increases the probability to participate in an adult education course in 2006 by 11 percentage

points. This effect is highly significant.” (p. 13). Self-financed and firm financed adult education is positively associated with future employment (p. 15) and “the effects of adult education on future earnings and employment probabilities are stronger for women than for men... are higher for individuals with low education than for individuals with high levels of educational attainments” (p.18) while “individuals with tertiary degrees appear to have above-average pick-up rates, but below-average returns to adult education. By contrast, individuals with vocational training as highest educational degree appear to benefit highly from participation in adult education, although vouchers are less likely to induce them to participate” (p.18).

Using the Swiss Labour Force Survey (SLFS) Wolter/Messer (2009) identified more optimistic results: “In contrast to usual patterns, it was noticeable that the vouchers succeeded in breaking the trend of age-related participation in continuing education. While participation in continuing education usually falls with age, no age effect was observed in the experimental group. *The voucher led to a more even participation in terms of age.* A significantly higher level of participation in continuing education on the part of women was observed in both the experimental and control groups. The vouchers even had the effect of reinforcing this difference in favour of women. A rural-urban pattern with regard to voucher redemption was not observed. Such a pattern could have been expected given that the proximity to continuing education institutions would tend to lead to increased demand for continuing education. Lastly, people in gainful employment made use of the vouchers to a far greater extent than those not in employment. Vouchers therefore tend to have the effect of increasing the difference in participation between those in gainful employment and those not in employment, and hence people with higher incomes are more likely to participate in continuing education. Vouchers accompanied by the offer of advice were not redeemed more than those where no advice was offered.” Vouchers with a low nominal value were redeemed less. (see p. 9) But:” we consider that people who took part in continuing education the previous year are already expected to exhibit a higher level of participation in continuing education” even when vouchers are no longer available (see p.7/8/9/12/13).

3. European Experiences with (Training) Voucher Systems

It is understood that successful experiences/best practices of Europe (including Central European Countries) shall be reflected a basis of assessing the Vouchers System in the Ukraine.

3.1 Best Practice or Good Examples?

The term of best practice is known since the 70s of the last century. One way of improving policies in the EU is for governments to look at what is going on in other EU countries and to see what works best. They can then adopt this 'best practice', adapting it to their own national and local circumstances. There are some examples of definitions of Best Practice in EU context. Just as an example: "... best practices: non-exhaustive set of working methods or model measures which must be considered as the optimal application of the Schengen acquis, it being understood that several best practices are possible for each specific part of Schengen cooperation (see Council of EU, 2002, p. 8).

More and more the term 'best practice' is replaced by 'good practice'. It seems to be important having realistic expectations when seeking a "best practice" because the practice may not be solving problems at all. Because a practice seems to be tailored to a specific policy problem and also based on solid research, it does not necessarily mean it is creating best results. In this study we will use good practice in terms of 'what works' in the context of voucher systems. Good practice solutions need not be best practice, particularly since often can be difficult to determine the best solution. The procedure is to determine good solutions and to use it for improvements. Existing experiences are systematized, compared and assessed. On this basis, it is to be decided what is good practices and what is practical to achieve defined goals. It is As a result usually there are several solutions.

3.2 Criteria for the selection of the Case Analyses

As we have learned almost all EU countries implement kinds of voucher systems (in the frame of active labour market policy). We introduce here examples best practices as defined by the EU itself. Additionally we select examples which had been systematically evaluated or assessed which allows collecting information 'What affects why and at what cost?' In our case it should be assessed furthermore if vouchers have had a positive impact on the opportunities of recipients to improve chances in the labour market. Further, in such analyses additionally the macro-economic effects and unintended side-effects (especially dead-weight losses, substitution or displacement) are checked usually. Such complex processes help to get more information on the net effects or the

actual impact of a labour market policy instrument (see Kluve, et al (2011), Koch, et al (2011)).

A lot of European countries have made experiences with the usage of vouchers as an instrument of (labour market) policy implementation. This fact makes it necessary to select the most relevant countries to be introduced in the report. For this choice it was necessary to develop specific criteria. The following criteria had been used to select the most relevant countries which are using vouchers successfully:

1. **Approved Official Policy:** To be analysed Voucher-System (VS) is a part of the selected countries' Active Labour Market Policy (ALMP), at least on regional level.
2. **Long-term Experience:** There are comparatively long term experiences in using the VS as part of the national ALMP Policy. In the case of VS as a part of ALMP 10 years of practise be assessed here long term experience.
3. **Regular Programs:** The size (for example, the number of cases and the extent of the geographic area of carrying out) and the financial volume of the programs meet the requirements of a regular program (i.e. no pilot action or similar).
4. **Assessment:** The implemented programs were (if available independently) evaluated and adjusted accordingly. Such evaluation preferably include Gender aspects.
5. **Relevant Target Groups:** The target group(s) involved in the programs shall be comparable to the one involved in Ukraine (elderly people 45plus) or at least the programs may be also applicable for the relevant target group of the VS in Ukraine.
6. **Involvement of Employment Services:** The labour administration should possibly be actively involved in the process of implementation of the program or programs.
7. **Possible Transferability:** There is practical experience exchange with other countries and at least the lessons learned drawn out of the European experiences on vouchers should support the option of adapted replication (in Ukraine).
8. **Good Practice:** Cases which are mentioned as best or good practice by the EU (or in EU publications) itself.

The criteria 1 to 4 are necessary criteria for the selection of the countries to be analysed. The additional criteria (5 to 8) need not be met in all cases, but are useful because more similar the selected examples of the countries are with the program of Ukraine, the higher the probability of a successful transfer of its experiences to the Ukraine.

From this base the following countries (in alphabetical order) were selected for the detailed analysis on experiences of voucher systems in the context of ALMP:

1. Belgium

Belgium has a long experience with (service) vouchers in the field of its official ALMP. All programs are extensively evaluated and the results of these assessments

are used to adapt the policy. Although the most relevant Belgian approach is strongly focussed on the job creation in the services sector and the fact that it seems quite expensive it is used in a dialogue with Greece and Latvia as a good example with a high potential for learning lessons for other European countries (possible transferability). Further Belgium is part of the Peer Review process of the European Employment Strategy.

2. Germany

Similar as Belgium the German system of training and placement vouchers is comparatively long tested (started in 2002), systematically and scientifically evaluated and renewed accordingly. The VS has plays a prominent role in the German ALMP and involves both, training and placement aspects. The German Employment Service (ES) supported by the Social Partners is the main agent for the practical implementation (see annex 4, 5 and 6). The German VS includes all relevant target groups of labour market policy. Five Federal States of Germany had experiences of the transition to a market economy. This is a good basis for the transfer of specific know-how to other (transition) countries (of the former Soviet Union). Germany is also part of the Peer Review process of the European Employment Strategy and last not least to mention several Federal States of the Germany implement additionally to the central ES specific additional voucher based training programs in the field of ALMP.

3. Latvia

Latvia includes voucher systems in its labour market policy only since 2011 but the VS is a regular part of the ALMP. Further it was somehow assessed by the World Bank (WB) in 2013 which led to adaptations (resp. discussions on redesigning the VS). The country's labour market structure shows that elderly people (in this case 50 years plus) as the biggest group of the (registered) unemployed persons. Latvia is in dialogue process with Greece and Belgium to improve its VS. Based on the above mentioned WB assessment and the exchange process with other countries Latvia is reforming its VS and piloting an ALMP-project with service aspects (in child-minding). As a FSU-country Latvian experiences may be adequate for transfer to Ukraine.

4. Italy (Trento)

Italy seems relevant because it has a long experience with vouchers nationally and on regional level. Italy developed specific labour market voucher systems and is involved in multi-national supported pilot transfer activity of a voucher System of the Region of 'Trentino-VS' to Western Macedonia (Greece) which also was evaluated and led to general conclusions and recommendations creating a new VS. The Region of Trentino started in 2003 with its VS while the transfer project was

implemented between October 2009 and October 2012. Employed people over 45 were part of the specific categories for the target group.

5. Relevant specific experiences from other European countries (f. i. Bulgaria, Netherlands, Poland and Switzerland) will be added to confirm or to supplement the intelligence provided in most relevant areas, especially if these examples are mentioned as best or good practice by the EU itself.

In **Bulgaria** vouchers for training are applied for training of employed and unemployed. One person is entitled to one voucher for vocational training and one voucher for training in key competencies. The Public Employment Service (PES) provides vouchers. Training institutions are selected by the social partners, which are listed on the website of the PES.

There is more than 20 years of experience in the **Netherlands** with different types of voucher systems including VS as part of the Dutch active labour market policy, especially in form off subsidies for companies hiring long-term unemployed jobseekers. Two voucher programs concerned an annual employer subsidy after hiring a person who had been unemployed for one year. A training program was introduced in the field of active labour market policy and social security in 2004 (individual reintegration agreement). All these regular programs had been evaluated and adapted and are very popular. ES are involved in the implementation of the VS and the Netherlands are active in exchange of experiences (Peer Review Process) with other Europe countries. *Switzerland* is not member of the EU but has quite substantial experiences with voucher systems in adult education. The effects of the educational VS on employment (labour market) are evaluated independently.

The following tabulated overview shall summarize the decisions of country selection:

| Country | BEL | GER | LAT | ITA | BUL | NDL | CH |
|---------------------------------------|-----|-----|-----|-----|-----|-----|-----|
| Criteria for the selection | | | | | | | |
| 1. Official Policy | X | X | X | X | X | X | (X) |
| 2. Long-term Experience | X | X | (X) | (X) | (X) | (X) | (X) |
| 3. Regular Programs | X | X | X | X | X | X | X |
| 4. Assessment | X | X | (X) | X | (-) | X | X |
| 5. Relevant Target Groups | (X) | X | (X) | X | (X) | (X) | (X) |
| 6. Involvement of Employment Services | X | X | X | (X) | X | (X) | (X) |
| 7. Possible Transferability | (X) | (X) | (X) | X | (X) | (X) | (X) |
| 8. Good Practice | X | X | (X) | X | (-) | X | (-) |

Note: X = Criterion fulfilled; (X) = Criterion partly fulfilled; (-) = criterion not fulfilled/no information available

4. The Country Analyses

Employment and vocational training policies are one of the major expenditures in Europe, in particular the support to (further and vocational) training as part of active labour market policies. For this reason, it was attempted to improve these systems with the establishment of training voucher systems. Based on the just above introduced country selection we will now introduce and discuss the above selected relevant and good practices. We will do this in an alphabetical order and start with Belgium.

4.1 Belgium

Belgium had different types of voucher systems as part of its active labour market policy.⁵ In Belgium training vouchers were established for employers (in the Wallon provinces in 1998 and in Flanders in 2002) and for employees (in 2003).

4.1.1 The Employee and Employer Training Voucher of Belgium

The Employer Training Voucher of Belgium gives all employees the opportunity buying annually a voucher which is subsidized by the Government with 50%. The vouchers can be used to cover direct cost for training or career guidance offered by authorized training agencies (quality assurance).

Results, Effectiveness and Impact of the employee and employer training voucher in Belgium

The voucher was a success (figures see annex 2): in 2004 almost 200,000 employees have applied for the program which is limited only by a yearly total budget limit. Evaluations of the program showed that low-skilled (15–16 per cent requests, compared to 28 per cent low-skilled in the total workforce) and elderly workers (11–14 percent of requests by employees over 50 years, compared to 17 per cent elderly workers in the total workforce) had been underrepresented in the program. As a consequence, low skilled workers were made available to the voucher without excess.

Training vouchers for employers allows firms to purchase training vouchers in sets of 10 and they are worth €30 a piece. Costs are shared fifty-fifty by the government and the employers. The vouchers can be redeemed with authorized training agencies. The program is particularly directed at small firms.

This program for the employers has also been a success. Between 2002 and 2005 the number of vouchers purchased rose from 717,251 to 1,482,614 and there was an increase in the number of enterprises from a somewhat over 11,000 up to more than

⁵ The following information is – if other sources are not explicitly mentioned - based on EFSi (2013); Gerard (2013); Gerard/Valsamis (2013); de Gier, (2008); Grumiau (2013); Horlings (2011), and Manoudi (2013).

16,000. However it was figured out that also in this case the dead weight loss is substantial (estimated at up to 80 per cent).

4.1.2 The Service-Voucher-System in Belgium

The most relevant VS in Belgium is the so called “Service-Voucher System’ which started in 2004 offering an alternative to a long time implemented ALMP scheme. The Service-Voucher-System in Belgium is basically a wage subsidy. The targets of this service voucher system can be described shortly as follows:

- Encourage demand and supply of domestic services
- Establish a wage cost subsidy for labour-intensive, low-skilled domestic work (hence create new jobs, especially for low-skilled workers)
- Transform undeclared work to regular jobs
- Facilitate work-life balance for users

The activities paid with service vouchers are carried out by employees working for a specially licensed service voucher company. Workers paid with service vouchers have a normal employment contract, are paid along legal wage scales, contribute to the social security system and are insured against work-related accidents.

To avoid unfair competition with the private sector the government defines a list of activities with private nature for the service vouchers: Inside the user’s home only room cleaning, laundry, ironing, occasional small-scale sewing, meal preparation is a legal service and outside the user’s place of residence the service is limited to household shopping, accompanied transport of people with reduced mobility, ironing (including repairs to the items that are to be ironed).

The main organisation responsible for the Service Voucher Program is the Federal Public Employment Service and its decentred local offices.

The main actors

involved include: the federal government; the Service Vouchers Recognition Commission at the National Employment Office (Office National de l’Emploi/Rijksdienst voor Arbeidsvoorziening, ONEm/RVA); ALE/PWAs (local employment agencies), where service users can register and where they can buy vouchers; the company Accor TRB, which is in charge of the management of the service voucher scheme; temporary work agencies; recognised voucher companies – commercial, social or public; ‘Category A workers’; and ‘Category B workers’. ‘Category A workers’ with a service voucher employment contract, who also receive unemployment or other benefits, are required to work at least a minimum number of hours in the service voucher system and continue to receive income guarantee benefits as long as they are working part time. ‘Category B workers’ cannot claim unemployment benefits while working in the service voucher system and have the right to work only a limited number of hours a week; they are not obliged to accept more work when this is offered by the employer. - Source: Hurlings, 2011

The following figure explains the triangular (employer/user/employees) organisational /structure of the Belgic Service-VS:

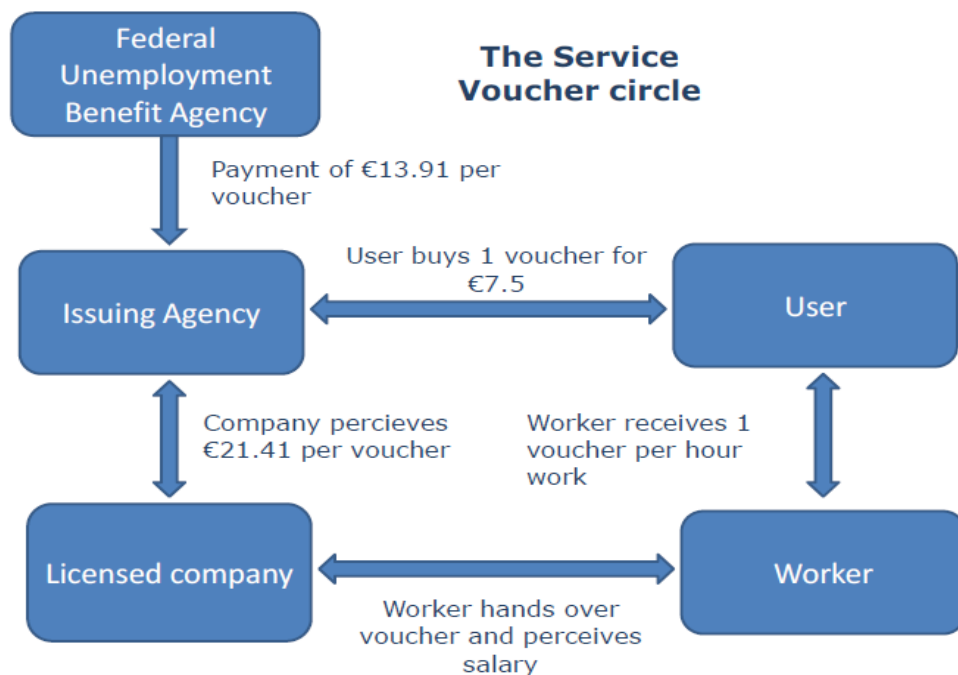


Figure 1 Organisational Structure of the Belgian Service-Voucher
 Source: Gerard (2013)

The voucher system is very popular. In 2011 2,708 companies (=1.2% of all companies) and about 150,000 individual workers (= 4.4% of all employees in Belgium) participated in 164,789 jobs (= 4.7% of all jobs)⁶. Analyses on the profile of the service voucher workers indicate that low-skilled workers (56%) and women (97%) are dominant. The service voucher program backs powerfully to activation of long-term unemployed persons and “has guaranteed jobs of decent quality” (see Gerard/Valsamis, 2013, p.6/7)

How the Belgian Service Voucher works

For every working hour achieved by a service voucher worker, the user will hand over one service voucher to the worker. In 2011, one voucher was priced at 7.5 euro. The worker will give this voucher to the licensed organisation, which will be reimbursed by the issuing agency after submission of the service vouchers (€21.41 in 2011). The issuing agency deposits a fixed amount for each service voucher in favour of the licensed organization. The difference between this amount and the earnings on behalf of the user is paid by the federal Unemployment Benefit Agency to the issuing agency. The price of the voucher and the subsidy per voucher is considered to be sufficient to cover the salary cost (the gross salary including all regular extras like holiday pay and extra-legal compensations) as well as other expenditures, such as the organisation of training sessions, the reimbursement of traffic expenses, insurance costs, and other. On top of this, the issuing agency is being reimbursed by the federal authorities for its expenses to make the system work (administrative support and the printing costs of the vouchers).

⁶ Details on users and company profiles see: Gerard/Valsamis, (2013), p. 3-5, see also EFSi, (2013): p.15.

So in fact, the individual citizen, user of the service vouchers, only pays around 25% of the real cost of the vouchers, amounting to a real price per voucher of €5.25 for the user in 2011. At the very beginning of the system, in order to boost a flying start, the initial price of the vouchers was even lower. Since then, the price has increased several times. Despite these price increases, the net price of a voucher is still under the average cost price for similar work on the undeclared labour market, which ranges between EUR 7.80 and 8.60 per hour.

Source: Gerard/Valsamis, 2013, p. 2/3

Alongside the paper service vouchers, there is also an electronic version. This works in a similar way to the paper ones. Each purchase of service vouchers is added to the user's electronic wallet. When the employee has finished her work for the day in the user's home, she confirms this to her firm via the user's phone (landline or mobile). The call charges are paid by Sodexo. A voicemail server accessible 24/7 records the call. As soon as the firm has validated the data online (at most, 5 days after the work was performed), the individual user can either accept or contest the work times recorded. This can be done by telephone or online within a period of four working days. At the end of that period, the work times are validated. In 2012, about 16% of the service vouchers used were electronic.

Source: Source: Grumiau (2013), p. 11)

Results, Effectiveness and Impact of the Service-Voucher-System in Belgium

The service vouchers have been evaluated eight times. The last evaluation was implemented in July 2012. All these evaluations focused on different aspects:

- The effect on employment of target groups:
- The overall cost of the measure for the government
- The quality of the service voucher employment
- The impact on the employment of users

The most important **results** of the evaluation in 2012⁷:

- The program is a generator of new jobs for target groups. According to the study in 2011, service voucher employment is described by a stronger presence of women (97%), older worker (more than 60% of service voucher workers are aged 30-50 and almost one in five is aged over 50) and low-skilled labourer (almost 60%).
- Transformed undeclared work into regular jobs
- Strict regulation guaranteed a decent quality of work:
 - increasing permanent contracts
 - increasing average salary
 - increasing number of full-time jobs
 - increased trainings
- Facilitates the work-life balance of users

⁷ See Gerard (2013); Gerard/Valsamis (2013), for older evaluations see Harlings, (2011)

Cost of the service voucher system (see also Annex 3 of this report) is comparable high. The gross cost for the Government was about €1.66 billion (in 2011) including expenditures for intervention on voucher, tax cut, administrative cost, etc. But the VS also generates also important direct (reduction of unemployment benefits and increased social contributions and personal income tax for service voucher workers) and indirect (companies income tax and social contributions and taxes by administrative staff) returns. Direct and indirect earn-back effects are estimated around 45% of gross intervention. Hence, the net cost made up 911 million € in 2011. Other indirect earn-back effects (f. i. reduction of unemployment benefits or additional revenues from VAT) further decrease the actual cost.

Impact of service vouchers: Listing the impact of the voucher program we have to note the following:

(1) The direct creation of jobs:

Durable jobs⁸ for the desired target groups as long term unemployed, low-skilled persons, different ethnic groups and even before non-active labour force are included successfully in the program.

Additional Relevant Impact of the Belgian Service Voucher

Increasing the Belgian GDP

The creation of new direct jobs and activities as well as the creation of indirect jobs through the employment of staff workers and the increasing hours of work of users, has undoubtedly also an impact on the Belgian GDP. However, the impact of the service voucher system on the Belgian GDP could not be quantified in the different evaluations.

Facilitating the work-life balance of users

The improvement of work-life balance is one of the most important motives of users to use service vouchers. Demand continues to grow for the service vouchers as is borne out by the continuous increase in the number of registered users. It may be assumed therefore that the service users are pleased with the opportunity to ease some of their workload and improve their work-life balance. This appears also from their high satisfaction concerning the system (96% of users are satisfied about the system).

Source: Source: Gerard/Valsamis, 2013, p. 11

(2) Indirect employment within service voucher companies such as administrative management jobs and last not least the transformation of undeclared work into regular jobs in the cleaning sector was achieved. Additionally to mention the employment hours of the users increased significantly by going back to work or working simply more hours and about 2,700 companies had been created.

⁸ Analysed with criteria like labour contracts, salary, working hours, training aspects and the turnover in the labour system.

The Belgian service voucher approach was part of the Peer Review countries in the Mutual Learning Programme of the European Employment Strategy 2007. The participants generally considered it as effective, but comparatively expensive. As a service sector approach this VS may be relevant for low-skilled jobs and for women. But “the potential for transferability would be limited by factors such as budget constraints and different levels of development of the domestic service market: some countries have little or no tradition of domestic services being conducted for payment by people outside the family” (see Harlings, 2011).

The European Employment Observatory made the following assessment of the Belgium voucher system: “Improvements have also been introduced in the service-voucher system in Belgium, in order to maintain the system’s high employment growth potential. While costly for the government the service voucher system is growing fast and has contributed to the increase in employment in the past two years... In addition, the users of the vouchers have the right to deduce the amount paid from their income, lowering their income tax. The regulation organising the system has been reinforced by a more strict control on the firms and the number of service vouchers allocated to households has reduced.” (EEO 2012, p. 2 and 36).

To summarize the assessment the following table will give an overview on the main Challenges and the Success Factors of the Belgium Service-Voucher as follows:

| Main Challenges and the Success Factors of the Belgium Service-Voucher-System | |
|--|--|
| Challenges | Success Factors/Strengths |
| <p>Insufficient supply of workers is becoming a danger for the voucher system. The fact that more and more migrant workers are involved is a rising concern, because it was not intended importing people from abroad to keep the system alive. The activation of non-active population with intensified training programs might be a solution.</p> | <p>Availability of workforce: The sector of household services is very labour intensive. This has a double edge. It provides the potential of creating many jobs, but it also means it needs a large labour supply. If it does not exist, additional measures must be taken to overcome the labour supply constraints. F. i. free access of foreign workers.</p> |
| <p>Discrepancy between supply and demand of services: Regional labour markets: In regions with low unemployment rates the consumption of service vouchers has been exploding but the offer of workers decreased. And vice versa: in some areas characterised by high unemployment figures the consumption of service voucher has traditionally been low. Some companies receive also additional tax deductions linked to employment measures. As the service voucher job today is more or less a stable</p> | <p>Acceptance of the system by the social partners and other stakeholders, such as trade unions, employers’ organisations, federal and regional governments, political parties, etc., had been actively involved in the development, steering and amendment of the voucher system</p> |

| | |
|--|---|
| job, companies have difficulties to pay the salary of workers without rights for tax deductions. | |
| Inadequate exchange value of service voucher for companies: meaning that the price of the vouchers or of the state subsidy may have to increase even further to make it valuable for companies. 62% of the service voucher companies argue that an exchange value is inadequate to cover all costs. | Involvement of the private sector: Companies must be able to build up a business model that allows them to make profits. This means that adequate price setting of the return value of the voucher for the licensed companies must be constantly monitored. If the system is not viable for companies to thrive it will gradually collapse*. |
| Risks to create more undeclared work: After having enjoyed the voucher system, many households (up to 20%) would switch to the undeclared labour market if the service voucher system would eventually be abolished or the net price increased above the price on the informal economy. | A significant difference in price compared to undeclared labour: By making the voucher cheaper than undeclared labour, the voucher is much more attractive. On the other hand the price of the voucher keeps increasing to sustain the system financially, so the discrepancy with undeclared labour needs continuous follow-up. |
| 'Static' intervention where the participants offer cleaning services do not have various opportunities for personal career development | Some workers accessed management and administrative functions |
| High cost of the VS and (Reduced) Willingness of the government to finance the system | Willingness of the government to finance the system |

The Belgian government has set a purchasing limit of 500 service vouchers per person per calendar year. However, certain categories of user can go above this ceiling: Single-parent families, people with disabilities (and parents of minors with disabilities), and older people in receipt of the assistance benefit can buy up to 2,000 service vouchers per calendar year. The latest adaptation of the Belgium Service Voucher System was commented as follows: "Royal decree - Limiting the Service-Voucher System. Adopted on 20 December 2012, the latest modification is intended to reduce public spending in order to reduce the public debt. In order to reduce the federal intervention from EUR 14.22 to EUR 13.22, the purchase price of the service vouchers has increased from EUR 7.50 to EUR 8.50. In addition, the number of service vouchers per household has been limited, depending on the composition of the household."(EEO, 2013)

“The assessment

of the “Titres-services/Dienstencheques” vouchers scheme is positive. Indeed, all objectives seems to have been achieved concerning workers and users. If services’ quality might not be completely satisfactory, many measures have been implemented to improve it. “Titres-services/Dienstencheques” workers benefit from a full professional status with regular rights and benefits and access to professional trainings. The objective of career prospects has also been achieved as some workers accessed management and administrative functions. Finally, one can said that the objectives of facilitated market entry, quality, sustainability and development perspectives have been met for services providers. However, the objective of market stability has not fully been met, as the system has been regularly modified since its introduction. Thus, the price of the voucher is very close to the price on the undeclared market (as from 1st January 2014, the price will be set at €9 and €10), which remains its main competitor. In addition, the “Titres-services/Dienstencheques” vouchers scheme will be regionalized in 2015 and will thus probably undergo several changes in the coming years. Only the labour law requirement will remain the competence of the Federal government. The Regions will be competent to determine the eligible activities, the price and the professional and vocational training aspects.”

Source: EFSi, 2013

4. 2 Germany

Perhaps the most extensive experience of a training voucher application is the one that has been taking place in Germany, since 2002 (see Álvarez/López/Vilar (N.Y), p. 10). In a nutshell we may describe the ‘German Modell’⁹ as established in the year 2003 in the framework of a broader reform of the whole system of labour market policy and actively supported by the social partners politically and as part of the tri-partite self-government system of the employment services in Germany (see Annex 6) as follows:

The access to further training was up to 2002 largely supply oriented. The planning was done mainly by the Federal Employment Service (FES) together with training providers. The assignment of the participants was a sole decision by FES, as well the quality control was organized by Federal Employment Service and its local offices. From 2003 this changed completely on demand orientation: Local caseworker of the Employment Service can issue training a voucher to unemployed persons. The voucher shall be used within up to 3 months and it defines the educational goal and training duration regionally restricted to daily commuting area. The voucher recipient has the choice to select an accredited provider offering a certified measure.

⁹ For the description of the German Voucher System, see: BA (2012a); BA (2012b); Koch et al (2011), de Gier, (2008), p. 383-385; Kruppe (2008), Rinne/Uhlendorff/Zhao (2008); see also Annex 4, 5, 6, and 7 of this report.

After a two years' inception phase the first real implementation phase started in 2005. The basic idea behind is the integration of the private sector and activation of the job seekers and unemployed for the (re-) integration into the labour market. The inception phase was used to test the effectiveness of the vouchers as labour market policy instruments. Several implementation details had been adapted: F. i. the amount of the transfer payment switched from flexible amounts to fixed amounts and back or the target groups eligible for the voucher was extended from job seekers and unemployed to include also disabled persons.

4.2.1 Placement voucher

To increase competition between governmental and private placement agencies and to promote ownership of the unemployed people the placement voucher allows clients (jobseekers/unemployed, etc.) to select a concrete measure themselves and also commission private placement agencies to support their placement into employment covered by social insurance. If measures take place with an employer, they may not exceed six weeks. Additionally, long-term unemployed persons and young persons with severe placement barriers can participate in industrial placements of up to twelve weeks. Providers can subsequently cash the vouchers at the local public employment services-office after successful placements of jobseekers.

"In Germany, targeted wage subsidies paid to employers are an important instrument of active labor market policy: During 2003, more than 180,000 subsidized jobs were taken up. While the number of entries into the program decreased to 134,000 in 2005, afterwards they increased again, up to around 250,000 in 2007 and 2008."

Source: Stephan, 2010, p. 54

The following figure may give a better overview on the procedures of the placement voucher:

Five steps on the way to redeem a (placement) voucher exchange

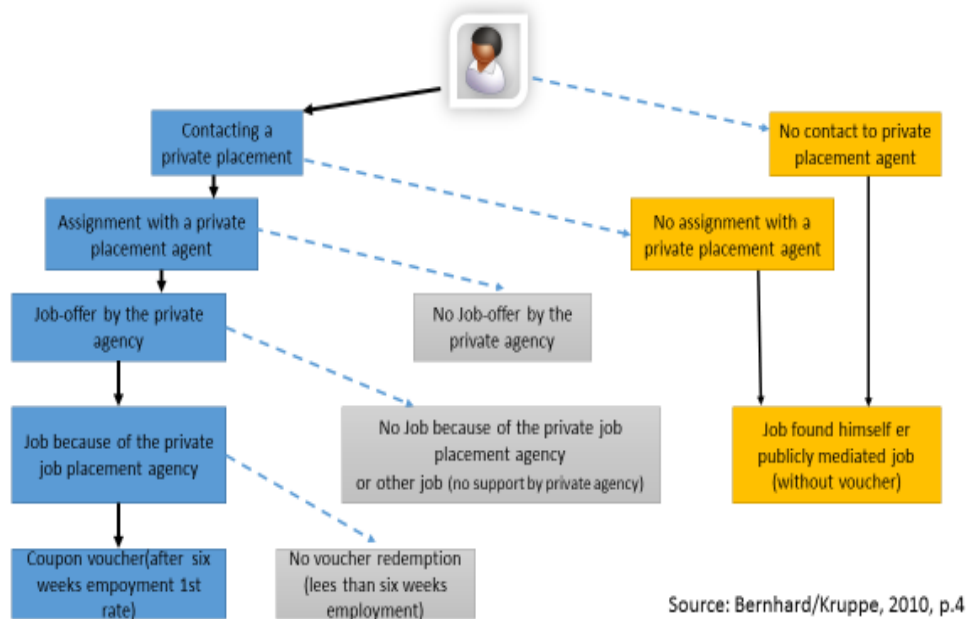


Figure 2 Five steps to redeem a placement voucher in Germany

Results, Effectiveness and Impact of the activation and placement voucher

Afterwards the results of the (still ongoing) evaluations on this instrument are briefly introduced (see Bernhard/Kruppe (2010); Koch et al (2011); p.2/3; Kruppe (2008); Rinne/Uhlendorff/Zhao; (2008a), p. 78 Völter (2008)):

- During the investigation period (2004-2007) less than 10% of those who receipt a voucher used it actually, that is redeemed it for a real placement. Additionally there are drop outs during the implementation of using a voucher¹⁰. Consequently the placement voucher was quantitatively of less importance.
- The effectiveness on employment opportunities was positive (between 2003 and 2005): 100 vouchers issued make 5-6 additional placements. Consequently the relevance of participation of private job placement agencies lies rather in the fact of increasing the capacities of placement activities as such.
- The beneficiaries were mainly unemployed persons with a short duration of unemployment and with a higher employability factor. This positive selection has intensified during the years of implementation. Voucher holders who have completed vocational training have to find the best opportunities for a job¹¹.

¹⁰ After six weeks of working 15% and after six months about 42% of the participants dropped out. Additionally there cases of misuse of vouchers. In reverse, also have a greater number of participants keep used the vouchers successfully finding a job for at least more than six months.

¹¹ Higher educated had a lower probability of finding a new job than persons with completed vocational training.

- The users of the voucher were mainly male and comparatively young (high share of persons younger than 25 years). Older persons (50plus) had been underrepresented. Additionally it was figured out that even for women and persons older than 50 years who redeemed a voucher the probability of getting a job did not increase.
- But those women and elderly who had been placed within the voucher-program had found a relatively stable employment.¹²
- It seems there is risk of dead weight losses: The misuse-rate was about 7%, if dead weight losses are included. About 20% of the user gave information that they found the job themselves (means with no support by the private agent. Furthermore, there are suspicions on substitution effects. The additional employments of the voucher recipients made it more difficult for a minor part of the non-recipients of vouchers finding a way out of unemployment. The number of receivers decreased between 2007 and 2012 (see BA, 2013, p. 73-75, and 120, 122-125)
- While minimum standards for the providers are established, an accreditation and certification process for placement agents is still under discussion only. Such a process is very complex and no cost-benefit-analysis is available. Hence, the placement voucher has an upper limit for the gratification of the providers, but no quality control.

4.2.2 Promotion of further vocational training/ training voucher

Jobseekers who are registered unemployed for at least three months or other jobseekers are entitled. A placement voucher, containing all details for the required training, remains valid for three months and can in principle be renewed after three months. The jobseeker has full freedom to select the private training provider (details see Annex 4). In the voucher system training providers have to be certified in advance on the basis of a quality management system. In this context accreditation of certification institutes is a public task and certification of training institutes and training measures is implemented through private companies (after DIN EN ISO 17021, for an overview see Annex 5)

If further vocational training must be used to eliminate or decrease individual qualification deficits, then the determination of alienation from employment can in the future also include periods of unemployment, family leave or care of relatives. The promotion of employees from contribution funds of the insured community is continued and expanded. In addition to the current regulation, there will be the possibility, limited to approximately three years, to promote also 45-year-olds and younger persons in small- and medium-sized companies (small- and medium-sized companies with less than 250 employees) by absorbing costs for further training if the employer provides a minimum of 50 percent of the training costs (more details see Annex 8). When

¹² Checked during the valuation as still in work after a support period of 6 months see Bernhard/Kruppe, (2010), p. 7.

promoting older employees in small- and medium-sized companies, the costs of further training are now no longer absorbed in total but only in part. Issuing a training voucher can be waived for promotion of employees. In addition to the training voucher, the legal sphere of SGB II¹³ will also provide the possibility to obtain measures for the promotion of further vocational training if an appropriate required measure is not locally available.

Results, Effectiveness and Impact of the promotion of further vocational training/ training voucher (see Koch et al (2011), p. 3-4, de Gier (2008), p.384), Kruppe (2008)

The establishment of the new VS was associated with the introduction of a results-based success rate: 70% of the participants of a training measure must be placed on a job (at least 6 months after the completion of the training.¹⁴ Training vouchers define the educational goal (quality assurance) and the duration of the training courses, but there is no upper limit for the cost of a training course defined. Only the total budget (of the FES respectively the decentred budget of a local Employment service) limits the expenditures. If such a procedure encourages competition among providers is questionable and opens space for dead weight losses.

Older evaluations found serious information asymmetries in particular for the long term unemployed and the low-qualified jobseekers. About one fifth of all vouchers remained unused at the time of the first evaluation. This is partly caused by the fact that the public employment services are not allowed to provide more specific information about the training providers to the job seekers. Low educated persons are least likely using such training vouchers compared to clients with better/higher education (lack of information and mental overload for low educated).

Further there seems to be a sort of unequal distribution of providers. This is due to the fact that in some regions and in particular in rural areas there are only very few providers available. It seems possible that big training providers profit much more from the program than small providers. Around 15% of the redeemed training vouchers expired¹⁵. There was no significant difference between men and women. People with no qualification or with an intermediate secondary qualification and no recognized vocational qualification are both, less likely to receipt a voucher and less likely to redeem a voucher.

A certification system for training provider is established. But it is still an open question, if the expected advantages of such a system – more competition, better quality of service and improved individual responsibility of the clients – outweigh the high cost of such a complex system.

All in all positive results are assessed within further training and other qualification measures. Although there is a 'lock-in-effect of such trainings (delaying the effectiveness

¹³ German Social Code II governs basic security for Job seekers in the Federal Republic of Germany

¹⁴ If a provider fails frequently to hit this target the company may lose its accreditation.

¹⁵ This is compared to the figures of the placement voucher quite a good result.

of the measurement) increase the opportunities for employment of only about 10%. The selection effect seems also very limited (see Rinne/Uhlendorff/Zhao, 2008a)

4.2.3 The Training Cheque in North-Rhine-Westphalia (Germany)

Germany as federal republic has additionally developed some VS on the level of the Federal States. Afterwards we will introduce and discuss the VS program of the biggest federal state of Germany, North-Rhine-Westphalia (NRW). The specific demographic development in Germany (mainly low birth rates) created a need to adapt an increasing share of older employees to new requirements of the labour market. One reaction encountering this development in NRW¹⁶ was starting a VS called “Training Cheque”¹⁷. Training Cheques were given to companies or to individual employees.

Companies eligible for the program must be SMEs (with up to of 250 employees¹⁸), bear half of the cost of the training, and can pool a maximum of 20 training cheques per year. Individual employees may have two vouchers per year and may also additionally participate in (max. 2) trainings their employer offers subsidized by the program. The vouchers covers up to 50% of the training cost but there is a maximum amount which is regularly adapted by the responsible Ministry of Labour, Health and Social Affairs of NRW. The remaining 50% have to be covered by the company or by the employees privately. The latter mentioned receive a personal counselling offered by a network of regional counselling centres.

There only few training programs not eligible for the Training Cheque program¹⁹ and the cheques are issued by the over 250 counselling centres, which are associated with institutions of adult education, trade and industry chambers, technology centres, or even religious organizations. The centres are selected under the frame work of the regionalised labour market policy of NRW on regional level. Some of the counselling centres are training providers themselves. To guarantee neutrality of counselling they have to offer their clients at least three comparable training providers for subsidized trainings. There is also an option for online consultation.

The responsible Ministry developed criteria for the admission of training providers which also contributes to the quality assurance of the promoted trainings. The counselling centres receive for each consultation – which takes in average about 30

¹⁶ Supported by the EU (EU-Objective 2 ‘Regional Competiveness and Employment in the promotion period 2007-2013) and financially co-financed by the European Social Fund (ESF).

¹⁷ The information on this Training Cheque is based on Muth, 2008 and from the website of the Organisation for Innovative Employment Promotion (GIB)/NRW:
<https://www.esf.nrw.de/Bildungsscheck.do;jsessionid=D41CBE126753ADC05DBD663A77A0BE01?chan geNavi=16>

¹⁸ Employee includes, wages or salary recipients, part-timers, employees on maternity or parental leave, family workers and working owners with a start-up no longer than five years ago. Even employees of subordinated companies may participate. Not eligible are unemployed. Employees of the civil service or receiver of unemployment benefits.

¹⁹ F. i. training programs that are required by law for companies, driving license, training programs serving recreation, entertainment, private housekeeping, sports, arts, etc.

minutes - a fixed amount of money for company and individual counselling from the federal state of NRW. The staff of the centres is specially trained for this work.

Results, Effectiveness and Impact of the NRW Training Cheque program

A special governmental owned consulting company (GIB/NRW) is organizing the monitoring and evaluation of the training cheque program. Regularly the numbers of participants, fields of training, funding application, age, nationality, vocational qualification of the participants, gender aspects, etc. are observed²⁰. The program is very popular. There is a high participation rate of women: in total over 60% and among the individual access to the program almost 70% are women (in 2009).

Evaluations showed

- Individual access to the program is used more by workers with an inferior employment situation.
- Public promotion and consultation enhances employees to participate.
- Participants are satisfied with the trainings.
- But a certain amount of cheques is not cashed-in (only 30% during the evaluation period) and the majority of users are well educated (only 3.5% of participants had no vocational training in 2009 but about 30% finished a higher/tertiary education)
- Elderly employees (50+) are the minor part of using the program (f. i. between 14 and 16% only in 2009)
- The chance of receiving decentred counselling service on the program seems to be the key factor of the success. It gives orientation for the participants and it also prevents misuse to a certain amount.
- Also the opportunity of having two ways to join the program (via company or individually) helps to integrate employees with an insecure employment situation.
- Further the simple procedures of participation (decentred decisions by issuing the cheque) is also very supporting the high participation rates.

4.2.4 The German Voucher System today

The results of the evaluations and the limited success identified had been used to develop a new voucher system²¹ (starting finally in 2013). The placement budget of the Federal Employment Service thus offers broad choice in promoting individual employment or training prospects to provide assistance. Hence, placement and advisory staff of the local ES look at each case individually assessing the necessary type of assistance.

²⁰ Data on impact (like company competitiveness or worker employability) are not available. Dead weight losses are estimated between 9 and 14%, but a real quantification is not available.

²¹ Additional to mention Germany also offer special service vouchers, f. i. for low paid jobs the so called 'Mini-Job' and many local service systems, f. i. the day-care-voucher in Hamburg. (see EFSi, 2013, p. 21-22)

Activation and vocational integration measures

Training place seekers, job seekers at risk of unemployment and unemployed people can be provided with support in the form of activation and vocational integration measures designed to improve their integration prospects. The measures can be used to assess a person's readiness and ability to work, to identify, alleviate and reduce obstacles to their entering the labour market, to place them in an employment relationship in which they pay compulsory contributions, assist them in becoming self-employed or stabilise their employment prospects.

Costs of taking part in the measures are paid for up to a reasonable amount. Unemployment benefit continues to be paid if the person is entitled to it.

The duration of the measures provided must be commensurate with their purpose and content. The measures may also be provided by employers, either in whole or in part, up to a maximum period of six weeks.

Participation is proposed or approved by the local employment agency. The employment agency can commission providers to carry out measures directly or issue the entitled person with an activation and placement voucher. The decision is made by the employment agency based on the aptitude and personal circumstances of the entitled individual and the measures available in the local area.

The activation and placement voucher states the objective of the measure and the course content required to achieve it. Voucher holders are free to choose among approved providers and approved measures. In some circumstances, unemployed persons are entitled to an activation and placement voucher allowing them to use a private job placement service at the employment agency's expense. Vouchers are surrendered to the provider, who settles the costs directly with the employment agency.

Source: BMAS, 2014, p. 18

Today there is a more or less unified training and placement voucher the so called "Activation and placement voucher" with the following core features:

- There is a legal background for the AVGS in Germany.²²
- All registered (receiver of unemployment benefits) and able-bodied unemployed have a legal entitlement after a waiting period of 6 weeks after registering as unemployed.
- Other jobseekers can get a voucher at the discretion of the caseworker of the ES and the range of eligible activities is very large:
 - Introduction to the training and labour market (selection to an approved measure from an approved provider)
 - Reduction or removal of placement obstacles/barriers
 - Introduction to the self-employment
 - Placement in a regular job assisted by a private job placement agent²³
 - Training on the job/internships to improve employability

²² See: Social Code III, § 45,7

²³ Performance-related remuneration only!

- The Federal Employment Services covers a unified amount of the transfer payment which may increase for long term unemployed and disabled persons.²⁴
- The transfer sum is delivered to the employer in two instalment payments: 50% after 6 weeks of employment and the rest after 6 months of employment.
- Only accredited provider can offer authorized measures²⁵

There are two opportunities to be an eligible persons for the AVGS: Firstly, any unemployed person receiving unemployment benefits has a legal claim after waiting six weeks unemployment (within the last 2 months before registering in the ES). In addition there is a claim at discretion for all other job seekers, self-employed, people with the risk of unemployment (return to work, university graduates, etc.).

In case of selecting private placement agencies (contracting out) the following conditions are relevant: After successful placement the private placement agent has to submit to ES the official form of request for the remuneration, including the original voucher, a confirmation by the employer²⁶, copy of his business registration and since 2013 the certification as a private job placement agency.

Performance Standards

Yearly agreement on objectives between ministry of labour and federal employment agency about objectives in the means tested benefit system. Performance indicators are

- + Sum of benefits paid to recipients
- + Share of customers integrated into work
- + Share of young customers integrated into work or education
- + Processing time for new claims
- + Cost per integration
- + Number of long-term recipients

Source: Völter, (2008)

Providers of training have to be accredited (for an overview of the accreditation and certification process see Annex 5). The responsible Ministry for Labour and Social Affairs published a Special Accreditation and Licensing Regulation and so called 'Specialist Departments' (fachkundige Stellen) give guidance and decide on the admission of institutions. All information and all necessary forms are also available online. This is a very complex process (overview see Annex 5). In 2012 there had been

²⁴ Today 2000.- € per case and up to 2500.- € for unemployed and disabled persons. Average cost for trainings and placement measurements are published on a specific website. They are annually adapted. If the specific trainings exceeds the average cost the responsible ES has to be asked for approval in advance.

²⁵ In 2012 there had been about 5000 accredited educational or labor market service providers in Germany! The accreditation and certification system is complex, see Littig, (2012); p. 12

²⁶ Remuneration for a placement depends on some conditions: 1. The job must be insurance employment of at least 15 hours per week for a minimum period of three months; 2. during the four years prior to the announcement of being unemployed the jobseeker must not have been working at the employer longer than three months (exception: disabled persons) 3. 50 % of the remuneration will be paid after six weeks working time and the rest after 6 months continuously working.

about 5,000 accredited training provider and labour market service agencies in Germany. All together ca. 93,000 measurements had been certified! (see Littig, 2012)

| Main Challenges and the Success Factors of the German-Voucher-System | |
|---|--|
| Challenges | Success Factors/Strengths |
| Stronger integration or rural areas in the implementation of the VS | Tri-partite (government plus social partners) self-governing system of the Employment Services makes it easier finding consent with social partners and other stakeholders. |
| Stronger involvement and participation of low skilled persons in the VS | There is a long tradition of ALMP in Germany and an open culture for establishment of innovative instruments. |
| Partially relevant Dead Weight Losses within the VS | Establishment of the voucher system in the framework of a broad reform of the labour market policy |
| A relevant Quality Control System is still not fully established. There is up to yet no cost-benefit analysis. | Strong Employment Services (an insurance based system) and established relevant research institutions for M+E processes makes it easier to develop new active labour market policy instruments like voucher systems. |

The European Employment Observatory stated the following assessment: “Finally, a voucher system has been introduced for vocational training measures for the unemployed. This is expected to adapt measures to individual needs and improve the quality of training services. Unemployment benefit recipients are entitled to receive this voucher six weeks after the start of benefit payments. PES staff have a positive view on this measure (IAB 2012b). It is, however, not clear whether this voucher will be equally taken-up by the different groups of unemployed”. (see EEO, 2012, p. 10)

Subsequent to the German approaches the good practice of Latvia will be presented and discussed.

4.3 Latvia

The Latvian voucher programme started in in 2009 with Training vouchers for employed with reduced working hours²⁷. In 2011 the use of vouchers was extended to the vocational training area. It includes both, training of all unemployed and lifelong learning programmes for employees who are at risk of unemployment. Today the VS is used in four areas of intervention:

- (1) Vocational training, requalification, qualification improvement and non-formal training
- (2) Lifelong learning programs for adults
- (3) Training vouchers for employed with reduced working hours
- (4) Training for the unemployed with unfinished tertiary education

The number of older unemployed people (50+)

is steadily increasing and is almost four times higher than the number of unemployed young people (38 thousand compared to 11 thousand). The average duration of unemployment of registered unemployed who are older than 45 is more than 20 months, while the duration of unemployment for unemployed under the age of 30 is less than a year. State Employment Agency statistics show that more than a half (61.6%) of unemployed young people (aged 15-24) duration of unemployment doesn't exceed 6 months...

The largest age group of registered unemployed is 50-54 years (16% of all unemployed). The share of unemployed aged 50 years and more comprises 36% (increasing trend comparing to the previous years) and young unemployed aged 15-24 years – 10% (decreasing trend comparing to the previous years)... Commonly unemployed person may be characterized as a person: without profession, previously being in profession with low qualifications required, in the age group of 50 years and more or aged 15-24 years respectively.

Source: MWRL, 2013, p. 7 and 9

The VS of Latvia shows the following characteristics: Eligible participants are receiving financial support during training²⁸ and the participating training companies and programmes have to be certified. The Employment service offers unemployed people information on the labour market situation, the quality of providers, and guidance on training aspects.

²⁷ The following is – – if other sources are not explicitly mentioned – based on Manoudi (2013), MWRL (2013/2012/2011/2010), Ribakova (2013), and Zvidrina (2013)

²⁸ Of LVL 70 (EUR 100) per month (in 2013)

The employment policy priorities

of Latvia involve increasing labour demand and this is mainly pursued by taking steps to reduce labour taxation, combat undeclared work, offering both direct and indirect support to start ups and measures to reduce red tape.

“Strengthening of labour supply is also required and this depends on change of the demographic situation (ageing, birth rate, and migration), the level of economic activity of the population and the qualification and skills of the labour force.

Last but not least, better matching of labour supply and demand will involve improved labour market monitoring, career counselling, partnerships including the local level, registration of vacancies/ skills profiles of job seekers, and enhanced regional mobility.

Some key target groups facing challenges include the long-term unemployed who are in danger of falling into inactivity and poverty, the unemployed over 50 years of age and youth unemployment. For Latvia, the key to reducing unemployment lies in helping young people return to education, ensuring appropriate lifelong learning provision, offering incentives for regional mobility and carrying out more effective profiling, to help those hard to reach. In 2012-2013, 42 % of ALMP funding was devoted to training measures and another 32% in public works. Using voucher schemes for training is one step toward helping the target groups above get training that will eventually secure them a job.”

Source: Manoudi, 2013

The training areas themselves are set based on a rigorous analysis of SEA and other sources by a Training Council, which is composed by representatives from the Ministry of Welfare, government institutions, especially the Employment Services and the social partners. If necessary inputs from experts are used additionally to decide on the training courses to be supported²⁹. Training companies could be private or public owned. There are developed criteria for the licensed programmes etc.

There different types of training measures with different length of training programs offered by the VS:

1. Continuing vocational training to acquire vocational qualification

- 1st qualification level – 480 hours programs
- 2nd qualification level – 480 and 640 hours programs
- 3d qualification level – 960/1120/1280 hours programs
- Vocational qualification assessment and certificate

2. Vocational development training to reach vocational proficiency:

- 160 and 320 hours programs
- Vocational development certificate

²⁹ An overview on the mechanisms for the identification of training areas see Annex 9

3. Non-formal training:

1 to 2 months long programmes

Document certifying knowledge, skills and competencies gained

4. On-the-job training and training on employer's request is organized in any demanded profession.

Within the whole process the Latvian State Employment Agency (SEA) is the main stakeholder in this process and cooperates intensively with relevant training providers. SEA partners are selected by executing public procurement processes. Hence, all of the relevant education authorities have licensed and accredited vocational or non-formal training programmes. A potential participant can even propose training provider he/she prefers, but which is not a listed organisation. In this case SEA does a single procurement process. Simple or low-skilled occupations are excluded from the list of training programmes.

The figure below gives an overview on the structure of the implementation of the voucher system in Latvia.

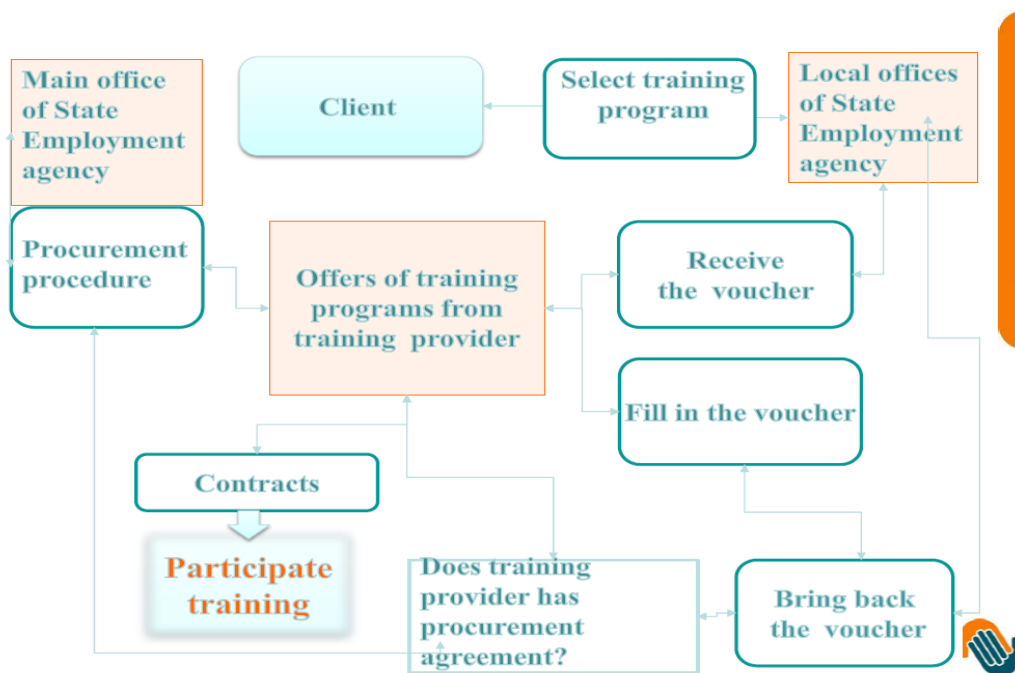


Figure 3: Overview on the structure of the implementation of the voucher system in Latvia
Source: Ribakova (2011)

If an employer could not find an appropriate employee in the labour market, he may request the SEA to select and train unemployed persons for him. If so, the employer is responsible for providing on-the-job training and is obliged to provide a workplace after the training is finished. The following additional expenses are also covered from the state budget: wage supplements for supervisors during on-the-job training, training or

working place adaptation for persons with special needs, involvement of different experts, such as assistants, silent language experts etc.

Social care, project management, security work, accounting and forklift driving are the most popular training programs in the vocational development and vocational training programs (some more details see Annex 9).

*“Recently Latvia started with **new pilot project** for the provision of child-minding services through the use of vouchers. The pilot project aims to promote declared work, promote the return of parents to work and the provision of quality childcare to parents who cannot find a place in public childcare centres. The project experiments with providing vouchers for child-minding services in the child’s home, in the child-minder’s home or outside the home and sets requirements for the skills that child-minders should possess to be included in the register of child-minders created by the Ministry of Welfare.”*

Source: Manoudi, (2013), see also Ivanov, 2013

Lifelong learning programmes for adults (launched in the middle of 2010) – training programmes for employed aged 25 years and more. A particular training programme is chosen by a person in close cooperation with career consultant. After that, maximum 250 LVL (356 EUR)) training voucher is issued and the SEA covers 90% of its value. If the training programme’s costs exceed 250 LVL, a person may compensate a difference by itself, although, vulnerable groups of employed, such as persons with special needs, at a pre-retirement age or poor, also those with 2 children and more, are released from a 10% starting fee.

Source: MWRL (2013), p.11

Latvia is steadily working on further development of the voucher system (see MWRL, 2013, p. 15/16).

Results, Effectiveness and Impact of the Training Voucher Program in Latvia

A systematic evaluation is not done up to yet. The SEA implements the monitoring. The after training job placement rates are in the range 18-40% and they differ significantly regionally. Based on that the following main challenges and success factors of the Latvian VS can be stated:

| Main Challenges and the Success Factors of the Voucher-System in Latvia | |
|--|---|
| Challenges | Success Factors/Strengths |
| Primary challenge facing the system includes oversubscription (addressed by co-financing by training participants and improved profiling of the potential trainees) | Clients have an opportunity to choose an educational institution independently |
| Paying training providers for performing and only rather for providing/completing their services (to be addressed by | The involved education institutions have licensed and accredited vocational or non-formal training programmes. A |

| | |
|---|--|
| performance-related pay). | potential participant can even propose training provider he/she prefers, but which is not a listed organisation. In this case SEA does a single procurement process. Simple or low-skilled occupations are excluded from the list of training programmes |
| Regional differences: for instance, the usage of the online system of available trainings (support to manage the waiting list of clients or to evaluate the training to reduce inspection visits). | The VS promotes competition among training providers and hence encourages training providers to improve the quality of their services. |
| Degressive financial support of EU may in the mid-term create concerns for keeping programs and instruments on the same level as today. | The system also discourages 'creaming' ³⁰ since training institutions have less of a say on who receives training. This allows the PES to better target training measures to the low-skilled. |

Recently the following adaptations had been introduced: "Latvia [13.7.c.Apr13] – Law adopted 26 February 2013 - More targeted involvement in lifelong learning. The target groups eligible to receive full ESF voucher funding for participation in lifelong learning programmes have been amended. Previously full funding was available to everyone over 25. Under the new rules full funding will be available to all over 45 (which is regarded as the most at risk of unemployment age group) and to selected sub-groups of disadvantaged people in the 25-44 age group. Other people will be required to provide 30% self-financing. Consistent with the NRP 2012 commitment 'Implementing effective active labour market and education policies'. Budget of EUR 4.5 million to implement the project in 2013 and 2014." (EEO, 2013, p. 112)

... while voucher systems have been implemented by a number of regions, their use has been rather limited and, as a result, they have still not developed sufficiently to be considered as a primary training channel. The system therefore needs to be expanded to include relatively more advantageous access and financing conditions for the priority targets identified in accordance with their territorial, sector and professional contexts. For marginal worker categories, the voucher system should be supported by appropriate measures and incentives to promote access to the system and maximise its benefits, so as not to limit the use of this instrument solely to more dynamic workers, three years for example.

Source: Croce/Montanino (2007):p. 147

³⁰ Creaming effect, by which only persons with high employment probabilities are selected into the program, hence only the most employable among the participants (here voucher recipients) are able to access jobs through policy intervention.

4. 4 Trento/Italy

The voucher experience started in Italy in 1998 and it has widened to cover almost all the national territory, especially in using vouchers in the general education and health sector. Early evaluations showed a successful implementation in several regions (see Investing in people (2008), p. 8-17). Promoting female participation in the labour market through vouchers a baby-sitting services in the eleven months following the end of compulsory maternity leave is offered in Italy (see EEO (2012), p. 16).³¹

Based on several surveys the Autonomous Province of Trento has developed a training voucher system³² with co-funding from the European Social Fund (ESF) in the framework of the development of lifelong learning systems. This VS achieved positive results from 2003 to 2008 when over 36000 training vouchers were issued or a total of 2,510 courses. It was possible boosting the access to the training system for target groups that would be difficult to identify with traditional training offers. The improvement of linguistic and computer skills (foreign languages and Information Computer Technology/ICT) for people living in the region, aged between 16 and 64 was the objective of the program making its citizens more competitive in the labour market. Publicly listed training offers including over 300 language courses, as well as over 450 computer courses stimulated attendance also of those parts of the population living in remote areas of the province.

The Trento voucher system was founded on a preparatory phase (need analysis and goal setting) and an operational phase (selection of training providers, the development of a training catalogue, application forms and training delivery as well as voucher advertising A final phase involved the evaluation of the activity carried out.

Preparatory phase

The VS of the Province of Trento was based on a special report which is periodically prepared to assess the territory's socio-economic situation. The last report, written before vouchers were introduced, showed the need of a voucher system paying particular attention to foreign languages and IT courses. The Province decided to give priority to specific groups:

- individuals at risk of social exclusion³³
- **employed people over 45**
- individuals with low qualifications
- **women**

³¹ For some other examples of service vouchers see Annex 11

³² The following input is – if other sources are not explicitly mentioned – based on Álvarez/López/MartaVilar (N.Y); Investing in people (2008); TAV (2009), and TAV (2009a)

³³ Such as alcoholics, immigrants, prisoners and former prisoners, the unemployed, individuals with physical and mental disabilities, individuals belonging to ethnic minorities, nomadic people, the HIV-positive and former prostitutes.

Operational phase

- Public call for offers in order to select the training courses and providers.
- Based on that an official catalogue containing the ICT and foreign languages offers was prepared. This catalogue was available in online electronic and paper format.
- Additionally an advertising campaign through the most relevant media of the territory was carried out, and the catalogues were handed out all over the province.
- The general eleven local guidance and training services of the province had been used to offer specific guidance service about the training courses and support by filling the specific application form.
- Once selected, a voucher consisting of three different tear sheets was handed over: One part has to be delivered to the local service responsible for the voucher and second part has to be brought to the training provider, formalizing the commitment. The last part is for the receiver who can use the voucher in-between six to attend any course included in the catalogue.
- Every month, the Province elaborates a list with the names of voucher beneficiaries.
- The training provider will invoice its service to the Province after finishing the course³⁴.

Results, Effectiveness and Impact of the Training Voucher Program in Trento/Italy

An assessment and evaluation of the voucher system in Trento was made two years after it was introduced to investigate the levels of satisfaction of the beneficiaries. In 2005, a phone call survey was carried out with a sample of more than 5000 of the voucher system and finally.

The levels of satisfaction with the voucher system were positive:

- 64% of the people interviewed were very satisfied with the voucher system in general.
- 95% of the people interviewed declared being very or quite satisfied considering the course valid and refundable.
- Regarding achievement of personal goals,
 - more than 40% of the interviewees declared the courses totally fulfilled their expectations,
 - 46% stated the trainings have sufficiently achieved the goals and
 - 15% declared having scarcely or not at all fulfilled their goals.
- About 60% of the participants were able to use the skills acquired during the courses in their personal activities and hobbies, while 37% of them declared they used them on the job. Among those who declared using the skills acquired at work, more 80% uses training knowledge, but only a few managed to change jobs completely.

³⁴ Specific predefined commitments must be complied. F. i., courses can be activated only with a minimum of 6 participants and participants must attend at least 70% of the total amount of training hours.

The following table summarizes the strengths and weaknesses/challenges of the voucher system in Trent/Italy:

| Main Challenges and the Success Factors of the Voucher-System in Trento/Italy | |
|--|--|
| Challenges | Success Factors/Strengths |
| Low Flexibility: Procedures had been to strictly if it was necessary changing parts of the system in reality, by reducing the number of unused vouchers as well as adapting the waiting lists, with especially with training vouchers and courses in remote areas | Help for beginners: The participation of members of the population never had been involved in training before |
| The active involvement of training providers , improving the openness and quality of courses could have been better. | Involvement of citizens living in peripheral areas of Trento Province |
| The participation-rate of voucher receivers using the opportunity of making users more responsible for the quality of providers and courses | Not only does it consider training aspects but also a wider vocational guidance of the people involved |
| The starting of the payment system for vouchers | Cost efficiency: thanks to the used voucher system, the public authority was able to save ca. 50% of resources compared with courses that do not use vouchers |
| To extend vouchers to other fields than IT and languages | A clear management of public resources (citizens do not receive money but a voucher). |
| Different resources on financial support and level of organisation of the administration between the two regions involved in the transfer process. | The quality of the tested model made it possible to start a transfer project in cooperation with the Macedonia region in Greece and produce a tested model for voucher system transfer actions. ('good practice/best practices'; see TAV (2009), p. 4-6) |

4.4.1 The transfer of the Trento Voucher System to Macedonia/Greece

The results of the VS in Trento made it possible to start the so called TAV project, which intended to transfer the Trentino training voucher system to Western Macedonia (Greece). Supported by international expertise from three other countries) the transfer process was divided in different phases:

a) Preparation phase (of the transfer model and tools

This phase included a local needs analysis and based on that the setting of the (project) transfer objective. Finally a pilot measure was implemented, which tested the training voucher system to a target group of about 100 potential trainees from 18 to 64 years. The different locations of the trainees and the representation of different profiles were

taken into consideration. Hence, potential trainees were selected according to the following criteria:

- educational level (min. end of basic studies)
- age from 18 to 64
- at least 30% of the pilot participants have to be unemployed
- and at least 40% of the involved voucher receiver had been female.

b) Operational phase

A special tender in order to ask local training providers to submit course proposals was conducted. The proposals were assessed by an expert panel and selected in order to create the training courses catalogue. To the needs of an evaluation five training providers were identified from across the region.

Citizens were informed through the regional media (TV, newspaper, radio and electronic media as well the invitation was disseminated to regional training providers).

c) The kick-off phase

In particular the following activities were carried out:

- Development of an application form
- Making of a database to gather applications
- System for the collection of application forms
- Voucher delivery

d) Evaluation

An assessment/evaluation of the pilot experience was carried out in form of a survey. The main outcomes of the survey were:

- Vouchers are an accepted way of performing a training programme because they offer beneficiaries the chance to better address their real training needs.
- They should be broadly carried out in regions e.g. as part of the general planning of training programmes but
- they may have the effect to discourage non-professional training providers
- The VS should be opened to a larger number of training providers, including universities, research institutes, technical and vocational schools etc.
- It is necessary to check the quality of the services.

Special attention was paid to all the constituent aspects (training vouchers, catalogue of training opportunities and guidance services), since they are part of an integrated mechanism. The TAV project tested if the transfer of a voucher system is adaptable to other countries or regions. (conclusions and lessons learned out of that experience see part 5 below). The final output of the transfer process was the development of European

Guidelines for the development of mechanisms /tools supporting the establishment of training voucher systems (see Annex 12).

4. 5 Relevant Experiences in other European Countries

Additionally to the above deeply discussed voucher systems of European countries we will introduce other relevant country experiences in this part of the report.

4.5.1 Bulgaria

In 2009, as per Government Decree No. 251, training vouchers were introduced in Bulgaria³⁵ as a new mechanism to fund adult training. It is a measure

- intended to improve the access to continuing VET and training to acquire key competences,
- aimed to increase the personal motivation of the labour force to acquire further qualification.
- to encourages professional development and career.
- supporting mobility and diversify of employment opportunities.
- which enables individuals to decide themselves on the type of training and the training institution

The following objectives are to be achieved:

- Growth of the labour supply and the improvement of the quality of the labour force.
- Increase of investment in the human capital through better and more accessible training.
- Better options for personal development of individuals on the labour market.

In Bulgaria training vouchers are funded by means of the EU Operational Program (OP) “Human Resources Development 2007–2013” and are applied for training of employed and unemployed people. The voucher for training has the status as a banknote with nominal value (in BGN) in accordance to the training entitling the holder to attend a training. The Employment Agency (Public Employment Service) is the sole provider of vouchers for training for acquiring professional vocational qualification (acquisition of 1st, 2nd and 3rd degree of professional /qualification) or training for key competences. The relevant list of professions for Vocational Education and Training is approved by the Minister of Education, Youth and Science. Training institutions are selected by the social partners and a list of training providers is published on websites the Employment Agency. Vouchers records, including vouchers that have been ruined, damaged or lost are also published on NEA’s website as well as recognized training providers.

³⁵ The following input is – if other sources are not explicitly mentioned – based on Dimitrova (N. Y.); Modernising (2012)

A voucher receiver chooses the training provider from the list, which is updated each month. Voucher receiver can take an educational institution from the list, contact them and obtain information from relevant training institutions about professions/ specialties or key competences trainings, offices and locations where trainings will be carried out. One person is entitled to one voucher for vocational training and one voucher for training in key competencies only once. All vouchers in Bulgaria are fully funded and there is no obligatory requirement for co-financing by individuals or employers as in many other European countries.

The nominal value of the voucher depends on the type and duration of the selected training. For vocational training,

- the value of the vouchers is about 300 EUR for trainings for the 1st degree of professional qualification acquisition (with a duration of no less than 300 hours) and
- 900 EUR for trainings for the third level of professional qualification (lasting at least 960 hours).

Training for key competences,

- F. i. in “Native Language” key competence (with a duration of no less than 16 hours) the subsidy is about 35 EUR for training and 350 EUR for foreign language training (lasting not less than 300 hours and three levels of training).

Officially recognized and listed training institutions must meet certain criteria:

- no terminated contracts relating to the disbursement of the state budget or Community budget funds
- no outstanding debts to the state budget
- not to be in a bankruptcy or liquidation process
- they are equipped with adequate training facilities – owned or rented within the locality in which the training will be delivered.
- The providers must offer recognized training programmes and they are officially allowed to deliver trainings under the VET act and have a license for training the relevant profession/specialty.

Vouchers must enclose

- the name of the voucher bearer,
- the type of training,
- the name of the selected educational institution,
- the value,
- the expiration date depending on the training type, date and stamp.

People submit training vouchers and afterwards they are enrolled in training. Training Vouchers cannot

- be transferred to other persons or

- used for joining other courses,
- exchanged for cash, or for other services besides the training (specifically described in the voucher),
- used for attending trainings provided by other training institutions that are not included in the official list.

Results, Effectiveness and Impact of the Training Voucher Program in Bulgaria

No systematic assessment or evaluation is available for the four schemes implemented up to yet:

- (1) The "*I can*" scheme – for employees' vocational training and/or key competences: In 2010 – 8,574 unemployed people attended these kind of trainings, while in 2011 there were already 15,256 through vouchers. Placement rate after training: In 2010 in 1,836 unemployed people found a job and in 2011 the cumulated figure was 18,846:.
- (2) The "*Development*" scheme (for the unemployed only): training to acquire or enhance professional qualifications for people who are out of work because a company was restructured or closed down, or because of forced short term work as production was partially reduced. In 2010, 792 employees joined trainings through vouchers, in 2011 – 692.
- (3) The "*Adaptation*" scheme – for vocational training of employees (full time or part-time): A monthly stipend is provided during the training, but for a period of six months maximum. In 2010, 39,051 voucher receiver and in 2011 – 18,237 attended the trainings through vouchers.
- (4) The "*I can do more*" scheme started in 2011: It shall enable all employees and self-employed people to be enrolled in courses for professional qualifications, foreign language or digital skills acquisition, in order to increase their employability and/or create new career development opportunities. During a two-year period (June 2011-Mai 2013) 48,117 persons attended trainings by vouchers in 2010, and 59,529 people in 2011.

All in all there is a trend to give preference to training in key competences (53% from the vouchers), especially computer and language training. 47% of participants chose for vocational training. "This trend can be explained by the increased demand by the employers in recent years of labour force which has key competences in the professional profile. On the other hand, acquiring computer and language skills facilitate access to foreign and digital sources of information, which helps increase people's mobility to learn and work." (Modernising (2012), p. 40)

Risks

"Social experimentation/innovation was initially supported by the ESF both in terms of bringing services to places where they did not exist and working with new target groups

but also in the strong sense of the term innovation. Some new approaches and practices that did not exist in Bulgaria were introduced primarily with EU funding or at least with significant EU contribution. We can mention the programmes ... qualification programmes for employed persons based on a voucher system ... among other examples. The main risk with all these programmes was that the initial promise was that after being piloted with EU support they would become part of national employment policies.

Instead with the coming of the economic crisis, the opposite happened. Some core activities from the National Employment Plan were shifted to ESF funding, which effectively limits the resource available for innovation. The scope of some successful active employment programmes will not be increased in foreseeable future and their sustainability will not be guaranteed.”

Source: CEPS, 2013

4.5.2 Netherlands

There is more than 20 years of experience in the Netherlands³⁶ with different types of voucher systems in health care, in the field of education and in the area of reintegration of disabled or handicapped workers and practice with vouchers in the case of active labour market policies, especially in form off subsidies for companies hiring long-term unemployed jobseekers.

Two *voucher programs* (the so called Melkert-2 program and the VLW) concerned an annual employer subsidy after hiring a person on benefits who had been unemployed for one year. The objective of both voucher programs was to make specific job seekers more attractive to companies.

Although it is not a real training program the *Individual Reintegration Agreement* was introduced in the field of active labour market policy and social security in 2004. The individual reintegration agreement is offered for unemployed or disabled persons. The subsidy is up to a maximum amount of money with private providers which were selected by the social security administration. The intention of this voucher program is to enlarge choices on behalf of clients and at the same time to stimulate tailor-made support by the providers. They are paid in two parts: The first 50 per cent is paid to the provider at the beginning and the second 50 per cent only after successful placement.

Since of 2010, service voucher systems to people entitled to social benefits are being experimented under the name of “Alfachèques” in several municipalities like in the Netherlands. With such vouchers (one voucher of €12.80 can be exchanged against one hour of domestic work), beneficiaries can receive service from a so called ‘Alpha worker’. The voucher receivers may need to pay a contribution per voucher according to their level of income. Hence, municipalities can gain €5 to €6 per hour instead of services in kind. These vouchers provide better control for the municipalities by

³⁶ The remarks on the case of Netherlands are based on de Gier (2008) and EFSi (2013)

guaranteeing the vouchers can only be used to pay for services of Alpha workers. But: “If the “Alfachèques” experiment seems to have reach its objectives in terms of transparency, availability, accessibility, choice and affordability, the fact that its beneficiaries must prove afterwards how they spent their “personal budget”, leads to more administrative burden for both users and public authorities. In addition, Alpha workers do not benefit from regular rights and benefits.” (EFSi, 2013, p. 26)

Additionally to mention there is a special voucher program called ‘Dutch Innovation Vouchers Program’ (see Roper, 2008 and de Gier, 2008). The objective of the program is to introduce or connect SMEs with public research institutes. This is not a training voucher program but some lessons learned may be relevant VS in the area of labour market training. The following aspects may be relevant:

- The availability of vouchers was advertised widely in many print media
- The (six) eligibility criteria had been very simple and vouchers are awarded to all firms meeting the criteria. If the number of applications exceeds the number of vouchers available then these are allocated by lottery to eligible countries
- Pooling of vouchers is possible: two or more firms can pool their vouchers to make bigger projects possible³⁷.

Results, Effectiveness and Impact of the activation and placement voucher

An early evaluation (in 2000) of the Melkert-2 and VLW showed the incidence of a rather high dead weight losses (f. i. 48 per cent in case of Melkert-2). But the compared to other active labour market measures operated at the time, the two voucher programs were less expensive and also showed better results on private sector employment.

Evaluation research shows that jobseekers receiving an unemployment benefit use individual reintegration agreement frequently and there is evidence that - compared to the regular reintegration guidance the individual reintegration agreement motivates providers to pay more attention to the individual needs of their clients.

“In 2008 there were about 40,000 individual reintegration agreements and the individual reintegration agreement is more effective with respect to reintegration than the more regular guidance. Around one fifth of all vouchers resulted in reintegration on the labour market between January 2005 and July 2005. The score is 1.2 to 1.8 better for the disabled workers than in case of the regular non voucher guidance, and 1.1 to 1.4 better for the unemployed job seekers.”

De Gier, 2008, p. 387

³⁷ This option is also part of the training cheque approach of Northern-Rhine-Westphalia, see above part 4.2 of this report.

4.5.3 Poland

Poland also will jump deeper in the field of ALMP-VS. The Ministry of Labour and Social Policy offered a new ALMP-program called 'Young people on the Labour Market'. It comprises a package of measures across all labour market institutions for young people (under 30) who are registering within a labour office for the first time. The objective of the Programme is to support for young people - including graduates - during the transfer process on the labour market. There are a number of actions including improving information, guidance and advice to young people, improving employment services for young people and provide support to help young people gain professional qualifications.

The new instruments will be tested by the pilot phase. The services include:

- individual tutor support
- so called 'promise of activation young unemployed' including internship vouchers,
- training vouchers,
- vouchers for vocational training or post-secondary education,
- vouchers for postgraduate education,
- vouchers for employers hiring graduates and re-settlement subsidies.

The actions proposed in the programme are assessed as relevant, ambitious and credible. The budgetary provision of PLN 120 million (around EUR 29 million) has been secured, which guarantees adequate funding for the pilot programme. (EEO (2012), p. 25)

4.5.4 Switzerland

In Switzerland there are also manifold experiences with voucher systems, f. i. the Training Check in the canton of Geneva³⁸, Here the so called 'Chèque Service' is introduced because this approach although similar to the Belgic service voucher (see above part 4.1) has a specific focus on the employment situation of women and the reduction of undeclared work, and mostly relevant, it is a low-cost VS.

From the very begin in 2001 it was oriented on the integration of target groups who traditionally participate only to a small extent on training (can), i. e., in particular women, part-time workers and low-skilled workers to facilitate access to the education market or even enable and counteract imbalances on the labour market. Since 2008 the authorities have delegated the management (Cheque service) of the VS to a private (social) enterprise, so called fiduciary, a go-between who receives a deposit from an instructing client and is empowered to place it on the client's behalf. It enables an

³⁸ The remarks on the case of Switzerland are mainly based on Dohmen, te al (2007) and Grumiau (2013)

employer to contribute to the social insurance for people providing the services within the employer's house (housekeeping, gardening, guarding etc.).

The system has four aims:

(1) Making things simpler for the employers by declaring, on their behalf, their domestic workers' wages to the compulsory social insurance schemes (the employers could complete these formalities themselves, but the complexity of the Swiss social security system makes it difficult to cope with)

(2) Advising individual private employers on employment relationships and social insurance for their domestic workers

(3) Promoting the social protection of domestic workers

(4) Promoting transparent employment relationships.

Source: Grumiau (2013), p. 19

How it operates

The private individual employer and the employee must together register officially with the Cheque Service. As soon a complete set of documents is presented, the Chèque service sends the employer the book of vouchers used to declare the wages and an invoice for a quarterly advance on the charges to be paid (based on the employer's and employee's mutually produced estimation of the planned number of working-hours).

Every month, the employer sends a wage declaration, signed by both parties, that shows the number of hours actually worked. Chèque service then determines the social insurance contributions, invoices them to the employer and transfers them to the relevant social insurances.

*PRO, the **private firm that manages Chèque service**, is under a duty of confidentiality concerning the data provided by its members. It simply transmits these data to the Cantonal Occupational Insurance Fund in order to ensure the registration and transfer of its clients' social insurance contributions. It is not required to check if the employees' presence in Switzerland is authorized and, even if it becomes aware of situations of clandestinity, it does not reveal them to the immigration authorities.*

So people in irregular situations who are employed under the Chèque service scheme are not at risk of being denounced to the authorities, who could deport them. Just like other wage earners, they benefit from the various types of insurance contracted via the scheme (child and maternity benefits, pensions etc.) – except for unemployment benefits, which are restricted to people who are legally employable in Switzerland. Unemployment insurance contributions are obligatory for all wage-earners, whether in a regular situation or not, but those who are in an irregular situation cannot benefit from this coverage if they lose their job.

Source: Grumiau (2013), p. 22

Results, Effectiveness and Impact of the Geneva Chèque Service

No specific evaluation of the Geneva Chèque Service VS is available. For the defined target groups (groups of people who participate less in training) 8,027 training vouchers had been issued to 5,850 persons during the first four years after the introduction of training vouchers. This corresponds to a rate of just under 6% of the population of the Canton of Geneva. Annually the individual employer receives a final annual calculation and the employee's wage certificate.

50% of the contracts correspond to the regional average wage. The majority of the contracts are for part time jobs: 64% up to 4 hours per week (but the employee may accumulate several contracts), while only 5% are for work times of more than 22 hours a week. There is an ongoing increase of people involved in this VS: "At 25 June 2012, Chèque service was managing 4,885 active contracts for 4,670 employers. For 96% of these contracts, the employee is a woman. Most of the contracts are for housework and child-minding." (Grumiau (2013), p. 19).

There are no official figures on the amount of people in irregular situations who are employed under the Chèque service scheme in Geneva. Estimations stating that about 25% of these employees are clandestine. Because in this VS there are no public financial subsidies offered, this VS is inexpensive.

5. Assessment, Conclusions and Lessons Learned

Within this chapter we will evaluate the above discussed experiences in three steps. We begin with an overall-assessment of the analyses, including the reflection if practice in the real world has confirmed the theoretically assumed pros or the cons in this context. Next will be answering the questions what conclusions should be drawn based on these findings. Finally relevant lessons learned shall be introduced.

5.1 Voucher Systems in Practice: An Overall Assessment

Coming back to the above (see part 1) introduced pros and cons on using voucher systems in the field of labour market policy we can summarize the following:

Pro VS arguments:

Vouchers are supporting the so-called **activating participation**. Practice shows using VS creates quantitative and qualitative improvements: it enables workers to manage their own transitions adequately. The effect of activation increases the shorter the distance is to reach the relevant (training) venues for the possible participants. This is confirmed in several evaluations and assessments (Belgium, Kenya, Latvia, Uganda...). Hence, there seems to be a structural deficit for people living in rural areas. There are less service providers and the effort which must be operated to participate is much higher for the recipients of vouchers. But it is in fact possible to make VS adapted to rural areas (see example of Trento/Italy). Further, people who took part in voucher based continuing education tend to a higher level of participation even when vouchers are no longer available.

Target audience meriting support can be addressed directly and with minimal administrative effort. It is possible to describe the target groups with high hit accuracy (as part of the funding conditions or the eligibility criteria). But if vouchers simplify the **role of the government** in the sense that sense vouchers are consistent with the **Principle of Subsidiarity** is still an open question: The USA-practises and Kenyan and Ugandan evaluations may confirm this aspect, but there is no real proof on it.

Cons on VS:

Indeed specific participants **lack of adequate information** on the opportunities to use vouchers. This so called 'Information Asymmetry' among recipients, esp. in case of low- or no-skilled users or (long) unemployed people leads to limited take up rates among long term unemployed (f. i. in Germany, Switzerland and USA). Consequently, the **success** of vouchers is deeply depending on the particular and special

environment/circumstances of each program and the information capacity of individuals.

Of course as policy induced all interventions (training) vouchers are also on the risk of **producing (negative) indirect** and sometimes unintended **effects** (see Stephan, 2010, p. 55). People in gainful employment used the vouchers much more intensive than people with no jobs, hence vouchers may increase the differences between people in employment and unemployed (see especially the cases of Belgium and Switzerland).

Of course there are still open questions:

It seems that research found no clear answer on the query if 'deadweight loss effect' will be reduced or not in case of taking VS in the field of ALMP. There is still a (high) risk of dead weight losses (see above the evaluated examples of Belgium, Germany and Netherlands). In Switzerland "the deadweight loss effect rises massively with the level of education and reaches almost 90% in people with a university education." (see Wolter/Messer, 2009, p. 10). Further there is no real proof up to yet if vouchers create **additional competition among (private) service providers** and there is no evidence that giving people cash instead of coupons will be an effective and efficient alternative.

Empirical studies on **vouchers and placement rate** show mixed results: "Turning to the few results from social experiments on subsidy vouchers, Burtless (1985) found that unemployed persons with a voucher were less likely to find employment than job-seekers without vouchers. However, Dubin and Rivers (1993) obtained an increased probability of reemployment for the treated groups, when taking self-selection into account for voucher usage." (Stephan, 2010, p. 56 and 65) To a smaller amount this is also true for Germany (and to some extent also for Trento/Italy) where especially employment effects for older people (50plus) based on the usage of a special placement voucher haven't had the expected success. More generally related to job placement aspects it was figured out within the Trentino (Italy) and Swiss experiences that: "... there was a clear tendency towards IT and language courses on the part of voucher recipients. As such, vouchers served to satisfy a demand, particularly in the first course category that could certainly be considered desirable. Furthermore, in terms of IT courses, it was possible to observe that the voucher succeeded in correcting the otherwise age-related demand in **favour of older participants.**" (Wolter/Messer, 2009, p. 11)

Increase of job placement and income is (preliminarily) confirmed for the cases of Kenya and Uganda only. It seems there is no gender gap taking vouchers as instruments for active labour market policy or voucher had the effect reinforcing this difference in favour of women. (see cases in Belgium, Kenya, Switzerland, Uganda, and USA).

5.2 Conclusions

It looks like that voucher systems are per se not clearly better or worse than other financial instruments used for labour market policy. But its impact depends on structural and financial circumstances and specific well targeted approaches. There is no ideal voucher system for all needs, no 'one-size-fits-all' solution. Different design variants cause that you cannot talk about *the* effects of vouchers. It seems that always the particular conditions and specific design features must be considered. (see Dohmen, (2005); p.5). "Given the mixed results of the practical experiences with voucher systems in various countries it is not easy to conclude in a definite and undisputable way about its significance for active labour market policy for both individual employees and employers." (see de Gier; (2008); p. 388).

This appears not to be something unexpected, but taking into account this conclusion gives orientation in two directions: First, Ukraine has to go its own way in reforming the practised VS. Secondly, there is also no consistence in empirical evidence on VS analyses. Consequently decisions on the reform of the Ukraine-VS have to be decided by practitioners, social partners and politicians in reflection and weighing of the pro and cons introduced above, based on experiences with good practices in other countries or regions.

*Many governments would be capable of developing systems of this kind in other countries and **adapting them to their national contexts**. The existence of a partner on the employer side is vital to the development of social dialogue, although the Geneva example does show that it is possible, at least initially, to develop a service voucher system without the employers' being represented by an association.*

Source: Source: Grumiau (2013), p. 25

The demand for vouchers is depending on the level of the **nominal value** of the voucher. It should not fall below a certain level. Such a level depends of course on specific (local, regional, or national) circumstances and has to be defined carefully reflecting such conditions. Given the fact that people who once made a vocational training supported by a voucher, develop a readiness without a government subsidy to make a further training, the restriction of the multiple use of vouchers in Ukraine seems to be reasonable, but may be adapted if target groups and content of measurements may change as the output of a policy reform.

Related to the to the **target groups** it seems essential to design the VS precisely: "A characterization of the complier population shows, however, that predominately individuals with higher levels of educational attainment take up the voucher option to participate in adult education... These findings are relevant for guiding policies that try to promote adult education by voucher programs. The results cast strong doubt that voucher programs that are neither *targeted at specific groups* nor *restricted to specific uses* are effective in improving labor market outcomes." (Schwerdt et al (2011), p. 20)

On the other hand: “Our results suggest that *individuals with lower levels of educational attainment might benefit more* from voucher-induced adult education. A specifically *designed and targeted voucher program* might, therefore, potentially generate larger effects on subsequent labor market success.” Schwerdt et al (2011), p. 21

Voucher systems can provide an effective tool to **achieve specific objectives**. The implementation of a particular system can have a significant impact on the results achieved. This will depend on the target population, on the type of service or training supported, on the providers engaged and on the subjects covered, as well as on the needs, circumstances and motivation of the individuals engaged (see Álvarez/López/Vilar (N.Y), p. 11)

Further to notice, VS can additionally to individuals also be **targeted to firms**, especially SMEs and self-employed people. If companies can reach out for vouchers for their employees they can pool it (see Trainingscheck in NRW/ example in Germany)

Risks of VS increase with the involvement of private firms or (training) providers. Hence, to increase the efficiency of VS it is very helpful to describe the expected services clearly and accepting only qualified providers of services. Consequently **accreditation** criteria (for institutions) and **certification** criteria (for the quality aspect of the services, f. i. trainings) of such have to be developed carefully. The complexity of the establishment and further development of a voucher system makes it necessary to monitor and review the VS regularly (by independent persons or institutions if possible). Measuring of effectiveness and value added through vouchers is resource-consuming. To reduce of negative impact of dead weight losses it is necessary to define the target groups exactly and establish a **monitoring** and independent accreditation, certification and **evaluation** system. This is usually resource consuming and expensive.

That’s why **governments** should still play a major role in the process of using VS for active labour market policy measures. Using vouchers could not bel left only to the market.

Related to wage effects we can summarize as follows: “It seems that wage effects of wage subsidies seem to hinge crucially on the design of the subsidy scheme and on the institutional setting.” (Stephan, 2010, p. 64).

5.3 Lessons learned

The construction process of VS is **time consuming**. Even in very ALMP experienced societies with good developed social systems it took many years building up a sophisticated VS. Establishment phases (or inception or build up phases) created uncertainty among providers (of training-services) involved in the implementation of VS. Not least, the potential users need a starting time: Usually during the first years of a VS substantial amounts of allocated vouchers remained unused.

It is understood, that the regional environment, the organization and quality as well as the participant structure are relevant factors influencing the effectiveness of voucher systems. A necessary **balance between** the tight **control** and the (de-centralized) deployment **flexibility** in the implementation needs to be found. The **degree of discretion** of the individual caseworker in the employment services or other relevant organisations plays a major role in the success of the development and expansion of voucher systems in the field of active labour market policy measures.

Although there are some exceptions (see the part 4.2.3, above) the established **Employment Services** are usually the main organisations responsible for the organisation, implementation and monitoring of VS, even if private sector agents are involved. (f. i. Belgium; Bulgaria, Germany, Latvia or Netherlands). Usually there is a close cooperation with responsible line-ministries like ministry of labour or ministry of education. Further a close cooperation with the social partners (and other relevant stakeholders) increases the probability of success.

VS are complex and challenge the **case-workers** (within the Employment Services and other process involved organisations) in its implementation, especially in counselling and decisions on eligibility. A comprehensive **further training system for relevant staff** and an adequate transition management should be secured. But it also is possible to extent the frame of involved counselling organisations by taking (additionally) already existing (private) counselling centres or even training providers themselves as implementing agents of VS. To guarantee neutrality of counselling training providers should offer their clients a certain number of alternative training providers. If private sector is involved in counselling activities this service must be paid, f. i. by a fixed amount per consultation. Another option for information (and even counselling) is also **online information** and/or consultation (of course in different forms in more or less all countries).

Vouchers increase its effectiveness and impact, if they are related to specifically **defined needs or target groups**. "These findings – together with the evidence on heterogeneous effects – might explain the low estimates of average labour market returns of voucher-induced adult education, as it points to a highly selective use of the voucher ... The evidence on heterogeneous effects suggests, however, that individuals with lower levels of educational attainment gain the most from adult education. In particular, individuals with vocational training appear to largely benefit from voucher-induced adult education, but this group is under-represented in the group of compliers." Schwerdt et al (2011), p. 19.

Integration of women, long term unemployed, older workers and low skilled people is most successfully in service sector if vouchers are used for training or job-placement. Service Sector VS offer good opportunities on job placement (even job creation, see the Belgian and the Swiss/Geneva example) but very limited opportunities for personal career development.

Vouchers may be more effective if they are restricted to

- particular occupations
- occupations for which participant has shown appropriate talent and interest
- in how much tuition is covered
- providers that meet certain criteria in terms of quality of training
- a results-based success rate: XX% of the participants of a training measure must be placed on a job (f. i. at least 6 months after the completion of the training)

Unintended side-effects cannot be completely avoided. And, there is a dilemma: The closer vouchers are connected to workplace related implementation, the higher is the risk of dead weight losses and substitution effects. Independent of space and time it appears to be such that using vouchers for labour market policy implementation is highly desirable, but it needs (at least in the mid-term) to be accompanied by complex *monitoring and evaluation systems*, and hence, expensive *accreditation and certification processes* to guarantee price and quality assurance. Such a process is very complex and needs a cost-benefit-analysis before starting it because it is an open question, if the expected advantages of a voucher system outweigh the high cost of such a complex system. As a consequence of such a policy of monitoring the conditions of VS may be adjusted regularly. But with growing differentiation of the instruments and the need for regulation and thus the administrative costs increase (Dohmen, 2005; p. 13)

In case of **the transfer of a voucher system** experience shows that such a transfer is possible. Of course under specific circumstances and conditions:

- It is easier to implement in case of using “a model that already has years of experience”. The European guidelines developed within the transfer process from Trento (Italy) to Macedonia (Greece) can give orientation to structure such a process successfully.
- One needs tangible - descriptions, examples, suggestions - and in-tangible - coaching, supervision and feedback - elements. The successful implementation of such a transfer needs “essentially human relations based on commitment, mutual respect and motivation”.
- Finally the transfer process covers five dimensions (cultural, political, economic, organizational and human resources), which all are to be considered during the implementation. (see Álvarez/López/Vilar (N.Y), p. 19-23)

Of course there are limits for such a transfer: F. i. the Belgian Service Voucher is attractive for the integration of women and low skilled people in the labour market, but the potential for transferability is limited by factors as budget constraints and different levels of tradition of domestic services.

Part II. Recommendations for Ukraine

1. Voucher Systems in Practice: a Short Summary

Before we shortly introduce the situation of the practical implementation of the VS in Ukraine we will summarize the experience on using voucher systems in the field of labour market policy³⁹:

Vouchers are supporting the so-called activating participation: it shall enable workers or unemployed people to manage their own transitions adequately. This effect increases the shorter the distance is to reach the relevant (training) venues for the possible participants. There seems to be a structural deficit for people living in rural areas. There are less service providers and the effort which must be operated to participate is much higher. Further, people who took part in voucher based continuing education tend to a higher level of participation even when vouchers are no longer available.

Target audience: It is easily possible to describe the target groups with high hit accuracy (as part of the funding conditions or the eligibility criteria). But if vouchers simplify the role of the government in the sense that vouchers are consistent with the Principle of Subsidiarity is still an open question. Indeed specific participants, esp. low- or no-skilled users or (long-term) unemployed people lack of adequate information on the opportunities to use vouchers (Information Asymmetry'). This leads to limited take up rates and consequently, the success of vouchers is deeply depending on the particular and special environment/circumstances of each program and the information capacity of individuals. Of course as policy induced, all interventions like (training) vouchers are also on the risk of producing (negative) indirect and/or unintended effects: People in gainful employment used the vouchers much more intensive than people with no jobs.

Of course there are still questions not finally answered by the in part 1 of the study analysed research: It seems that research found no clear answer on the query if 'deadweight loss effects' will be reduced or not in case of taking VS in the field of active labour market policy (ALMP). Further there is no real proof up to yet if vouchers create additional competition among (private) service providers, and there is no evidence that giving people cash instead of coupons will be an effective and efficient alternative. Empirical studies on vouchers and placement rate show mixed results: Some researchers found that unemployed persons with a voucher were less likely to find employment than job-seekers without vouchers. Others obtained an increased probability of reemployment. Increase of job placement and income is (preliminarily)

³⁹ Details see: Voucher System in Ukraine. A rapid Assessment (part 1); 16.10.2014; Presented by Wolfgang Schwegler-Rohmeis, M. A. on behalf of UNDP Ukraine

confirmed in some case-studies. Last not least, it seems there is no gender gap taking vouchers as instruments for active labour market policy or voucher had the effect reinforcing this difference in favour of women.

We may conclude that voucher systems are per se not clearly better or worse than other financial instruments used for labour market policy. But its impact depends on particular structural and financial circumstances and specific well targeted approaches. There is no ideal voucher system for all needs, no 'one-size-fits-all' solution.

The demand for vouchers is depending on the level of the nominal value of the voucher which depends of course on specific (local, regional, or national) circumstances. Related to the target groups it seems essential to design the VS precisely but on the other hand we know that individuals with lower levels of educational attainment may need special information and incentives to join the opportunities VS can give. Important to notice, VS can additionally to individuals also be targeted to firms, especially SMEs and self-employed people. If companies can reach out for vouchers for their employees they can pool it. And, to increase the efficiency of VS it is very helpful to describe the expected services clearly and accepting only qualified providers of services. Consequently accreditation criteria (for institutions) and certification criteria (for the quality aspect of the services, f. i. trainings) of such have to be developed carefully.

The complexity of the establishment and further development of a voucher system makes it necessary to monitor and review the VS regularly (by independent persons or institutions if possible). Measuring of effectiveness and value added through vouchers is resource-consuming. To reduce of negative impact of dead weight losses it is necessary to define the target groups exactly and establish a monitoring and independent accreditation, certification and evaluation system. This is usually resource consuming and expensive. That's why governments should still play a major role in the process of using VS for active labour market policy measures. Using vouchers could not be left only to the market.

The main lessons learned are the following: The construction process of VS is time consuming. It takes many years building up a sophisticated VS. Establishment phases created uncertainty among providers involved in the implementation of VS and also the potential users need a starting time: Usually during the first years of a VS substantial amounts of allocated vouchers remained unused. The regional environment, the organization and quality as well as the participant structure are relevant factors influencing the effectiveness of voucher systems. A necessary balance between the tight control and the (de-centralized) deployment flexibility in the implementation needs to be found. The degree of discretion of the individual caseworker in the employment services or other relevant organisations plays a major role in the success of voucher systems.

The established Employment Services are usually the main organisations responsible for the organisation, implementation and monitoring of VS, even if private sector agents are

involved. Usually there is a close cooperation with responsible line-ministries like ministry of labour or ministry of education. A comprehensive further training system for relevant staff and an adequate transition management should be secured. Further a close cooperation with the social partners (and other relevant stakeholders) increases the probability of success. It also is possible to extend the frame of involved counselling organisations by taking (additionally) already existing (private) counselling centres or even training providers themselves as implementing agents of VS.

Integration of women, long term unemployed, older workers and low skilled people is most successfully in service sector if vouchers are used for training or job-placement. Service Sector VS offer good opportunities on job placement but very limited opportunities for personal career development. Vouchers may be more effective if they are restricted to

- particular occupations
- occupations for which participant has shown appropriate talent and interest
- in how much tuition is covered
- providers that meet certain criteria in terms of quality of training
- a results-based success rate: XX% of the participants of a training measure must be placed on a job (f. i. at least 6 months after the completion of the training)

Unintended side-effects cannot be completely avoided. And, there is a dilemma: The closer vouchers are connected to workplace related implementation, the higher is the risk of dead weight losses and substitution effects. Independent of space and time it appears to be such that using vouchers for labour market policy implementation is highly desirable, but it needs (at least in the mid-term) to be accompanied by complex monitoring and evaluation systems, and hence, expensive accreditation and certification processes to guarantee price and quality assurance. As a consequence of such a policy of monitoring the conditions of VS may be adjusted regularly. But with the growing differentiation of the instruments and the need for regulation, the administrative costs increase. In the case of the transfer of a voucher system experience shows that such a transfer is possible, but of course only under specific circumstances and conditions.

Taking into account these conclusions gives orientation in two directions: First, Ukraine has to go its own way in reforming the practised VS. Secondly, there is also no consistence in empirical evidence on VS analyses. Consequently decisions on the reform of the Ukraine-VS have to be decided mutually by practitioners, social partners and politicians, supported by independent experts, if necessary.

2. State of the Affairs and General Recommendations for Reforming the Voucher system in Ukraine

An assessment of the Ukraine Voucher Program (45+) was elaborated by a (small) survey.⁴⁰ We will shortly describe the main results of this survey and reflect it in relation to the lessons learned from the general analysis of voucher systems (see Part 1 of this report – Overview of International Experience).

2.1 The State of the Affairs of the Voucher System in Ukraine

The survey comprises a total of 70 voucher recipients and 60 potential voucher recipients (= employment service visitors), making a total of 130 interviewees from three regions of Ukraine. Moreover, of each region four employees (in total 12) from the relevant employment agencies who worked within the practical implementation of the VS were interviewed. The Ukraine VS for professional qualification and training or re-training is focused on the target group of 45 years and more⁴¹.

Most important result of the survey: the great majority of the interviewed voucher recipients is very satisfied with the outcome of the trainings. They see progress in their skills which can be used at work, creates higher income and the majority of the interviewees is ready to recommend the voucher program to their friends, colleagues and relatives. This is a relevant outcome to be used for further development of the voucher system against both, politicians and future potential users of the VS.

Other important results of the survey are the following: Of the 70 surveyed voucher recipients 15 did not use the voucher. This is quite no surprise. After European experiences even higher shares of not redeemed vouchers are to be expected. It was figured out that older age groups are less informed and less interested in using a voucher for qualification. But if people older than 45 are informed about the opportunities of such voucher based trainings they are more open and can imagine joining such a qualification measure. Women are to a higher degree actively involved in using vouchers for qualification. As was to be expected from the analysis of the international experience with VS in the field of labor market policy, the motivation to and the share of active participation of higher skilled users was significantly bigger than the proportion of users with moderate education degree (secondary or vocational

⁴⁰ Functioning of the Voucher System in Ukraine. Summary with the main results of the survey, unpublished manuscript, UNDP, February, 2015; see Annex 2. This small sample is probably not representative, but gives certainly impressive insights of the first experiences of the implementation of the whole VS in Ukraine. Other information on the Ukraine voucher system, see Annex 1

⁴¹ 39 voucher recipients of the age group 45 – 49 years had been interviewed, while age group of 50- 54 years with 18 and age group of 55-59 with 13 interviewees had been smaller.

education). Too small amount of funding⁴², the personal poor health status, and lack of time (often especially in rural areas because of the need of sideline economic food production or the child care aspects) and are the most frequently cited personal based obstacles that prevent active participation in the voucher-based qualifications. Additionally the limited number of occupations listed for promotion by the VS and the duration of the training courses are also braking factors in the eyes of the surveyed users or potential users. On the other hand the motivation increases the higher a clear career perspective (better salary, better position, or at least improved employability) is connected with the possible voucher based qualification. Further, the clearly articulated interest of an employer to improved skills of its employees also increases the probability of participation and training measures.

The public relation or information policy of the ES for the voucher-based trainings showed that there is a high satisfaction among the voucher recipients with the service of the staff of the ES and its website. But information on the opportunity for such a training is highly depending on direct contact to the ES or on mouth-to-mouth information among friends (mainly in urban regions). List of training providers are available for all clients if the ES: This as a good basis for necessary further activities on targeted information and public relation.

There seems to be a good relationship between PES and relevant training providers but they complain about limited number of trainees with vouchers because the subsidies to the employment services do not cover the full tuition fee and thus rarely a sufficient number of students on the basis of voucher recipients is made. And in many cases the voucher recipients have had already some information or contacts to the training providing institutions before visiting the PES asking for a voucher. This proves that training providers are very relevant for recruitment of future voucher recipients. This is an expression of activating participation. These voucher recipients had been able to manage their own the search for an adequate provider of the training they need.

To summarize in a nutshell, it looks like that the starting phase of the establishment of a voucher system in Ukraine shows well-known strengths and weaknesses. It seems there is a usable infrastructure of governmental (Employment Services) and private institutions/training providers) given. Beyond that it was figured out that direct engagement of employers and strong involvement of training providers supports the rate of participation, especially if training content corresponds with clear career aspects deriving out of the qualification measure.

On the other hand there are of course some challenges left. Primarily a relative low general participation rate is observed. In particular, people with secondary or lower level of education and people from rural areas to take part in the voucher based

⁴² Especially for potential clients from rural areas the fact that expenditures for transport are not covered seems to be an additional hurdle. This corresponds also with the international experiences, which shows that the shorter the distance is to reach the training venues the higher is the effect of activating participation.

measures below average. It seems that there is no specific gender gap in participation, but lack of information and specific funding conditions prevent people from participation.

2.2 General Recommendations to develop further the Ukraine Voucher System

Grounded on the analysed international experiences with voucher systems in the active labour market policy framework and additionally based on the recent survey introduced just above the following general recommendations on the improvement of the Ukraine VS will be made.

1. There is no need for a total alternative options such as replacing the ongoing Voucher System or stop it completely. The already established VS the already established VS can be further developed.
2. Instead of transferring a VS from abroad it would make sense building up an experience exchange or a deeper cooperation with countries experienced in the implementation of VS and showing structurally comparable patterns in the labour market history (f. i. with Poland or Latvia). It may be supplemented by a country with long and great experience by the establishment, and further development of VS (like Germany)
3. The Employment Service shall be the main agent of the Ukraine VS. That's why all recommendations introduced below are targeted on the Employment Services, if not otherwise explicitly mentioned.
4. But a more systematic involvement of the social partners seems necessary. Moreover active involvement of public and private training providers and (private) companies will increase effectiveness and impact of the Ukraine VS. Even other stakeholders like chambers, experts, NGOs, may in case be invited for cooperation. Such a co-operation system shall be practiced not only on central level, but on all administrative levels of the PES of Ukraine.

3. Three Reform Stages for the Voucher-system in Ukraine

The reform of the Ukraine VS shall be gradually within three main stages. All of these stages depend on the assumption that there is a relatively stable economic and political environment in Ukraine⁴³ and a favouring political will and support to a labour market reform policy, including active labour market policies⁴⁴.

The stages differ from each other in terms of time frame and the necessary additional financial input (compared to the current situation 2014/15⁴⁵). The time horizon is divided into short term (2015/2016), mid-term (2017-2018) and longer term (2019 and thereafter). Although it is impossible to give detailed information on additional financial resources necessary for the reform of the voucher system in Ukraine, it is highly plausible that the recommended measures for the short-term will need no additional public money, but more efficient usage of given resources like manpower or networking structures among the relevant stakeholders (see part 3.1, below). The same level of plausibility is assumed for the mid-term aspects (see part 3.2, below) and as well for the longer term (see part 3.3, below). Of course to make a real proof a more detailed analysis on the spot would be necessary.

The following table shows the chosen structure for the three stages on the of the Ukraine voucher system.

Table 1 Structure of Voucher system Reform Stages in Ukraine

| Financial input | Time horizon | Short term (2015-2016) | Mid Term (2017-2018) | Long term (2019 and after) |
|---|---------------------|---------------------------|-------------------------|-------------------------------|
| No additional financial input necessary | | X | | |
| Additional financial input necessary | | | X | |
| Further financial input necessary | | | | X |

Based on this structural order the following relevant reform aspects of the VS in Ukraine will be discussed within the reform stages below (see 3.1, 3.2, and 3.3, below)

⁴³ This is not given at the moment (March 2015). The country suffers partly on civil war-like conditions that extremely affect the economic and political development of the country.

⁴⁴ This report and its recommendations are based on a desk top analysis only and hence suffers on more detailed knowledge about ongoing political and fiscal developments influencing ALMP reform efforts.

⁴⁵ Also no detailed information on real financial resources reserved an spent on ALMP, and especially on the voucher system is given, based analysed information I assume that financial constraints were not the relevant conditions for the identified results of the survey (see annex 1).

1. **Information/PR** on VS: The survey clearly showed that information and public relations aspects of the Vs shall be improved. This could be done in different directions. On the one hand general facets of information policy shall be taken into account. On the other hand specific aspects like contacting potential recipients of rural areas or more detailed information related to content of training measures shall be discussed.
2. **List of eligible occupations** for qualification in the framework of the VS needs to be reviewed. This may be done regularly (f. i. annually or in line with operational plans of the employment services) in future.
3. Too **low voucher redemption rates**: Although during the phase of establishing a VS it nothing special having low rates of redemption on already allocated vouchers. But there will be a focus on the age-group eligible for the VS. It may be adapted to the needs of the (local) labour market. Additionally reform options related to nominal value of the voucher, esp. support on transportation cost for commuters and/or support for recipients of rural areas will be introduced.
4. **Qualification of relevant staff** of Employment Services. As in other cases reforms and further development of complex active labour market policy programs there is a need to prepare the responsible case worker of the PES well.
5. From the survey we learned that **involvement of employers** increases motivation and as a consequence the number of voucher recipients. That's why a reform of the VS in Ukraine should include new forms of cooperation with employers and/or employers' representatives.
6. The survey also clearly showed that the cooperation between both, employments services and recipients of vouchers and the providers of voucher based training is well established. But there is need and room for an increased **involvement of training providers** in the whole implementation process.
7. In addition to mention, the very few interviewees who graduated already of trainings show a high satisfaction with the results of the training or qualification. This seems to true for impact on career perspectives, salary and even enrichment of their jobs. But there is a need on a continued **monitoring and assessment** of the activities of the VS. Especially employability/skills development aspects and impact on job placement after training hast to be reflected more systematically.
8. Finally to mention to some extent miscellaneous aspects will be additionally reflected. In this context the enlargement of the involved stakeholder community, f. i. involvement of trade unions, other non-governmental organisations or experts will be discussed.

Of course the recommendations introduced below have not all to be implemented to improve the quantity and quality of the Ukraine VS. It shall give orientation on options and support decisions on the selection of activities to reform the Ukraine VS.

3.1 Stage I: A short-term and cost neutral reform of the Voucher System in Ukraine

At the beginning of the reform process there shall be measures implemented which improve the effectiveness and the impact of the VS in Ukraine in the short term, but need no additional financial input to be implemented. The following activities are recommended to be implemented immediately, at least during the period up to end of 2016.

- I. Lack of information on the VS seems one of the most relevant obstacles to increase participation rates. Hence improving and increasing of **consulting and public relation** (PR) actions is on top of the agenda to reform the VS. This may be implemented with the integration and the support of the social partners of Ukraine.
 - It will be helpful to *expand active consultation of the relevant staff* (case managers): All visitors to the PES aged 45+ shall be offered a compulsory information on the opportunities and content of the VS. This may also increase the number of persons who apply for a voucher. Website information and direct consultation for clients of the PES is necessary, but not sufficient.

“If a voucher model were to be introduced, almost as a pilot scheme (whether on a regional basis or not), a set voucher model would have to be introduced. At that stage, however, it would not be possible to determine whether an alternative model structure would have led to better results. Particular considerations here could be the nominal value of the voucher and the influence of any accompanying measures such as an advisory service.”
(Wolter/Messer 2009, p. 6)

- *Involve employers* in the VS. More specific information for employers on the VS. This could be done by cooperation with employers’ associations, such as Trade Chambers sector associations, etc. A further option is to open the VS for companies (only SMEs – no big companies), but also self-employed people) as applicants. Companies should be allowed to ask for qualification of their employees and do all the actions necessary to get the vouchers (for their employees)⁴⁶
- Contact *Trade Unions* and ask for support on information of the VS among their members. They may have meetings, trainings, publications or social networks which can be used for such information activities.
- Include *training providers* in the activities on information on the VS. These institutions have closest contact to persons who are interested in improving their skills and knowledge. Staff/Counsellors of the PES may

⁴⁶ See Details see: Voucher System in Ukraine. A rapid Assessment (part 1), especially chapter 4.2.3

visit training measures of the providers and give short information on the opportunities and conditions of the VS. Information sheets of training providers programs or their web-sites may give opportunities for broader information on the opportunities of the Ukraine VS.

- Last not least, it may be considered if successful graduates of voucher based trainings or qualifications can be involved on PR actions. This is often a more convincing instrument than hand-outs, advertising, etc.
- *Special handouts or information-sheets* shall be produced by the PES and disseminated via the above mentioned institutions among the potential users of the vouchers.

II. **Re-definition of the target groups:** To increase the participation of persons with a lower level than higher education a special quota, for example 40% of all recipients of vouchers may be considered. In that context it may also be reflected if “training on the job measures/internships” for 45+ unemployed may be involved in the VS program. This may be a support to reach persons who graduated in vocational education, but need an ‘update or upgrade’ of their skills. To increase the low redemption rates of the already distributed vouchers a change age group may be considered. It would be helpful to integrate younger people. Start with an additional group of 40-45 years age. Monitor carefully what is the effect of this measure, especially by comparing this group with the 45 plus group. Such a reflection may also support further improvement of the quantity and quality of the services for the 45 plus age group.

III. Further an essential **review of the list of occupations** eligible for the VS may be done. Two ways of adaptation of the list of occupations eligible for the VS shall be introduced here briefly:

- Open the list completely and the decision to promote a qualification measures is to be done on regional/local level of the Employment Services due to regional/local labour market needs and depending on the available budget. The definition of such needs (f. i. particular occupations in the specific region) may be developed as a part of the yearly operational planning process of the regional/local PES, which is confirmed by the parent competent authority of the PES. To keep the balance between tight (central) control and de-centralized deployment flexibility and as well to reduce risks of unfair decisions (corruption) any decision on regional/local level should be made according to the four-eye principle.
- A less extensive option would be to adapt this list every year for the whole of Ukraine on the basis of the already recognised administrative procedures of the PES. This option possibly more time-consuming and less flexible in respect to the labour market needs assessment of skills training, especially for the local labour market. Every year or bi-annually an

assessment of the list has to be done to review the outcome and adapt the list or the procedure upon the concrete identified needs.

- It may also be considered, if a local PES could react on special initiatives/applications⁴⁷ to a limit of f. i. 20% of the budget already approved for the implementation of the VS.
- IV. If budget allows **improve voucher conditions** for 45+ generations. This could be done in several ways, f. i. increase the nominal value of the voucher in progression with the age. It may be reflected if the restricted options/criteria for trainings could be opened to self-employment trainings. Further offers on IT and foreign languages would make it easier for people in rural areas and even for older persons (see the Trento experience in Italy) to join the services of the VS. Hence, another possibility could be offering special courses open only for the 45+ generation. In the IT sector for example, there could be offers on the standardized European Computer Driver License (ECDL), which can improve employability or help people keeping their jobs. To develop further ideas a closer cooperation with the training providers (see above) will be very helpful.
- V. Open the voucher system for **companies/firms as applicants for vouchers** additionally to individuals. This shall be limited to small and medium sized enterprises (SMEs) only, but it may be decided to include self-employed people. Pooling of applications for several employees of the same firm may also be allowed. But specific limits on the number of persons per year funded of one and the same firm or a maximum of two trainings in-between 24 months for individuals should be considered. Further it may be figured out if a co-financing amount in case of a certain number of voucher receivers from the same company could be determined to reduce cost for public sector and increase the probability that the measures are on the real demand of the private sector.
- VI. Additional several miscellaneous activities shall be recommended: To avoid cost explosion total budget restrictions or limits for expenditures on the VS shall be defined for each local PES. It may be decided to reduce the necessary duration of 15 years contributions to the Insurance Fund as an eligibility criteria for the reception of a voucher. It may be needed to eliminate this criterion completely if some of the above mentioned recommendations will be implemented. In order to prepare the necessary actions for the systematic involvement of the social partners in the process of the accreditation and certification of providers of training in the framework of the VS (see below) first actions on building up a dialogue format for such activities may be implemented during the period until end of 2016. It may be considered to invite the social partners for pilot cooperation to develop regulations and procedures to issue vouchers mutually.

⁴⁷ This may be for example, a reaction to in response to the threat of mass layoffs or at the request of a company to maintain employment for a large number of their employees to apply for vouchers.

3.2 Stage II: A deeper mid-term reform of Voucher System in Ukraine

The second phase (Stage II) for the reform of the Ukraine voucher system may be started already during the final period of the stage I, especially because this second phase needs additional financial support or reallocations in the budget of the employment services. To get a clear and transparent basis for the second reform steps it will be necessary and really supporting to define the financial margin before starting its implementation. And it should be clear, that these additional financial burdens are not just for the reform phase. If the VS shall be effective, impact oriented and sustainable the financial inputs have to be calculated for the long term.

The following activities are recommended for the implementation of the second phase of the reform of the Ukraine VS:

- I. Establish a **transition management structure** inside the PES-system for the reform of the VS. A substantially increasing role for the government in this phase of the reform beyond distributing the vouchers and collecting and disseminating of information to participants will occur. Hence, there is a need for special working groups on different levels of hierarchy for different topics of the reform process. The development of a decentred and flexible further-training and deployment system for relevant staff of the PES, especially the case-workers shall be reflected. It may also be considered to which extent consulting capacity from outside is needed and if process-accompanying steering or advisory boards shall be build up. It is therefore highly recommended to cooperate with partnering employment services of EU countries.
- II. The **voucher conditions** shall be reviewed again and if required adapted:
 - a. If budget allows increase the nominal value of the voucher for all included target groups (40+, 45+, etc.). This is necessary not only to increase the number of participants, but also in the context of general cost development after a duration of two or more years of the VS.
 - b. Depending on the experiences with the age-group 40+ an enlargement of eligible age-groups may be established. This could be the age group of 35+. Additionally and/or alternatively long-term unemployed persons may be involved in the program too. It could be done supported by a quota, f. i. 20% of all participants should be registered as log-term unemployed before receiving a voucher. But this makes only sense if there is a real labour market need for the defined target group and if budget of the PES may easily cover additional cost for this action.
 - c. To increase participation rates of the rural population it shall be considered if an extra subsidy for the transportation cost for participants

from rural areas could be funded by the budget of the PES⁴⁸. It is understood that such a subsidisation shall depend on the distance between the residence of the VS-participant and the relevant training venue and a cap, a maximum of the additional transport allowance must be defined.

- d. The VS-program may go a step further to have real labour market effects by establishing an additional special wage subsidies for 45+ generation. The most important objective of such ALMP measures is bringing people in jobs. Hence, for those participates who are not employed when starting the voucher based training getting a job placement after graduating qualification measure is the most important factor of success. These kind of ALMP programs have to be developed very carefully. It may not be started for all participants of the VS 45 years or older. May be it starts with people taking part in the VS system who are 50 years and older. It is also very important to avoid displacement effects with such an intervention. The subsidized persons should not replace an employed person when starting with his new job (after the voucher based training). There are already adequate regulations developed and proofed which could be used to make sure that this subsidy will produce a real employment creation and not a zero-sum-game effect of hire and fire.
 - e. Because such changes of the VS in Ukraine have impact on quantity and quality of the VS, it is recommended to involve the social partners for the development of the details and the regulation of such a new subsidy program. Private sector involvement in support for definition of local LM needs and job placements seems to be essential. If capacity allows trade unions may also be invited to join this activities. It even may be considered establishing this cooperation as an on-going tri-lateral dialogue format and establish a kind of tri-partite steering committee for the VS in Ukraine. Such a form of cooperation is highly recommended, not only for this special case, but also in several other fields of reform (see below and also Stage III)
 - f. After making experience with the renewed voucher program (by working with a newly defined target group, a new instrument of subsidy, etc.) a review (f. i. a SWOT analysis) may be done to figure out strengths and weaknesses of the chosen approach.
- III. Further the ***extension of the existing counselling and guidance system*** to a nationwide approach for the VS shall be reflected: Today only PES gives guidance on the opportunities and conditions of the VS. It may be helpful to involve additionally other stakeholders of vocational qualification like
- o Other governmental bodies on regional level: there may options for cooperation with municipality-employees, esp. in the sector of social welfare.

⁴⁸ It may also be a special credit line for this target group. But the necessary efforts needed for the administration of such credit lines is usually very high.

- Very often Industry or Trade Chambers have a stake in vocational qualification and/or have close relationship to companies/enterprises, and hence there is self-interest for cooperation to improve the VS
- Last, but really not least: Use the training institutions/providers beyond the information function as counsellor for the VS. To guarantee neutrality of counselling training providers should offer their clients a certain number of alternative training providers.

Need for guidance services

The implementation of the training voucher system should run side by side with the development of guidance services. The relation between work and training is deep. It is necessary for the person to have the opportunity to carry out his/her own professional development plan. This plan has to be focused on in the medium term, not only as an immediate job seeking strategy. This counselling service can only be carried out with professional assistance and is totally necessary for trainees in order to decide the training option that better suits their professional development plan.

Source: Álvarez/López/MartaVilar (N.Y), p. 11

- Consequently the information and Public Relation work should be renewed: Not only booklets or leaflets but also the re-design of the website arrangements on the VS information shall be adapted. New partners like the training providers (see above) should be actively involved in the implementation of such a PR-strategy. It should be checked out to which extent print media, radio and TV, and as well new social media may integrated in the new PR-approach. Use media (radio, newspapers, TV or even internet based social media) for giving targeted information. Build up and use cooperation with professional associations, sports clubs, cultural clubs, etc. to give information on the VS.
- IV. At this stage it would make sense starting with the establishment of a Monitoring and Evaluation-System (**M+E-System**). Up to yet only reports of training providers send as documents to local employment centres are the basis of all monitoring of the VS. Local employment centres monitor the implementation of each training agreement, compile (get together) key indicators and send their information to the head quarter. A real review < in best case as an independent evaluation> of the reformed VS should be taken as a chance to develop a real M+E-System. A convenient time for this would be about one year after starting with the new design of the VS. If there is no experience with such systems in the PES support by (international) experts shall be taken into account⁴⁹. Hence, a comprehensive approach to develop a

⁴⁹ This has to be calculated also for the budget of the ES or an international development partner (like UNDP) may support such an initiative by covering the cost for international expertise.

regularly impact oriented monitoring and evaluation system of the VS shall be chosen.

- V. In this context it also should be considered and decided if **new success factors** for the VS shall be introduced. This could be factors like the following:
- For those who are job seekers and join voucher based trainings (see above voucher conditions) the job placement rate after training in % or the improvement of the employability should be taken as indicators to measure success of the VS.
 - For participants who are still on the job the systematic tracing of the improvement of working conditions after graduating should be the touchstone of success. For example, higher income, better positioning in operation (job enrichment aspects) or if an impending dismissal is prevented shall be traced to assess the real impact of the VS.
 - Methods to get a proof of this shall be surveys among students and entrepreneurs/companies or questionnaires carried out by the training providers at the beginning of each training and at the end of each training or comparable tools of tracing.⁵⁰

It is evident that the VS will be more complex after the second phase of reform. It will be challenging for all stakeholders to master all the input and support needed for a successful working VS in the Ukraine.

3.3 Stage III: Cornerstones of a systematic long term reform of the Voucher System in Ukraine

The final stage of the VS-reform shall be used mainly to consolidate the achieved results and improve the quality of the voucher system. Hence, this stage is focussed on improvement of efficiency and increasing sustainability aspects of the VS. It is understood that the real necessary input will depend on the output and outcome of the practical implementation of the first two phases. The following actions shall be in the focus of this third transformation phase of the VS:

- I. The **VS-management structure** of the employment services should be reviewed and the decision has to be done if special areas of activities have to be kept on the long term. This may be necessary for M+E activities and for the activities in the field of information, counselling and cooperation with other stakeholders involved in the implementation of the VS.
- The maintenance and up-dating of the established nation-wide counselling system has to be supported by the PES
 - It may be a further option to establish an IT-based online/web-based information, counselling and **application** system trainees to get a

⁵⁰ There are more complex methods to identify net-effects of VS. Such methods may be used when the M+E approach on the VS is established in Ukraine.

voucher. Such an application system via web-site via website is of course time and money consuming but may open the VS for younger generations.

- II. After working several years with the VS in Ukraine there will be no big need to adapt the **voucher conditions** substantially. It may be an option to Include on the job-training (for employed people) and/or internship opportunities for (long-term) unemployed 45 years of age and older. This depends on the results of the assessments of the ongoing VS-program and on the then relevant labour market needs.
- III. **M+E system** shall be adapted or improved to detailed needs: At this stage of the development of the VS in Ukraine it should be proofed the financial incentive by using vouchers for ALMP works really. Hence, it will be the time making carefully studies what should be the optimum level of the nominal value of a voucher. For example, it may be more effective to reduce the number of possible vouchers (by increasing the nominal value of each coupon), but to increase the real number of coupon redemption thereby. Or it will be figured out if a specific approach: f. i. focussing on older labour force, is then no more relevant and shall be replaced by other target groups.
- IV. May be the biggest challenge in this period of time will the following: To increase the quality of the trainings a more detailed **accreditation-system** has to be established (in a tri-partite approach, at least in close cooperation with the private sector). Clear and transparent criteria for all involved institutions shall be developed (focussed on the quality aspects of the training providers' services) for the selection/licensing of the service/training providers and be checked regularly⁵¹. Comparably the improvement of the content and the outcome of the trainings shall be improved by transparent and internationally recognized **certification processes**.
- V. To go deeper in the **ALMP** it may be an option to open the VS for all age groups in the service sector. This would mean to offer a job placement voucher as a wage subsidy option. Such a further developed VS can increase job opportunities for job seeking low skilled women, of course with the risk of limited career opportunities. It may also be an opportunity to increase job placement rates of long-term unemployed people.
- VI. There may be several miscellaneous actions to be implemented during the third phase of the reform of the VS in Ukraine. Of course there will be unforeseen developments in this transformation process which cannot be overseen now. From a today's perspective the following activities shall be introduced below:
 - It will be very helpful to acquire additional funding for the VS. It may be systematically checked out if (international) NGOs or donor organisations are ready supporting the VS system. More, also other national line-ministries than the Ministry of Labour may support by their own budget funds. Even private co-financing should be figured out, for example other

⁵¹ It may be done along the internationally standardized norms of the International Organisation for Standardisation (the ISO 9000 family).

enterprises than eligible SMEs may join for specific actions the VS if they support with additional funding.

- It may also be possible cooperating with national NGOs supporting people with special needs, f. i. disabled persons. It shall be figured if ongoing supporting programs from both, national public budgets or international aid programs may support the involvement of their clients in the VS. Recherche on such aspects may even start during the first two phases of the reform process.
- Finally, but very important to mention, the established dialogue formats of the participation of the social partners may be transformed to real recognised and officially used patterns of a tri-partite labour market policy in the Ukraine.

4. Reform of the Voucher System in Ukraine: a brief overview

The reform-process of the Ukraine training voucher system to an established voucher system for active labour market policy was introduced and described in three stages which differ from each other in terms of time frame (short-term/mid-term/long-term) and necessary additional financial input (compared to the current situation). The following reform aspects had been used mainly to describe the necessary action to plan and implement such a complex reform agenda:

1. Information and Public Relation and as well consulting on the VS
2. Adaptation of the list of target groups and eligible occupations for qualification programs
3. Increasing the given low voucher redemption rates.
4. The necessary qualification of relevant staff of Employment Services.
5. The involvement of employers and as well
6. Training providers in the process of the reform.
7. The continued improvement of the monitoring and evaluation

The following table give an overview on the relationship between the reform aspects and the above discussed stages of the reform-stages:

Table 2 Overview Relationship of reform aspects and the stages of the reform stages of the Ukraine VS

| Relevant Reform aspect | Stage 1 | Stage 2 | Stage 3 |
|---|----------|----------|----------|
| 1. Information/PR + Consulting on VS | X | X | |
| • Related to potential recipients of rural areas | (X) | (X) | |
| • Related to the content of training measures | (X) | (X) | |
| 2. List of target groups and eligible occupations | X | (X) | |
| 3. Voucher Conditions + voucher redemption rates | X | X | (X) |
| • Related to (age)-group eligible for the VS | (X) | X | (X) |
| • Related to nominal value of the voucher | (X) | X | (X) |
| ▪ Special support on transportation cost for commuters | | (X) | |
| ▪ Special support for recipients of rural areas | | (X) | |
| 4. Management + Qualification of relevant staff of Public Employment Services | | X | (X) |
| 5. Involvement of employers + trade unions | X | (X) | (X) |
| 6. Involvement of training providers | | (X) | (X) |
| 7. M+E aspects of the VS | | X | X |
| • Related to career perspectives | | (X) | (X) |

| | | | |
|---------------------------------------|--|-----|----------|
| ▪ Increased salary | | (X) | (X) |
| ▪ enriched job | | (X) | (X) |
| ▪ improved employability | | (X) | (X) |
| • Related to placement after training | | (X) | (X) |
| • Improvement of employability | | (X) | |
| • Accreditation + Certification | | (X) | X |

Notes:

X = mainly relevant for specific stage

(X) = relevant for specific stage

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Annexes

Annex 1: Performance measures in USA for training (vouchers) programs

JTPA performance measures, 1987-1989

| | |
|---|---|
| Employment Rate at Termination | Fraction of trainees employed at termination |
| Welfare Employment Rate at Termination | Fraction of trainees receiving welfare at date of application who were employed at termination |
| Average Wage at Termination | Average wage at termination for trainees who were employed at termination |
| Cost per Employment | Training center's year's expenditures on adults divided by the number of adults employed at termination |
| Employment Rate at Follow-up | Fraction of trainees who were employed at 13 weeks after termination |
| Welfare Employment Rate at Follow-up | Fraction of trainees receiving welfare at date of application who were employed at 13 weeks after termination |
| Average Weekly Earnings at Follow-up | Average weekly wage of trainees who were employed 13 weeks after termination |
| Average Weeks Worked by Follow-up | Average number of weeks worked by trainees in 13 weeks following termination |
| Youth Employment Rate at Termination | Fraction of youth trainees employed at termination |
| Youth Employability Enhancement Rate | Fraction of youth trainees who obtained employment competencies (see note 3 below) |
| Youth Positive Termination Rate | Fraction of youth trainees who were "positively terminated" (see note 3 below) |
| Youth Cost per Employment | Training center's year's expenditures on youths divided by the number of youths positively terminated |

Current WIA performance measures

| Adults | Dislocated workers |
|---|---------------------------------------|
| Entered employment rate | Entered employment rate |
| Employment retention rate at 6 months | Employment retention rate at 6 months |
| Average earnings change in 6 months | Earnings replacement rate in 6 months |
| Employment and credential rate | Employment and credential rate |
| Older youth (19-21) | Younger Youth |
| Entered employment rate | Retention rate |
| Employment retention rate at 6 months | Skill attainment rate |
| Average earnings change in 6 months | Diploma rate |
| Employment/ education/ training credential rate | |
| Customer satisfaction | |
| Participant and employer satisfaction (based on statewide survey questions) | |

Source: Heinrich, 2008

Annex 2: Exponential Growth of the Belgian Service -VS

| | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 |
|--------------------------------|--------|---------|---------|---------|---------|---------|---------|---------|
| Active companies | 504 | 840 | 1,163 | 1,504 | 1,892 | 2,292 | 2,576 | 2,708 |
| Number of workers | | | 61,759 | 87,152 | 103,437 | 120,324 | 136,915 | 149,827 |
| Number of jobs | | | | 98,424 | 118,389 | 133,438 | 150,192 | 164,789 |
| Active users | 98,814 | 190,734 | 316,101 | 449,626 | 557,482 | 665,884 | 760,702 | 834,959 |
| Bought cheques (in million) | 8.11 | 20.3 | 35.9 | 53.1 | 73.6 | 78.2 | 97.1 | 109.1 |

Source: Gerard, 2013,

Annex 3 Cost of the Service Voucher system in Belgium

Table 4: Cost of the service voucher system in 2011

| | Effect | Amount |
|---|--|------------------------|
| Gross cost | Intervention on voucher | € 1,421,110,958 |
| | Administrative cost | € 13,333,355 |
| | Tax cut 30% | € 220,868,221 |
| Total gross cost | | € 1,655,312,535 |
| Direct earn-back effects | Reduction unemployment benefits of service voucher workers | € 200,727,706 |
| | Additional social contributions of service voucher workers | € 307,299,481 |
| | Additional personal income tax of service voucher workers | € 147,951,177 |
| Total direct earn-back effects | | - € 655,978,364 |
| Indirect earn-back effects of 1 st category | Additional companies' income tax | € 34,311,355 |
| | Additional social contributions and personal income tax for administrative staff | € 44,490,432 |
| | Reduction unemployment benefits for administrative staff | € 9,194,101 |
| Total indirect earn-back effects of 1st category | | - € 87,995,888 |
| Net cost | | € 911,338,283 |

Source: Gerard/Valsamis, 2013, p. 8/9

Annex 4: Training Vouchers in Germany

(Basic Information on requirements and redemption aspects)

Training Voucher (Bildungsgutschein)

With the coming into effect of the first Law on Modern Services on the Labour Market (Erstes Gesetz für moderne Dienstleistungen am Arbeitsmarkt) on 1. January 2003, the Employment Agencies can issue training vouchers to persons who meet the requirements for support for education requirements that have been determined individually beforehand.

Basic information

The training voucher contains among other things information on the education aim, the duration required until reaching this education aim, the regional scope and the validity of no more than three months in which the training voucher must be redeemed. On the conditions defined on the training voucher, the person interested in education can redeem the training voucher at an institution approved for supported further education of his/her choice. But also the measure must be approved for supported further education.

Requirements

The participation must be necessary for the professional integration of unemployed persons, to avert concretely threatening unemployment or because the necessity of further education is approved due to lack of training qualification.

The determination of necessity of further training also considers labour market conditions. This means that the Employment Agency must decide whether e.g. unemployment could be terminated also without further education, whether other instruments of labour market policies are more promising and whether integration in the labour market can be expected with sufficient probability with the aspired education aim.

Applicants must usually have completed vocational training or have been in gainful employment for three years. Before the beginning of further education, counselling by the Employment Agency must have been effected.

The training voucher certifies that the employee meets the requirements. The training voucher is an assurance that the costs of participation in further education measures will be absorbed.

Redemption of the training voucher

The owner of the training voucher must start with the measure within its validity period, otherwise the voucher will expire. If the applicant e.g. did not find a suitable further education measure within the validity period, a new voucher might be handed out where applicable.

The participant can redeem the training voucher within its validity period for the participation in an approved measure with an education aim corresponding to the training voucher. As proof of the admission of a further education measure, the respective institution can present certification of an expert authority. Information on approved measures can be obtained from the data base for training and further education KURSNET. The approval must be valid at the time of entry in further training. The education institution selected by the participant confirms on the training voucher (copy for the institution) the admission to the approved measure and presents the training voucher to the issuing Employment Agency before the beginning of the measure.

What do you have to consider?

Upon receipt of the training voucher, the Employment Agency evaluates whether the selected measure corresponds with the conditions of the training voucher. If it does not, the participation is in question; in exceptional cases, minor deviations, e.g. in content, can be approved retroactively. The redemption of the training voucher is also in question if a person interested in further education has been admitted to the further education measure although he/she does not fulfil the requirements for admission and successful completion cannot be expected. The voucher expires if the education institution does not present it to the competent Employment Agency before the beginning of the measure.

In order to have the benefit granted as soon as possible, please file the forms given to you by the Employment Agency in sufficient time before the beginning of the measure with the Employment Agency.

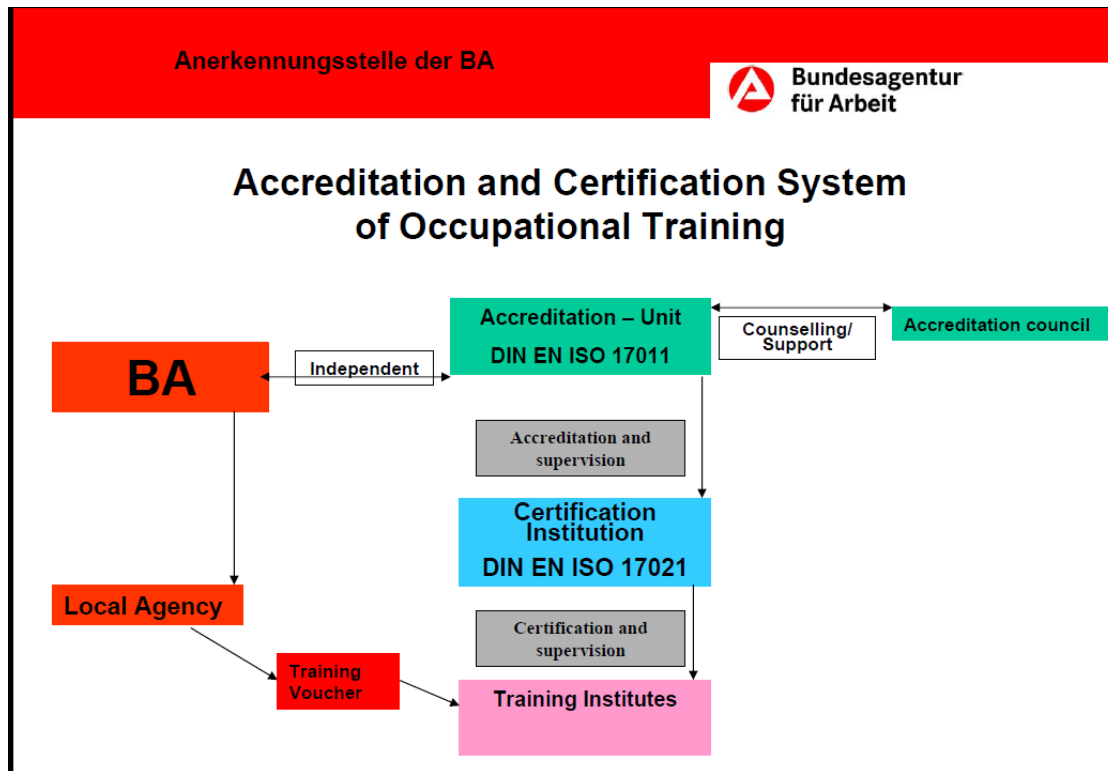
Further information can be obtained from bulletin 6 "Promotion of further training" (German only).

The information given above is also valid for the issuing of training vouchers to employable persons needing assistance, who receive benefits in accordance with the German Social Code book two (SGB II).

Stand 12.03.2012

<http://www.arbeitsagentur.de/web/content/EN/Benefits/FurtherTraining/Detail/index.htm?dfContentId=L6019022DSTBAI486073> 21.07.2014 (27.9.2014)

Annex 5: Overview of the Accreditation and Certification Process



Source: Berlinger, 2008

Annex 6: Self-Government Board of the Federal Employment Agency

As a self-governing public body, the Federal Employment Agency (Bundesagentur für Arbeit - BA) acts independently within the framework of the German Social Code Book Three (SGB III) - Employment Promotion (Arbeitsförderung).

The central institution of self-governance of the Federal Employment Agency (BA) is the Board of Governors. Furthermore, each employment agency has an Administration Council that acts as local institution of self-governance. The institutions of self-governance and the Executive Board of the BA or the management boards of the employment agencies cooperate on a basis of trust in fulfilling the statutory objectives and tasks of the BA.

The Board of Governors consists of seven voluntary representatives for each of the three groups of employees, employers and public bodies; each group has equal rights. Thus, the groups of employees and employers as representatives of the premium payers of unemployment insurance are involved in the formation of business policies of the BA. Since July 2002, the responsibilities of the Board of Governors have been redefined and clearly separated from the responsibilities of the Executive Board, which is responsible for operative business.

The Board of Governors as institution of supervision and legislation monitors the work of the full-time Executive Board and advises on current labour market questions. It issues the BA's charter and annually determines the budget of the BA prepared by the Executive Board. It also approves the annual report which the Executive Board presents to the Federal Minister for Labour and Social Affairs (Bundesminister(in) für Arbeit und Soziales). For the active supervision and assistance of the work of the Executive Board, the Board of Governors has the right to demand assessments by internal auditing. In accordance with the regulations in the Stock Corporation Act (Aktiengesetz), it can also assign assessments to external experts. The Executive Board must report to the Board of Governors regularly and promptly in case of important causes.

Among the strategic duties of the Board of Governors is also the approval of business policy objectives as starting point of the process of budget determination as well as the continuous control of achievement of these objectives. Another important duty of the supervisory board of the BA is the control of active labour market policies and their effectiveness and efficiency.

The Administration Council of the Employment Agency also consists of three groups with equal rights (four members per group) and monitors the management board. It advises them on fulfilling their tasks.

Stand 21.11.2012

<http://www.arbeitsagentur.de/web/content/EN/AboutUs/StructureandOrganisation/SelfGovernmentBoard/index.htm> (27.9.2014)

Annex 7: Conditions under which placement assistance may be approved

- You are facing unemployment, seeking work or are unemployed and wish to take up employment subject to social insurance contributions
- You are looking for a training placement that provides insurable vocational training
- You are receiving basic security benefits for job-seekers and are wanting to improve your educational qualifications
- You are eligible to receive assistance
- You need help in overcoming obstacles in seeking and taking up employment subject to social insurance contributions or vocational training
- The amount claimed from the placement budget is commensurate with the services provided
- The employer does not provide similar assistance
- Other public agencies are not legally obliged to provide similar services
- You apply for placement assistance before costs are incurred
- You understand and acknowledge that placement assistance is a discretionary service to which you have no legal right

Source: BMAS (2014), p. 17

Annex 8: Promotion of further vocational training in Germany. An overview

How to claim

If you take part in further training activities, you can claim a vocational training grant if

- You are unemployed and further vocational training will assist your integration into the labour market, is necessary to avoid possible unemployment or if it becomes apparent that training is needed to compensate for a lack of initial vocational training.
- You have taken part in an advisory session at the employment agency prior to training
- The training measures are approved and the training provider is accredited.

Type and scope of promotion

Education vouchers (Bildungsgutschein) are issued to all entitled workers. The voucher is usually allocated for a specific educational goal and is limited to a particular geographic area. It allows anyone interested in further training to choose an accredited training provider offering the appropriate form of training. The employment agency provides information on available occupational training measures (for example via the KURSNET online database). Selection of the actual accredited training provider lies solely with the voucher holder. The education voucher must be handed over to the training provider who bills the employment agency directly.

If you enter into further training, the employment agency can assume the following costs:

- Course costs (course fees, including the costs of educational materials, working clothes, exam fees for state or generally recognised interim and final exams, test pieces) and any costs arising from having to take part in aptitude testing (say a health check) prior to starting the training course.
- Travel expenses
- Accommodation and meals away from home
- Child care costs (€130 per child).
- Special vocational training schemes are also in place for people already in work.

1. Further on-the-job training for low-skilled and older workers (WeGebAU)

This is available for low-skilled workers with no school qualifications or with school qualifications but who were either trained on the job or perform unskilled work and have done so for at least four years and can no longer work in the job they originally trained for periods in unemployment, child-rearing or caring for a relative are taken into account.

Workers aged 45 and over who are employed by an employer with a workforce of less than 250 provided that the employer continues to pay wages for the duration of the training.

Until the end of 2014, all other workers who are employed by an employer with a workforce of less than 250 provided that the employer both continues to pay wages and also meets at least 50% of the cost of the training.

Further training measures can involve those which:

- Provide knowledge and skills which can generally be used in the employment market
- Lead to a recognised occupational qualification
- Conclude with a certified partial qualification or a cross-industry or cross-sectoral qualification

Employees wishing to take advantage of the scheme receive education vouchers which allow them to choose from recognised further education and training courses.

Assistance takes the form of the cost of training being met in full or part. In the case of low-skilled workers who are released from work with full pay, the employer receives a grant to help cover the employee's pay.

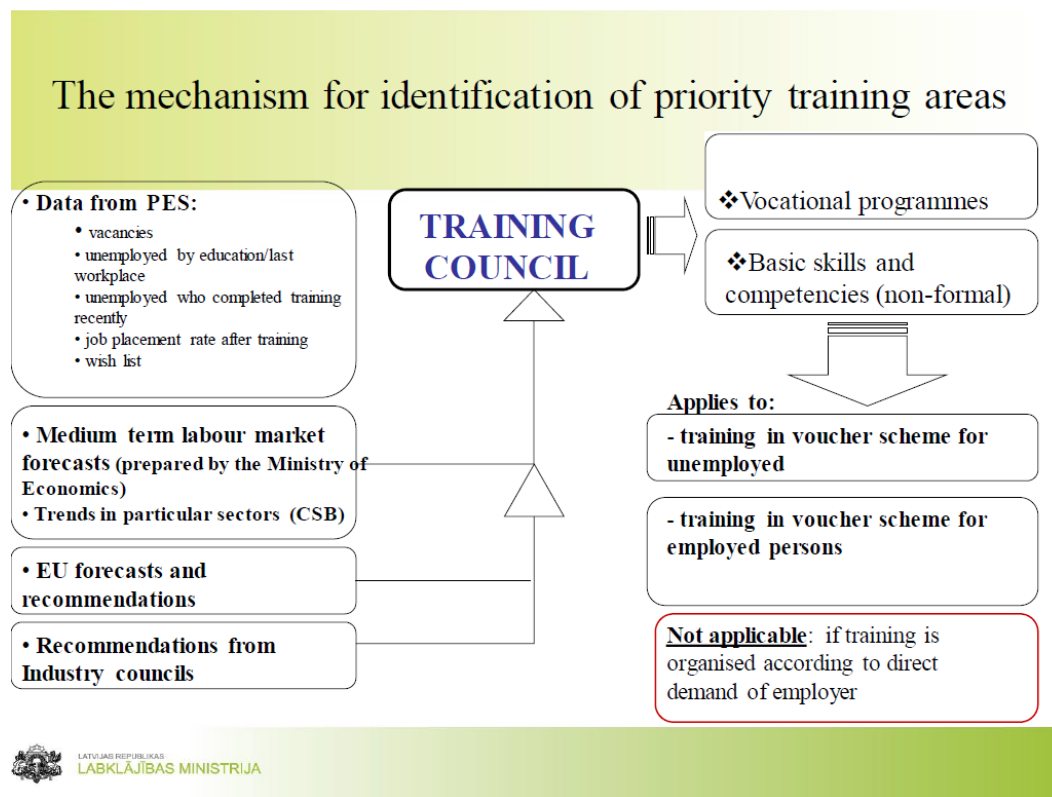
2. Initiative for the initial vocational training of young adults

In February 2013, Federal Ministry of Labour and Social Affairs (BMAS) and the Federal Employment Agency launched a joint initiative, 'AusBILDUNG wird was –Spätstarter gesucht' ('Education makes you someone –latecomers wanted'). The goal is to give a second chance, within three years, to 100,000 young adults without a vocational qualification coming under the systems governed by Book II and Book III of the Social Code (SGB II and SGB III).

The focus is on targeting funding of continuing training (full and part-time) leading to a vocational qualification. The initiative is aimed at both unemployed and employed young adults who do not yet have a vocational qualification. Young adults with disabilities can also benefit. The initiative thus promotes effective integration into employment and helps meet demand for skilled labour.

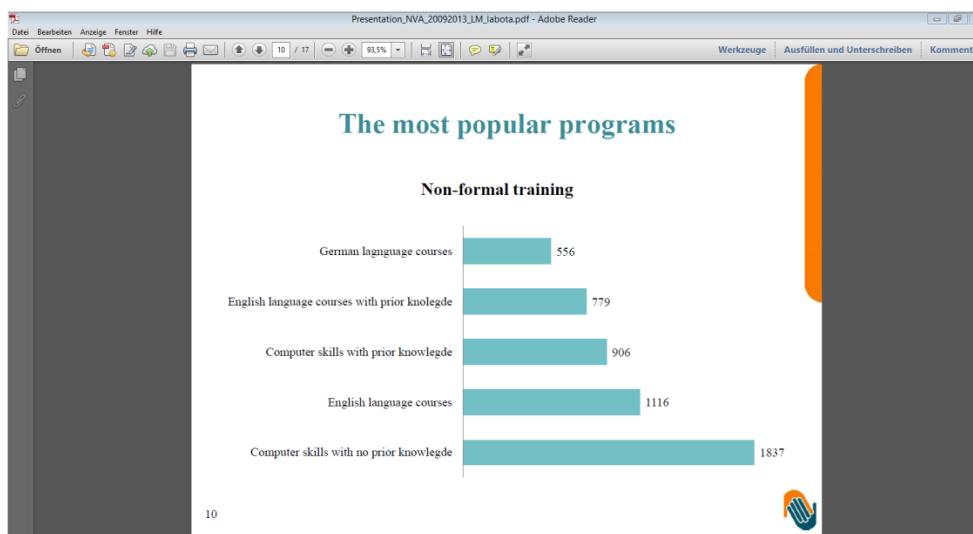
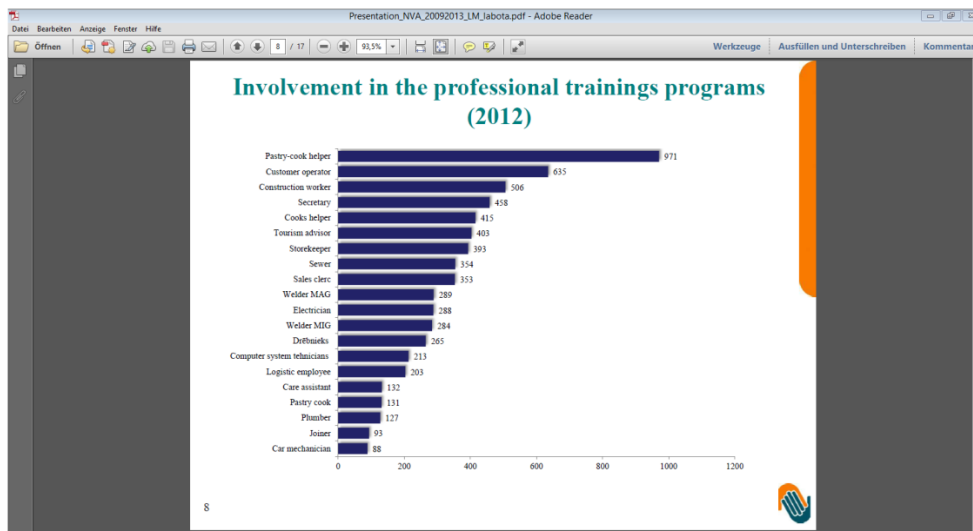
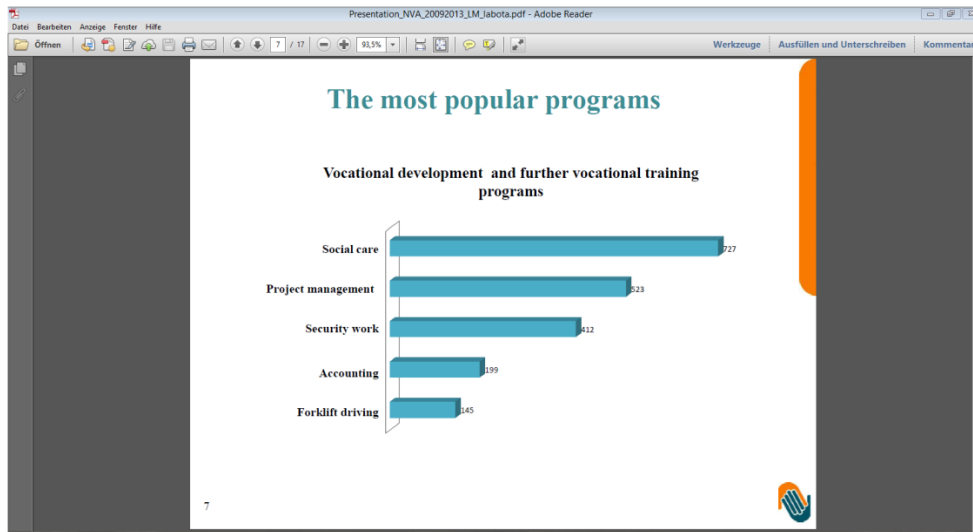
Source: Source: BMAS (2014), p. 22-23

Annex 9: Overview on the mechanisms for the identification of training areas in Latvia



Source: Zvidrina (2013), p. 16

Annex 10: Popular training voucher programs in Latvia



Source: Ribakova, 2013

Annex 11: Service Training Voucher Programs in Italy

“Buoni Lavoro occasionale accessorio” vouchers

Introduced in 2003, the “*Buoni Lavoro occasionale accessorio*” vouchers were created in order to fight undeclared work, to promote labour market inclusion and to regulate occasional work. These vouchers regulate occasional work in a broad range of activities such as : personal and household services (such as housework, cleaning, gardening, and tutoring), maintenance of buildings, seasonal and agricultural activities, organisation of sporting or cultural events, door to door newspaper delivery, activities within tourism, trade and services’ sectors, etc.

These vouchers can be used by private individuals, firms, public institutions, non-profit sector, self-employed persons and family businesses to pay casual employment. Thus, all activities must be carried out in an occasional and discontinuous way and are characterized by a direct employment relationship between the worker and the end user.

Buoni Lavoro vouchers can be bought to the National Social Security Institute (INPS), on paper or electronically, and they can be used during twenty-four months. There is three nominal value for the vouchers : €10, €20 and €50. The nominal value include the separated management cost of INPS (13%), a contribution to the INAIL insurance accidents (7%) and the redistribution of service cost of INPS (5%). The net value of the voucher for the worker is then €7.50, €15 or €37.50 respectively.

Only a limited number of persons are entitled to work under the scheme, namely : long-term unemployed, housewives, students, pensioners, disabled people, people in rehabilitation centres, non-EU citizens living legally in Italy and unemployed for less than six months. They can work in the *Buoni Lavoro* vouchers scheme up to €5 000 net revenue (€ 6 666 gross) perceived per year. When they work for family businesses, self-employed workers and firms, the ceiling is fixed at €2 000 net (€ 2 666 gross) per year per employer. Workers benefit from INPS social security coverage and INAIL insurance. If the work provided through those vouchers is recognized for pension rights, it does not give entitlement to any income support (such as unemployment allowances, maternity allowances, illness allowances, family allowances, etc...). The revenue of the voucher is exempted from all taxation and does not affect the status of unemployed or unoccupied of the workers.

Buoni Lavoro vouchers’ users benefit from an administrative simplification, INAIL insurance covering work accidents as well as a tax reduction. The tax reduction’s level differs depending on the type of services provided. In the case of personal and household services, users can deduct up to a maximum of €1,549.37 per year from their income tax.

In 2011, 1.5 million *Buoni Lavoro* vouchers were sold, among which 10% were used to access domestic services.

Assessing the *Buoni Lavoro* vouchers scheme reveals that if the objectives of administrative processing and affordability might have been reached for users, its limited expansion demonstrates some lacks in terms of transparency, availability, accessibility, choice or even quality. In addition, it is clear that workers do not enjoy a

professional status, career prospects, regular rights and benefits or an access to professional trainings. This absence of sustainable development of personal and household services results notably from the fact that *Buoni Lavoro* vouchers have only been introduced to formalize undeclared work in several sectors and without a political will to promote the formal provision of PHS.

b. The AsSaP project

The *Azione di Sistema per lo sviluppo di sistemi integrati di Servizi alla Persona* project (AsSaP - Action System for the Development of Integrated Services to the Individuals) launched within the framework of the 2007-2013 European Social Fund, aims to implement **active policies for employment** as well as **vocational training** in the field of cleaning and personal care services notably for dependent people. The national law framework, entitles workers to being hired under the so-called “*colf-badanti*” contract and enables users to deduct from their income tax up to a maximum of €2000 per year of their expenses related to household cleaners and family assistants.

Promoted and financed by the Ministry of Labour and Social Policies, the project is implemented by *Italia Lavoro* in four Regions: Campania, Apulia, Calabria and Sicily. In each region, the project seeks to:

- create an efficient regional network of intermediation services of labour demand and supply for household cleaners and family assistants, as well as to promote the reduction of undeclared work, particularly for third countries nationals,
- promote - through national and local intermediation agencies and Labour market services - the professional qualification of PHS workers, and introduce a certified recognition process of informal skills,
- facilitate families' access to PHS services, thanks to intermediation agencies' services.

In addition, some Regions decide to grant money transfers to families hiring workers who have participated in the AsSAP project and have completed their training courses.

The project targets unemployed and/or inactive people and poorly skilled workers, who are or could be employed in personal and household services as cleaners and caregivers. PHS' users can either be private families or entrepreneurs, as long as they want to hire PHS workers through permanent or fixed terms contracts for a minimum duration of twelve months.

A **training voucher** has been implemented as an incentive system to promote professional *Italia Lavoro* in four Regions: Campania, Apulia, Calabria and Sicily. In each regions, the project seeks to:

- create an efficient regional network of intermediation services of labour demand and supply for household cleaners and family assistants, as well as to promote the reduction of undeclared work, particularly for third countries nationals,
- promote - through national and local intermediation agencies and Labour market services - the professional qualification of PHS workers, and introduce a certified recognition process of informal skills,

- facilitate families' access to PHS services, thanks to intermediation agencies' services. In addition, some Regions decide to grant money transfers to families hiring workers who have participated in the AsSAP project and have completed their training courses.

The project targets unemployed and/or inactive people and poorly skilled workers, who are or could be employed in personal and household services as cleaners and caregivers. PHS' users can either be private families or entrepreneurs, as long as they want to hire PHS workers through permanent or fixed terms contracts for a minimum duration of twelve months.

A **training voucher** has been implemented as an incentive system to promote professional qualification in the sector. They are allocated to trainees and potential workers in order to ensure them access to jobs offered by the intermediations agencies involved in the project. The training vouchers are paid to the intermediation agency only if the worker has completed the course and has signed a permanent or a fixed term contract for a minimum duration of twelve months. Two different cash incentives are offered:

- €2 000 for each participant who follows a course of at least 64 hours and signs a fixed or open ended contract as a basic professional (domestic helper, caregivers);
- €2 500 for each participant who follows a course of at least 80 hours and signs a fixed or open end contract as a highly qualified professional.

Thanks to the AsSAP project, a new network of **81 intermediation agencies** able to match supply and demand in personal and household services has been developed in the four Regions. As of the 30 September 2013, a total of 4682 people have participated in training courses, out of which **3726** have signed **work contracts** with private stakeholders, co-operatives societies and other users. **435 "AsSaP" desks** (i.e. personal and household services desks) have been opened, employing **584 desks operators**, trained to access to **an interactive platform**, called *Wiki for self-training*. This platform was created and is managed by Italia Lavoro, and it is coordinated by a central contact center, providing an email helpdesk service. As a result of its success, the project should be expanded in other Italian Regions in the coming months. signed **work contracts** with private stakeholders, co-operatives societies and other users. **435 "AsSaP" desks** (i.e. personal and household services desks) have been opened, employing **584 desks operators**, trained to access to **an interactive platform**, called *Wiki for self-training*. This platform was created and is managed by Italia Lavoro, and it is coordinated by a central contact center, providing an email helpdesk service. As a result of its success, the project should be expanded in other Italian Regions in the coming months.

Source: EFSi, 2013, p. 23 – 25

Annex 12: European Guidelines for the transfer of a Voucher System

| STEPS | ACTIVITIES | TOOLS ⁴ |
|--|--|---|
| 1. Need analysis | <ul style="list-style-type: none"> - Analyse the economic context and the labour market and identify skill needs - Identify socio-educational status of the target population | <ul style="list-style-type: none"> - Focus group framework employers, unions, administration officials, experts - Interview framework for employers, unions, administration officials, experts - Questionnaire on a sample of citizens/employees representative of the population involved |
| 2. Goal setting | <ul style="list-style-type: none"> - Identify the target group, priorities and further selection criteria - Define the training topics that satisfy specific skill needs and their levels - Prepare a document with course characteristics, type and levels of qualification, training contents, training methods, outcomes in terms of skills acquired, time, and prerequisites. - Select providers through identified procedures, such as a call for tenders. It will be necessary to decide which criteria to use and which characteristics the providers should have in order to participate in the call (e.g. accreditation, location, ...) | Methodological introduction (framework of the system and explanation of the local needs that require the training voucher system) |
| 3. Selection of training providers and creation of the catalogue | <ul style="list-style-type: none"> - Prepare a specific call for tenders to select providers, specifying all the selection criteria - Select training providers - Create a catalogue of courses including courses offered by successful providers, in paper and electronic version | <ul style="list-style-type: none"> - Economic Proposal - Technical Proposal - Contract with the Training Providers - Trentino catalogue |
| 4. Voucher promotion and collection of voucher application forms | <ul style="list-style-type: none"> - Prepare the strategies for the dissemination of the voucher system. These strategies should guarantee equal opportunities to all target citizens - Create information and guidance offices as well as the organization to initiate the process of obtaining/giving a voucher, allowing the trainees to choose a provider and attend a training course | <ul style="list-style-type: none"> - model of application form - model of voucher |
| 5. Voucher system evaluation | <ul style="list-style-type: none"> - Evaluate whether the goals of the voucher system are accomplished and verify if the process to obtain a voucher worked thanks to interviews with a sample of training providers and trainees - Evaluate results in terms of exploitation of the system and draw up a synthesis of the results - Partially correct, if necessary, the process to strengthen the system | <ul style="list-style-type: none"> - Phone interview for trainees in order to investigate the rate of employment after attending courses (two years after the start of the training voucher experience) - Satisfaction survey for training providers |

Source: Álvarez/López/Vilar (N.Y), p. 30

Annex 13: Summary of the initial report

Prepared by the National Consultant Lidiya Tkachenko

3 September 2014, Kyiv

1. Relevance of the voucher system in Ukraine.

Population ageing and the demand of the labour market for constant upgrade of professional qualifications and skills contribute to the growing necessity of adult education. Particular emphasis should be placed on expanding training and retraining opportunities for people aged 45+, who will face the increased retirement age due to the recent changes to the pension reform.

Citizens aged 45+ generally have lower economic competitiveness compared to younger generations, as they obtained their degrees or underwent vocational training in the soviet economy, which is structurally and conceptually different from the current labour market in Ukraine. The importance of adult education is also underrated in the modern Ukraine both by employees and employers. Due to the lack of demand, the infrastructure of adult education is under-developed, and educational institutions are primarily focused on first-degree educational programs for younger generation.

2. Overview of the legal framework of the voucher system in Ukraine.

The new edition of the Law of Ukraine “On Employment of the Population” provided state guarantees for increasing economic competitiveness of people aged 45+, who have minimum 15 years of work experience. Based on the law, they are eligible for obtaining a one-time voucher for re-training, training or upgrading their skills. The voucher covers tuition fees in value no more than 10 subsistence levels for employable persons.

The terms of the voucher programme for employed people (45+) differs from the training programme for the unemployed. The voucher programme gives more freedom to the users, i.e. they can choose the format of studies and educational institution, and they also bear no direct financial liability for breaching the agreement. However, the voucher programme has some strict limitations which narrow the number of eligible users, i.e. the list of specialties contains only 13 working professions and 22 specialties for higher education.

From the organizational standpoint, the employment centre is limited in its capacity to control and measure the effectiveness of the voucher programme, as it performs mainly administrative functions, such as consulting, documents submission, etc.

3. Analysis of the available statistical indicators on the voucher programme.

In 2013 UAH 33.6 million was allocated to the programme, and 20,400 persons took part in it. In 2014 UAH 54.5 million was allocated to the programme and only 5,746 persons participated in the programme. According to the latest update, 267 persons in January-February of 2015 used vouchers. The sharp decline in voucher user statistics can be explained by the changes to the Ukrainian legislation, which were introduced in 2014 and excluded officially registered *unemployed* people from the voucher programme. Only *employed* people over 45 years are now eligible to join the programme.

Despite the ongoing economic and political challenges, the voucher programme should be promoted, upgraded and improved, especially given the European path of Ukraine. Therefore on the request of the State Employment Services of Ukraine, the UNDP conducted the assessment of the voucher programme to identify key problems in the system, reviewed European best practices and developed recommendations on improving the voucher programme, based on the results of the assessment and international practices. Moreover, according to the recent adopted legislation in Ukraine, the findings could be also applied for IDPs and ex-combatants.

4. Problems of the voucher programme in Ukraine.

During the first year of the programme many voucher recipients were not used and the training agreements were not eventually signed. The most common reason is that the recipient could not choose a suitable training institution in terms of mode of studies, location, and requirements of the voucher programme. Most educational institutions provide full-time education, evening departments are much less widespread, and distance learning is very much underdeveloped. Low public awareness of the list of eligible training institutions contributed to the high numbers of unused vouchers in 2013, as well as a necessity to travel when there are only a few training institutions of such kind in Ukraine.

Recommendations to improve the functionality of the voucher system in Ukraine include but are not limited to such measures: (i) to eliminate separate licenses for educational institutions which take part in the voucher programme; (ii) to adapt the list of occupations in line with regional labour market needs; (iii) to broaden the functions of the state employment service.

5. Main features of small scale survey of voucher recipients and staff of local employment centers.

Three directions of survey and – respectively – three target audiences are envisaged: 1) interview with participants of voucher programme – motivation of receiving voucher, problems and barriers at different stages of receiving vouchers and applying them in training institutions, impact on the future employment, 2) interview with potential users

of voucher system – awareness on voucher system, willingness to receive a voucher or reasons of unwillingness, 3) structured interview with staff of local employment centres – awareness on voucher system, reasons why people do not apply received vouchers, readiness of training institutions to take part in voucher programme, experience of cooperation with social partners and problems in implementation of the voucher system.

The particular focus will be made on factors that can provoke gender discrimination in implementation of voucher programme.

6. Priorities of studying European experience and best practices (for international consultant).

In order to develop recommendations on improvement of voucher system, it is advisable to use European experience on such matters as: the role of state employment service in organization of adult vocational training, modality of cooperation between state employment service and all participants of public adult training programmes, particular features of organization of training programmes for people aged 45+ (or senior age groups).