## Executive summary

This document is the third Evaluation Report prepared in the framework of the project "Implementation of the Evaluation Plan of the Operational Programme Human Capital 2014-2020. Evaluation of Employment Interventions". The evaluation report was carried out under the coordination of the Ministry of Investments and European Projects by a team of experts deployed by the association formed by ERNST & YOUNG, the National Institute for Scientific Research in Labour and Social Protection and QURES Quality Research and Support.

The purpose of the evaluation is to facilitate informed management of the Operational Programme Human Capital 2014-2020 (OPHC) and evidence-based decision-making. To this end, a set of robust conclusions and recommendations have been developed from the evaluation's analysis, which will be useful for the programme management.

The scope of the evaluation covers 6 themes, which address the specific objectives of the OPHC directly relevant to the area of "employment", as follows:

* Evaluation of the OPHC contribution to increasing employment among NEET youth (Coverage area - specific objectives 1.1, 1.2, 2.1, 2.2, 2.3, 6.1);
* Evaluation of the OPHC contribution to increasing the employment rate of target groups other than NEET youth (Coverage area - specific objectives 3.1, 3.2, 3.3, 3.4, 3.5, 3.6, 3.9);
* Evaluation of the OPHC contribution to increasing employment by supporting non-agricultural enterprises in urban areas (Coverage area: specific objective 3.7);
* Evaluation of the OPHC contribution to adapting the structures of the Public Employment Service (PES) to the needs of the labour market and increasing the satisfaction of PES clients (Coverage area: specific objectives 3.10 and 3.11);
* Evaluation of the OPHC contribution to increasing the adaptability of enterprises in sectors with competitive potential and in areas of smart specialisation (scope - specific objective 3.8);
* Evaluation of the OPHC contribution to improving the knowledge/ competences/skills of employees in sectors with competitive potential and in areas of smart specialisation (scope: specific objective 3.12).

In addition, the evaluation includes a seventh, additional theme, under which the "Assessment of the OPHC interventions 2014 - 2020 on the contribution to the evolution of some macroeconomic indicators at national level" is carried out.

To answer the evaluation questions, the approach provides a mix of data collection and processing methods and tools, ensuring a balance between quantitative and qualitative methods. Theory-based evaluation was combined with counterfactual impact evaluation for three evaluation themes (themes 1, 2 and 3) and interviews, case studies and focus groups were conducted for all themes. The survey applied only to the target group and the quantitative analysis of statistical data were carried out under the evaluation themes five, six and the additional theme. No major limitations were identified that would prevent or significantly undermine the rigour of the evaluation exercise.

##### Main **findings** and conclusions

###### Evolution of the context in which the OPHC employment interventions were implemented

The context of the interventions covered by this evaluation was strongly influenced by the consequences of the COVID-19 pandemic and the recovery measures taken to mitigate the negative effects. The second part of 2022 and the beginning of 2023 show that these measures have had their intended effects in several areas. Thus, for example, although the employed population and employment rate have been on an upward trend over the period analysed, there have been slight slowdowns in the rates over the period 2020-2021. Despite the favourable dynamics, the employment rate remains below the European average. On the other hand, the unemployment rate has been on a general downward trend, below the European average. In regional terms, the Bucharest-Ilfov and Center regions have mainly contributed to employment growth. In 6 out of the 8 development regions, the total employment decreased, with the most significant decreases in the employed population being observed in the North-East and South-West Oltenia regions. The ITI Danube Delta area is marked by reductions in the employed population, the most significant being recorded in agriculture.

The population aged 15-24 years is experiencing low levels of employment and employment rates, being the age group most affected by the effects of the COVID-19 pandemic. Thus, the problem of NEET and unemployed young people continues to be present in Romania, 9 years after the Youth Guarantee started to be implemented. The share of NEET young people in the total youth population increased in Romania between 2020-2022, after having been on a downward trend until 2019. This is an effect of the COVID-19 pandemic, but it is serious that Romania ranks last in the EU in 2022 in terms of the rate of NEET youth, compared to 23rd place in 2014. At the same time, the NEET youth population is feminised and rural.

Participation in adult vocational training increased sharply between 2014 and 2022, but remains well below the European average. In Romania, the level of knowledge of a foreign language is mainly elementary, but there is a trend towards an increase in the share of people with a professional level of knowledge of a foreign language. The rural population and young people dominate the category of those with elementary knowledge of a foreign language.

Over the period 2014-2022, the percentage of people with basic digital skills showed a slight upward trend, but the gap between Romania and the EU remains very high (27 percentage points).

###### Net effects of the OPHC employment interventions

**The OPHC interventions have had the expected positive results**, by the end of March 2023, providing employment for 166.7 thousand people (under the specific objectives 3.1-3.6), with priority for unemployed and inactive people (about 94% of participants), rural people (about 24% of participants) and Roma people (8% of participants). Around 80% of those who benefited from the OPHC support experienced an improvement of their opportunities in the labour market. For seven out of ten participants who improved their employability, this effect would not have been seen in the absence of the OPHC intervention.

There have been net positive employment effects for the unemployed and inactive, but also for hard-to-employ groups such as the unemployed and inactive with low levels of education, the unemployed and inactive with disabilities, and the long-term unemployed. The greatest increase in the likelihood of employment due to the OPHC intervention is for unemployed and inactive people with disabilities and unemployed and inactive people with low levels of education.

As far as NEET young people are concerned, only about 16% of unemployed young people aged 15-29 are registered with the public employment service following the contribution of the OPHC project dedicated to the registration of NEETs**.** However, the OPHC has contributed around 5.3% to raising skills levels among these young people. From an employment perspective, more than 21,000 young people aged 16-29 received support and got employed (of which 15.74% of the NEET young people registered with National Agency for Employment). However, the projects develop rather general than specific skills adapted to labour market requirements for young people in the projects' target groups. Nevertheless, the OPHC has generated success stories, mainly in terms of developing youth entrepreneurship. In particular, there has been an increased focus on Roma youth andthis aspect has had positive effects on them, both in terms of skills acquisition and employment**.**

The progress achieved is also due to the improved performance of the Public Employment Service (PES). The contribution of the OPHC to the adaptation of PES structures to the needs of the labour market, i.e. the matching of labour demand and supply and the diversity of services offered is important. In contrast, the contribution of the OPHC to increasing the satisfaction of PES clients has been identified as limited. Although indicators showing an improvement in the satisfaction of PES clients have been collected through interviews, the tool for measuring PES client satisfaction has not yet been developed.

From an entrepreneurial development perspective, through SOs 3.7, 3.8 and 3.12, the OPHC has made an important contribution to the creation of new businesses and the development of the human resources employed. The support of OPHC has been instrumental in increasing/maintaining the number of employees and has led to increased employment by supporting non-agricultural enterprises in urban areas, but only in the short term. The net effect assessed by counterfactual analysis both at start-up and after one year of operation is highlighted by the fact that supported firms have on average a higher number of employees compared to similar non-supported firms. But these effects tend to diminish and even disappear over time. As for the chances of survival of the enterprises set up with SO 3.7 support, they remain significantly higher so far.

However, companies in the sectors prioritised by the National Strategy for Competitiveness and the National Research, Development and Innovation Strategy, although they have become more efficient as a result of the OPHC intervention, have hardly maintained their competitiveness during this period, despite strategic management and human resources with improved skills. However, the OPHC has introduced innovative, productive and "green" work organisation models, providing concrete examples of measures taken within the companies in which they operate. With the support of the OPHC, the sectors most affected by the COVID-19 crisis are managing to catch up and even perform better. This may even suggest that they have been able to manage the pandemic and post-pandemic period much better. From a sectoral perspective, the results suggest that the OPHC intervention has made an important contribution in particular to businesses in the food and beverage processing, health and pharmaceuticals and textiles and leather sectors.

At the same time, through the projects implemented under Specific Objective 3.12, the OPHC has contributed to the vocational training of employees, to the development of skills, in line with the short-term results expected at the time of the programme's elaboration. A broad comparison between the value of outputs of Specific Objective 3.12 with those available at national level (through NIS and Eurostat) indicates that through Specific Objective 3.12, the OPHC will contribute through the usefulness of the courses carried out and skills gained by the end of 2023, with around 0.3% of the number of adults participating in vocational training at national level (the proportion is 10% if we consider the number of participants in vocational training programmes in 2020). There are counties and regions where the number of trained people is higher, and these are, in most cases, those with a high level of development (Cluj, Alba, Brasov, Iasi, Prahova, Sibiu and). The evolution is, thus, very good in the Centre and South-West regions, where, according to Eurostat, the lowest participation rates in adult training programmes were in 2022. However, the benefits of the courses taken have spread to a small extent in terms of internal and external mobility (promotion, job change) and wage increases. Also, the competitiveness and resilience of companies was not greatly influenced by participation in courses, possibly because a large part of the planned technical courses could not be implemented due to the pandemic context.

The evidence collected shows that there is a perceived need to invest in continuous training to develop employees' skills. Increasing participation in continuous training, in particular in soft skills, is particularly necessary in view of increasing the resilience of companies to possible shocks, including digitisation and automation in the context of the transition to a zero-carbon economy and the evolution of Artificial Intelligence.

According to the Leontief model, the total contribution of the OPHC to the achievement of gross domestic product cumulating direct, indirect and induced effects was over 2.04% in the period 2014-2023, with an induced effect evaluated at 0.92%, while the total effect of the OPHC investment on employment for the period 2014-2023 translates into a number of 110.52 thousand persons employed, with a significant contribution of the induced effect quantifying approximately 53.30 thousand persons.

###### Other effects of the OPHC employment interventions

OPHC interventions have also had other effects than those expected, producing important economic benefits (through the taxes paid and the savings in social benefits and unemployment benefits), and there is scope for short and medium term payback of the investments made. Thus, the average rate of return is 5% per month or 60% per year. In the case of interventions for NEET young people, the full cost recovery can take place in about 1.6 years, but only if the effects of the interventions are sustainable (if jobs are maintained).

The relations with the local business environment and the visibility of the developed businesses have been improved. The local labour market has benefited from the generation of new jobs, which, to some extent, has boosted the return of community members who have gone abroad to work. This has also had a positive effect on families and the community. In some cases, participation in projects funded by the OPHC has enabled the creation of communities of experts in the field which has allowed new opportunities to be identified, in partnerships at regional level. At the same time, the knowledge acquired in the courses has been disseminated to people outside those supported by the projects. Managerial and entrepreneurial skills, self-confidence and motivation to succeed increased. The distorted perception that there is not the same level of seriousness if some courses are not authorised has been corrected. In addition to the virtual socialisation needed in the pandemic, the courses were perceived as useful for participants' personal development.

###### Main mechanisms influencing the OPHC interventions in the field of employment

The main mechanisms that negatively affected the materialisation of the expected or unexpected effects of the OPHC employment interventions are, in this order: the economic situation generated by the COVID-19 pandemic, the poor employment opportunities available locally, but also the migration of participants abroad. From the perspective of the OPHC procedures, the obstacles were the delays in the start of the programme, the structure and minimum binding targets for output and result indicators, the too long evaluation and contracting time, the insufficient implementation time, the administrative burden generated by the reimbursement process and the low level of unit costs. The development of firms has been significantly affected by the COVID-19 crisis, by diminishing the beneficial effects of the intervention. The restrictions imposed led to the loss of customers as well as employees, redefinition of the market and supplier-beneficiary chains upon the relaxation of the conditions imposed by the pandemic. Counteracting these negative effects can only be achieved by ensuring a stable economic environment, by providing incentives to businesses and access to finance for business development.

There remained a significant contextual challenge of accreditation as trainers and/or courses, the institutional structure based on shared responsibilities and coordination between two ministries (MLSP and ME), still presenting some limitations on the strategic vision for the development of adult vocational training. However, at the operational level, steps have been taken fairly quickly to submit online accreditation dossiers for continuing vocational training programmes and to conduct online theoretical training for courses.

The effects of the OPHC interventions among jobseekers were favoured by some factors characteristic of the programme: the existence and level of the trainee subsidy, the activities of assessment and certification of vocational skills obtained through other than formal channels, mediation and on-the-job apprenticeship programmes. Innovative approaches and good practices were identified in relation to how grantees mobilised experts from the vulnerable communities in which they implemented projects, used ways to motivate and mobilise young people extrinsically, together with counselling activities tailored to their needs and expectations. The design of the funding instrument also made a positive contribution, with coaching and mentoring activities, the level of financial allocations, the strong experience of partnerships in implementing European projects, the existence of high-quality local training providers, good communication with monitoring officers and the prompt response of Regional intermediary bodies to the onset of the pandemic. Positive aspects include the quality of projects and training sessions, the efficiency of the project management team and the collaboration with staff involved in monitoring at regional level.

###### Sustainability of the OPHC interventions in the field of employment

The sustainability of the effects achieved by OPHC up to the deadline of this evaluation is very important, and determines the success of the programme as a whole. Thus, for the interventions implemented under specific objectives 3.1-3.6, sustainability at the time of the analysis was positive - three quarters of those who gained employment after participating in the support remained in the labour market by the time of the evaluation. However, effects are weakly positive on the likelihood of currently holding a job among the unemployed and inactive in the target groups. For the category of those with low educational attainment, the OPHC led to an increase in the likelihood of participants to remain in employment compared to other persons registered with NEA who did not participate in OPHC programmes.

As far as NEET young people are concerned, the evidence collected shows that the effects of OPHC on them are sustainable in terms of their vocational training, i.e. the acquisition of new skills and knowledge, and employment for an average period of 6 months. The effects of the OPHC are partially sustainable in terms of the enrolment of NEET youth in the Public Employment Service, due to the delay in the start of the Partnership Agreement 1 and 2 projects other than the INTESPO project. The sustainability of the effects recorded will be sustainable also by integrating the results of National Agency for Employment projects (methodologies, tools) into the daily work of the Public Employment Service.

As for the supported firms, their survival rates from start-up to the time of evaluation were higher than those of other similar firms that did not receive intervention. The effects are more pronounced in trade and construction and at regional level, the South-Muntenia region stands out, as in the case of the effects on the number of employees. Non-agricultural enterprises in urban areas do not anticipate major changes by the end of 2023, but rather a constant maintenance of the number of employees.

In terms of the effects achieved by the training activities carried out under OPHC SO 3.8 and 3.12, the benefits of the training are rather medium-term. The beneficiaries of the training sessions integrate the methods and practices learned into their current practice, increasing efficiency and improving working conditions. However, employees are not informed about future courses they will attend, which may indicate that human resource development activities are not sufficient/sustainable. Without further training, skills gained will quickly become redundant, especially in areas where international competitiveness needs to be maintained. The interest in and need for training is maintained, but there is a need for dynamism and funding (especially for small companies). In this context, support for companies to develop and introduce workplace learning programmes is very useful to ensure sustainability. However, little evidence could be collected on the sustainability of these activities, i.e. on the continuation of actions to evaluate employees, formulate individual development plans, organise courses and implement them (or "send" employees to external courses). The main prerequisites facilitating the sustainability of this type of intervention are the existence of a strong and motivated HR department and the support of decision-makers at company level in terms of the realisation of an adequate HR policy, the intention of beneficiaries to continue to access and implement projects under the new Education and Employment Programme, the shared experience of beneficiaries who have brought to the attention of decision-makers the experiences gained through the implementation of OPHC projects in order to make a contribution to the improvement of OPHC and/or future interventions.

The main recommendations made by the evaluation team, based on the findings and conclusions presented above, are:

######  Regarding the logic of the interventions:

* Continue to provide integrated packages of measures to improve the skills levels and increase the employment of unemployed and inactive people;
* Cooperation with local communities to identify and involve people from target groups in interventions aimed at improving the level of vocational skills and increasing the employment of unemployed and inactive people; in this context, better cooperation of public employment services with associations and foundations supporting Roma people in order to improve their registration in the public employment services database;
* Maintain and intensify measures to stimulate mobility and support entrepreneurship among unemployed and inactive people in rural areas;
* Planning of projects and activities specifically dedicated to young NEET women, given their large number, and parallel implementation of support services for young mothers;
* Given the increasing number and rate of NEET youth in Romania, a strategic approach to the situation of these young people, who are the most vulnerable, is needed;
* Increasing the level of subsidies granted so that OPHC-supported firms can create more attractive (better paid) jobs in the current economic context;
* Flexibility in the structure of the programme to support entrepreneurs with specific coaching and mentoring interventions as needed and, in the implementation, and sustainability phases;
* Paying more attention to complementarity between specific objectives that have the potential to produce synergy effects at the level of the target group (in particular at enterprise level); Paying more attention to the regional distribution of projects and their effects, so that they do not deepen the existing regional disparities, which is contrary to the EU Cohesion Policy;
* Modernising the governance of Continuing Vocational Training (CVT).

######  In terms of the concepts used

* Social innovation should be more clearly defined and encouraged;
* There is a need for better definition of outcome and immediate output indicators, through precise definitions, avoiding the use of general terms so that they cannot be interpreted.
* A more specific definition of the notion of increasing the adaptability of enterprises to the dynamics of the priority sectors from the point of view of the OPHC is needed;
* It is necessary to ensure the clarity of all elements of the intervention logic and the expected results at enterprise level, including a correct estimation of the related indicator targets.

######  As regards OPHC procedures

* Improving the implementation of interventions by ensuring shorter project appraisal and contracting times and increasing project duration;
* Train a procedure for monitoring indicators and therefore final targets by setting interim targets;
* In terms of reporting methods, it is considered beneficial to reduce bureaucracy (e.g. by minimising the demand for the amount of information repeated from one technical report to the next; by reducing the existing details required in some cases);
* Strengthening the ex-post monitoring system in the sustainability phase of projects, through which to highlight the implementation of some of the results achieved - e.g. implementation of workplace courses introduced through the OPHC.