

Summary

Training support for persons given redundancy notices at Volvo Cars – retrained for work? (RiR 2015:01)



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Training support for persons given redundancy notices at Volvo Cars – retrained for work?

The Swedish National Audit Office (NAO) has audited the efficiency of the labour market policy project “Volvo Cars and its subcontractors.” The project focused on persons who were covered by the redundancy notices at Volvo Cars and its subcontractors at the end of 2008 and start of 2009. The audit report is a case study and comprises a supplement to the Swedish NAO’s audit report Arbetsförmedlingen’s work in the event of notice, RiR (2014:27).

Background of the performance audit

Reasons for the audit: “Volvo Cars and its subcontractors” is the first of three examples of labour market policy projects in which the Swedish Government has till now applied for and received funds from the European Globalisation Adjustment Fund (EGF) in order to be able to offer retraining measures in addition to the regular tools of labour market policy. In accordance with the conditions for being able to use funds from the EGF, support may be provided when extensive structural changes within world trade result in a serious financial disturbance. The aim of the measures which provide entitlement to support in accordance with the EGF fund is to reintegrate redundant employees into the labour market.

A previous evaluation of the project, which was conducted by Arbetsförmedlingen showed, among other things, that unemployment for project participants was significantly higher compared to others given redundancy notices at the company who did not participate in measures within the framework of the project. The results of the evaluation are an indication of that the project has not been efficient, but it is also likely that the negative effects which were demonstrated in the evaluation largely relate to short term lock-in effects. The project’s long term effects have not been evaluated in the past, which is the primary reason for the Swedish NAO’s audit.

The aim of the audit: The aim of the audit was to investigate whether the State’s initiatives in connection with redundancy notices at Volvo Cars attained the aim of the measures which provide entitlement to support in accordance with the EGF, i.e. to reintegrate redundant employees into the labour market.



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Implementation of the audit: The audit's observations and conclusions are based on quantitative methods. In order to assess the efficiency of Volvo Cars' project, the Swedish NAO has compared the project participants' actual return to work with a matched control group who did not receive support.

Audit findings

The audit's overall conclusion is that the State's measures in connection with redundancy notices at Volvo Cars have had a negative effect on the return to work for relevant persons compared to others made redundant in Sweden during the same period.

No positive effects on the participants' return to work

The audit shows that persons who have participated in training initiatives funded by the EGF based on redundancy notices at Volvo Cars and its subcontractors have had a slower return to work compared to a matched control group. Initially there is a natural lock-in effect given that participants in the project have been involved in training and therefore have been less inclined to seek employment compared to others who have lost work in connection with large redundancies. However, in the long run we cannot see any positive effects of participation in the project in terms of return to work.

Time plays a role: The audit also shows that the time aspect plays a role in the outcome of project participants: The longer time participants had to wait for training to start, the longer the subsequent unemployment. There is also a strong correlation between the length of training and subsequent unemployment: The longer the training, the longer the period of unemployment after training has been completed.

Funding from the EGF entails a focus on structural adjustment: In order to be able to justify an application for funds by the EGF, the Government is leaning towards the assessment that the crisis in the automotive industry had structural causes. With hindsight, the crisis involved both financial and structural elements. Production declined significantly during the crisis years, but recovered over the subsequent years to a slightly lower level than before the crisis. However, it is likely that further adjustment for the European automotive industry remains. In Volvo's case, the Swedish NAO claims that the access to funding from the EGF, where the actual basis is structural changes in the trading pattern, may have entailed a too unilateral focus on switch-over to work in other industries.

No signs of training initiatives resulting in a changed vocational specialism

A related issue is whether the project contributed to facilitating the change of vocational specialism. In order to answer this question, the audit has been supplemented by a review of the



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project participants' vocational specialism over time with the aim of investigating whether the project contributed to facilitating change of vocational specialism.

In this context we found that the share of project participants who work with manufacturing (and particularly as vehicle assemblers) has declined since the redundancy notices were initiated while the share of those who work within service professions and professions which require university education has increased. However, there is a corresponding pattern among others who were made redundant within Volvo Cars and its subcontractors, but who did not participate in training initiatives within the framework of the EGF project. All in all, there did not appear to be any major differences between the EGF group and others who were made redundant within Volvo Cars in terms of changes in the vocational specialism, despite the former group's focus on retraining.

The Swedish NAO's recommendations

The audit report's conclusions are specific for the project "Volvo Cars and its subcontractors" and should not be generalised to apply to all similar projects. However, the Swedish NAO believes that it is possible to learn lessons from the project's effects ahead of the future. Based on the audit's results, the Swedish NAO makes the following recommendations to the Government:

Use the instruments of EGF in combination with regular labour market measures. As it is impossible in advance to determine whether large redundancy notices have structural or financial causes, the Government should avoid unilaterally focusing on the type of adjustment measures which provide entitlement to support with funds of the EGF.

Early measures and short training initiatives are important. If in similar future cases the Government considers granting funds for adjustment measures based on the EGF, it is important to act quickly so that the measures can have the desired effect. Therefore in such cases the Government should ensure that the application procedure is quick and ascertain that short training measures are prioritised over long measures.

