



The Evaluation of the Business Start-up Subsidy, Work Practice and Coaching for Working Life

Project summary

Anne Jürgenson
Laura Kirss
Kirsti Nurmela

This project was commissioned by the Estonian Ministry of Social Affairs and was conducted by Praxis Center for Policy Studies from April 2010 to November 2010.

One of the largest ESF programs in Estonia is “Increasing the Supply of Qualified Labor Force 2007-2013”. It aims to increase employment through active labor market measures by improving the availability and quality of employment services. The Estonian Ministry of Social Affairs commissioned this research to evaluate three labor market services: the business start-up subsidy, coaching for working life and work practice, all provided in the framework of the program. The evaluation addressed the relevance, effectiveness, sustainability, and efficiency of the services. As a result of the evaluation, suggestions are made on improving the implementation of the services.

This evaluation is an **on-going evaluation by nature**, i.e. an evaluation carried out during the implementation phase of the program. The main purpose of this type of evaluations is usually to observe the implementation of the program and the changes taking place in the external environment in order to understand the results achieved and make proposals for improving the program or the measures (see Indicative Guidelines 2006).

The evaluation addressed the following issues:

1. **Relevance of the services:** Are the services in accordance with the needs of the target groups and the changes in the labor market? What kind of changes should be made in the structure of the program?
2. **Efficiency of the services:** Could the impact (results) of the services be achieved also by using the resources more efficiently?
3. **Effectiveness of the services was examined as much as possible:** Have the objectives of the services been achieved? What have been the success factors and problems?
4. **Sustainability of the services:** Will the results and impacts of the services remain after the end of the program?

Due to the fact that the program is still running and the time period for achieving results has been short, the evaluation focused mostly on the aspects of implementation and efficiency.

The evaluation addressed the period from January 1, 2008 until May 31, 2010. During this period the services have been amended several times. One of the most important changes during this period

took place in May 2009, when a renewed Unemployment Insurance Fund started its activities, taking over the work of the liquidated Labor Market Board. Since then, the Unemployment Insurance Fund is responsible for the implementation of the labor market services.

The evaluation used both quantitative and qualitative information sources. In addition to the statistical data on the labor market services of the Estonian Unemployment Insurance Fund, various documents regulating the services were also used. Furthermore, a large share of the evaluation relied on face-to-face interviews with the service users, providers as well as other relevant parties. In total, 78 interviews were conducted.

The following will summarize the most important results of the evaluation.

Business start-up subsidy

The business start-up subsidy is one of the services which aim at increasing employment, decreasing unemployment and shortening of the duration of unemployment. The subsidy is only available to registered unemployed. In order to receive a business start-up subsidy, the applicant must be at least 18 years old, and be able to demonstrate some experience in running a business. That experience can be shown by referring to past activities or education, or by completing specific business training.

- **Relevance**

Considering the high unemployment rate and increasing lack of financing possibilities during the economic crisis, supporting of unemployed to start their business is very relevant. In addition, it is generally known that unemployed people starting their private business are in a disadvantaged situation compared to the other business starters as they have not had much time to collect information, educate themselves and prepare plans. In this respect, also the provided training and services offered after the subsidy are certainly relevant and helpful.

The aim of the subsidy is to increase employment, reduce unemployment and shorten the time of unemployment. More importantly, the aim is to create work places via supporting entrepreneurship. The only indicator used to measure the impact of the subsidy is the share of the people engaged in entrepreneurship two years after receiving the start-up subsidy. While this indicator adopts only a very narrow approach towards the impact on employment, another indicator should be additionally introduced: the overall employment in the labor market.

Unemployed people starting their own business do not form a homogeneous group. On the one hand, there are people who start a business because they do not have currently other job opportunities available but on the other hand there are a number of people who consciously prefer entrepreneurship to paid employment. In the first case, the subsidy does comply with the purpose to reduce unemployment and shorten the time of unemployment. In the latter case, the subsidy functions rather as a facilitator of career choices and therefore in a long-term perspective also supports the quality of working life. This last idea is not reflected in the documents as a purpose but according to the Estonian Unemployment Insurance Fund is still a positive result.

- **Efficiency**

The terms of distributing the subsidy are generally satisfactory but some of the conditions are not exactly clear. There are also some difficulties regarding the application process for non-Estonians. Taking into consideration that preparation of the business plan in Estonian is difficult for Russian-speaking people, the special treatment of this risk group could be considered in the future: they might be allowed to prepare their business plans in Russian. The web page of the Fund should also be updated and improved, adding among other things information on the subsidy in Russian and sections on frequently asked questions.

In case of lack of the business education or relevant experience the applicant needs to participate in a basic business training course. The content of the training offered is satisfactory but not its availability. In addition to lack of training places, it is felt among the target group that the system for accessing the training does not guarantee equal opportunities to everyone. Information should be publicly available on how the training places are divided among the applicants and which target group it is meant for. In addition, it is necessary to inform people more effectively about other business training possibilities (not offered by the Unemployment Insurance Fund).

There seems to be reciprocal communication problems. For example, it was found that applicants, who did not undergo the training and prepared their applications independently, were in a less favorable position concerning information available compared to others who did take part in the training course. The cooperation between training providers and counselors from one side and the Unemployment Insurance Fund from other side could also be substantially improved.

The efficiency could also be raised by more substantial monitoring activities. The new information system creates opportunities for this. Monitoring information could be used for improving the design of the service, which helps to guarantee better results.

- **Impact**

It turned out that there are very few entrepreneurs, whose enterprise has been already started in a way, which allows them to pay themselves a salary. Part of the receivers of the subsidy has already preferred to accept paid employment elsewhere at the same time still trying to manage their enterprise. The limited material benefits from the business are partly compensated by non-material benefits related to the entrepreneurship. This mostly characterizes people who preferred entrepreneurship to paid employment. The main problems impeding achievement of results in entrepreneurship tend to be an excessive optimism, unrealistic planning, lack of financial resources and insufficient knowledge in marketing. In order to improve the likelihood of success of the subsidy, it would be important to provide career counseling services to the potential applicants.

In the section of additionality it became evident that half of the interviewees claimed that their enterprises would still have been started even without the subsidy. But probably the starting process would have been much more difficult and lengthy.

The business training course has certainly contributed to the effectiveness of the subsidy. Awareness of other training and counseling opportunities is very low at the same time. There is a clear necessity for accountancy, legal and marketing training courses while beneficiaries are less interested in professional training courses which are currently available. Many entrepreneurs would be interested in subsequent counseling, rather by communicating directly with the counselor than in the form of a mentor club. Information about the opportunities for services provided after the subsidy should be made more efficient, including the services offered by Enterprise Estonia and county development centers.

- **Sustainability**

Concerning sustainability, interviewees recognize that experience of entrepreneurship has been very developing. At the same time is it not clear to what extent does the entrepreneurship experience improve further career opportunities as a salaried employee. According to the experience of the interviewees, many Estonian employers are rather cautious of employees with an entrepreneurship record.

Work practice

Work practice is a service aimed at improving practical skills of the unemployed through a practical training at a work place. It is generally provided to unemployed who lack either practical work

experience or need to update particular skills. Work practice is supervised and can last up to 4 months.

- **Relevance**

The purpose and content of the work practice service was up until the August 2010 defined very generally. In the regulation documents work practice had been defined vaguely and therefore it was not exactly clear for whom and for what purpose was the service offered in the first place. Vague goals in turn allowed using the service for very different purposes. At the same time it is doubtful, whether these goals have been desirable or not. This analysis revealed that under the circumstances of economic crises the work practice has been used among other purposes to keep the workers in temporary employment. At the same time, work practice in the form of temporary employment has not provided substantive learning (development of knowledge and skills) for the unemployed. Work practice has also been used as a probationary period, which is also doubtful in the context of work practice as training and serves rather the goal of temporary employment. Without setting the clear goal of temporary employment, the benefits for the trainees have remained questionable while the employers have acquired support in the form of temporary employment by unpaid labor and remuneration for supervision. As the main target group of the work practice is still the unemployed and not employers then the relevance of the service has been questionable at times.

Today, the opportunities for work practice have extended (the number of vacancies at the labor market has increased) and the Unemployment Insurance Fund has specified the content and principals of the work practice, therefore the service can be generally considered relevant.

- **Efficiency**

This analysis has demonstrated that although in many cases work practice has been a worthwhile experience for the beneficiaries, providing a learning experience and facilitating finding again a job, the quality and effectiveness of the work practice has not been always guaranteed. As a result of the ambiguous goals and content of the service and partly due to the increased work load of the Unemployment Insurance Fund the needs assessment for work practice has not been always carried out carefully. For the same reason, the arrangement of the practice (incl. work equipment, supervisor etc.) has not been done well enough. Inadequate arrangements have resulted in low quality practices that have not met the needs of the users. But low quality work practices represent clearly the cases of inefficient use of resources – as the time of the unemployed person and financial resources invested into the work practice have been wasted. The same problem arises, when the duration of the practice has been evaluated inadequately. Better goal and content setting of the service allows increasing the efficiency of the service.

Most of the problems related to the implementation of the work practice have been in connection with the vague and under-regulated service. Other more important organizational problems that came up were inadequate grant and the amount of the remuneration for supervision. Many trainees regard the grant to be too small and unfair, especially considering the content and intensity of the work practice. Although work practice is not an official paid employment, it has often had the features of employment and hence the perceived necessity to compensate it more fairly. Employers also brought out the trainees' difficulties in coping with the grant, and they pointed to the fact that they are not allowed to co-finance the grant. The trainees' coping problems are exacerbated by the refunding of their transport costs.

Remuneration benefit for employers is also one of the sources of inefficiency. Firstly, many trainees perceive the remuneration for supervision as unfair compared to the grant of the trainee and amount of the work contributed for the organization during the practice. Currently, the supervision of the work practice has not been regulated in any ways, it solely depends on employer's readiness and motivation to provide the supervision. Remuneration for supervision does not depend on its complexity either. The analysis outlines that as work practice is often supervised during the time of

the employee's usual duties, then the remuneration becomes often simply an additional source of income for the company. These circumstances point to the necessity to review and rethink the topic related to the remuneration for supervision.

The monitoring system of the work practice is currently rather limited by nature and it does not allow following the service in way that would provide substantial information and input. The feedback collected as a result of the practice is not informative and therefore does not form a single reporting system allowing monitoring the service. The statistical data collected for the work practice are also insufficient, especially concerning the effectiveness of the work practice.

- **Impact**

It is difficult to evaluate the impact of the work practice as on the one hand the statistics do not allow doing so and on the other hand the qualitative approach used in this research does not allow making any conclusions related to participation in the work practice and finding a job. The statistics collected by the Unemployment Insurance Fund provide only an opportunity to see whether the person got employed after the work practice or not. It is also not possible to monitor whether the person found the job in the same company that the practice took place in or whether he/she was employed in the same area of expertise. The interviews carried out pointed out that in many cases, if the practice had been organized at high quality level, it had resulted in finding a job in the same organization or in the same area of expertise under a different employer. Many people interviewed emphasized the value of the work practice for finding a job.

- **Sustainability**

Concerning the sustainability of the service, it is worth mentioning the necessity to find ways for recognizing the work practice experience. In the opinion of the interviewees, it would be useful in the future to have some kind of document certifying the acquired skills. Consequently, the output of the work practice needs some kind of more specific formalization.

Coaching for working life

The aim of coaching for working life is to prepare a person who has been unemployed for a long period for returning to working life. An unemployed person is provided coaching for working life when he/she needs to restore or gain work habits.

- **Relevance**

The evaluation outlined that coaching for working life on its own will not be able to meet the varied needs of the target group. On the one hand, there is an issue about low educational attainment or skills not corresponding to the current needs in the labor market. On the other hand, the target group of this service is characterized by lack of social skills as well as some social problems (e.g. addictions). At the same time, coaching for working life provides the target group with some easy job tasks as well as different counseling activities. The content of the latter is varying to some extent but still several issues faced by the target group of the service remain unaddressed. Thus, combination with other labor market measures is needed to address the variety of needs among the target group. Today, participants in the service only rarely take part in other labor market services.

In terms of relevance, it should also be asked whether those who have been sent to coaching for working life are really the target group of the service. The service is relevant for those who are motivated to find a job and work towards achieving this goal. For those who participate in the service for other reasons (such as free food or filling the eligibility criteria for subsistence allowance) the relevance is questionable. For the latter other services (e.g social welfare services) should be provided. For the coaching to be effective, it would be important to cooperate with the local governments in order to find the suitable persons for the service. Also, the consultants of the

Unemployment Insurance Fund should be able to make informed decisions of who should be sent to the coaching.

Another issue is whether the service corresponds to the changing needs in the labor market. Since 2009 unemployment in Estonia has increased rapidly as the result of the economic crisis. This has also resulted in increasing number of long-term unemployment. As this is the main target group of the service, it is clear that there is an increased need for services targeted at long-term unemployed – such as coaching for working life. However, during the analyzed period of 2008 – 31 May 2010 the provision of the service has not been able to meet the demand across all regions of Estonia. The provision of the service is unstable and unequal across different regions. There are two main reasons for this. On the one hand, procurement procedures have been postponed in order to revise the contents of the service and improve this. On the other hand, there is a lack of service providers in some regions. Thus, addressing these issues will be important to meet the demand for this type of services in the Estonian labor market.

- **Efficiency**

In order to analyze efficiency of the coaching for working life, a number of aspects of the service were addressed. For instance, it was shown that the cost of the service depends not only on the contents of the service but also on the characteristics and background of the service providers. Namely, the service providers have very different backgrounds. While some are financed by local governments, for instance, others are project-based organizations that depend on projects such as coaching for working life. Thus, such organizations also have to cover their every-day expenses (e.g. rent, appliances etc). This also raises the costs of service for these organizations. Thus, organizations that are at least partly financed from other sources have a competitive advantage in terms of the price.

It was also assessed whether the length of coaching for working life is sufficient to achieve the goals that have been set. Coaching lasts slightly over two months on average, although the maximum length is set to four months. However, it has been assessed by service providers that this is enough to find out the motivation of participants, their skills and expectations and also to raise their preparedness to start searching for a job.

Also, there are several supporting activities added to coaching in order to support participation in the service. This includes transportation support as well as grant for participants. While the amount of grant is very small, the transportation support is a financial support depending on the length between the living place of the participant and the place of coaching. However, one of the issues with transportation support is that it is paid after the service has ended based on participation lists. This has resulted in a situation where people might not have finances to arrange their transport during the service. Also, after receiving the support, this is not used for transportation anymore. Thus, it is more of a financial support to participants rather than support for transportation since it is not based on real expenses. Thus, a choice should be made between financial support for participation and support for transportation based on real expenses. The costs of both choices should be analyzed based on the financial gain from these changes as compared to the administrative expenses that are needed to implement these changes.

In addition, it was concluded that the monitoring system of the coaching should be developed further. There is no system set up that would extend across all regions and would be implemented based on unified principles. Today several types of information are collected: data on some general aspects (this dataset is also analyzed in the research), individual feedback from the service providers as well as feedback that the consultants of the Unemployment Insurance Fund receive when persons have completed the service. However, this data is not systematically analyzed to make conclusions on the effectiveness of each case and make management decisions respectively regarding the

service. The need for information should be defined in Unemployment Insurance Fund and systematically analyzed thereof.

At the program level, only one indicator is being monitored – the share of long-term unemployed participating in the service. To gain more versatile information from monitoring, indicators on the results of coaching should be added. This could include, for instance, indicator on the share of participants taking part in other labor market services after coaching. This would indicate to what extent the goal of coaching has been achieved in terms of preparing the long-term unemployed for entering the labor market.

Another issue that has been identified is the lack of service providers. There are no new service providers entering the market since it is often difficult to compete with organizations that have already provided the service before and have acquired the necessary equipment. Thus, providing the service demands investments. Based on the current experience, it is clear that the market will not be able to provide coaching to the demanded extent or with necessary quality. Therefore, there are essentially two choices to address this problem. On the one hand, measures should be adopted to make providing the service more appealing to service providers (e.g. long-term contracts). Another choice is to provide the service by the public sector. This requires close cooperation with local governments.

An essential issue in terms of the design of the service is that today the goals, target groups as well to a certain extent the contents of the service are differently defined in different documents. Thus, it has been suggested to reconcile the differences in these documents.

Furthermore, it has been found that the procurement procedure of coaching takes too long in the Unemployment Insurance Fund. This has resulted in a situation where the period between the identification of the need for the service and the actual provision of the service is around half a year. One possibility to solve this issue is to provide more human resources for the procurement in order to speed up the process. Also, if long-term contracts would be concluded with service providers, the number of procurement procedures would decrease.

- **Effectiveness**

Interviews with service providers have indicated that coaching participants generally remain active in the Unemployment Insurance Fund, i.e. they keep turning to the local employment office. This gives good ground to provide other services to those who have completed coaching. However, today the data indicates that only around a quarter of cases, persons have taken part in career counseling as well. Participation in other services remains below 10%. Thus, the need to combine coaching with other services is again underlined.

- **Sustainability**

It was concluded that coaching for working life will be sustainable in case combined with other services. In case participants will not be transferred to other services, the results that have been achieved in terms of social skills or job routine might be lost fast.

General conclusions

This project addressed three very different services and therefore the results in case of any single service are different and specific. But some problems still became evident in case of all services and these observations have been brought out below.

- **The objectives of the services are not clear**

The objectives of the services are not expressed clearly. Although all services contribute to the achievement of the objective “increasing employment, reducing unemployment and inactivity and

improving the availability and quality of employment services” of the framework program “Increasing the Supply of Qualified Labor Force 2007-2013”, specific objectives are more vague. As a result, there were cases where more specific goals or sub-goals existed but these were often defined differently by various stakeholders or differed from that defined in the analyzed documentation. Visions and goals in an unwritten format may cause confusion about the goals of the services and bring along serious loss of information as well as variation in the implementation of the services.

In addition, the goals are not always related to the indicators. Inaccurate indicators make also the evaluation of the impacts difficult and allow different interpretations of the results obtained.

The target group of the services is not always specified. It is obvious that the target group includes unemployed people but considering the large number of unemployed people, especially at the present economic situation, it is not a homogeneous target group. More precise target groups were specified in course of the conversations with the suppliers of the services but these had not been defined clearly in the documentation regulating the supply of the services, which raises the problem of existing different perceptions.

In conclusion, it can be brought out that the program logic (how the subsidy/services should act and what more specific problems they should solve, etc) is not clear. It is recommended writing down the whole logic of the intervention of the service or subsidy, starting from the problem description, the exact target groups and their specific needs up to the indicators used for impact evaluation.

- **Monitoring**

There is not enough information about the implementation of the services. Collected statistical data reflects the general social and economic characteristics of the participants but more detailed information, which would help to monitor the implementation of the services and indicate the possible need for change is missing. To ensure the achievement of expected impacts it is necessary to set a system of monitoring in place.

- **Communication**

The weakest side of the implementation of the services seemed to be the distribution of the information and communication. The problems could be found between different parties – between the Unemployment Insurance Fund and the users of the service, between central office of the Unemployment Insurance Fund and employment consultants working all over the country at regional offices, between the Unemployment Insurance Fund and suppliers of the services and between the Unemployment Insurance Fund and the Ministry of Social Affairs. The problems could be certainly alleviated, e.g. by above mentioned specification of the service descriptions. The quality of the information published on the web page could also be improved. More systematic feedback to the supplier of the service (trainer, counselor, service providers of coaching for working life and work practice) would allow them to learn continuously from their possible mistakes as well as success.

Closer communication and cooperation between the Unemployment Insurance Fund and Ministry of Social Affairs would also ensure the achievement of better results. Current division of the roles between the Ministry as the responsible body for the services and the Unemployment Insurance Fund as the implementing agency should be revisited. The Ministry is responsible for monitoring the achievement of the results and impact but at the same time does not have an overview of the process. The above described monitoring system should give the Ministry up-to-date input for reacting more quickly to possible problems. The Ministry should express clearly their needs concerning monitoring information.

- **Individual approach**

It also became evident that there was lack of individual approach to the unemployed people. The main principle of the services of the Unemployment Insurance Fund is an individual approach (incl.

individual plan for job-seekers), considering the specific needs of every job-seeker and offering the services according to this. At the same time the evaluation indicated that sometimes too little attention is paid on identification of individual needs. Although the implementation of the individual approach has been hindered by the increased work load of the Unemployment Insurance Fund as a result of the rapidly increased number of unemployed in the recession, the local offices of the Unemployment Insurance Fund could be provided with more personnel and instructions for more profound personal approach.