Laboratory on policy design
Working tables

The applicability of CIE methodology depends on policy design.

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Policy design can be defined in such a way to make the application of CIE approach feasible.

In order to design a policy in light of future CIE, the following elements are crucial:

- What is the general <u>aim</u> of the policy?
- What is the <u>institutional background</u> where the policy will be applied?
- What is the population <u>target</u>ed by the policy?
- Why has this <u>subgroup</u> of individuals been chosen?
- During the same period of policy-intervention, are there any <u>concomitant policies</u> in the local environment?

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How can the policy be designed?

- How can the criteria to be eligible into the policy intervention be set?
    - Are there any possible thresholds/criteria, defined by law/regulation, to be exploited in order to avoid self-selection of the potential candidates?
    - Is it reasonable to "randomise" the treatment (in a fair manner)?

What data can be used for the evaluation?

- Can the data collection be planned in advance both for treated and control groups?
- What data sources are accessible for the evaluation?
- Can monitoring data be linked to other data for evaluation purposes?

European Commission

Context

The percentage of early school dropouts in the country AA has remained stable, and fairly low in recent years. However, such a low number of early dropouts masks substantial heterogeneity. The phenomenon is indeed heavily concentrated in deprived neighbourhoods of major cities.

Compulsory schooling in the country ends at the age of 16, when the majority of students enters the 11th grade. The policymaker wants to design a policy addressed at pupils in middle schools (6th , 7th , and 8th grade). Middle school education has a common programme for all pupils. At the end of the 5th and 8th grade, students take an examination which enables them to continue their education.

Potential target schools are located in severely deprived neighbourhoods characterized by high levels of unemployment, poverty, and substance misuse, and where the likelihood of developing juvenile delinquent behaviour is high.

The policy to be implemented will be based on afternoon activities to be carried out in the school premises. These activities will include, among others, homework support with innovative pedagogical approaches, sport clubs, theatre classes. These activities cannot, and should not, be made compulsory, but are reserved to students of each specific school.

The neighbourhoods (defined as the geographical aggregation of contiguous census units) will be identified using an indicator combining information from different sources (census data, criminal data, benefit registers). The indicator ranges from 0 (no-deprivation) to 1 (high deprivation).

Points for discussion

- **Policy design and selection of participants**

- **Outcomes that the region should take into account**

- **Data sources required**

Context

The level of unemployment in the country has been steadily increasing in recent years. Before deciding the appropriate measures to put in place in order to deal with the issue, the policymaker commissioned a study to investigate the phenomenon in greater detail.

The evidence supplied by the commissioned study suggests that a growing fraction of unemployed individuals is long-term unemployed. Long-term unemployment is defined as being in receipt unemployment-related benefits for more than 12 months in the last two years.

Due to sectoral differences between regions (suppose for simplicity that the number of regions is 4), the issue is more severe in region A and B, with respect to region C and D.

Finally, the majority of long-term unemployed is older than 40. This is partly due to the fact that the regions which have been more affected by the recent economic downturn have already started activation programmes in the last two years based on job training initiatives for youth unemployed (up to 35 years old). These interventions, which are still ongoing, are financed with national resources.

Since the policy-maker believes that re-training might prove non-effective for older individuals, a supply-side policy, based on hiring incentives for firms, is considered to be financed with ESF resources.

The policymaker wants to design the intervention as a transfer to firms which hire long-term unemployed individuals, offering a job with a minimum duration of two years. The transfer should be worth 5.000€ per worker for two years.

The policymaker has to decide, among other things, whether eligibility of individuals to be hired by firms has to be evaluated only once during the intervention period (e.g. 1st January 20XX), or applications can be processed throughout the duration of the intervention.

Points for discussion

- **Policy design and selection of participants**

- **Outcomes that the region should take into account**

- **Data sources required**

Case Study 3
Support for Disadvantaged Families

Context

The region AAA wants to define a funding for supporting disadvantaged families. The region has decided to spend this money for an income support scheme.

They want to decide which kind of income support should be activated among the following possibilities:

- A fixed amount per equivalised household member
- "Bottom-up" mechanism, i.e. the region will give the amount necessary for reaching a certain amount of income

They have decided to choose as quantitative indicator for poverty an index that takes into account the following characteristics:

1. Number of adult members
2. Number of kids
3. Individual incomes from different sources
4. Assets (House value if homeowner and other forms of financial assets)

The poverty threshold is 5.000€ per adult member per year. By definition of the indicator, all adult members in the same household will have the same value. As a results, if, say, two adult members are present in the household, and their indicator is 1.000€, then a transfer worth 8.000€ [(5.000 – 1.000) x 2] would be required to move the family out of poverty.

For simplicity consider a scenario in which the number of household members 40.000. If we split the distribution of the individual indicator in 10 categories [0-500€] [500€-1.000€] … [4.500€-5.000€] there are 4.000 adults in each one of them. (Notice that although households are the target of the policy, the indicator is obtained at individual level in order to deal with heterogeneity in household size) .

The amount of funding which would be required to move all the households out of poverty is 110 million per year. The amount available for funding is instead 275 million for the entire programming period, corresponding to 55 million per year (over 5 years).

Points for discussion

- **Policy design and selection of participants**

- **Outcomes that the region should take into account**

- **Data sources required**